

**SOCIAL CAPITAL, INSTITUTIONAL NETWORKS
AND
EUROPEAN REGIONAL POLICY:
ADAPTATION AND ADJUSTMENT
IN THE AEGEAN ISLANDS**

by

CHRISTOS JOHN PARASKEVOPOULOS

PH.D THESIS

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

DEPARTMENT OF GOVERNMENT

OCTOBER 1998

UMI Number: U615570

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI U615570

Published by ProQuest LLC 2014. Copyright in the Dissertation held by the Author.
Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against
unauthorized copying under Title 17, United States Code.



ProQuest LLC
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106-1346

THESES

F

7602

706037

THESIS ABSTRACT

This thesis focuses on the role of social capital and institutional networks in determining the capacity for learning and adaptation of the regional systems of governance within the European regional policy environment, by facilitating collective action among the actors and by shaping the local institutional interactions through the processes of exchange and socialization.

The main hypothesis is that, although the Europeanization of public policy has a positive impact on the processes of institution-building, learning and adaptation at the local level, and particularly in the less-favoured regions of Europe, pre-existing qualitative features of the local institutional infrastructure play the most important role in the bottom-up learning and adaptation processes. In particular, the presence of dense institutional networks between public and private actors and social capital endowments that enable them to be involved in the provision of public goods and services facilitates the learning process, that is the capacity of institutional networks to adapt their structure and policies to meet the changing politico-economic conditions (European environment).

The research compares the response of two regions of Greece (Southern and Northern Aegean Islands) -similar in physical resources and financial support provided by the national and European regional policy- to the challenges of Europeanization.

Chapter one establishes the general theoretical framework of the thesis, linking social capital, institutional networks and learning within the theory of regional development. Chapter two defines learning and adaptation in European regional policy and establishes the main theoretical hypotheses of the thesis, the methodology for measuring specific structural features of the networks and social capital, and criteria for assessing the learning capacity.

Chapter three presents the structural and cultural specificities of the Greek socio-political system, as well as the main aspects of the national regional policy.

Chapters four and five map the institutional infrastructure in both regions, drawing their political, economic, institutional and cultural features. Chapters six and seven examine the processes of institutional and policy adaptation to European structural policy in both regions and evaluate their learning capacity.

Finally, chapter eight compares the two cases and draws general conclusions regarding the role of social capital and institutional networks in facilitating learning and adaptation within European regional policy and extracts main implications for integration theory.

TABLE OF CONTENTS

List of Tables and Figures

INTRODUCTION

ACKNOWLEDGMENTS

1. **SOCIAL CAPITAL, INSTITUTIONAL NETWORKS AND LEARNING:
WHAT'S NEW IN REGIONAL DEVELOPMENT THEORY?**
 - 1.1 Global Challenge and Local Response
 - 1.2 "Paradigm Shift" in Regional Development:
re-conceptualizing Regional Governance
 - 1.3 Social Capital, Institutional Networks and Learning: the debate
 - 1.3.1 Rational Actors and Dilemmas of Collective Action
 - 1.3.2 The New Institutionalists
 - 1.3.3 Social Capital: Enhancing Civicness and Building Civil Society
 - 1.3.4 Institutional Networks and Learning
 - Conclusions

2. **INSTITUTIONAL LEARNING AND ADAPTATION IN EUROPEAN
REGIONAL POLICY: DESIGNING THE RESEARCH STRATEGY**
 - 2.1 European Regional Policy and Europeanization of Local Systems of Governance
 - 2.1.1 The Emergence of ERP on the EC Policy-Making Agenda: from the Treaty of Rome to the 1988 Reform of the Structural Funds
 - 2.1.2 From the SEA to the TEU and beyond
 - 2.1.3 Europeanization of Subnational Governments: Definition and Identification
 - 2.2 European Regional Policy and "Traditional" Integration Theory
 - 2.3 Learning and Adaptation in European Regional Policy
 - 2.4 The Structure of the State and Local Capacity for Learning
 - 2.5 Social Capital, Institutional Learning and European Regional Policy:
the Methodology
 - 2.5.1 Why a National Inter-regional Case Study? The Choice of Cases
 - 2.5.2 Measurement
 - Conclusions

3. **GREECE: RESTRUCTURING UNDER PRESSURE
OR THE RESPONSE TO AN EXTERNAL SHOCK**
 - 3.1 State Structure and Intergovernmental Relations:
from Local Clientelism to Clientelist Corporatism
 - 3.1.1 From Local Clientelism to State Clientelist Patronage
 - 3.1.2 Intergovernmental Relations and the Emergence of State Clientelist Corporatism
 - 3.1.3 The System of Local Government Finance and Centre-Periphery Relations
 - 3.1.4 Subnational Political Elites and the Quality of Public Administration Bureaucracy
 - 3.2 Regional Policy in Greece: the National and the European Context
 - 3.3 Civil Society and the Cultural Schism
 - Conclusions

4. **INSTITUTIONAL CAPACITY AND POLICY ENVIRONMENT
IN THE SOUTHERN AEGEAN ISLANDS**
 - 4.1 The Local Specificities and the Political Climate
 - 4.2 Economic Structure, Boundedness and Adaptation
 - 4.3 Local Institutional Networks and their Learning Capacity
 - 4.3.1 Institutional Networks in the Southern Aegean Islands
 - 4.3.2 Institutions and Institutional Networks in the Dodecanese Prefecture
 - 4.3.3 Institutions and Institutional Networks in the Cyclades Prefecture
 - 4.4 Social Capital and Civic Culture in the Southern Aegean Islands

Conclusions

5. **POLICY ENVIRONMENT AND INSTITUTIONAL CAPACITY
IN THE NORTHERN AEGEAN ISLANDS**
 - 5.1 The Local Specificities and the Political Climate
 - 5.2 Economic Structure, Boundedness and Adaptation
 - 5.3 Local Institutional Networks and their Learning Capacity
 - 5.3.1 Institutional Networks in the Northern Aegean Islands
 - 5.3.2 Institutions and Institutional Networks in the Lesbos Prefecture
 - 5.3.3 Institutions and Institutional Networks in the Chios Prefecture
 - 5.3.4 Institutions and Institutional Networks in the Samos Prefecture
 - 5.4 Social Capital and Civil Society in Northern Aegean Islands

Conclusions

6. **CATCHING UP BY LEARNING IN EUROPEAN STRUCTURAL POLICY:
POLICY NETWORKS AND ADAPTATION IN SOUTHERN AEGEAN ISLANDS**
 - 6.1 From the IMP to the MOPs
 - 6.2 Planning and Implementing the CSF (MOP 1989-93)
 - 6.3 Institution-Building, Policy Networks and Adaptation
 - 6.3.1 Institution-Building, Policy Networks and Adaptation in the Southern Aegean
 - 6.3.2 Institution-Building, Policy Networks and Adaptation in the Dodecanese
 - 6.3.3 Institution-building, Policy Networks and Adaptation in the Cyclades

Conclusions

7. **NEITHER LEARNING NOR LEADERSHIP: POLICY NETWORKS
AND STATE-DRIVEN ADAPTATION IN THE NORTHERN AEGEAN ISLANDS**
 - 7.1 Planning and Implementing the IMP in the Northern Aegean
 - 7.2 The Effectiveness Gap in Implementing the 1st CSF (MOP 1989-93)
 - 7.3 Institution-Building, Policy Networks and Adaptation
 - 7.3.1 Institution-Building, Policy Networks and Adaptation in the Northern Aegean
 - 7.3.2 Institution-Building, Policy Networks and Adaptation in the Lesbos Prefecture
 - 7.3.3 Institution-Building, Policy Networks and Adaptation in the Chios Prefecture
 - 7.3.4 Institution-Building, Policy Networks and Adaptation in the Samos Prefecture

Conclusions

8. CONCLUSIONS: SOCIAL CAPITAL, INSTITUTIONAL LEARNING AND ADAPTATION IN EUROPEAN REGIONAL POLICY. IMPLICATIONS FOR INTEGRATION THEORY
 - 8.1 National Structures, Local Institutional Capacity and the European Challenge
 - 8.2 Social Capital, Learning and Adaptation: An Agenda for Europe of the 21st Century?
 - 8.2.1 Measuring Learning
 - 8.2.2 Social Capital, Measuring and Learning: evaluating Europeanization
 - 8.3 Implications for Policy and Integration Theory

Bibliography

Appendices

A. Descriptive Graphs

B. Questionnaires (English version)

LIST OF TABLES AND FIGURES

TABLES

- 1.1 Networks by Territorial Scope and Dominant Actor
- 2.1 Average Contribution of the of the Private Sector to the CSFs by Country (1989-1993)
- 3.1 Distribution of Functions by Level of Government in Greece
- 4.1 Southern Aegean Islands, Dodecanese Prefecture: General Elections (1974-1996)
- 4.2 Southern Aegean Islands, Cyclades Prefecture: General Elections (1974-1996)
- 4.3 Southern Aegean Islands: Prefectural Elections (1994)
- 4.4 Principal Indicators per Region (NUTS II)
- 4.5 Southern Aegean Islands: Permanent Inhabitants per Foreigner Tourist Overnight
- 4.6 Southern Aegean Islands: Centrality Measures of General Exchange Network
- 4.7 Dodecanese Prefecture: Centrality Measures of General Exchange Network
- 4.8 Cyclades Prefecture: Centrality Measures of General Exchange Network
- 4.9 Southern Aegean Islands: Membership in Voluntary Organizations per category, 1996
- 5.1 Northern Aegean Islands, Lesbos Prefecture: General Elections (1974-1996)
- 5.2 Northern Aegean Islands, Samos Prefecture: General Elections (1974-1996)
- 5.3 Northern Aegean Islands, Chios Prefecture: General Elections (1974-1996)
- 5.4 Northern Aegean Islands: Prefectural Elections (1994)
- 5.5 Northern Aegean Islands: Permanent Inhabitants per Foreigner Tourist Overnight
- 5.6 Northern Aegean Islands: Centrality Measures of General Exchange Network
- 5.7 Lesbos Prefecture: Centrality Measures of General Exchange Network
- 5.8 Chios Prefecture: Centrality Measures of General Exchange Network
- 5.9 Samos Prefecture: Centrality Measures of General Exchange Network
- 5.10 Northern Aegean Islands: Membership in Voluntary Organizations per category, 1996

- 6.1 Funding of the First CSF (1989-1993) MOPs in Greek Regions
- 6.2 Southern Aegean Islands: Groups of Islands According to Level of Development
- 6.3 Southern Aegean Regional Partnership for Monitoring the MOP (1989-1993)
- 6.4 Southern Aegean Islands: Centrality Measures of General Exchange and Policy Networks
- 6.5 Community Initiatives and Transnational Networks in Dodecanese
- 6.6 Dodecanese Prefecture: Centrality Measures of General Exchange and Policy Networks
- 6.7 Cyclades Prefecture: Centrality Measures of General Exchange and Policy Networks
- 7.1 Northern Aegean Regional Partnership for Monitoring the MOP (1989-1993)
- 7.2 Northern Aegean Islands: Centrality Measures of General Exchange and Policy Networks
- 7.3 Lesbos Prefecture: Centrality Measures of General Exchange and Policy Networks
- 7.4 Chios Prefecture: Centrality Measures of General Exchange and Policy Networks
- 7.5 Samos Prefecture: Centrality Measures of General Exchange and Policy Networks
- 8.1 Learning Capacity Indicators in Southern and Northern Aegean Islands
- 8.2 Institutional Networks by Type in Southern and Northern Aegean Islands Regions

FIGURES

- 2.1 Learning and Adaptation in Multi-Level Governance Networks
- 3.1 Intergovernmental Relations in Greece prior to the last (1994) Reform
- 3.2 Intergovernmental Relations in Greece after the 1994 Reform
- 3.3 Regional Planning and Centre-Periphery Relations in Greece
- 4.1 Average Annual Change of GDP: Greece, Southern Aegean, Northern Aegean
- 4.2 Per Capita GDP Index (1970, 1981, 1991): Greece, Southern Aegean, Northern Aegean
- 4.3 Welfare Indicators: Greece, Southern Aegean, Northern Aegean
- 4.4 Regional Distribution of Foreign Tourists' Overnights in Hotel Units (1991)

- 4.5 Southern Aegean Islands: Regional GDP by Sector of Production (1994)
- 4.6 Employment by Sector of Production in Dodecanese
- 4.7 Cyclades Prefecture: Agriculture and Tourism in the GDP
- 4.8 Institutional Network in Southern Aegean Islands
- 4.9 Structural Equivalence of Network Actors in Dodecanese
- 4.10 Institutional Network in Dodecanese
- 4.11 Structural Equivalence of Network Actors in Cyclades
- 4.12 Institutional Network in Cyclades
- 4.13 Membership in Voluntary Organizations by category: Southern and Northern Aegean
- 5.1 Northern Aegean Islands: Regional GDP by Sector of Production (1994)
- 5.2 Defense Dependence of Greek Regions (NUTS II)
- 5.3 Lesbos Prefecture: Share of Agriculture in GDP
- 5.4 Samos Prefecture: Employment by Sector of Production
- 5.5 Chios GDP by Sector of Production
- 5.6 Institutional Network in Northern Aegean Islands
- 5.7 Structural Equivalence of Network Actors in Lesbos
- 5.8 Institutional Network in Lesbos
- 5.9 Structural Equivalence of Network Actors in Chios
- 5.10 Institutional Network in Chios
- 5.11 Structural Equivalence of Network Actors in Samos
- 5.12 Institutional Network in Samos
- 6.1 Aegean Islands IMP: Degree of Completion (31.12.93)
- 6.2 Structure of the Aegean Islands MOPs (1989-93) per Subprogramme
- 6.3 Southern Aegean Islands MOP (1989-93): Distribution of Funds per Sector of Infrastructure

- 6.4 Aegean Islands Regions: Absorption Coefficients (CSF 1989-93)
- 6.5 Southern Aegean Islands: Absorption Capacity per Group of islands
- 6.6 Southern Aegean Islands MOP (1989-93): Share of Prefectures in the Subprogrammes
- 6.7 Southern Aegean Islands MOP (1989-93): Absorption/Commitments Coefficients
- 6.8 Southern Aegean Islands MOP (1989-93)-ERDF Subprogramme: Absorption Rates
- 6.9 Southern Aegean Islands MOP (1989-93)-Local Gvs Subprogramme: Absorption Rates
- 6.10 Policy Network in Southern Aegean Islands
- 6.11 Structural Equivalence of Policy Network Actors in Dodecanese
- 6.12 Policy Network in Dodecanese
- 6.13 Structural Equivalence of Policy Network Actors in Cyclades
- 6.14 Policy Network in Cyclades
- 7.1 Northern Aegean Islands MOP (1989-93): Distribution of Funds per Sector of Infrastructure
- 7.2 Northern Aegean Islands MOP (1989-93): Structure per Subprogramme
- 7.3 Northern Aegean Islands MOP (1989-93): Absorption Rate per Subprogramme
- 7.4 Northern Aegean Islands MOP (1989-93): Share of the Prefectures in Subprogrammes
- 7.5 Northern Aegean Islands MOP (1989-93)-ERDF Subprogramme: Absorption Rates
- 7.6 Northern Aegean Islands MOP (1989-93)-Local Gvs Subprogramme: Absorption Rates
- 7.7 Policy Network in the Northern Aegean Islands
- 7.8 Structural Equivalence of Policy Network Actors in Lesbos
- 7.9 Policy Network in Lesbos
- 7.10 Structural Equivalence of Policy Network Actors in Chios
- 7.11 Policy Network in Chios
- 7.12 Structural Equivalence of Policy Network Actors in Samos
- 7.13 Policy Network in Samos

INTRODUCTION

The technological, economic and political changes that have led to the great transformations we experience since the 1970s, marked by the emergence of globalization of information and economic activities, have emphasized the role of the learning institutional infrastructure at each level of governance, as a prerequisite for managing the inherent in the modern institutional settings uncertainty and risk. Thus, the notions of learning and adaptation have emerged recently as increasingly debated subjects on a wide range of social sciences, from international relations and political science to regional development. In all these contexts learning implies the process by which actors acquire new interests and identities and form their preferences through the “structure-actor” interactions, thus adapting their behaviour to the changes of the environment. Subsequently, the variables that may determine the capacity for learning and adaptation have raised as a crucial issue in a wide range of social sciences as well.

This thesis is a contribution to this debate, by introducing the notions of learning and adaptation in the European policy-making environment in general and in European regional policy in particular. It intends to demonstrate that, notwithstanding the crucial role of national or international factors in facilitating or inhibiting the potential of the regional systems of governance within the European environment, the processes of adaptation and adjustment depend crucially on the learning capacity of the local institutional infrastructure, whereby institutional relationships and policies adapt to meet the changing conditions.

The central hypothesis is that the capacity of the local institutional infrastructure for learning and adaptation to the European environment depends on the presence of thick institutional networks that cross the public-private divide and combine multiple type of resources, and social capital that facilitates collective action among the actors within the networks. Thus, social capital and institutional networks constitute key components of the learning and adaptation

processes, by facilitating collective action among the actors and by shaping the local interactions through the processes of exchange and socialization. Since, however, the Europeanization of public policy in general and of regional policy in particular constitutes a rather enduring and longstanding challenge for the administrative structures of the centralized member states, it is viewed as a positive external shock for promoting institution-building, learning and policy-making innovation at the regional and local levels. Furthermore, given that the structure of the state plays an important role in determining the learning and adaptation capacity of the local institutional infrastructure, it should be taken into account in evaluating the local institutional capacity.

The research is based on the binary comparison of two regions (Southern and Northern Aegean Islands-NUTS II) within the same country, Greece, which is characterized by a centralized and weak administrative structure. Both regions have been under the same institutional framework of assistance in national and EU structural policy over the same period of time. Additionally, they have had similar development potential, based on similar kinds of physical resources, while local authorities in both regions have been involved in the functions of EU policy-making over the same period of time. However, each region was in a different stage of institutional and economic development when the first integrated EU programmes began to be implemented. Thus, the comparative analysis will concentrate on evaluating the response of each region to the Europeanization of structural policy in the light of their diversified institutional and economic performances.

The thesis comprises eight chapters. Chapter one discusses the implications of the technological, economic and political changes that led to the emergence of globalization for the transformation of production and subsequently for the reformulation of the scope of regional development strategies. All these changes have altered the conception of local governance,

emphasizing the role of interactions among the endogenous social, political and economic resources in facilitating the mediation of the local specificities and demands into the global environment. Based on these considerations, the final part of chapter one focuses on resolving the emerging dilemma of collective action: how the interactions among the local actors should be shaped to enhance the locality's development potential. Thus, it assesses the debate on the dilemmas of collective action and establishes the general theoretical framework of the thesis, within which social capital and institutional networks of specific type, by crossing the public-private divide and facilitating collective action among the actors through the processes of exchange and socialization, constitute the corner stones of the learning process and subsequently of the inherent in modern development strategies adaptation to the global environment. In that sense, social capital, institutional networks and learning are viewed as crucial conceptual tools within the contemporary development theory.

Chapter two discusses the theoretical aspects of European regional policy, defines learning, adaptation and Europeanization of regional systems of governance and subsequently establishes the hypothesis that social capital and institutional networks of specific type are prerequisites for learning and adaptation in the field of European regional policy. In particular, social capital and dense functional intra-regional networks are identified as independent and intervening variables, respectively, of the local capacity for learning and adaptation within the European regional policy environment. Furthermore, the Europeanization of public policy and the structure of the state are considered as providing opportunities for and constraints on local institutional capacity for learning, and hence, some secondary hypotheses are established. Finally, the methodology of the research study is outlined. A comparative case study approach is used, because of its ability to integrate a variety of data sources and to allow the researcher an in-depth analysis of complex social and political phenomena. To identify the interactions between

structure and culture the thesis adopts a two-stage approach: first carrying out social network analysis, a statistical technique which can measure the density of the network and the distribution of power among the actors, and second identifying the presence of social capital. The network analysis is based on semi-structured in-depth interviews with local elites, while for the identification of social capital the study relied on data on membership in voluntary organizations and qualitative analysis of the fieldwork research. Additionally, a set of criteria for measuring local learning capacity are identified.

Chapter three explores the structural and cultural characteristics of the Greek socio-political system and main aspects of the regional policy. The chapter demonstrates that the combination of a centralized state structure and a weak civil society in Greece breeds hierarchical clientelist networks, which constitute a major impediment to the learning, adaptation and Europeanization functions of the socio-political structures. However, the gradual Europeanization of the public policy in general and of the regional policy in particular have constituted an external shock for the hierarchically-structured and centralized system of public administration, which has reacted with policies of opening up of the system to bottom-up initiatives. Yet, this reform is dependent on the strength of civil society and the development of bottom-up initiatives.

Chapters four and five look at the local specificities and map the institutional infrastructure (networks and social capital) in the Southern and Northern Aegean Islands regions. Chapter four shows that the better economic performance of the Southern Aegean islands, in comparison with the Northern Aegean and most of the other Greek regions, is because of the prompt adaptation of its economic structure towards the development of tourism. In institutional capacity, however, the main feature is that there are no actual intra-regional networks, but only those at the prefectural level. Thus, the Dodecanese demonstrates a very good quality of institutional infrastructure, based on dense, horizontally-structured networks of general exchange,

which is partly attributed to its tradition in institution-building, almost since its incorporation into the Greek state in the late 1940s. The Cyclades prefecture, on the other hand, shows a quality of institutional networks similar to the Dodecanese, but a less bounded system of local economic governance. Finally, the good institutional infrastructure corresponds to the presence of a relatively strong civil society in both prefectures.

Chapter five reveals that the divergence of the Northern Aegean islands region at the national as well as at the European level should be attributed to the lack of adaptation of its economic structure to the changing economic and political environment, rather than to the Turkish threat. Moreover, the economic divergence of the region seems to be related to its poor institutional infrastructure. In particular, given the common lack of intra-regional networks in Greece, the Lesbos prefecture demonstrates a centralized and hierarchically-structured local institutional network, which reflects an exogenously-driven local system of governance, relying on the central state and particularly on the Regional Secretariat for crucial resources. In a similar vein, Samos is characterized by fragmented institutional networks and lack of public-private synergies and local leadership. The weakness of the local system of governance in both prefectures seems to be related to an extremely weak civil society. Finally, Chios shows comparatively more horizontally-structured local institutional networks of general exchange and some signs of civic participation.

Chapters six and seven examine the processes of both institutional and policy adaptation to European structural policy in the two regions. In policy adaptation chapter six (Southern Aegean) shows a rather clear differentiation initially among the Southern and Northern Aegean regions and at a second stage among Dodecanese and Cyclades, which is related to the structure of priorities, the absorption capacity and the efficient use of resources per subprogramme of both Multi-fund Operational Programmes (MOPs). In terms of institutional adaptation the presence

of learning capacity is evident in the Southern Aegean and especially in the Dodecanese. Thus, while the structure of the policy networks is generally improved, the adaptation process in the Dodecanese is not characterized by the redundancy of the old institutions, but rather by the successful structural adjustment of the pre-existing institutional infrastructure, which becomes evident with its important involvement in transnational networks. Conversely, the policy network in Cyclades, although improved in comparison with that of general exchange, demonstrates structural weaknesses, mainly because of the rather marginal role of the University and the creation of new institutions as an outcome of the weakness of the old institutions to adapt to the European environment.

In the Northern Aegean islands (chapter seven) the differentiation in policy adaptation, identified in chapter six, is accompanied by the lack of both learning capacity and leadership in the policy networks. Although the structure of the networks at both the regional and prefectural levels is significantly improved and the process of structural adjustment has engendered the redundancy of the old institutional infrastructure and hence the creation of new institutions, especially in Lesbos, the policy networks remain centralized around the Regional Secretariat, while there are some differences among the prefectures-islands. Thus, Lesbos, despite the significant improvement of the structural features in the policy network, it continues to demonstrate lack of local leadership and capacity for learning. Chios, on the other hand, shows a comparatively better capacity for learning, but as the policy network structure reveals there is a lack of local leadership. Finally, Samos's generally poor institutional infrastructure shows significant improvement in the policy network because of the small number of the active institutional actors. Nonetheless, what the case of the Northern Aegean demonstrates is that even if the local capacity for learning and adaptation is poor, the Europeanization process creates conditions for starting-up of the institution-building and learning processes.

Finally, chapter eight draws the most important theoretical conclusions that arise from the findings of this research, focusing on the main theoretical concepts of this thesis: social capital, institutional networks and learning. Overall, the evidence seems to support the hypothesis that, although the state structure plays an important role in determining the learning capacity of local systems of governance and hence their adaptation to the European environment, the latter is crucially dependent on the presence of capacities for collective action at the local level, and, hence on the presence of social capital and dense, functional, intra-regional networks. The Europeanization process, on the other hand, by providing an alternative policy field to the nation state for other levels of governance, plays a key role in changing the rules of the game and enhancing the process of institution-building at the local level, even if the pre-existing institutional capacity was poor. Finally, important theoretical implications derive from this research for integration theory in general and European regional policy in particular. First, learning, adaptation and hence development are socially and institutionally embedded processes, which cannot be understood, either by the old tradition of state intervention, or by the new-right orthodoxy of a self-regulating market/economy. Second, the lesson drawn for European regional policy is that the main criterion for the evaluation of the success or failure of the Structural Funds programmes should be the degree of synergies-creation at the regional and local levels. Finally, with regard to integration theory, the evidence underlines the limitations of both the rational choice-based intergovernmentalist and neo-institutionalist approaches to regional integration, and the importance of the notions of “learning and socialization” for the integration process in Europe, as alternatives to both the market and hierarchy models that have been dominated the Western culture over a long period of time.

to Christina

ACKNOWLEDGMENTS

I would like to express my gratitude to all those who have helped and supported me during this long journey. I am indebted to Robert Leonardi, who has been not just my supervisor, but also a very good friend. He has supported me both morally and technically, by providing me all the necessary infrastructure in research facilities, by encouraging me to continue when things felt bleak, and, finally, by urging and keeping me aware when the routine was weakening my interest. I am also indebted to my advisor, Prof. G.W. Jones, who has patiently read and reread numerous chapters and was always keen to discuss any subject, to encourage me to develop my ideas and to build up a real thesis.

I owe a special thanks to: Shari Garmise, whose suggestions and help with information technology have been invaluable; Charlie Jeffery for all his help and encouragement; D.N. Chryssochoou, who, beyond a close friend, has been a provider of enduring support at very crucial moments of this odyssey; Ach. Mitsos for all his support during the fieldwork in Brussels; and Prof. N. Mouzelis, who has always been available to read my work and answer questions.

I thank wholeheartedly the numerous people who have helped me in a wide variety of ways: Prof. Michael Keating and all the participants of the Oslo ECPR-Workshop (1996) for their useful comments and suggestions on parts of my work; Prof. Paul Whiteley and all the participants of the Bern ECPR-Workshop (1997); Susanne Schmidt, Mark Aspinwall and the participants of the Warwick ECPR-Workshop (1998); Professors P. Getimis, N. Konsolas and P. Kazakos, Dr. E. Plaskovitis, and in the European Commission Dr. M. Camchis and Mr. P. Spyrou (DG XVI).

Finally, the financial support of the State Scholarships Foundation (SSF) of Greece over a great period of time of this research is gratefully acknowledged. Without this support, this thesis would not have ever become a reality.

1. SOCIAL CAPITAL, INSTITUTIONAL NETWORKS AND LEARNING: WHAT'S NEW IN REGIONAL DEVELOPMENT THEORY?

Introduction

This chapter establishes the general theoretical framework of the thesis. Thus, section one discusses the implications of the technological, economic and political changes that led to the emergence of globalization for the transformation of production, the redefinition of the notion of "local", and, subsequently, for the reformulation of regional development strategies. Section two explores the impact of these changes on the conceptualization of local governance, emphasizing the role of the endogenous social, political and economic resources. Finally, section three establishes the linkages between the main theoretical concepts of this thesis, that is social capital, institutional networks and learning.

1.1 Global Challenge and Local Response

There is a close relationship between the theories of regional development elaborated in the last thirty years, the phases in the development process of the European countries, and the strategies that have been adopted in policies aimed at reducing regional disparities (Molle and Cappellin 1988). Traditional regional development theories and policies were consistent with the characteristics of the post-war period until the early 1970s, such as the predominance of the Fordist model of production¹, the rapid expansion of European economies and the strategic role

¹The Fordist paradigm is characterized by standardized mass production, which is based on the process of the division of labour. For the institutional structures of the economy, economies of scale are internal (for the firms) and are obtained through fixed capital and labour productivity increases. Standardized products are obtained, using special-purpose machinery and predominately unskilled or semiskilled workers with fragmented and standardized tasks (division between conception and execution), while the prevailing form of the market is oligopolistic and the management of the economy organized at the national level. The crucial micro-regulatory problem for mass production is balancing supply with demand in individual markets, while the Keynesian welfare state emerged as the dominant form of macro-regulation during the postwar period, focusing on linking purchasing power to productivity growth (M. Piore and C. Sabel, 1984; Hirst. P and J. Zeitlin, 1992).

of investment in capital-intensive sectors (Cappellin, 1992). One of the key-issues in understanding the basic arguments of these theories is the overcoming of the basic assumptions of the neoclassical economic models (perfect competition, full employment, constant returns to scale and perfect mobility of factors of production), and the concentration on various forms of market failure (Tsoukalis,1993:229). Therefore, the approaches that have been advanced to explain the process of economic convergence in nation-state systems point to more or less state intervention, as a countervailing factor to the market failures, that stimulate growth over time. Within this framework, the role of the state is crucial in formulating regional development strategies, which, therefore, tend to have a top-down structure. Thus, by the 1960s the region had become a secondary locus of economic activity, while regional and local governments were subordinate agencies in the national social welfare administrations (Sabel, 1994a:102).

The main theoretical framework used in the development of regional policies within nation-states and at the European level (see chapter 2) is the *cumulative causation* theory (G. Myrdal, 1957), based on a criticism of the comparative advantage model in international trade (Holland,1976; Robson,1987). The major argument is that market forces cannot bring about an equal redistribution of factors of production or income and consequently there are no strong reasons to expect the elimination of regional problems through the free interplay of market forces. Therefore, initial differences in productivity and economic development can lead to circular and cumulative causation and thus growing polarization between different regions. The logic of *backwash* effects implies that the production factors -capital, skilled labour, entrepreneurship, technology- move towards the core areas. On the other hand, *spread* effects may arise from an increased demand for imports and from diseconomies of location associated with over-congestion in the rapidly-growing centres. The relative importance of *backwash* and *spread* effects determines the evolution of regional disparities. A similar, rather pessimistic, view

has been adopted by the Marxist and neo-Marxist schools of thought, emphasizing the systemic logic of regional disparities (Holland, 1976, 1980).

Under these conditions, the emphasis on economies of scale and the creation of large industrial enterprises as a means to promote growth (Hamilton, 1986; Apter, 1987) has constituted an intrinsic element of regional development policies adopted by most European countries during the post-second world war period. In the same vein, other countries, adopting the growth-pole approach² (Fr. Perroux, 1955), emphasized the role of planned and concentrated growth of specific development poles (urbanized, metropolitan areas), in reducing the centre-periphery disparities.

Taken as a whole, these theoretical approaches are mainly focused on economic factors as the determinants of regional disparities and have underestimated the role of the endogenous dynamics in the development process. Along with the *core-periphery* theories (Tarrow, 1977; Rokkan and Urwin, 1983), they view the periphery as characterized by a) physical distance from the centre; b) dependence on the centre for its livelihood and well-being; and c) an inferior allocation of economic, political and cultural resources (Tarrow, 1977:15-38). The variation, however, in the geography of regional disparities (i.e. regions of Third Italy and Spain) raises the issue of the role played by crucial non-economic factors, such as social, cultural and political (institutional infrastructure) resources, in the development process.

Indeed, the economic, technological and political changes that have occurred since the early 1970s led to the transformation of production, and particularly the move from mass production

²Extensive operationalization of the growth-pole theory took place in the southern European countries from the early 1950s to the early 1980s. In Italy, through the activities of the Casa per il Mezzogiorno and the Agency for the South, public intervention started in the 1950s and ended in the 1970s with poor results in reducing disparities between North and South (Mezzogiorno) (Camagni, 1991). In Greece, in the two early programmes of economic and social development after the restoration of democracy (1976-80 and 1978-82), the main goal was the strengthening of rival cities to Athens with the objectives of restraining the attraction of the Capital and forming dynamic centres in the periphery (see chapter 3). For a discussion of Perroux, see Holland, 1976.

towards the “flexible specialization” paradigm³, which marked the emergence of the subnational institutional infrastructure as a crucial parameter in the development process. This trend, which has been favoured by increased international competition, and the internationalization, fragmentation and volatility of the markets is seen as a key factor encouraging the emergence of the region as an integrated unit of production and as a key locus of socio-economic governance. Additionally, the increasing importance of quick adaptation to changing market demand and subsequently the need for promoting viable small-scale production (economies of scope instead of economies of scale) have emphasized the role of the intra-regional institutional interactions and socio-cultural factors in the development process (Sabel,1994a,b; Hirst and Zeitlin,1992; Storper,1995; Piore and Sabel,1984). Two major types of institutional frameworks have been identified for flexibility to be achieved: either industrial districts of horizontally-integrated and spatially-concentrated small and medium-sized firms or, large decentralized companies. This 'double convergence' (Sabel,1994a) of small and large firm structures, however, is not associated exclusively with the industrial districts-related pattern of regional development, but rather it should be seen as an indication of a more general trend, involving decentralized organizational structures and horizontal cooperative networks that characterize regional economic and political systems in a wide range of development sectors, such as tourism (Stokowski, 1994). Thus, the emergence of regions should be seen as a response to the economic and technological changes of the 1970s, intrinsic characteristics of which are, on the one hand, the progressive crisis of the Fordist pattern of production and the Keynesian welfare state and, on the other hand, the increasing role of flexible production methods.

³Flexible specialization is a new technological paradigm challenging the accepted model of industrial organization (mass production) in a classic Kuhnian style. It is based on flexible automation. Differentiated products with small batches of production are obtained using flexible, general-purpose machinery and skilled adaptable workers, with a close integration of mental and manual tasks. Thus, the reduction of the customization costs is achieved through economies of scope (M. Piore and C. Sabel, 1984).

Yet, the emergence of regions and localities should be understood within the context of a changing, globalizing political economy, which implies: i) the global centralization of the financial system and the resulting dominance of finance over production; ii) the transnationalization of technology and the increasing speed of redundancy of new technology; iii) the importance of knowledge and expertise as factors of production; iv) the rise of global oligopolies; v) the rise of transnational economic diplomacy; vi) the globalization of communication and immigration flows leading to the rise of global culture and the delinking of identities and symbols from territory; and vii) as a result of all the above, the development of global geographies (Amin and Thrift, 1994:2-4).

The increasing intensity of the globalization of economic activities and information, however, does not necessarily imply a homogeneity of preferences in the framework of a global village, but rather stresses the existence of local specificities. Thus, the processes of globalization and localization coexist in the so-called 'global-local interplay' (Dunford and Kafkalas, 1992:3-38). The local is embedded in the global and, hence, the degree to which it can mediate this relationship shapes its ability to define its economic development trajectory. These seemingly contradictory movements are seen as having led to the weakening of the traditional nation-states and the erosion of their autonomy. Thus, the 'hollowing out' of the state may be interpreted as a result of its weakened ability to regulate effectively the economy within its own borders because of the internationalization of economic processes: 'this loss of autonomy creates in turn both the need for supranational coordination and the space for subnational resurgence' (Jessop, 1994:264). Consequently, the response of most of the traditional European nation-states, which overwhelmed by the globalization of economic relationships, as well as of the risks of financing the welfare state have adopted strategies of devolution and decentralization, should be attributed to this trend (Leonardi and Garmise, 1993).

Furthermore, greater decentralization and deconcentration may be interpreted as an adaptation to the increased importance of the local sphere in every-day life. R. Watts notes:

‘what we are witnessing today is a two-fold process in which, on the one hand, there is a pressure throughout the world for larger political units capable of promoting economic development, improved security, rising standards of living, influence in an era of ever-growing world-wide interdependence; on the other hand, there is the search for identity which arises from the desire for smaller, self-governing political units, more responsive to the individual citizen and the desire to give expression to primary group attachments,...which provide the distinctive basis for a community's sense of identity and yearning for self-determination’ (1981:3-4).

Therefore, regionalization⁴ and regionalism should be seen as two interdependent and interrelated concepts, given that, while the former is interpreted as a mainly *from above* process, the latter constitutes a movement *from below*⁵. As Harvie has argued, ‘regionalization, the chopping-up of problems into manageable areas, has now given way to a subjective and aggressive regionalism’ (1994:4).

1.2 “Paradigm Shift” in Regional Development: re-conceptualizing Regional Governance

The emergence of new patterns of regional development has very often been considered as linked to changes in the mode of organization of production. The shift in the pattern of production, marked by the gradual change of the ‘technological trajectory’⁶ from the Fordist model to the

⁴A. Giddens’s conceptualization of regionalization as a process concerning time and space and of ‘regions’ as “contexts of interactions”, combining thus structure and actors within the framework of structuration theory, is relevant to this point (1984:110-132).

⁵ This distinction draws upon Hadjimichalis’s analysis of regionalization and regionalism. The former is defined as a process designed ‘from above’ (by the state, local authorities or capital) aimed to facilitate the changing needs of profitable accumulation, while the latter is referred to the reaction of local social groups, whose interests are threatened by such a regionalization. This conflict provides evidence of the ‘social logic of the place’ (Hadjimichalis, 1987:286-287).

⁶ M. Piore and C. Sabel adopted the notion of ‘technological trajectory’, as it has been defined by the French regulation school (Aglietta, 1979; Lipietz, 1987; Boyer, 1988,1990), and distinguished two specific trajectories: mass production and flexible specialization. M. Piore referred to this definition as follows: ‘it is that set of forces which propels the economy through history, causing it to outgrow any particular regulatory framework and enter into crisis’ (M. Piore, 1992:158).

flexible specialization paradigm and the re-consolidation of the region as a fundamental basis of economic and social life, has promoted a new approach to regional development, which emphasizes the role of the endogenous resources in the development process (Cappellin, 1992:2). This theoretical interpretation of regional development is based on the assumption that the major factors affecting regional development, such as physical infrastructure, labour, capital, and technology are rather immobile. Therefore, regional policy should not aim at the mobility of factors of production, as suggested by traditional theories, but at; a) full employment and b) greater productivity of local resources (Cappellin, 1992:3). In achieving these goals the endogenous approach emphasizes the role played by small firms, as well as the interactive relationships between grassroots groups in the social system and local or regional political institutions. In that sense, it can be seen as a reaction against the Perrouxian growth-pole theory and other theories that have emphasized the role of capital-intensive investments and state institutions in determining development (Leonardi, 1995a:39).

The endogenous approach has been elaborated by various scholars, and the different contributions emphasize different aspects. Some underline the self-centred characteristics of regional development and the need for regional autonomy. Others emphasize the role of cooperative relations among the local actors in the regional economy, to counterbalance the negative impact of automatic market mechanisms. Other contributions analyse the effects of changes in production and transportation technologies on the spatial diffusion of industrial and service activities. Finally, others focus on the role of local factors in the process of innovation-diffusion and on the spatial concentration of high-tech activities (Cappellin, 1992). The end result of these reformulations of the problem of development has been above all a different conceptualization of space and territory. In contrast with the assumptions of the functionalist paradigm, which considered space as simply the place where the effects of the process of

development occurred, the endogenous approach pays attention to the territorial dimension of development and to the categories of environment (*milieu*). Thus, territory is seen as 'the sedimentation of specific and interrelated historical, social and cultural factors in local areas which generate significantly different processes of development due to local specifications' (Garofoli, 1992:4). Under these considerations the concept of space cannot be interpreted only as the distance between different places and a source of costs for economic agents, but instead as 'the distinguishing feature of territory, that is a strategic factor of development opportunities, a clustering of social relations and the place where local culture and other non-transferable local features are superimposed' (Garofoli,1992:4). Moreover, it represents the meeting place of market relationships and social regulation forms, which determine different forms of organization of production and different innovative capacities.

Based on this reformulation of the concepts of territory and space the process of endogenous development underlines the grassroots character and a high degree of autonomy of local development. Thus development should not be seen as a consequence of decentralization processes or processes of industrial relocation, but rather as the outcome of the sprouting of new entrepreneurship and the presence of social, cultural and economic variables that favour the starting up of new economic activities. In that sense development is viewed as a bottom-up process rather than as an outcome of a top-down redistributive function of the national government (Cappellin, 1992:3; Garofoli, 1992:13). Development from below concentrates on factors which influence the adoption of new production processes and product innovation rather than on prices of various production inputs. As Garofoli notes, endogenous development means in effect:

- a) the capacity to transform the socio-economic system;
 - b) the ability to react to external challenges;
 - c) the promotion of social learning;
 - d) the ability to introduce specific forms of social regulation at the local level which favour the above mentioned points.
- Endogenous development

is, in other words, the ability to innovate at the local level (1992:7).

As has already been pointed out, the endogenous development approach differentiates itself from traditional theories by emphasizing the importance of the presence of a well-developed institutional infrastructure at regional and local levels, that is 'a series of interlocking institutions, ad hoc structures, relationships and agreements for collective action' (Leonardi, 1995a:222). One of the main prerequisites of the scheme is the existence of effective regional and local governments. While the role of the private sector is to concentrate on the productive and distribution phases of the economic process, the role of public subnational institutions is to provide the collective goods, such as social services, investment projects and policy planning. Therefore, regional government plays a crucial role in identifying the types-sectors of production where the regional economy has a comparative advantage, in providing the appropriate incentive structure, and in stimulating synergistic⁷ effects between the participant actors to maximize effectiveness in the use of resources (Cappellin, 1992:7; Leonardi, 1995a:40). On the other hand, the role of local government is to create the social and physical infrastructure (research, vocational training, marketing), to maximize the external for the firms economies of scale. Thus, regional and local governments become moderators of regional development, within the concept of the region as an institutional or political entrepreneur (Leonardi, 1995a), which implies that the region is not only the mediator for the payment of governmental subsidies and transfer payments, but also the initiator of development strategies and participant in the development process.

Thus, through the redefinition of the roles of the state, the civil society and the market,

⁷ The notion of 'synergistic effects' implies the achievement of greater output through the cooperation-coordination of the participant actors and the available resources, than that which would be produced by the independent function of actors-partners (Cappellin,1992:7).

governance in the endogenous approach is envisaged as the process by which the national or global environment is mediated by the subnational institutional infrastructure in ways that affect the locality's development potential. Hence, notwithstanding the role of national and international actors, the capacity for learning and adaptation of the local institutional infrastructure is raised as a crucial parameter of the way in which local economies and societies are embedded into the global environment.

1.3 Social Capital, Institutional Networks and Learning: the debate

The bottom-up or endogenous approach to regional development has raised the issue of crucial non-economic factors⁸ as determinants of the outcome of development policies, emphasizing the impact of territory and local *milieu* (institutional, social, cultural and historical features) on the process of economic development. By providing stable rules and procedures that facilitate the exchange and flow of information, institutions⁹ reduce uncertainty and provide the framework for individuals and organizations to achieve and benefit from collective action, thus facilitating economic governance. Economic dynamism or backwardness, on the other hand, is seen as a function of the way in which institutions develop and change, and, implicitly, of the way in which resources and power are distributed both locally and between the local, the national and the global. Therefore, focus on institutional networks alone is insufficient for understanding the complexities of the development process. What is required is institutional networks with learning capacity, that is networks capable of adapting to the changing environment. In that sense, the

⁸ For the importance of non-economic factors both for the endogenous development approach, see Piore, M., C. Sabel (1984); Hirst, P., J. Zeitlin (1992); Lorenz, Ed (1992); Sabel, C (1994a,b); Leonardi, R (1995a,b); Storper, M (1995); Garofoli, G (1992); Cappellin, R (1992).

⁹ It should be noted that the use of the term in this thesis refers alternatively to both institutions and organizations (institutional networks).

learning capacity of the subnational institutional infrastructure constitutes a prerequisite for the formulation of coherent and viable regional development strategies (M. Rhodes, 1995).

The notion of learning has emerged in a wide range of social sciences -from evolutionary economics¹⁰ to political science- as a crucial conceptual tool for explaining adaptation and change of system parameters at both the micro and macro levels. In political science learning, as an explanatory variable for major changes (paradigm shifts) in the policy-making process, has become a crucial concept for analysing the state-society relations and hence for contemporary theories of the state (P.Hall, 1993). This thesis focuses on institutional learning as an intermediate-explanatory variable of the successful adaptation of local political and economic systems to the global and European environment through the processes of exchange and socialization. The academic debate on the prerequisites for institutional learning and successful adaptation focuses on a wide range of variables that may affect the learning capacity of local institutional infrastructure.

The first obvious observation is that institutional learning is crucially influenced by previous policy attempts (P. Hall, 1993) and dependent on the way in which the system of intra-regional interactions is shaped on a bottom-up basis, that is the way in which the local institutions are networked. Since, however, institutional learning is a predominantly interactive process, which cannot be simply reduced to a function by which 'the less proactive regions...learn from the activities of their more dynamic counterparts' (M. Rhodes, 1995:329), the adequacy of information flows and communication as well as the presence of fora for dialogue among the actors is seen as the second most important factor affecting the learning capacity of local institutional infrastructure (M. Rhodes, 1995). Thus, by the joint involvement of institutional

¹⁰ The evolutionary models in economics have emerged as a combination of socio-biology and economics and try to explore parallels between the underlying features of genetic survival and evolutionary development among animals and similar patterns of behaviour among human beings (North, 1990, ch. 3).

actors in the processes of 'learning by doing' and 'learning by past successes and failures', institutions can become adaptable rather than adapted to the changing conditions (Garnise, 1995a). Learning in this environment is a function of past policy attempts (and the involved actors' interpretation of their successes and failures), of the capacities of institutions to design new activities, and of the changing ideas and shifting alliances and balance of powers among the actors.

Additionally, when multiple organizations (subnational authorities, business and trade associations, universities and other research related agencies) are involved in combined learning, the ability to share knowledge¹¹ and understanding requires that the interpretation is mutually consistent. In other words, knowledge is relational and understanding cannot be completely disassociated from the relationships in which it is shared and 'learning is ...a socially embedded process which cannot be understood without taking into consideration the institutional and cultural context' (Lundvall,1992:1). Thus, dialogue and communication -key components of learning- are empowered or inhibited by the socio-political processes that conceptualize human behaviour. Through this process of actor-structure interaction, information exchange and communication, actors interpret knowledge and acquire new knowledge, shape their identities and interests and form their preferences. Finally, since learning is a process of 'waking up and catching up' (Sabel,1994b:137) and therefore usually undermines the stability of relations between the transacting actors, institutions (norms, conventions) provide the glue that cements and re-stabilizes the relations among the involved actors.

Moreover, the learning process has implications for the organizational structure of the regional politico-economic system. On the one hand it requires that the involved organizations

¹¹ 'Knowledge' refers primarily to tacit knowledge, which is learned only by experience, rather than to the standardized and codified variety, that is easily transferable. This variety of knowledge can be diffused only through personal exchange and mobility.

are flexible to make the appropriate structural adjustments to exploit the benefits of learning. On the other, the learning process is crucially dependent on experts who specialize in specific fields of policy (P. Hall, 1993; J. Checkel, 1998). Because this combination of flexibility and specialization is best achieved in networked organizations, the network paradigm constitutes the appropriate organizational form for the learning process (Storper, 1995).

In this context, if institutional networks are to promote self-sustaining development, they must be able continually to revise their activities according to both the changing circumstances and the understanding that evolves from shared experiences. Thus dialogue, as an intrinsic element of the learning process, constitutes the framework for defining and redefining common goals and objectives. Networks, as conduits of regional/local rules and practices, must build a consensus on development goals.

Furthermore, since the endogenous decision-making requires the presence of sufficient institutional and financial resources at the subnational level, the degree of decentralization of the administrative structure of the state plays an important role in the learning process (Garmise, 1995b; M. Rhodes, 1995). However, existing evidence on intra and inter-state differentiation in the level of institutional learning and adaptation points to the dynamic character of intergovernmental relations, which cannot be simply reduced to a symptom of the state structure (Klausen and Goldsmith, 1997). Hence, the crucial prerequisite for institutional learning and adaptation is certain capacities for collective action at the regional and local levels to facilitate the process of shaping the system of interactions and coalition-building among key social and economic actors (Garmise, 1995b; Jeffery, 1997; Paraskevopoulos, 1997, 1998). In that sense, both formal and crucial informal institutional arrangements play the decisive role in determining the learning capacity of local systems of governance and their capacity for adapting to changing conditions. This increasing importance of certain capacities for collective action as the crucial

prerequisite for institutional learning and adaptation is underlined by the emergence of the network paradigm as an operational element of the institutional infrastructure at all stages of policy-making.

The crucial question, however, refers to the old problem of what causes what structure or culture. Are the formal institutions the means to achieve collective action and economic performance, or is their success dependent upon the existence of important informal norms that evolve from culture, traditions and social behavioural codes? Empirical evidence suggests that the differentiation of social norms is highly correlated with varying levels of institutional and economic performance at the regional and local levels (Putnam, 1993; Whiteley, 1997). A lively, multi-disciplinary literature has examined, in various ways, the linkages between socio-political structure, institutional learning, and economic performance at the regional level.

1.3.1 Rational Actors and Dilemmas of Collective Action

How and why dilemmas of collective action arise within contemporary economic and social structures, and the way in which they could be resolved, constitutes the crucial parameters upon which the creation of effective local synergies is dependent and, subsequently, the main issue for modern development strategies based on the bottom-up approach to regional development. The conceptualization of the role of institutions and socio-cultural factors in resolving collective action problems and thus determining the outcome of development policies should be seen as one of its key contributions.

Contemporary research in political science, economic history and economics is focused on the way in which rationality by individuals could be reconciled with rationality by society: that is the reason for the creation of dilemmas of collective action. 'Collective dilemmas arise when choices made by rational individuals lead to outcomes that no one prefers' (Bates, 1988:387).

Game theory has illustrated the essential property of collective dilemmas and the conditions under which rational self-interested individuals can arrive at a Pareto-inferior solution: that is, one that leaves both parties worse off than they would have been had they cooperated (Scharpf, 1991, 1993).

The *tragedy of the commons*, since Hardin's challenging article¹², has come to symbolize the degradation of the environment to be expected from actions of rational individuals, who use a scarce resource in common. Each herder receives a direct benefit from his own animals and suffers delayed costs from the deterioration of the commons when his and others' cattle over graze. Therein is the tragedy. Unlimited grazing destroys the common resource on which the livelihood of all depends.

In the famous *prisoner's dilemma* game, a pair of accomplices is held incommunicado, and each is told if he alone implicates his partner he will escape unpunished, but if he remains silent, while his partner confesses, he will be punished severely. If both remained silent, both would be let off lightly, but unable to coordinate their stories, each is better off squealing, no matter what the other does.

Public goods also constitute prisoners' dilemmas. A public good (i.e security) can be enjoyed by everyone, regardless of whether he contributes to its provision. Under ordinary circumstances, therefore, no one has an incentive to contribute to providing the public good, causing all to suffer.

In the *logic of collective action* the presumption that the possibility of a benefit for a group would be sufficient to generate collective action to achieve that benefit is challenged: 'unless the number of individuals is quite small, or unless there is coercion or some other special device to

¹² 'The tragedy of the commons' was the title of Garrett Hardin's famous article in *Science*(1968). For an extensive overview see El. Ostrom (1990: 2-4).

make individuals to act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests' (M. Olson, 1971:2). Olson's argument is based on the assumption that one has little incentive to contribute voluntarily to the provision of a collective good, unless he could be excluded from the benefits of that good, once it is produced.

All these concepts are extremely useful for explaining 'how perfectly rational individuals can produce, under some circumstances, outcomes that are not "rational" when viewed from the perspective of all those involved' (El. Ostrom, 1990:6). This does not arise from misanthropy. Even if neither party wishes harm to the other, and even if both are conditionally predisposed to cooperate, they can have no guarantee against renegeing, when verifiable and enforceable commitments are absent. As D.Gambetta has pointed out, 'it is necessary not only to trust others before acting cooperatively, but also to believe that one is trusted by others' (1988:216). The performance of all social institutions from international credit markets to modern national and regional governments, depends on the way in which those dilemmas of collective action can be resolved (Putnam, 1993:164).

One of the most classic solutions in confronting the dilemmas of collective action is the Hobbesian of third-party enforcement: that is the imposition of a coercive power to create cooperative solutions. It implies the state should enable its subjects to do what both parties cannot do on their own: trust one another. Such a solution, however, is seen as too expensive. The third-party enforcement 'would involve a neutral party with the ability, costlessly, to be able to measure the attributes of a contract and, costlessly, to enforce agreements such that the offending party always had to compensate the injured party to a degree that made it too costly to violate the contract. These are strong conditions that are seldom, if ever, met in the real world' (North, 1990:58). On the other hand, impartial enforcement being itself a public good, is subject to the basic dilemma of collective action. To solve the problem, the third party must itself be

trustworthy, but there is no power to ensure it would not defect: 'put simply, if the state has coercive force, then those who run the state will use that force in their own interest at the expense of the rest of the society' (North, 1990:59). Therefore, in the language of game theory the third-party enforcement does not constitute a stable equilibrium, that is one in which no player has an incentive to change his behaviour.

The crucial question, however, is 'why uncooperative behaviour does not emerge as often as game theory predicts' (Gambetta, 1988:217). Game theorists generally agree that cooperation is difficult to sustain when the game is not repeated, so the defector cannot be punished in successive rounds, when information on the other players is lacking and there are large numbers of players. When the prisoner's dilemma game is played only once, the dominant strategy for players is to defect. In an iterated prisoner's dilemma game, however, there is no dominant strategy. Axelrod's (1984, 1997) optimistic view about the ability of actors to devise cooperative solutions to problems without the intervention of a coercive power is based on the assumption the winning strategy under these conditions of repeated play is the strategy of *tit-for-tat*, that is one in which the player responds in kind to the action of other players¹³. Although each of these factors is important, they seem to imply that impersonal cooperation should be rare. Nevertheless, it seems to be common in much of the modern world.

1.3.2 *The New Institutionalists*

From the old debate between the *substantivist* and the *formalist* schools in anthropology¹⁴ flow

¹³ The 'Folk Theorem', one version of this strategy, holds that 'always defect' is not a unique equilibrium in the repeat-play prisoner's dilemma (R. Axelrod, 1984).

¹⁴ The 'substantivist' school is identified especially with Karl Polanyi's (1944) idea of 'moral economy'. It stresses the importance of culture, social and institutional structure of the society as a whole in understanding the texture of economic relations. The 'formalist' school, on the other hand, is strictly linked to the assumptions of neoclassical economic theory that denies any impact of social structure and social relations on economic behaviour. For an extensive overview, see M. Granovetter, (1993:3-10).

two broad intellectual streams in the description and explanation of social action in general and of economic action in particular. The first, characteristic of the work of most sociologists, views the actor as socialized and the action as governed by social norms, rules and obligations. Its principal virtues lie in its ability to describe action and institutions in a social context and to explain the way action is shaped, constrained and redirected by the social context. The second intellectual stream, characteristic of the work of most economists, sees the actor as acting independently and wholly self-interested, while the basic principle of action is that of maximizing utility. This principle of action has generated the extensive growth of the political philosophy theories of utilitarianism and contractarianism, upon which the rational choice models in neoclassical economic theory and political science are based (Coleman, 1988:95-6; Green and Shapiro, 1994). This intellectual divide in the social sciences constitutes the main source for the new institutionalist school of thought in political science, comprising three main analytical approaches: rational choice, historical and sociological (P. Hall and R. Taylor, 1996).

Rational choice new institutionalism in political science, economic history and economics attempts to show 'the conditions under which particular institutions arise and the effects of these institutions on the functioning of the system' (Coleman, 1988:97) and exhibits a renewed concern with institutions as a means for resolving collective dilemmas (North,1990; Shepsle,1989; Scharpf,1989; Moe,1990; Williamson,1975). In particular, rational choice new institutionalists see in collective dilemmas reasons for the existence of institutions, that is 'forms of hierarchy in which sanctions are employed to make self-interested choices consistent with the social good' (Bates, 1988:387), or 'the rules of the game in the society -the humanly devised constraints- that shape human interaction' (North 1990:3). They seek to conceptualize institutions as external constraints to personal freedom of choice, by shaping actors' preferences and optimizing their

behaviour, thus facilitating collective action¹⁵ (El. Ostrom, 1986; Moe, 1990; Shepsle, 1989).

Through this process, the individual actors' rationality-based preferences are substituted by rational institutional choices or, in K. Shepsle terms, choice of 'institutional equilibria' (Shepsle, 1989:143).

New institutional economics, in particular, has emphasized the impact of formal institutions (hierarchical firms) on the reduction of transaction costs¹⁶, on enabling thus agents to overcome problems of opportunism and hence on performing economic functions (Williamson, 1975; North, 1990). Thus, new institutional economics focuses on the origins of efficient institutions that promote the making of contracts, the enforcement of property rights, the removal of production externalities and the provision of public goods, that is mechanisms for reconciling the gap between individual and collective interests. Given, however, that both production externalities and public goods constitute prisoner's dilemmas, rational choice new institutionalists' basic argument is contractarian in spirit: 'persons facing collective dilemmas might prefer to live in a world in which the freedom to choose is constrained' (Bates, 1988:397).

Yet, rational choice new institutionalism leaves open a crucial question: how and why are formal institutions provided? The problem seems to be similar to the solution of the third-party enforcement in the sense that the institutional solution itself constitutes a collective dilemma and, hence, it seems to be subject to the very incentive problems it is supposed to resolve: the demanders of institutions may be unable to secure their supply. To resolve the problem an

¹⁵Adr. Windhoff-Heritier's notion of institution as 'restriction and opportunity' shows the compatibility between new institutionalism and rational choice approach and hence it may be seen as the foundation of rational choice institutionalism (1991:41). See also J. Coleman (1988:97) and K. Dowding (1994a).

¹⁶ The term 'transaction costs' refers to the underestimated in the neoclassical economic theory 'information costs'. As D. North has pointed out, 'the costliness of information is the key to the costs of transacting, which consist of the costs of measuring the valuable attributes of what is being exchanged and the costs of protecting rights and policing and enforcing agreements' (1990:27), that is costs associated with banking, insurance, finance, trade, lawyers and accountants.

alternative soft approach to the origins of institutions has been developed: 'rather than being founded on notions of contracting, coercion, and sanctions, (...institutions should be) based on concepts such as community and trust', or, 'in a world in which there are prisoner's dilemmas, cooperative communities will enable rational individuals to transcend collective dilemmas' (Bates, 1988:398-99).

Thus, economic sociology's criticism of the undersocialized character of new institutional economics focuses on its attempt to explain social institutions from a functional-neoclassical point of view (Granovetter, 1985). Granovetter's 'embeddedness argument' stresses the role of networks of relations in generating trust and in establishing expectations and norms: 'social relations, rather than institutional arrangements or generalized morality, are responsible for the production of trust in economic life' (1985:491). The embeddedness approach emphasizes the social character of economic action, the role of networks as a function between markets and hierarchies, and the process of institution-building (Granovetter, 1985). In that sense, it points to the influence of social and cultural contexts upon the rational or purposive action and sees social structure, learning and adaptation as interrelated concepts.

Granovetter's embeddedness thesis, Coleman's theory of collective action, and R.Burt's *structural*¹⁷ approach to action constitute an integral part of the behavioural revolution in political science (Shepsle, 1989), focusing on the development of a new theoretical orientation, which emphasizes the role of social and cultural contexts in affecting rational or purposive action, and views social structure, institutional and economic performance as interdependent concepts upon which the development of social organization depends. In that sense, they may be seen as attempts to bridge the gap between rational choice, and historical/sociological institutionalist

¹⁷ In a parallel way with Granovetter, R. Burt has distinguished between 'atomistic' and 'normative' approaches, emphasizing the 'structural' approach to action (R. Burt, 1982, 1993).

approaches. The latter, without denying the rational and purposive character of human behaviour, emphasize path dependence and unintended consequences as features of institutional development (K. Thelen and S. Steinmo, 1992; Pierson, 1997), and the role of cultural norms and social appropriateness in affecting individual action (March and Olsen, 1989; DiMaggio and Powel, 1991). Hence, they define institutions as: 'the formal and informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy' (P. Hall and R. Taylor, 1996:938). Social capital has emerged as the appropriate conceptual tool to be used in this theoretical enterprise (Coleman, 1988:96).

1.3.3 Social Capital: Enhancing Civiness and Building Civil Society

Social capital has emerged as the crucial conceptual tool that, by facilitating 'certain actions of actors within the structure' (Coleman, 1988:98), leads to the crossing of the old schism between structure and culture. As a resource for action available to an actor it is one way of introducing social structure into the rational choice paradigm (ibid., 1988:95; El. Ostrom, 1992, 1995a,b, 1998). Although Coleman's (1990:300-302) definition of social capital¹⁸ as 'a set of inherent in the social organization social-structural resources that constitute capital assets for the individual' implies it refers to individual actors (persons), it has been acknowledged as a crucial factor for facilitating collective action among corporate actors as well: 'because purposive organizations can be actors just as persons can, relations among corporate actors can constitute social capital for them as well' (Coleman, 1988:98). Thus, social capital refers 'to features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated action' (Putnam, 1993:167) or, 'to internalized norms which stress the

¹⁸ Although Coleman is considered the scholar who introduced and analysed the term, he credits Glenn Loury with introducing the concept into economics to identify the social resources useful for the development of human capital. See Coleman, (1990:300-301).

acceptance on the part of citizens of the positive role played by collective action in pursuing collective goods related to economic growth and social protection' (Leonardi, 1995b:169).

Therefore, voluntary cooperation is easier in a community¹⁹ that has inherited a substantial stock of social capital, and the pursuit of collective goods is not seen as in contradiction with the pursuit of maximizing individual wealth. J. Coleman notes:

Social capital is defined by its function. It is not a single entity but a variety of entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors-whether persons or corporate actors-within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. For example, a group whose members manifest trustworthiness and place trust in one another will be able to accomplish much more than a comparable group lacking that trustworthiness and trust... Like physical capital and human capital, social capital is not completely fungible but may be specific to certain activities... Unlike other forms of capital, social capital inheres in the structure of relations between actors and among actors. It is not lodged either in the actors themselves or in physical implements of production. (1988:98; 1990:302-304).

Another main feature of social capital is that it is ordinarily a public good, whereas conventional capital is considered to be a private good. Therefore, like all public goods, it tends to be undervalued and undersupplied by private agents, which means that social capital, unlike other forms of capital, must often be produced as a by-product of other social activities (Coleman,1990:317).

Trust constitutes the most important form of social capital. It is linked to the volatility and hence uncertainty of modern economic and institutional settings and is seen as the crucial conceptual mechanism to resolve this uncertainty by shaping the relations between partners and facilitating collective action: 'trust, the mutual confidence that no party to an exchange will exploit the others' vulnerability, is today widely regarded as a precondition for competitive

¹⁹ S. Singleton and Michael Taylor defined *community* as: 'a set of people (a) with some shared beliefs, including normative beliefs and preferences, beyond those constituting their collective action problem, (b) with a more or less stable set of members, (c) who expect to continue interacting with one another for some time to come, and (d) whose relations are direct (unmediated by third parties) and multiplex' (1992:315).

success' (Sabel, 1993b:104). This is the main reason for the increasing attention many scholars have paid to the crucial role played by trust in the emergence of flexible regional systems of political and economic governance since the 1970s²⁰.

A case that illustrates the role of the trustworthiness in facilitating cooperation is that of rotating credit associations, which are informal savings institutions. In a typical rotating credit association each member contributes a monthly sum and each month a different member receives this month's pot to be used as he or she wished. But without a high degree of trustworthiness among the members, the institution could not exist. Thus, the reputation for honesty and reliability is an important asset for any would-be participant. In a small, highly personalized community the threat of ostracism is a powerful, credible sanction. In more diffuse, impersonal societies, by contrast, more complex networks of mutual trust must be woven together to support the rotating credit associations (Putnam, 1993:168). In many cases members must trust in the trust of others to complete their obligations and hence social networks allow trust to become transitive and spread. Rotating credit associations illustrate the way in which external sources of social capital -preexisting social relations between individuals- help to overcome problems of imperfect information and enforceability, facilitating the solution of problems of collective action. Given, however, that in modern economies and societies, what is required is the impersonal form of trust, a problem arises about how personal trust can become social trust.

Social trust in modern complex settings can arise from two related forms of social capital: norms of reciprocity and networks of civic engagement. Social norms transfer the right to control an action from the actor to others because that action has externalities, that is consequences (positive or negative) for others. Norms arise when 'an action has similar externalities for a set

²⁰ See, C.Sabel (1994a:131-132); Ed. Lorenz (1992).

of others, yet markets in the rights of control of the action cannot easily be established, and not single actor can profitably engage in an exchange to gain rights of control' (J.Coleman,1990:251). The most important norm is reciprocity (El. Ostrom, 1998:10). It is of two sorts: balanced and generalized (Putnam, 1993:172). Balanced reciprocity refers to a simultaneous exchange of equivalent values, while generalized reciprocity is based on a continuing relationship of exchange, which involves mutual expectations that a benefit granted now should be repaid in the future: 'if *A* does something for *B* and trusts *B* to reciprocate in the future, this establishes an expectation in *A* and an obligation on the part of *B*, which can be conceived as a credit slip held by *A* for performance by *B*' (J.Coleman, 1990:102).

The norm of generalized reciprocity constitutes a highly productive component of social capital. Communities in which this norm is followed can more efficiently restrain opportunism and resolve problems of collective action by reconciling solidarity and self interest. Generalized reciprocity is associated with dense networks of social exchange, through which the core relationships between reciprocity, reputation and trust are developed in a mutually reinforcing way (El. Ostrom, 1998). Thus norms, and hence social capital, are sustained by socialization and by sanctions. These norms (Storper's -1995- 'untraded interdependencies') facilitate the stability of intra-network relations and hence the inbuilt capacity of institutional networks to learn and adapt to changing circumstances.

The crucial question, however, is whether or not trust and subsequently social capital can be created, where it is in demand. A renewed concern with the role of the state in promoting collective action and building social capital through successful state/society synergies has emerged recently²¹. The basic argument in the *problematique* of 'crossing the great divide'

²¹On the state-driven process of synergies and collective action, see: Peter Evans, (1996a,b), Jonathan Fox, (1996), Patrick Heller, (1996), Fellmeth, Aaron X (1996) and Elinor Ostrom, (1996).

derives from the debate between the “endowments” and the “constructability” approaches to state/society synergies. The former emphasizes the dependence of successful state/society synergies on a preexisting strong civil society and presence of substantial stock of social capital and therefore points to a long-run process for success, while the latter stresses the possibility of short-run institution-building through synergistic relations.

According to the latter, the joint involvement of state, market and civil society (voluntary) institutions in development projects and the thus created synergistic relationships are viewed as key factors for enhancing collective action and enabling actors to be involved in the production of public goods. The evidence of successful synergies with a key-role attributed to the state comes from areas of the globe (i.e. Third World countries) where the presence of social capital is in demand. Moreover, this “constructability”, as regards social capital, effect of the state’s involvement in synergistic relations with society seems to be particularly relevant to success stories of development, such as those of the “East Asian Miracle” countries. In analysing East Asian countries the argument points to the complementary and mutually supportive relations between public and private actors that are substantiated with the development of dense networks that cross the two spheres and to the crucial role played by the presence of Weberian qualitative features in the structure of the public bureaucracy which add to its efficacy and facilitate the process of successful public/private synergies (Evans, 1996b).

The existing evidence from countries of Southern Europe (Grote, 1997; Putnam, 1993), however, seems to point to the opposite direction: that the combination of a centralized state structure and a weak civil society creates conditions favourable for hierarchical clientelistic intergovernmental relations and networks that inhibit rather than encourage the long-standing process of successful synergies and social capital-building. Moreover, even though the role of the state in particular cases like those of East Asian countries, or even in some traditionally rich in

cooperative and coherent relations between public and private actors like Germany and the Nordic countries cannot be overlooked, the crucial question arises about whether these successful synergistic relations have been facilitated by traditions of civicness and associational life. In that sense, the existing evidence on the interregional (actually inter-Laender) differentiation in terms of synergistic networks and subsequently successful or not adaptation in Germany -that is Baden Wurrtemberg *vis-a-vis* Nordrhein Westfallen (Grabher, 1993)- as well as, the strong associational tradition in the Nordic countries should be stressed.

In general, what the European experience seems to suggest is that issues, such as the structure and the degree of centralization of the state and the strength of the civil society constitute the crucial parameters that determine the administrative capacity of the state and shape the public/private relations. Thus the main features of the state structure in the degrees of bureaucratization, centralization and clientelism can account for the way in which local problems are regulated and the state/society relations are shaped. Top-down initiatives based on hierarchical (clientelistic) intergovernmental networks cannot constitute a viable basis for the long-standing processes of social capital-building and crossing the public-private divide (Paraskevopoulos, 1998a).

Sabel's optimistic view, based on the notion of "studied trust" seems to be more relevant. Studied trust refers to a 'kind of consensus and the associated forms of economic transactions' that result from associative, or cooperative, or autopoietic -that is self-creating- reflexive systems²². These are systems in which 'the logic governing the development of each of the elements is

²² The terms refer to the process of 'learning to cooperate', which is the outcome of a project for the revitalization of Pennsylvania through the reorientation of economic development policies. The basic principle governing the new development strategy was a shift in consensus from the view that individual actors know their interests and government's role is to remove the obstacles to realising them, to the view that it is only by recognising their mutual dependence that actors can define their distinct interests, and that government's role is to encourage the recognition of their collectivity and the definition of their particularity (Sabel, 1993b:120-140).

constantly reshaped by the development of all the others: the parts reflect the whole and vice versa' (Sabel,1993b:125-30). Sabel's optimism on the creation of trust is based on the hypothesis that 'trust is a constitutive -hence in principle extensive- feature of social life' (1993b:140).

Both the paradigm of rotating credit associations and Sabel's argument of studied trust underline the cumulative character of social capital. Success in starting small-scale institutions enables individuals to build on the, thus created, social capital to solve larger problems with more complex institutional arrangements. Trust and other forms of social capital, such as norms and networks, constitute 'moral resources', that is 'resources whose supply increases rather than decreases through use and which become depleted if not used' (Gambeta, 1988:56). For these reasons the creation and destruction of social capital are marked by virtuous and vicious circles²³ (Putnam,1993:170; 1995a,b). This presumption has engendered criticisms, focusing on its historicism and 'path dependence' logic (Goldberg, 1996; Sabetti, 1996; Levi, 1996; Tarrow, 1996). The inherent in institutional learning evolutionist approach does not contradict the path dependence analysis, in the sense that the function of 'learning to cooperate' should be considered as a rather slow process. This approach, however, should be distinguished from the deterministic interpretations of history, since it emphasizes the bottom-up process for the creation of social capital through the "structure-actors" interactions and hence redefines the role of public policy in encouraging initiatives, rather than imposing collective action and coordination. It is in that sense that institutional learning and adaptation can be pursued.

Trust and inter-organizational networks have been extensively used as factors that underpin the industrial districts of SMEs and the restructuring process in areas of industrial decline. However, although the research in tourist development so far is mainly focused on the micro-

²³ Ed. Banfield (1958) provides empirical evidence for the vicious circles caused from the destruction of social capital, which provide an exegesis of the backwardness of Mezzogiorno. See also, M.Olson, (1982).

level of inter-personal networks among tourist activity participants, the study of inter-organizational networks in tourism is seen as ‘the next type of structural analysis to develop in leisure research’ (Stokowski, 1994:86). In that respect, this study may be seen as a novel approach to the role of institutions and institutional networks in the process of local development. Furthermore, there are some similarities in institutional and policy adaptation between the productive systems based on the tourist industry and those undergoing industrial restructuring (i.e. the shift from massive to flexible forms of tourism).

1.3.4 Institutional Networks and Learning

To understand the distinctive theoretical underpinnings of the network approach one needs to go beyond the individualistic interpretations of rational action, based on calculations of utility maximization and ignorance of the social context within which the actor is embedded (Knoke and Kuklinski, 1982:9). Networks, in general, are based on relations or linkages and therefore they cannot be disassociated from the social or organizational system, which involves many other actors. Thus institutional networks can be defined as systems of interactions involving both public and private institutional actors (individuals, groups, organizations), which are linked around a certain policy domain or territory and hence bounded by it²⁴. By definition, a network should not be seen merely as a corporate body, but instead as a new quality completely different from the total of the features of the involved organizations. In that sense, the nature of the linkages and interactions among the actors may affect the pattern of behaviour of any particular actor: ‘the patterning of linkages can be used to account for some aspects of behaviour of those

²⁴This definition tries to embody A. Windhoff-Heritier’s (1993), Ph. Cooke’s (1996) and P. Kenis and V. Schneider’s (1991) emphasis on joint involvement of public and private actors, Knoke and Kuklinski (1982) main focus on linkages, and Aldrich and Whetten (1981) approach to bounded and holistic character of networks.

involved' (Mitchell, 1969, cited in Knoke and Kuklinski, 1982:13)²⁵. Hence, network analysis assumes the structure of the relations and interactions can either facilitate or constrain the actions of the involved organizations. Since structure is interpreted as the 'regular and persistent pattern in the behaviour of the elementary parts of the system' (Berkowitz, 1982:1), what distinguishes one network from another is the differentiation of its inter-organizational structure (Knoke, 1990). Thus different networks demonstrate different structures, and hence network analysis focuses on the mapping of structures (Dowding, 1994b:73). The main structural features to categorize networks are: territorial scope, dominant actors, and density or thickness.

There have been identified three types of territorial networks (Leonardi, 1995a): 1) intra-regional, which are those within one region or locality; 2) interregional, which are networks between regional actors within a national territory; and 3) transregional, which are networks between actors in different countries. Intra-regional networks constitute the common type of networks within which the system of interactions among the actors is shaped at the regional or local levels. The presence of this type of networks constitutes a prerequisite, if the learning and institution-building processes are to be pursued, because they integrate all the area resources, and particularly information and knowledge with regard to the specificities of the region concerned. Regions, which possess this first level of institutional infrastructure, can develop linkages on the interregional or transregional level to achieve access to other sources (national, European), or to pursue joint lobbying strategies. The ideal qualitative features of this type of networks would involve the crossing of public/private divide, by the participation of both public and private actors in joint initiatives, and the formulation of a proactive development strategy. Interregional networks, on the other hand, are less spread, given that in most nation-states in Europe the

²⁵Mitchell J. Clyde (1969) "The concept and use of social networks", pp.1-50, in J. C. Mitchell (ed.) Social Networks in Urban Situations. Manchester England: Manchester University Press.

state/region relationships are traditionally more dominant than the region to region one. Finally, transregional networks constitute a relatively new phenomenon in Europe, since the main motivation for the creation of this type of networks derives from the emergence of regionalism (late 1970s).

With regard to the dominant actors, Garmise (1995a) distinguishes governmental, sectoral and functional networks. Governmental networks are characterized by the predominance of central government agencies and, therefore, these networks usually demonstrate a vertical structure, which has particular consequences for the network relations. Sectoral networks emerge around specific sectors of the local economy, such as an industry, a service or a sphere of voluntary activity. Finally, functional networks consist of both governmental and sectoral actors. The main feature of the sectoral and functional networks is that they tend to have a horizontal rather than vertical structure. Functional networks are considered as providing the nucleus support structure for the learning process, since they tend to shape the public/private relations at the local level, thus incorporating multiple types of resources required for the development process. Table 1.1 provides an illustration of these two categories of networks.

Table 1.1
Networks by Territorial Scope and Dominant Actor

TERRITORIAL SCOPE	Intraregional	Interregional	Transregional
DOMINANT ACTOR			
Governmental	Intraregional Governmental	Interregional Governmental	Transregional Governmental
Sectoral	Intraregional Sectoral	Interregional Sectoral	Transregional Sectoral
Functional	Intraregional Functional	Interregional Functional	Transregional Functional

Source: Garmise, 1995a:63.

Thus, the most effective institutional networks are those which are based on intra-regional

functional networks. These networks, by enabling public and private actors to be actively involved in the provision of public goods, and by integrating most of the region's resources, constitute the foundation of and the appropriate regulatory framework for development strategies that reflect the local identity and the local demands.

Institutional thickness is the last and most important structural feature of networks. It refers to the combination of structural and cultural qualitative elements that determine the level of the local institutional capacity. In other words, institutional thickness means: 'the combination of factors including inter-institutional interaction and synergy, collective representation by many bodies,... and shared cultural norms and values' (Amin and Thrift, 1994:15). In structural characteristics, thickness refers to the density of the inter-institutional interactions, which, however, are conditioned by the way in which the resources are distributed among the actors and the strength of the system of cultural norms in which are embedded, that is social capital. The distribution and integration of resources points to the fact that thickness cannot be sustained without intra-regional functional networks. The role of social capital, on the other hand, is to facilitate the communication among the actors and thus the diffusion of information and knowledge, which are the most important resources for learning.

Relevant but not synonymous to thickness is the debate on the strength or weakness of the linkages between institutions within networks. The strength of the linkages and the number of ties any institutions share is closely linked to crucial issues like the flow of information and the diffusion of knowledge among the actors, the prevention of opportunism, and the danger of institutional lock-in. Strong ties are viewed as encouraging malfeasance, preventing the flow and diffusion of information and knowledge, thus undermining the learning process and increasing the danger of institutional lock-in. G. Grabher's work on the Ruhr region has shown how perfectly dense and adapted networks produced cognitive and institutional lock-in, when the

strong ties among the core actors undermined the adaptability of the region to the necessity of structural adjustment and led it into the 'trap of rigid specialization' (1993:275). Conversely, weak ties facilitate the learning process, by functioning as bridges between strongly tied network subgroups, thus providing pathways for the diffusion of information: 'weak ties are more likely to link members of different small groups than are strong ones, which tend to be concentrated within particular groups' (Granovetter, 1973:1376).

Although Granovetter's analysis of the advantages of weak ties can perfectly account for a wide range of issues, such as the role of institutions like family in the semi-periphery, illustrated by Ed. Banfield's (1958) *Amoral Familism*, learning institutional networks should constitute a combination between strong and weak ties. This combination can counterbalance positive and negative characteristics of each type of tie, providing trust, and access to new knowledge and information, and preventing institutional lock-in. Hence, learning institutional networks should combine a core of actors (i.e an intra-regional functional network) linked with strong ties, and a range of other local actors connected through looser ties to the core network.

The role of Power and Exchange in Networks

The concept of power is a crucial and extensively-debated issue in political science. Dowding distinguishes between 'outcome power' :“the ability of an actor to bring about or help to bring about outcomes”; and 'social power':“the ability of an actor deliberately to change the incentive structure of another actor or actors to bring about or help to bring about outcomes” (1996:5). However, this thesis has adopted Metcalfe's definition of power, that is “the ability to attain higher levels of collective performance” (1981:504), which seems to be more suitable, because it conceives of power as the outcome of collective action among the actors.

Within the inherent in networks bargaining and negotiation contexts there are four ways

for actors to achieve collective performance by exercising power: persuasion, threats, reward, or a 'throtter', which is a combination of threats and offers²⁶ (Dowding, 1991:68). To operationalize all these instruments of power within the bargaining process an actor needs to have a number of potential resources. Harsanyi has identified four categories of important resources in this respect: information or knowledge, legitimate authority, unconditional incentives (where an actor must pay the price or reap the benefit whether or not she does what the other wants, i.e. the law), conditional incentives (either reward or punishment conditioned on the behaviour the powerful wants to impose) (1969, discussed in Dowding, 1991:70-72²⁷). Additionally, stubbornness and reputation have also been identified as important resources for bargaining and overcoming problems of collective action where a group cannot mobilize itself to act (ibid., :145-146).

Knowledge and information are considered as the most important resources of power for facilitating the learning process within networks and subsequently their capacity for adapting to changing conditions. On the one hand, since learning, adaptation, institutional and economic performance constitute public goods and of general interest to most participants, persuasion is the most effective political tool, because it implies the voluntary involvement of actors in achieving collective performance. On the other, because information and knowledge are perceived as crucial resources within an inter-organizational environment dominated by uncertainty and interdependence, they provide actors with the potential to influence the policy-making process, by imposing their interpretation of common problems and solutions on others (P. Haas, 1992). Thus, actors have an incentive to increase their access to these resources, since

²⁶According to Dowding, however, there are cases where collective performance is achieved without the exercise of power, but based on the similarity of actors' preferences. The actors who are benefited by the thus achieved collective action are just lucky (1996:52-54).

²⁷Harsanyi, J.C (1969) 'Measurement of Social Power, Opportunity Costs, and the Theory of Two-person Bargaining Games', in Bell, P et. al (eds) (1969) Political Power: A Reader, London: Macmillan, pp.226-238.

this can lead to changes of attitudes and patterns of behaviour of the other actors. Hence, the role of knowledge and information as resources of power is crucial in two respects: first for the persuasion of actors to be involved in collective action, and second, for influencing the policy-making through the processes of problem identification and solution provision.

Given that inter-organizational networks are characterized by a significant amount of expertise and specialization and hence resource interdependencies among the actors (Kenis and Schneider, 1991), power relations within networks are based mainly on the process of exchange (Marin, 1990). Exchange relations involve a variety of resources: money, information, authority. Exchange is seen as one way to achieve collective action among the actors. It refers to the process by which 'possibilities for action, linked to the possession of mutually valued resources, are exchanged between complex organizations' (Parri, 1989:200). Exchange, like power, presupposes a bargaining and negotiation framework within which actors are offering something of value to achieve their own objectives. Thus it can take place at a functional or territorial level and involves both public and private actors. For example, a state organization may allow the influence of a private organization on the policy process in exchange for that organization's resources. In that sense, bargaining and negotiation are considered as intrinsic elements of the cooperation and institution-building processes: 'the process of negotiation is itself a vital part of the institution-building process' (Amin and Thrift, 1994:15). Moreover, negotiation constitutes an integral part of the process of coalition- building, which plays an important role in the way in which both the institutional and policy learning are pursued (Sabatier, 1993). The crucial question, however, is how external shocks influence the coalition blocks and subsequently how these changes affect the relations among the actors.

Stability and Change in Networks

What the discussion so far suggests is that the inherent resource interdependencies and the process of exchange determine, to a significant degree, the distribution of power within the network. Thus, the system of exchange constitutes a power dependence framework, within which corporate actors spend resources to achieve objectives (Rhodes and Marsh, 1992). In this framework, however, it is implicitly acknowledged that no actor is completely autonomous but depends, to varying degrees, on the resources exchanged with other organizations. This restricted autonomy points to the fact that political exchange should be distinguished from the exchange within the free market model, because its fundamental bases are the notions of self-organization and antagonistic cooperation that help competitive, functionally interdependent actors manage the uncertainties of complex strategic interactions and to be collectively involved in the provision of public goods in multiple policy areas (Marin and Mayntz, 1991). Resource interdependency alone, however, does not determine the structure of the network. Since actors' social positions, strategies and objectives vary, the exchange of resources and the subsequent formation of the system of interactions may lead to asymmetrical interdependencies amongst the involved organizations. Hence the differentiation of network structures across sectors and localities.

Furthermore, although within the power-dependence framework networks, especially in neo-corporatist systems of governance²⁸, are considered as the appropriate institutional systems to accomplish the interest intermediation function (Rhodes and Marsh, 1992), in the context of the learning process a much broader interpretation of their role should be applied. Even though the interest intermediation function cannot be overlooked, the main role of the networks as actors in a learning environment is to shape the interactions among the public and private actors and to

²⁸Functioning within neo-corporatist systems local actors usually constitute the grass roots organizational members of a hierarchically-structured, vertical network dominated by an 'umbrella-peak association', which leaves little space for autonomous action -even in terms of interest intermediation- to local actors (Dunleavy, 1991).

coordinate resources and initiatives for the general interest of the community. Under these considerations, the revolutionary contribution of the network paradigm is the redefinition of the notion of the public sphere, by combining governmental, private and voluntary actors.

The process of exchange, however, is crucially influenced by the local context. Although it is based on rational choices of the actors, the impact of the historical and cultural factors cannot be ignored. While history and geography determine to a significant degree the way resources have been distributed, actors' choices with regard to the exchangeable resources are conditioned by norms, values, conventions and rules of behaviour. In fact, mutually reinforcing self-perceptions may distort actors' collective judgements concerning the value of certain resources. Thus, exchange relations do not depend on the availability of resources, but on actors' perceptions about their value and usefulness. In that sense, even in the process of exchange between actors within networks, collective action is facilitated or inhibited by the presence or the lack of social capital (Marin, 1990:14).

Under these considerations, the multiplicity and differentiation of network structures between policy areas within a region or between regions in the same policy area is explained by the differentiation in the distribution of resources and the variety of socially-constructed exchange choices. The distribution of resources among and within the public and private sectors and the way in which these resources are distributed territorially determine the territorial scope and the dominant actors within a network. Thus within centralized states, because central state actors hold most of the public sector resources, several local agents tend to exchange more with these central state organizations than with their local counterparts. On the other hand, network density is shaped by the degree of concentration or dispersion of resources among the actors and by the value attributed to these resources for the day-to-day function of the network. Hence network thickness depends, to a significant degree, on the multiplicity, the variety and the regularity of

the exchanges. Thus, the process of exchange is considered the most important component for maintaining network continuity over a long period of time (Garnise, 1995a). Networks based on the process of exchange constitute long-term events and not opportunistic, short-term institutional actors focusing just on reaping quick gains by exploiting temporary chances.

However, three categories of factors have been identified, that can cause networks to change. The first source of change derives from the transformation of the external parameters, that can subsequently result in redistribution of resources and power within the network. These transformations may include shifts in the socioeconomic conditions, technological changes, shift in governing coalitions, initiation of new policy and funding decisions, and finally the influence by other subsystems. With regard to the last parameter, there are cases in which the success of specific networks encourage the creation of collective action subsystems or groups which in turn at a later stage cause network change from the outside (K. Dowding, 1994b:73). The second category of factors that cause networks to change are the deliberate or accidental restructuring of internal power relations. This can be the outcome of changes in the strategy of a group of actors within the network. Finally, the third important source of change derives from the learning process. Since new ideas and approaches may be adopted as a result of the learning process, there may be required changes in the use of resources and therefore new shift in the balance of power within the network. What needs to be stressed is that in all these cases change constitutes a shock for network structure, which is followed by a new balance among winners and losers. The latter is expected to resist change and fight to maintain their influence within the network.

To sum up, intra-regional functional networks, by integrating most of the region's resources and overcoming the public/private divide, provide the appropriate organizational structure for an institutional environment favourable for learning. However, although the way resources, and particularly knowledge and information, are distributed plays an important role in shaping the

intra-regional institutional interactions and achieving collective action through the process of exchange, the broad social context and the socialization function determine the value of the resources and hence the way in which the exchange process is shaped. Therefore, since learning is crucially influenced by the level of collective action among the actors, exchange and socialization constitute procedural components of the learning process. Hence social capital, as the conceptual tool of the socialization function, constitutes a prerequisite for the learning process within networks.

Conclusions

This chapter has demonstrated that the technological, economic and political changes that have underpinned the emergence of globalization emphasize the role of the endogenous political and socio-cultural resources in the development process. Thus, in the era of globalization the way in which the local is embedded into the global depends crucially on the presence of a learning institutional infrastructure at the local level rather than on the protective role of the state.

Learning is a function of past policy attempts, their interpretation and experience obtained by the local institutional infrastructure, which, in this way, becomes capable of adapting to changing conditions. Therefore, the presence of fora for dialogue and communication that facilitate the flow, diffusion and exchange of information and knowledge among the actors constitute preconditions for a policy environment favourable for learning. Thus, the process of exchange and hence the distribution of resources and power among the actors constitute an important component of the learning process. The process of exchange, however, is crucially influenced by the socio-cultural context, within which the valuation of the exchangeable resources takes place. Hence social norms and conventions constitute crucial parameters for the exchange process and subsequently for learning, which is viewed as a function, depending

crucially on both the exchange and socialization processes.

Within this framework, institutions and institutional networks provide the appropriate organizational structure for collective action and learning, by shaping the intra-regional institutional interactions and overcoming the public/private divide. In that sense, social capital and institutional networks are considered the prerequisites for the learning process and subsequently for adaptable institutional infrastructure at the regional and local levels: by facilitating collective action among the actors the former and integration of resources through the process of exchange the latter.

Finally, the notion of learning in this thesis implies the process of both structural and policy adaptation, whereby institutional networks and policy choices change to adapt to changing conditions. What is considered its key contribution, however, is its attempt to capture the system of interactions between culture and structure, that is the causal nexus between cultural norms and attitudes and the institutional structure (institutional networks) that make up the civic community. In that sense, learning may be seen as a concept determined to bridge the gap between the rational and historical/sociological new institutionalist approaches in political science, on the one hand, by taking into account the role of the contextual factors (historical and cultural parameters of institutional evolution) and on the other, by refusing the pure path-dependence and teleological assumptions of historical new institutionalism.

2. INSTITUTIONAL LEARNING AND ADAPTATION IN EUROPEAN REGIONAL POLICY: DESIGNING THE RESEARCH STRATEGY

Introduction

In chapter one of this thesis social capital and institutional networks were identified as key components of learning institutional infrastructure and hence of dynamic economic governance at the regional level, facilitating coordination of resources and collective action among the actors through the processes of exchange and socialization.

This chapter introduces the same concepts -social capital and institutional networks- in the field of European regional policy as prerequisites for learning, adaptation and Europeanization of the regional systems of governance. Section one explores the evolutionary process of building a European regional policy and identifies the impact of the Europeanization on local systems of governance, establishing specific criteria for measuring it. Sections two and three examine the theoretical justification of European regional policy within the framework of Integration theory and set out the main hypotheses of the thesis. Section four discusses the constraints on the local capacity for learning that emerge from the structure of the state and elaborates the secondary hypothesis. Finally, section five presents the methodological approach of this thesis, and designs a research strategy for investigating the relationship between local institutional capacity and European regional policy.

2.1 European Regional Policy and Europeanization of Local Systems of Governance

Structural policy is considered the most important redistributive instrument at the EU level. It represents approximately 35% of the budget and most of that money goes to the less developed countries and regions. Net annual transfers to Greece, Ireland and Portugal usually exceed 3 per

cent of their respective GDP (Tsoukalis, 1998). After the coming into force of the Maastricht Treaty in particular, the goal of economic and social cohesion is linked to the steps towards further economic integration, namely to the process for the creation of EMU.

The theoretical justification for fostering economic and social cohesion at the EU level has constituted a key element of both the academic debate and the every day policy-making at the European level, since the establishment of the EEC in 1957. Four main arguments have been developed for this justification (Armstrong, 1989). First, EU regional policy can improve the efficiency in the use of the funds, by targeting spending and by imposing discipline on the policies of member states. Second, the coordination of member states' regional policies can reduce the scope for costly and inefficient competition for mobile investments between nations and regions. Third, the "vested interest" argument points to the unacceptability of major regional disparities on grounds of social equity. Finally, there is an argument that regional disparities may be a barrier to further integration.

The evolutionary process of building a coherent and effective European regional policy has more or less followed the gradual path of the integration process. In general, three main phases have been identified in the evolution of European regional policy since the establishment of the EEC in 1957 (Tsoukalis, 1993). The first phase, which lasted until 1975 was characterized by the lack of any well-structured and coherent regional policy and by the predominance of the sectoral, rather than the integrated approach to regional development. The second phase, which lasted until the 1988 reform of the Structural Funds, was marked by the strengthening of the regional policy dimension of the existing institutions, the creation of new instruments and the steady increase of the allocated funds. The third phase is closely linked to the 1988 reform of the Structural Funds, which has constituted a turning-point in the search for greater effectiveness and efficiency of the common instruments and the further increase in the funds for regional policy.

This evolutionary process is seen as: ‘attempts to improve the adaptive capacity of regional economies adversely affected by processes of economic transformation or to increase the growth potential of backward economies’ (Cheshire, et. al., 1991:169).

2.1.1 The Emergence of European Regional Policy on the EC Policy-Making Agenda: from the Treaty of Rome to the 1988 Reform of the Structural Funds

Although the original six members of the European Community, with the exception of Italy which was the only country with serious regional problems, constituted a relatively homogeneous economic group, the Treaty of Rome did indicate a general goal to reduce regional disparities¹, while the European Investment Bank (EIB), the European Social Fund (ESF) -established in 1957- and, to a lesser extent, the European Agricultural Guidance and Guarantee Fund (EAGGF) -established in 1964- provided loans and development assistance to depressed regions. A major report on regional problems, submitted by the European Commission to the Council in 1965 signalled the start up of the process for the creation of the Directorate General for Regional Policy (DG XVI) by the 1967 Merger Treaty.

With the first enlargement of the EC in 1973 -to include Britain, Ireland and Denmark- and the subsequent change in the political balance within the EC, regional policy issues moved to the centre stage of the policy-making, since two of the new member-states (Ireland and Britain) had strong reasons for backing such a policy (Cheshire, et. al, 1991). Ireland viewed regional policy as a way of overcoming its poor, peripheral position, while Britain, with a small highly efficient and modern agrarian sector but severely hit by problems of industrial decline, viewed

¹The preamble of the Treaty of Rome (1957) contained a broad commitment to regional development by stressing the goal of “reducing the differences existing between the various regions and the backwardness of the less favoured regions”. The goal was restated in Article 2, through which the member states agreed to “promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion”.

regional policy as: 1) a way to cope with de-industrialization, which had a strong spatial dimension; and 2) a way of counterbalancing the costs of the Common Agricultural Policy (CAP) to which Britain would be a net contributor (Garmise, 1995a).

The creation of the European Regional Development Fund (ERDF) in 1975, which gave the EU 'a financial instrument for explicit regional intervention' (Croxford, et., al, 1987:25), has been seen as the result of this new political balance. However, although the creation of this new institution was considered as the first step towards the establishment of European regional policy, the principles that governed its activity during its first years were based on the notion that regional development policy was predominantly a national rather than a Community concern, in the sense that both the decision making and the implementation processes of regional policy constituted exclusive competences of the national governments (Nanetti, 1990). Thus, the Community's role was limited in providing financial resources, which, primarily, had the form of grants for infrastructure investments, in accordance with national quotas whereby each member state received a guaranteed level of support. Nonetheless, a major part of this financial assistance was directed to member states with GDP per capita below the Community average.

The increasing importance of regional policy issues at the European level was the driving force of a series of step-by-step reforms of the ERDF, which gradually transformed it towards a real planning instrument for development strategy (Nanetti, 1990). The first (1979) reform brought about the following important changes in the function of the Fund. First, a five per cent non-quota element was established, that could be used at the discretion of the Commission to finance development projects, focusing on regions with development problems emerged as a by-product of the implementation of other Community policies². Second, within this non-quota

²The non-quota section was focused primarily on regions affected by industrial decline, that is regions dependent on iron and steel, ship-building and textiles and clothing.

section, financial assistance was provided to multi-annual, rather than to yearly programmes. Third, there had been a shift regarding the qualitative characteristics of the supported projects, in the sense that not only infrastructure-related, but a broader range of projects and initiatives, (i.e support to SMEs) could get financial assistance. Finally, the funds could be allocated to areas and regions, not necessarily designated by the national governments. In that sense, by enhancing the discretionary competences of the EC Commission, these changes have been interpreted as early steps towards the ‘Europeanization’ of European regional policy (Cheshire, et al, 1991).

After a 1981 proposal presented to the Council by the Commission, in 1984 the Council adopted a regulation³ which introduced the second major reform of the Fund. The 1984 reform of the ERDF replaced the system of fixed national quotas with a system of indicative ranges (minimum and maximum) for the allocation of the funds to each member state. Within the new system, the minimum limit was representing the guaranteed level of each country’s allocated funds. This part of national allocations amounted to 88.6% of the funds, while the remaining amount was left to be allocated at the Commission’s (ERDF) discretion. To receive funds above the minimum range of national allocations, member state governments had to submit proposals fulfilling the priority and eligibility criteria established by the Commission. Given that in the 1787 Regulation there was a provision for replacement of the individual project approach by the ‘integrated-programme approach’, this latest reform, by increasing the Commission’s room for manoeuvre in the monitoring and managing the allocation of the funds, may be seen as another step towards the Europeanization of both the functional level and the scope of the Community’s regional policy. Moreover, the management of the ‘notorious’ additionality principle was gradually moved from the hands of member state governments towards the supranational level

³Regulation 1787 has constituted the codification of the modified initial Commission’s proposal, which was suggesting the adoption of the integrated programme approach and a system for almost complete regionalization of quotas (Nanetti, 1990).

(EU Commission).

This gradual shift from the 'individual project' towards the 'programming' approach had been formulated within two types of programming: the National Programmes of Community Interest (NPCI) and the Community Interest Programmes (CIP) -which constitute the first version of what later has become known as Community Initiatives. Whereas the former were based on the national governments' programming initiatives, the latter, which constituted the formulation of the non-quota section of ERDF, were originated in initiatives taken by the Commission, which usually referred to regions of more than one member state. The major innovation brought about by the programming approach is the initiation of the principle of the 'contractual partnership' within the framework of European regional policy. What this principle implies is the partnership between supranational (EU Commission), national (national governments) and subnational (regional or local) authorities on a contractual basis in the planning, implementation and monitoring processes of European regional policy (Nanetti, 1990). This innovation may be seen as the departure point for the Europeanization function of subnational elites on a bottom up basis.

The catalytic political and economic changes of the early 1980s in Europe and the subsequent enlargement of the EC with the accession of Greece (1981), and Spain and Portugal (1986), signalled a new shift of European regional policy towards the integrated approach to development. The integrated approach has been interpreted as the move from the independent and not coordinated actions of each particular Fund, to coordinated structural interventions. Therefore, it should involve: first a restructuring of the three Funds responsible for the development policy (ERDF, ESF and EAGGF-Guidance section); and second, coordinated structural interventions in the economic and social spheres of the areas with regional problem. Although the integrated approach had been adopted in two pilot projects in Naples (1979) and in Belfast (1981) with poor results, its first ambitious test was with the introduction of the

Integrated Mediterranean Programmes (IMPs) in 1985. They constituted the most numerous integrated actions undertaken by the Community (29) in three countries (France, Italy and Greece), accompanied by significant resources (6.6 billion ECUs) and their introduction was linked to the need of the most vulnerable economic sectors of the member states, and most notably agriculture, to be prepared for the increased competition from the imminent entry into the Community of Spain and Portugal.

The creation of the IMPs signalled a radical departure for European regional policy, by introducing the following major innovations in the planning, implementation and monitoring processes. First, they were the implementation instruments of strategic coordinated actions in almost every economic sector, involving infrastructure, industry, agriculture and vocational training. The main goal was the Community investment to provide additional resources, which could enhance the potential for endogenous local development in the areas concerned⁴. The second radical aspect of the IMPs was the central role attributed to the subnational level of government through the partnership institutional arrangements at all stages of policy-making: planning the specific programmes, implementing the individual ‘measures’ or actions, monitoring their progress, and evaluating the overall impact. Thus, the committees responsible for the overall implementation of the programmes were made up of regional governments, national and Commission representatives. A third major change introduced by the IMPs was the requirement for both *ex ante* and *ex post* evaluation of the programmes. The former involved the projected impact of the investment on crucial regional indicators, such as the level of employment and regional GDP, while the latter referred to the qualitative and quantitative evaluation of the results achieved after the implementation of the programmes. The codification of the contractual

⁴The shift towards the endogenous model of development corresponds to similar trends in the theory of regional development (chapter 1).

approach, by the requirement for a legally binding contract signed by the Commission, regional and member state authorities, constituted the final and most important innovation introduced by the IMPs, since the principle of partnership, reinforced further during the 1988 reforms of the Structural Funds, was to become the revolutionary feature of European regional policy (Nanetti, 1996).

The financial outcome of all these changes was that the funds available through the ERDF grew steadily over the years. Thus, the initial allocation of 257.6 million ECU increased ten-fold in the period 1975-1987 and before the scheduled doubling of the Fund for the period 1989-1993 its allocation reached the amount of 3.3 billion ECUs in 1987, which accounted for almost 10% of the EC annual budget, while the total of structural actions in the same year accounted for 19% of the budget, or 7 billion ECU. However, the total amount of money remained small, when compared with the expenditures for regional policy at the national level (Tsoukalis, 1993). In 1988, before the implementation of the reform, the ERDF assistance amounted to only 0.09 per cent of EC GDP and 0.46 per cent of Gross Fixed Capital Formation (GFCF) (CEC, 1990b).

2.1.2 From the Single European Act (SEA) to the Treaty on European Union (TEU) and beyond

The programme for the completion of the Single Market, initiated by the 1985 White Paper, and its liberalization effect on the function of European markets has coincided, as it should be expected, with an increased concern with the tackling of the problems of social and economic cohesion to enable all regions to exploit the opportunities presented by the single market (Nanetti, 1996). Thus the goal of economic and social cohesion was eminent in the Single Act Treaty⁵

⁵In article 130c, in particular, by identifying the ERDF as the principal instrument for regional policy, cohesion is defined as the task to "redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions".

(Articles 130 a to e). The doubling in real terms of the resources available to the Funds responsible for the regional policy -the ERDF, the ESF and the EAGGF (Guidance section), all three referred to as Structural Funds- agreed by the Brussels European Council in February 1988, accompanied by a major qualitative change in the principles of the structural policy.

Two major qualitative features have been identified in the reform of the Structural Funds⁶: first, the generalized adoption of the integrated approach and, second, the further enforcement of the Commission's discretionary power to prioritize the regions-objectives and to concentrate the structural interventions on a limited number of clearly-defined goals, thus signalling the move towards further Europeanization of regional policy.

In particular, the first policy principle, which characterises the reform of the Funds, is the geographical targeting of their resources, transforming regional policy into an instrument with real economic impact, by focusing on the greatest concentration of the structural interventions. Five priority objectives⁷ were assigned to the Funds upon which, the EIB was also expected to redefine its contributions⁸. It is worth noting that the major concentration of resources (80% of the three Funds between 1989 and 1993) was focused on the objectives with real 'regional' dimension (1, 2 and 5b)⁹. The second major innovation brought about by the reform was the institutionalization of the integrated approach, by combining the interventions in financial

⁶The reform was carried out through five Council Regulations, which became effective on January 1, 1989. These are: the Framework Regulation (2052/88) and four implementation Regulations (4253/88, 4254/88, 4255/88, 4256/88) (Nanetti, 1990).

⁷These are related to: Objective 1, the less developed regions whose GDP is below 75% of the Community average; Objective 2, regions of industrial decline; Objective 3, regions with severe long-term unemployment; Objective 4, the employment of young people; Objective 5a, adjustment of agricultural structures; and Objective 5b, development of rural areas.

⁸Later, in the light of the next enlargement towards the European Economic Area (EEA) countries, a new objective (6) was created to cover the ultra-peripheral regions of the Nordic countries.

⁹Objective 1 regions constituted the main beneficiaries within the three regional objectives, given that 65% of the total of resources of the three Funds has targeted to these regions.

commitments running over larger periods of time (multi-year, multi-faceted programmes, the so called Community Support Frameworks -CSFs), instead of financing individual projects proposed by the member states. This development reflects the lessons learned from the implementation of the IMPs. The third and arguably most important innovation is the institutionalization of the principle of partnership. At all stages (planning, implementing and monitoring) of the CSFs, EU Commission, national and regional authorities are engaged in formal negotiations, which lead to close co-operation and co-ordination. Whereas the Commission used to deal exclusively with national governments, which articulated their own regional plans, since 1988 the process has been opened to subnational governments to be involved in the planning and implementation of the Operational Programmes (OPs). The reinforcement of the principle of additionality, which requires that the financial contribution by the Structural Funds should be in addition to the funds that would have been given by national governments in its absence, was the fourth important characteristic of the reform. Finally, the reformulation and expansion of the formerly (under the 1984 Regulation of the Funds) Community Interest Programmes (CIPs) into what has become known as Community Initiatives¹⁰ (CIs) has constituted a major motivation for the regional mobilization at the European level. The Community Initiatives are subject-oriented Community-wide projects focusing on a particular problem or type of region designed by the Commission and involving, usually, the transregional cooperation of regions in more than one member states. In that sense, because of the upgraded role attributed to the Commission and the subnational authorities vis-a-vis the national governments, they are seen as reliable instruments for enhancing the adaptation and Europeanization processes at the regional level. For the period of the first

¹⁰Under the 1988 reforms, 10 per cent of the funds was allocated to Community Initiatives, while the remaining 90 per cent was focused on financing measures of the CSFs (CEC, 1991).

CSFs (1989-93) there were twelve Community Initiatives¹¹, representing a financial commitment of 3800 million ECUs from which 2100 million were focused on objective 1 regions.

Although this study is confined within the period of the first CSFs and therefore stops at 1993-94, it is worth a brief discussion of the changes brought about by the last (1993) reform of European structural policy, which occurred after the coming into force of the Treaty on European Union (TEU) and paved the way for the 1994-99 second phase of the CSFs. In the Maastricht Treaty cohesion is mentioned as a central concern linked to the goal of achieving economic and monetary union (EMU). To meet the convergence criteria laid down by the Treaty the weaker national economies have focused on the adjustment of their macro-economic policies (reduction of budgetary deficits) by reducing the funding of extensive development projects at the national, regional or local levels. Under these considerations, the pursuit of the goal of cohesion at the EU level is viewed as a function facilitating the process of structural adjustment of the member states.

Thus, the doubling, once again, of the resources available to the Structural Funds for the period 1994-99 (27.4 billion ECU by 1999), agreed at the Edinburgh Summit of December 1992, and the two new additions to the institutional set-up of the EU, namely the Cohesion Fund and the Committee of Regions (CoR), brought about by the TEU, have extended the scope and contributed to the further institutionalization of EU regional policy. The Cohesion Fund makes financial contributions to projects in the fields of transport infrastructure and environment and is targeted at those member states with a per capita Gross National Product (GNP) below 90 per cent of the EU average, that is Spain, Portugal, Ireland and Greece. However, the creation of the

¹¹The Initiatives accompanied the first CSF concerned coal areas (RECHAR), environmental protection (ENVIREG), improvement of research and development capacity (STRIDE), transborder cooperation (INTERREG), ultra-peripheral zones (REGIS), natural gas (REGEN), small and medium-sized enterprises (PRISMA), telecommunications (TELEMATIQUE), rural development (LEADER), new transnational employment opportunities (EUROFORM), equal opportunities between men and women (NOW) and, integration of handicapped people (HORIZON) (CEC, 1991).

Cohesion Fund has coincided with the establishment of a direct link between the structural and macro-economic policies at the national level. According to the new, and much criticized, “conditionality” principle introduced with respect to the Cohesion Fund, the financial assistance provided by the Fund is conditioned by the existence of a programme of economic convergence approved by the Council (ECOFIN).

The creation of the CoR, even though it has not been given decision-making powers by both the Maastricht and Amsterdam Treaties, is considered an important institutional innovation, contributing to the recognition of the role of the subnational (regional, local) levels of government in the EU policy-making process, along with other interest groups (Economic and Social Committee). However, the limited role of the Committee within the EU system of governance is partly attributed to the multiplicity and differentiation of regional interests at the European level, such as the existing within the Committee antithesis between regional and local level representatives (Jeffery, 1995:256; Hooghe, 1995:181).

With regard to the content of the 1993 reforms, although it has been argued their main feature was the orientation towards the reinforcing of the role of the member states vis-a-vis the Commission and the subnational governments (Mitsos, 1995; Hooghe, 1996), they have largely continued the thrust of the 1988 reforms by improving the efficiency of the management and monitoring procedures. The first important change refers to the strengthening of the monitoring and assessment provisions, by laying down explicit requirements for *ex ante* and *ex post* evaluation of the programmes. These procedures will be under the supervision of the Commission. The second change is related to the wording of the provisions on the additionality principle. The change involves the widening of the parameters that should be taken into account to evaluate the member states’ consistency in coping with the principle. Thus, while the main criterion for this evaluation was the level of expenditure during the previous programming period,

the new wording suggests other factors like the privatization programmes and the business cycles in the national economy to count as well. The third and most important change refers to the financing and managing the Community Initiatives for the period 1994-99¹². The amount to be devoted to the CIs was reduced from 10 per cent to 9 per cent of the total of the Structural Funds budget, leaving the remaining 1 per cent to be spent in the so called Pilot projects (Art. 10). More importantly, to improve the coordination function of the CIs a management committee¹³ has been created to approve or reject by qualified majority the submitted by the Commission proposals for CIs. Finally, the list of the regions eligible under Objective 1 was substantially amended, by the inclusion of the new German Laender and the reclassification of other regions (Hainaut in Belgium, Flevoland in the Netherlands, certain districts in northern France, Merseyside and the Highlands and Islands in the UK and Cantabria in Spain), while a new instrument -the Financial Instrument for Fisheries Guidance (FIFG)- to provide support for the fisheries sector was created.

Facing the challenge of enlargement in the dawn of the twenty first century, the Commission's proposals on structural policy included in the *Agenda 2000* are aimed at reconciling the interests of the major net contributors to the EU budget, namely the Northern European countries and most notably Germany, of the present beneficiaries (countries of the Southern Europe and Ireland), and of the prospective members, that is the countries of Eastern

¹²The Initiatives of the second CSFs (1994-99) are focused on: cross-border cooperation and energy networks INTERREG II (incorporating REGEN), rural development LEADER II, remote regions REGIS II, human resources EMPLOI (incorporating NOW, HORIZON and YOUTHSTART), training ADAPT, restructuring of coal areas RECHAR, steel areas RESIDER, textiles and clothing areas RETEX, defence dependent areas KONVER, Portuguese textile industry TEXTILE, small and medium-sized enterprises SMEs, depressed urban areas URBAN and fishing industry PESCA (CEC, 1994b)

¹³This refers to the famous within the European policy-making jargon "comitology" procedure. It implies the involvement of numerous and multi-targeted (advisory, management, regulatory) Committees in the process of decision making in the EU and, in particular, during the so called 'communication between Council and Commission' procedures. Those committees are considered purely intergovernmental instruments focusing on checking the Commission's room for manoeuvre and thus falsifying the supranational character of decision-making (Pollack, 1996:445).

Europe (Tsoukalis, 1998). Thus, keeping unchanged the upper ceilings of own resources and structural interventions at 1.27 per cent and 0.47 per cent of the EU GNP respectively, the Commission has estimated that a total amount of ECU 275 billion (at 1997 prices) will be allocated to structural policies for the period 2000-2006, as compared with ECU 200 billion for the period 1994-99. Within this budget framework, 210 billion are to be spent for the existing members through the Structural Funds, while 45 billion are to be earmarked for the new members, including 7 billion in the form of pre-accession aid for all the candidates, and the remaining amount to be spent through the Cohesion Fund (CEC, 1997).

The financial framework, involving the level of both the revenue and the expenditure within which the structural policy is the second biggest expenditure after the CAP, will be the subject of long and difficult negotiations. However, the whole process will be crucially affected by the viability of the EMU and the single currency projects, which during the same period are expected to be facing the repercussions of the inherent in the experiment deficiencies, such as the asymmetry between a centralized monetary and decentralized fiscal policies, the rigidities of the labour markets and the mosaic of diversified structures of the welfare and social security provisions among member states across Europe.

Nonetheless, the evolutionary process of building a European regional policy has constituted a challenge for well-established structures within the systems of governance at both the national and subnational levels and played the decisive role in the administrative restructuring process within the member states and in enhancing the institutional capacity of the subnational systems of governance. Let us examine the changes in the system parameters that the Europeanization process has engendered for the local systems of governance across Europe.

2.1.3 *Europeanization of Subnational Governments: definition and identification*

The Europeanization function refers to the process by which subnational authorities become involved in actions and programmes related to the EU policy-making process. In that sense, it is almost synonymous to the ‘subnational mobilization’ (Hooghe, 1995) at the European level. Given the Europeanization of the structures, cultures and processes of public policy-making accompanied by the emergence of a more pluralistic policy environment at the European level, it is difficult to identify any field of public policy, which is not subject to some degree of EU influence (Mazey and Richardson, 1993; Scharpf, 1994; Goldsmith, 1993). On the other hand, the size of the Commission’s ‘adolescent bureaucracy’ (Mazey and Richardson, 1993:10) is considered to be relatively small, with regard to the EU policy objectives (Goldsmith, 1993). Within this policy-making environment, the increased involvement of subnational authorities in EU-oriented activities should be interpreted as a function of two parallel and mutually reinforcing trends: the desire on the part of the EU Commission to deal with subnational governments and the desire on the part of the subnational governments to deal with the EU.

The objectives of subnational authorities for developing linkages with the Commission are to enhance their resource base in information, finance and knowledge, and to influence the EU policy process in order to circumvent or roll back central government or European policies that undermine or constrain local government activities. On the other hand, the EU Commission has two reasons for deepening its relationship with subnational governments: first, subnational authorities can provide the Commission with first-hand information with regard to both the policy objectives and the success (or lack of success) of policies which are already implemented, thus counterbalancing the inherent in the information provided by the national governments expediencies; second, subnational authorities can provide the Commission with the institutional capacity it lacks to implement and monitor the EU policies, especially in federal or regionalized

countries, where the policies and regulations have a direct impact on both the federal/national and the regional institutional structures (Marks, 1996; Goldsmith, 1993). Moreover, by participating in transregional networks, subnational governments may derive from the lack of congruence between the definition of the eligible for funding territorial units used by the Commission, the well known NUTS (Nomenclature of Statistical Territorial Units), and the designations within each member state (Goldsmith, 1993). This differentiation has been seen as a factor encouraging the cooperation of regional authorities on a transnational basis to exploit the EU funding opportunities.

Four stages have been identified in the Europeanization process of subnational governments (John, 1994). The first stage, which could be characterized as minimal Europeanization, refers to information-related activities of subnational authorities, involving the implementation of EU directives and regulations, managing European information and communicating this information to the whole range (public and private) of local actors. This activity depends crucially on the state structure, on the local institutional capacity and on the intensity of the identity or interest-related national/regional conflicts (Marks, 1996; Marks, et al., 1996). As a 1992 survey conducted in Britain reveals, almost 60 per cent of English and Welsh local authorities had specialized staff working on EU matters, whereas the equivalent proportion in Denmark does not exceed 8 per cent (Goldsmith, 1993).

The second stage, financial Europeanization, refers to the subnational governments' ability to gain access to more EU funding and use these resources to promote local economic development. Subnational governments in Objective 1, 2 and 5b regions are considered as most mobilized in this area. The development of network linkages with other local organizations through their joint involvement in EU programmes or initiatives -local networking- is seen as the third stage of the Europeanization process. The Structural Funds programmes constitute a strong

incentive for private sector's involvement in development projects jointly with public agencies and institutions, thus overcoming the public/private divide (Benington and Harvey, 1994).

Finally, the last stage, full Europeanization, involves the shift from the reactive to proactive policy approach towards the EU, which is substantiated by the participation of subnational institutions in transeuropean collaborative networks, the creation, through these networks, of advisory channels towards the Commission to influence the policy-making process, and the launching of European-style policy initiatives at the local level.

What is required to identify the degree of Europeanization is in depth case study analysis. However, the degree of private sector financial contribution to the CSFs has been used as an indicator of local actors' participation in the European development process on a transnational basis (Garmise, 1995). Table 2.1 below presents data on the average contribution of the private sector to the CSFs for the period 1989-93, based on the statistical bulletins "The Community's Structural Interventions" (CEC, 1992a,b).

In general, the private sector was found to participate financially to some extent in most (91.3%) of all CSFs. Comparing this result with the data available on the IMPs -the first major implementation of the integrated approach- an important finding emerges: that private sector participation in EU projects has substantially increased in terms of both the number of projects and initiatives and the percentage of overall funding. In particular, the private sector was involved in 28% (around 46% in France, 28% in Italy and 10% in Greece) of the individual interventions of the IMPs (Bianchi, 1993:61), while the overall financial participation of the private sector in the IMPs was 11.7%¹⁴, compared to 17.48% in the Structural Funds. What these data suggest is

¹⁴The overall evaluation of the IMPs has been conducted in a project (1990) directed by Dr. Robert Leonardi at the European University Institute and financed by the Commission of the European Communities (grant no 88-88001).

the longer a country is involved in EU Structural Funds programmes, the greater its ability to mobilize private funds in development-related objectives.

Table 2.1
Average, per cent, Contribution of the Private Sector to the CSFs by Country and by Objective (1989-1993)

Private Sector Contrib.(%)	Total	Object.	Objec.	Ob/s	Objec.
Country		1	2	3/4	5b
Germany	39.51	47.48 ¹⁵	5.3	0.47	47.9
France	19.14	9.17	26.06	0	29.3
Italy	12.6	7.05	49.8	0	49.62
Netherlands	12.5	--	22.13	2.7	17.6
Belgium	17.06	--	25.44	0.13	24.85
Luxembourg	35.32	--	43.84	0	21.5
UK	12.27	24.47	14.77	0	6.8
Ireland	25.22	25.22	--	--	--
Denmark	20.89	--	45.84	0	30.2
Greece	7.5	7.5	--	--	--
Spain	15.01	16.30	13.78	0	14.13
Portugal	7.8	7.8	--	--	--
EU 12	17.48	18.52	19.68	0.24	33.29

Source: CEC, (1992a,b), author's elaboration

To sum up, the process of Europeanization of the regional and local systems of governance plays a crucial role in shaping the public/private relations and promoting networking at the regional and local levels. Hence, its impact on the endogenous local development capacity is twofold: a direct one, by providing increased resources, and an indirect one, by shaping the

¹⁵This refers to the CSF for the New German Laender (Council Regulation EEC 3575/1990), which was approved in March 1991(CEC, 1992a).

intraregional interactions and thus promoting the creation of intra, inter and transregional networks that support the local development initiatives. Since, however, the degree of Europeanization of local systems of governance vary significantly across Europe, what is required is to identify the prerequisites for successful adaptation and Europeanization of the local institutional infrastructure. This is the task of the next two sections, which deal with the establishment of the linkages between European regional policy, integration theory, and the main theoretical concepts of this thesis, that is social capital, institutional networks and learning.

2.2 *European Regional Policy and 'traditional' Integration Theory*

The gradual Europeanization of regional policy since the introduction of the IMPs in 1985 and in particular the operationalization of the principles of partnership and subsidiarity, being considered as the main components of European structural policy after the 1988 reform of the Structural Funds the former, and of the emerging, after the coming into force of the TEU, Euro-polity the latter, are seen as having far reaching repercussions for the EU system of governance. First, although the formal incorporation of subsidiarity in the TEU (art.3B) poses it as a mainly procedural criterion for delineating competences between EU Commission and member state governments, its substantive meaning -the need for policy to be made at the closest possible level to the citizen (art. A)- plays a key role in promoting accountability and transparency in the policy-making process and hence it is seen as a recognition of the necessity for flexibility in the EU decision-taking processes. Second, this flexibility implies the need for flexibility within the member states, that is the need for devolution and de-concentration of their administrative and economic structures. Third, the operationalization of partnership focuses on promoting cooperation between supranational, national and regional elites and, at a second stage, on encouraging the creation of synergistic networks between public, private and voluntary-

community actors at the local level. Finally, the encouragement of synergies among the actors and the formation of the system of intra-regional interactions is closely linked to the outward-looking orientation of local governments, namely to their capacity for developing linkages and participating in transnational networks (Paraskevopoulos, 1997, 1998). It is in that sense that the degree of partnerships and synergies creation at the regional and local levels has been adopted as a criterion for the degree of Europeanization of local governments (P. John, 1994; Benington and Harvey 1994; Goldsmith, 1993).

Thus the institutionalization of subnational governments has substantiated their chance to bypass the central governments in the policy-making process, challenging their traditional role as 'gatekeepers', in S. Hoffmann's (1966:862-915) terms, between subnational and supranational levels of government, which subsequently opens up possibilities for coalitions between both ends against the middle (member states). The emergence of regionalism and the concept of 'Europe of Regions', however, should be linked to the increasing intensity of the changing, globalizing political economy (discussed in chapter 1) and , therefore, the response of most of the traditional European states, which have adopted strategies of devolution and decentralization, should be attributed to this trend¹⁶ (Leonardi and Garmise, 1993). Hence, the academic debate on the impact of the Single European Market (SEM) on the regional disparities and the role of the state and regional institutions in the integration process has influenced the integration theory.

In particular, the 'side payment' argument (Marks, 1992:194-206) is linked, on the one hand, to the impact of the SEM on regional disparities and, on the other, to the intergovernmentalist approach to regional integration in Europe. Thus, in terms of the formal

¹⁶Although decentralization policies have been pursued in almost all EU countries, the intensity of the devolution process varies. Thus, with regard to the constitutional structure, Loughlin (1996) distinguishes among federal states (Germany, Austria, Belgium), unitary regionalized states (France, Spain, Italy, Portugal), unitary decentralized states (Sweden, Finland, Denmark, Netherlands) and unitary centralized states (UK, Greece, Ireland).

policy-making process at the EU level, it has been, almost generally, accepted as providing a powerful explanation for the growth of the Structural Funds' budget over a long period of time.

The predominance of the supply-side/neo-liberal orientation in the programme for the completion of the SEM is viewed as leading to an inevitable process of Myrdalian 'circular and cumulative causation' and 'backwash effects' (discussed in chapter 1). In a similar vein, the new theories of international trade place emphasis on the role of economies of scale, imperfect competition, differentiated products and innovation (Krugman and Venables, 1990; Tsoukalis, 1993, 1998). According to this core-dominance hypothesis, the core of the EU is viewed as centred on the famous 'golden banana', which runs from the south-east England to the northern Italy, while the periphery is represented by the whole or some parts of the southern and western Europe (Amin and Tomaney, 1995a; Hadjimichalis, 1994). Subsequently, the SEM and the programme for EMU provide benefits to the rich regions, who are the only real enthusiasts of regionalism. The most relevant case, used to underline the argument, is the 'Four Motors of Europe' project, which refers to a co-operative network between four of Europe's economically strongest regions: Baden Wuerttemberg, Rhone Alpes, Lombardia and Catalunya (Amin and Tomaney, 1995a; Hadjimichalis, 1994). By contrast, Europe's Less Favoured Regions are viewed as trying to survive within a global environment dominated by multinational corporations and transnational banks without having any chance for sustainable development (Amin/Tomaney, 1995a,b; Hadjimichalis, 1994; Amin/Malmberg, 1994).

Based on this analysis the intergovernmentalist and 'side payment' approaches view the development of European structural policy as a process of successive side-payment rounds in large intergovernmental bargains aimed at buying off the agreement of the weaker member states in other policy areas, such as market integration or enlargement. Thus, the creation of the ERDF in 1975 is seen as the outcome of the pressures imposed by the 1973 enlargement involving the

entry of the UK, Denmark and Ireland, the introduction of the IMPs as the result of the threat of Greece, Italy and France to veto the 1986 enlargement towards the Iberian peninsula, and the 1988 and 1992 decisions for the doubling of the Funds' budget as buying off the agreement of the weaker European economies for the programme of market liberalization and the creation of the SEM (Taylor, 1991; Pollack, 1995). Additionally, the orientation of the Cohesion Fund in providing support for the poorest member states, rather than the poorest regions, is viewed as a clear reaffirmation of the intergovernmental nature of the EU policy-making structure and of the dominant role of national sovereignty in economic policy. Hence, the nation state is viewed, on the one hand, as a gatekeeper balancing domestic demands and international pressures (Moravcsik, 1991, 1993; P. Taylor, 1991, 1993; Anderson, 1990) and on the other as a key-actor in formulating regional development strategies (Amin and Tomaney, 1995a,b; Teague, 1995; Pollack, 1995). The involvement of the German federal government in the structural policy through the joint task mechanism (*Gemeinschaftsaufgabe*) and in supporting national cohesion through the operation of the *Laenderfinanzausgleich* mechanism has been usually used as the most relevant example.

Nevertheless, there is little evidence on the contribution of economic integration to the widening of regional disparities (Barro and Sala-i-Martin, 1991). Conversely, theoretical approaches to and empirical evidence on the effects of integration have created an unclear landscape (Keating and Hooghe, 1994). What the evidence from the interregional rankings clearly indicates is that some regions are more capable than others of adjusting to the rapidly changing economic and social environment. Successful regional development strategies in regions across Europe, such as the regions of 'third' Italy, southern Germany (Bavaria, Baden-Wuerttemberg) and Spain (Catalunia, Madrid, Murcia) can be used as the most prominent examples. Moreover, it is doubtful whether successful regional development strategies in southern Germany should be

attributed to the support provided by a powerful nation-state, given that, despite the interlocking character of the federal system, development strategies are usually the outcome of bottom-up initiatives (Morgan, 1992). Thus, as Marks has argued, the uncertain effect of market and monetary integration on the less favoured regions weakens the side payments hypothesis, because would be recipients cannot demonstrate the certainty of losses as a result of these processes. Therefore, the increase in Structural Funds spending may be driven by new conceptions of equality and fairness within the EU (Marks, 1992:202-204).

On the other hand, the 'unintended consequences'¹⁷ of the intergovernmental redistributive decisions in the EU policy making process should not be overlooked. Even though most of these decisions may be formally attributed to the classical intergovernmental bargains, the dynamics of the system cannot be confined within the limits of the intergovernmentalists' reductionism. Hence, although intergovernmentalism describes adequately the formalities of the decision-making process in the EU, it is incapable of capturing the dynamics of the system¹⁸, within which, at least after the completion of the internal market (SEA) the role of nation-state has, to a significant degree, been replaced by the 'voluntarism of the market and civil society' (Streeck and Schmitter, 1991:157). Moreover, although neofunctionalism's emphasis on the role of supranational institutions and on the "top-down" process of transformation of loyalties and identities implicitly acknowledges the role of the process of learning to cooperate on a top-down basis, it seems to be incapable of capturing the bottom-up dynamics of the system, within which

¹⁷The term (Marks, et. al., 1996b:355; Pollack, 1995:362) refers to the way in which the outcomes of the intergovernmental bargains, in particular the 1988 reforms of the Structural Funds, can, as perfectly as neofunctionalist theory would have predicted, lead to the mobilization of the dynamics of the system, which in this case seems to have led to "multilevel governance".

¹⁸Or as P. Taylor puts it: "in terms of the current range of integration theories the dynamics which strengthen the community level are identified most clearly within neofunctionalism, whereas the pressures which tend to encapsulate the segments, in the form of the states, are identified best within consociationalism" (1991:125).

the multiplicity of interests has been raised as its main feature (Marks et.al, 1996b; Schmidt, 1996).

All these considerations have constituted the theoretical and empirical underpinnings of the system of 'multilevel governance' (Marks, 1993:392; Scharpf, 1994) or 'co-operative regionalism' (Scott, et. al, 1994:47-67) in the EU, involving the 'outflanking' (Marks, 1992:212) of the states, on the one side by the transfer of authority to the EU supranational institutions and on the other by the emergence of powerful regional bodies. Additionally, there is evidence of a shift in the pattern of regional interests representation at the European level (i.e the limited role of the Committee of Regions within the EU system of governance) from the well-known from specific nation-states neo-corporatist system, to a rather pluralistic and more competitive paradigm, which is conceptualized as a system of "competitive federalism" or "disjointed pluralism" (Streeck and Schmitter, 1991:159). Within this multi-layered policy-making environment, characterized by a great degree of interactions between actors, regional and local systems of governance are increasingly affected by the linkages with the supranational level and by their capacity to exploit the challenges those linkages present. Subsequently, the learning capacity of the institutional infrastructure at every level of governance is raised as the crucial parameter that, by facilitating the adaptation, can improve the levels of effectiveness and efficiency of the policy-making process.

2.3 *Learning and Adaptation in European Regional Policy*

The notion of "learning" has emerged recently as a crucial concept within the theoretical framework of integration in Europe (J.Richardson, 1996:17-34; B.Kohler-Koch, 1996:370-71; Checkel, 1998; Paraskevopoulos, 1998c). It is considered as linked to the inherent among international actors uncertainty and thus points to the role of knowledge and information flows

in facilitating cooperative relations among the actors. Indeed, institutional learning is interpreted as a function of adaptable systems of ‘governance under uncertainty’ (Richardson, 1996:20)¹⁹. As defined in chapter 1, it involves the process whereby actors through interaction with broader institutional contexts (norms) acquire new interests and preferences (Checkel, 1998). Therefore, actors’ interests and identities are shaped through interaction. In that sense, learning is seen as the conceptual tool for reconciling rational choice and historical/sociological neo-institutionalist approaches to the integration process.

Within the EU policy-making process, rational choice new institutionalists emphasize actors’ (member states’) preferences as the explanatory variable for both institutional creation and change (Bulmer, 1994; Pollack, 1996, 1997). Thus, they are mainly focused either on two-level game modelling, that is the way in which domestic institutions are used for strengthening the member state governments’ position in the bargaining within the European Council (Schneider and Cederman, 1994) or, on the extent to which the decision-making procedures (cooperation, co-decision) have an impact on the redistribution of power among key EU institutional actors (EP, ECJ) (Garrett and Tsebelis, 1996). Additionally, in the field of the EU structural policy, rational choice institutionalism has focused on the impact of particular institutional choices on the distribution of power among supranational, national and subnational levels of governance (Pollack, 1995).

However, existing evidence from the European structural policy points to the role of the learning institutional infrastructure at the local level in facilitating the adaptation process , which

¹⁹In particular, Richardson (1996:17-34) attempts to use the notion of ‘epistemic communities’, originally conceptualized in the field of international relations (P. Haas, 1992), within the EU policy-making. Given that the concept of ‘epistemic communities’ refers to the uncertainty of international actors and thus points to the role of knowledge and information flows in facilitating cooperative relations, Richardson’s attempt can be seen as a step of introducing the notion of learning in the theoretical approaches to regional integration in Europe. See also, B. Kohler-Koch, (1996:370-371).

is not necessarily associated with the role of national or international actors (see previous section). In particular, although the degree of decentralization of the administrative structure of the state plays a key role in determining the learning capacity of the regional institutional infrastructure, because of the dynamic character of intergovernmental relations, the crucial prerequisite for institutional learning and adaptation within the EU structural policy environment is certain capacities for collective action at the local level (discussed in chapter 1). This point has been reinforced by recent research outcomes that sustain Marks's *Europe with the regions* thesis, showing that the strength of associational culture, regional identity and conflicting national/regional interests are the underlying factors of the regional mobilization at the European level, rather than a funding/resource focusing logic (Keating, 1996; Marks, et. al., 1996a).

Within this framework, the concepts of social capital and institutional networks, by facilitating collective action and by shaping the intra-regional interactions through the processes of exchange and socialization (discussed in chapter 1) constitute the prerequisites for learning and adaptation to the changing European environment. Hence, in the planning and implementation processes of European structural policy social capital and institutional networks are considered the crucial parameters upon which the Europeanization of regional and local economies and systems of governance is dependent. On the part of the EU Commission this is illustrated by its initiative to encourage partnership at all stages of the policy-making process, which constitutes the starting up for social capital formation at the regional level. More specifically, the expansion in number and scope of the Community Initiatives as a tool for enabling regional actors to be involved in cooperative relations has reinforced the importance of networks on both the interregional and transnational basis²⁰. This trend corresponds to the emergence of the policy

²⁰However, as a research by R. Bennett and G. Krebs, (1994) on the LEDA Initiative shows, although the EU financed programmes and most importantly the Community Initiatives represent a start up for network creation in Europe's less favoured regions, by enhancing partnership, they cannot ensure the continuity of the newly-created

network approach on almost all the policy domains within the EU system of governance (Keohane and Hoffmann, 1991; R.A.W Rhodes, et.al., 1996; Peterson, 1995; Kassim, 1994; B. Kohler-Koch, 1996; Richardson, 1996; Kenis and Schneider, 1991; Windhoff-Heritier, 1993).

Thus, the social capital-based learning process can be distinguished from the historical and sociological neo-institutionalist approaches to integration, which emphasize the role of thick institutions in influencing actors' (member states') preferences. The inherent in the learning process evolutionist approach does not contradict the path dependence analysis, since the function of 'learning to cooperate' (Sabel, 1993b:120-140) is considered as a rather slow process, and in that sense, it is familiar with historical neo-institutionalism (Pierson, 1996). However, it should be distinguished from the deterministic interpretations of history, since it is based on the process of making collective action a rational choice. Additionally, the notions of civic engagement and strong civil society, based on the presence of social capital, constitute intrinsic elements of Western culture, which cannot be simply reduced to the rationality of markets and hierarchies (bureaucracy) (Finnemore, 1996).

Thus, by adapting the general theoretical understanding of the network dynamics, as established in chapter 1, to the European policy-making environment, the proposed theoretical model of a learning institutional infrastructure is based on a local functional network, since functional networks, by shaping the public/private relations, incorporating multiple type of resources and thus facilitating collective action, provide the nucleus support structure for learning and adaptation (see chapter 1). Hence, where there is lack of this type of networks, as in the Objective 1 regions of the smaller and more centralized member states, the adopted development strategies are usually driven by the central state administrative structures and therefore,

forms of interactions, which are primarily influenced by the local social and cultural context and secondarily by the structure of the state.

irrespective of their effectiveness and efficiency (i.e Ireland), inhibit rather than facilitate the bottom-up learning and adaptation processes (Leonardi, 1995a).

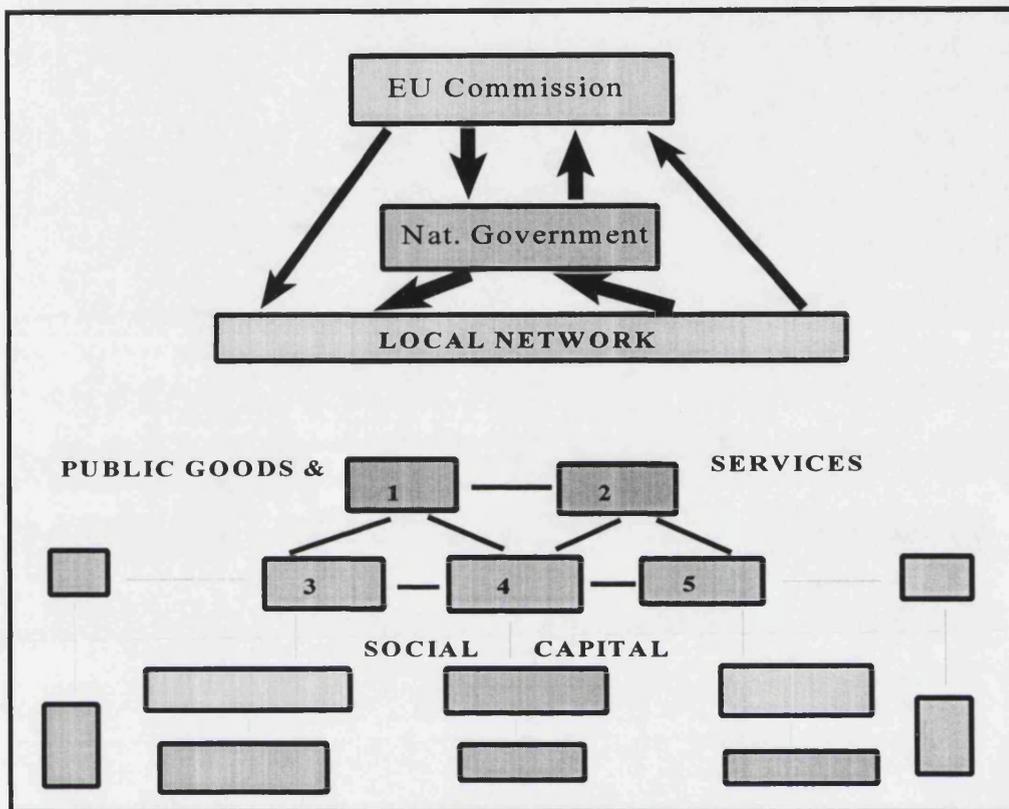
On the other hand, European regional policy is considered a fundamental change in the system parameters that represents simultaneously a threat to the preexisting institutional arrangements in both the economic and political spheres, and an opportunity for institution-building and network-creation, especially in the less favoured Objective 1 regions. In particular, by challenging embedded structures and well-established interests at the regional and local levels, the Structural Funds programmes cause instability in the intra-network relations, which, in turn, on the one hand, leads to the resistance to change on the part of some organizations for which change means loss of security and power, while, on the other, opens up the process of institutional restructuring, especially in regions with poor institutional infrastructure, by weakening the position of firmly established interests. This process facilitates the building of new institutions, because under specific conditions, which seem to be relevant to the Objective 1 regions, the process of institution-building presupposes the redundancy of the old institutional infrastructure (Storper, 1995).

In these conditions the presence of multiple and collective leadership roles within the network can prevent the de-stabilization of the intra-network relations, while, simultaneously, the collective response to the crisis can effectively moderate the local repercussions of the changes. In this role as moderator of the tensions between learning and monitoring of the power relations that the changes may engender (discussed in chapter 1), an effective leadership should: first, satisfy all groups who have a stake in what is occurring; second, create a strategic vision and convince all those involved; and third, allow space for independent actions that adhere to the general strategic vision (Bennett, et. al.,1994:292-3). Defined in this way, leadership requires the decentralization of power and responsibility and a high level of involvement of the participants.

Hence, learning institutional networks in such a policy environment should combine a core of actors (intra-regional functional network) linked with strong ties, and a range of other local actors connected through looser ties to the core network.

The diagram of Figure 2.1 illustrates the way in which a learning institutional network at the local level, based on the processes of exchange and socialization, can facilitate the adaptation process of the region within the multi-level governance structure we are witnessing in European regional policy. In particular, the graph reveals the way in which the intra-regional interactions should be shaped. There is a group of actors (intra-regional functional network) linked with strong ties, while some of them (3,4,5) are loosely connected with other peripheral actors. This structure of the local interactions reflects both the need for local leadership involving public and private actors and the importance of the linkages with other peripheral local or non-local actors for access to new resources (information, knowledge, new ideas). Furthermore, the graph demonstrates the distribution of power among the actors based on the process of exchange, whereby an actor's power is strengthened by his/her ability to combine external, as well as internal linkages and, therefore, access to multiple resources. Hence, the distribution of power within the network plays a key role in shaping the intra-regional interactions and achieving collective action. Finally, the role of social capital is to facilitate collective action among the actors through the socialization process, which involves their active involvement in the provision of public goods and services that support the local productive system.

Figure 2.1
Learning and Adaptation in Multi-Level Governance Networks



This leads to the major hypothesis of this thesis:

Hypothesis 1: Regional economies and societies possessing dense, intra-regional functional institutional networks, with a learning capacity, which is facilitated by the presence of social capital endowments, will be better able to adapt both their institutional relations and their policy output in response to the changes occurring in the global or European environment. In that sense they will be more apt to face the challenges and grasp the opportunities that the European regional policy presents. These networks will provide an effective range of local services, and will also be able to integrate more resources from the EU Structural Funds.

However, given that EU regional policy imposes a rather enduring and longstanding challenge on the cluster of interests that may underpin the old institutional establishments across Europe, the thesis assumes the resistance to change should be seen as a temporary, rather than permanent condition. In that sense it views European regional policy as a positive external shock for promoting institutional and policy-making innovation at the regional level, especially in the

regions of highly centralized member states, most of which are eligible of assistance under Objective 1. Hence, the second hypothesis of the thesis is:

Hypothesis 2: Even if the preexisting institutional capacity for learning and institution-building is poor, regions facing the challenges of Europeanization and being involved in EU programmes and initiatives will begin build institutional infrastructure and participate in networks of all kind to increase their development potential by gaining access to the EU funds.

The definition of learning as a two-fold process involving institutional and policy adaptation suggests a two-stage approach to the study of institutional networks and the implementation of European regional policy (CSF, 1989-93). The first stage is an investigation of national conditions which affect the local policy environment and the development of local institutional capacity. Of particular importance is the structure of the state. The second stage is to evaluate the local institutional infrastructure by mapping the institutional networks and identifying the presence of social capital, as well as by measuring local learning capacity through an investigation of how policy and institutional relations have evolved.

This section has shown that social capital and institutional networks play the key role in facilitating the learning and adaptation processes of regional and local systems of governance within the EU structural policy. Therefore social capital, learning, adaptation and Europeanization of the regions across Europe should be seen as interrelated and interdependent concepts. The following sections assess the impact of the state structure on shaping the local institutional capacity and establish the methodology for mapping institutional networks, identifying the presence of social capital and evaluating the learning capacity of the institutional infrastructure.

2.4 *The Structure of the State and Local Capacity for Learning*

The structure of the state in terms of both its constitutional dimension and the dynamics of the intergovernmental relations constitutes an important component for the formation of the so called

“domestic policy networks” (Anderson, 1991:417) or the “European domestic policy” (Jeffery, 1997:13) frameworks, which have been identified as crucial parameters for moulding the territorial division of powers within states and hence the shaping of the institutional capacity of subnational authorities across Europe. Furthermore, the effectiveness and efficiency of public administration at the regional and local levels play a key role in enforcing or inhibiting the local institutional infrastructure, even though they are affected to a significant degree by the form of intergovernmental relations.

Within the system of intergovernmental relations, the territorial division of powers is closely linked to the distribution of resources among the levels of government and in that sense it affects directly both the level and the scope for autonomous action of subnational authorities and patterns the nature of relations among the levels of government. In particular, if the system of interactions among the local actors and the local decision-taking process are dependent on higher tiers of government for crucial resources (financial, administrative) or for favourable attitude, there is less space for horizontal cooperation, learning and building of a bounded system of policy-making at the subnational level (Anderson, 1995:462). Thus different state structures can account for the differentiation of institutional capacity among European regions²¹.

Hence, within centralized states, the structure of intergovernmental relations is expected to be dominated by vertical networks. Although these networks can impose cooperative relations between centre and periphery, they discourage the creation of horizontal networks at the local level and thus are seen as a major impediment to local institutional capacity in two ways. First, while horizontal networks are bringing together actors of equivalent status and power, the vertical

²¹ Existing evidence, however, on regional differentiation in institutional capacity and degree of mobilization at the European level, disassociated with the state structure, points to the role played by other crucial factors affecting the institutional capacity, such as culture and territorial identity (Jeffery, 1997; Keating, 1996; Marks et. al, 1996a).

are linking unequal agents in asymmetric relations of hierarchy and dependence. Within these structures the build up of social trust is discouraged, because the flow and the reliability of information among the levels of government and the sanctions that support the norms against opportunism are inhibited²². The example of patron-client relations that involve vertical interpersonal exchange and reciprocal but asymmetric obligations is relevant to this point. Second, vertical networks demonstrate a bureaucratic hierarchical structure, within which all aspects of public policy are accomplished. Subsequently, there is little space for horizontal cooperation at the local level. Conversely, institutional thickness, upon which the learning process is based, presupposes the presence of horizontally interconnected institutions that represent the broad range of local economic and social actors and responsive subnational authorities that can provide interchangeable leadership roles. Van de Ven (1975) notes:

Vertical patterns are usually highly structured by clearly defined contracts, charters, laws, administrative policies and procedures. They are usually bureaucratically organized with rational planning, specified goals, prescribed means, and clear authority and sanctioning patterns. As a result, horizontal integration, particularly at the local level, is difficult to achieve (cited in Aldrich and Whetten, 1981:389)²³.

Therefore, in centralized states the dynamic system of intergovernmental relations tends to have a vertical, hierarchical and bureaucratically-organized structure, within which local authorities depend on higher levels of government for resources. Thus the institutional infrastructure at the local level will be dominated by intergovernmental, rather than functional networks, which means less space for a bounded local system of governance. This leads to the

²²Or as Putnam, Leonardi and Nanetti (1993:174) put it: "A vertical network, no matter how dense and how important to its participants, cannot sustain social trust and cooperation. Vertical flows of information are often less reliable than horizontal flows, in part because the subordinate husbands information as a hedge against exploitation. More important, sanctions that support norms of reciprocity against the threat of opportunism are less likely to be imposed upwards and less likely to be acceded to, if imposed".

²³Van de Ven, Andrew H. (1975) 'Design for Evaluating Inter-Agency Networks Among Texas Early Childhood Organizations', Working paper, College of Business, Kent State University, p.12.

third hypothesis of the thesis:

Hypothesis 3: The capacity for learning and adaptation of the local institutional infrastructure is significantly affected by the structure of the state. Therefore, interregional comparisons within centralized states should take into account the character of the state and hence the possible differentiation should be interpreted in relative terms.

In evaluating, however, the qualities of regional and local institutional infrastructure, a secondary parameter, namely the degree of efficiency of local public authorities, should be taken into account. This is crucially dependent on the character of the local political system (i.e extent of clientelism) and the way in which public officials and civil servants are selected -whether the recruitment system is dominated by professional or political considerations- which play a key role in determining the effectiveness and efficiency of local public administration. Furthermore, given the requirements of the learning process in terms of openness, quick assimilation-interpretation of knowledge and information and taking initiatives, the extent to which local public authorities can be successfully involved in the process is dependent on the qualities of the human capital. Therefore, the quality of the local public administration system will constitute an integral part of our evaluation of local institutional capacity.

2.5 *Social Capital, Institutional Learning and European Regional Policy: the Methodology*

This chapter has hypothesized that the capacity of regions across Europe to adapt successfully to the changing European environment (European structural policy) is dependent upon:

- a) the presence of thick institutional networks at the local level which shape the system of interactions, by achieving collective action among public, private and voluntary-community actors and by coordinating and managing all resources in the area;
- b) the capacity of these institutional networks to learn, that is to adapt both their structures and policy outcomes to meet the changing requirements and rules of the game that European regional policy presents;
- c) the presence of social capital endowments -trust, norms and networks of civic engagement- at

the regional and local levels that constitute the prerequisites for both the processes of achieving synergy and collective action among the actors, and of facilitating learning and adaptation of the network as a whole; and

d) the structure of the state, especially the territorial and functional division of power and resources.

Since European regional policy represents an enduring challenge for regional systems of governance, this thesis assumes:

--even poor (in institutional capacity) regions, once they are involved in EU programmes and initiatives, start to build an institutional infrastructure and participate in interregional or/and transregional networks.

To investigate the hypotheses the thesis has adopted the comparative case study approach, which is the most appropriate methodology for identifying possible differentiation in the adaptation process among regions or localities. It uses varied data, such as interviews, statistics, documents and surveys (Yin, 1989). The main advantage of research based on comparative case studies is it allows the researcher an in-depth analysis of complex social and political phenomena. In this thesis, which involves qualitative research, it enables a comparison between complicated systems of interactions, focusing on both interactions among actors and interactions between structural and cultural features.

The first part of this section discusses the advantages of the case-study approach and explains the choice of cases. The second part outlines the methodological tools for measuring the main concepts of the thesis: networks, social capital and learning.

2.5.1 *Why National Interregional Case Study? the Choice of Cases*

The research study is based on the binary comparison of two regions (NUTS II) within the same country, Greece. Two reasons make the example of Greece particularly relevant for an assessment

of the impact of institutional networks and social capital on facilitating the learning and adaptation of subnational systems of governance and determining the outcomes of regional development strategies in the Europe of the 1990s. First, though Greece has been a member of the EC since 1981 and a recipient of major funding programmes, its economy has not responded adequately to the flow of EC investment funds and lags behind the other peripheral states (Lyberaki, 1993). Second, Greece is characterized by a centralized and weak national administrative structure and the lack of a viable system of subnational government. Thus, even though a series of important institutional changes were introduced in 1986-87 as a consequence of the implementation of the IMPs and the CSFs (the country was divided into thirteen programme-regions with appointed regional councils headed by a government-appointed regional secretary), the planning role of the regional council and the region as a locus of politico-economic governance has yet to be established.

However, the degree of adaptation and mobilization of subnational governments for influencing the EU policy-making is not analogous with the constitutional position nor even the structure of intergovernmental relations within specific member states (Jeffery, 1997), and hence, there can be perfectly clear patterns of interregional differentiation within a particular -even centralized- member state (Klausen and Goldsmith, 1997). What this evidence emphasizes is the increasing importance of other variables, such as the qualities of the system of intra-regional interactions (institutional networks), in determining the degree of adaptability of regions across Europe. Hence it makes sense to undertake interregional comparison within the same state structure.

Additionally, since the researcher is investigating the validity of the hypotheses in different contexts, binary comparison is related to the comparison of nations/states with similar structure, and hence allows for greater theoretical sophistication, deriving feedback the

comparison creates and a subsequent redefinition of the initial research hypotheses (Dogan and Pelassy, 1990). Yet, with binary comparisons there are two considerations the researcher should take into account: first, the appropriateness of the subject to one case more than the other, and second, the difficulty of extracting general truths and theoretical propositions based on specificities of particular contexts (Dogan and Pelassy, 1990). With the former, because of their importance for the dynamic process of adaptation to the European environment, social capital and institutional learning constitute common 'comparative independent variable' (Windhoff-Heritier, 1993) for both regions, hence comparison is valid. With the latter, even though it can be difficult to generalize, when the research is based on specific contexts, case studies are usually used for extracting and testing theoretical assumptions and propositions (Yin, 1989). Furthermore, in this research study there is a wide range of shared contextual independent variables, such as the almost complete Europeanization of structural policy, the upgraded role of the EU Commission in policy-making and the same national political and administrative environment, that can validate general theoretical conclusions.

The choice of the specific cases has been based on several criteria. First, both cases have been under the same institutional framework of assistance in EU structural policy (IMP Aegean Isls, CSF Obj.1), and over the same period of time. Second, they have had more or less similar development potential, being based on similar kinds of physical resource. Third, local authorities in both cases have been involved in the functions (planning, monitoring) of EU policy-making over the same period of time. Finally, each case was in a different stage of institutional and economic development when the first integrated EU programmes began to be implemented. These comparable cases are the Southern Aegean Islands (SAI) and the Northern Aegean Islands (NAI) regions.

Stimulus for this research has derived from the politico-economic differentiation in the

developmental path of the two regions (NUTS II). Beyond the repercussions of the multi-fragmentation of space (especially in the Southern Aegean), such as the fragmentation of cultural, political, and economic patterns among the islands, there are important common features that differentiate the profile of each region, especially their prosperity and their history.

The Southern Aegean Islands (SAI) region consists of two island-complexes and simultaneously prefectures, the Cyclades and the Dodecanese. Although there are significant intra-regional (among the islands) differences in the rate of development, it is one of the most converging regions of the country and also with a good ranking among European regions (NUTS II). The economic and administrative centre of the region is shared among the most developed islands (the "four motors" of development, i.e Rhodes, Kos, Mykonos, Santorini).

Conversely, the Northern Aegean Islands (NAI) region, which consists of three big islands (Lesbos, Chios and Samos), each of which, along with some smaller islands, constitutes its own prefecture, lags behind both within Greece as well as at the European level.

The main qualitative difference in economic development between the SAI and the NAI regions lies in the speedy adjustment of the economic structure of the former in the development of the service (tertiary) sector of the economy, in particular tourism, whereas the latter has continued to rely on traditional (for each island) productive sectors (agriculture with an emphasis on olive oil for Lesbos, shipping-maritime industry for Chios and agriculture with some small-scale tourist development for Samos), demonstrating, in general, an inability to adapt to the changing environment. On the other hand, the Dodecanese, the most prosperous of the two island complexes of the SAI, was incorporated into Greece only in 1947, being until then under Italian rule, and some of the islands in the Cyclades complex (Syros) have strong traditions of trade and cultural relations with western Europe. On the contrary, the NAI followed the path of other Greek territories, being under Ottoman rule till the beginning of the twentieth century.

2.5.2 Measurement

To identify the interactions between structure and culture at both the intra-regional and interregional levels, possible synergistic relations among the public and private actors, as well as the interactions between the external shock caused by the implementation of the Structural Funds' programmes and the existing institutional infrastructure, the thesis adopts a two-stage approach: first, carrying out network analysis and second identifying the presence of social capital.

Network analysis is based on semi-structured in-depth interviews with representatives of all the prominent organizations at the regional level, such as subnational governments, local development agencies, chambers of commerce, university and research institutions, and other regional institutions having a say on development issues in general and on planning and implementing the EU Structural Funds' programmes in particular. Around thirty five interviews were conducted in each region. Elite interviewing constitutes an important methodological approach to testing hypotheses and carrying out qualitative research (Oppenheim, 1996). The choice of actors in each case has been based on: a) positional identification, and b) reputational identification. According to the former, the selection of actors is linked to their position within a particular policy domain and within the region, whereas, according to the latter, actors' selection is based on information collected during the interview process or on preliminary information. Respondents were asked with whom they had regular interactions to exchange resources (information) and with whom they had interactions within the framework of the EU Funds' programmes and initiatives. Because of the inherent in small, closed communities difficulty to identify the presence or absence of linkages -given that the lack of regular meetings does not necessarily mean absence of linkage- the research added a second question: with whom did they undertake joint general activities, and with whom did they jointly participate in EU

programmes or initiatives.

Based on the responses, the research created adjacency matrices: a statistical tool that identifies the presence or absence of linkages among the organizations. The emerging pattern of linkages reveals the role and the position of each organization and the nature of the inter-organizational relationships (Knoke and Kuklinski, 1982:17). By using adjacency matrices and by employing the UCINET software programme (Borgatti, et., al, 1992) the research performed Social Network Analysis (SNA), which can measure the degree of institutional thickness (density calculations), the distribution of power among the actors (centralization measures), the structural equivalence among the actors (structural equivalence measurements), and finally the graph of the network structure, for both the processes of general exchange and the implementation of the Structural Funds' programmes in the two regions. Density measurement refers to the degree of connectedness of the entire network whereby zero indicates no connections between any actor and one means that all actors are linked to one another. Because density demonstrates the strength of ties, it can be used as a partial measurement for thickness. However, thickness has qualitative features, which were explored during the interviews. While density measures the degree of network cohesion, centralization refers to the extent to which this cohesion is organized around specific actors: those with the greatest number of linkages (Scott, 1994). Centrality measurements reveal actors' involvement in network relations and demonstrate the structure -horizontal or vertical- of the networks and also constitute an indicator of the distribution of power among the actors. Finally, structural equivalence reveals the network structure by categorizing the actors in their relational linkages and according to their common structural positions (Scott, 1994). The research used the CONCOR technique of structural equivalence because it 'produces a classification of network actors into discrete, mutually exclusive and exhaustive categories' (Knoke and Kuklinski, 1982:73) based on the nature of their inter-organizational relations.

The presence of social capital, on the other hand, is usually identified either by mass survey data or, by data on membership in voluntary-community organizations. The interview schedules usually used social capital identification questions. However, because the interviewees did not constitute a sample, with the exception of some extreme characteristics, these data cannot constitute the basis for social capital identification. Thus, because of lack of financial resources required for mass surveys, the research relied on data on membership in voluntary organizations -which has been facilitated by a research project that is being carried out in Greece²⁴- and on qualitative analysis of the fieldwork research.

For the identification of the networks' learning capacity, the following criteria have been identified that reflect the discussion in chapter one.

- a) given the importance of dialogue and communication for the learning process, the presence of fora for dialogue, such as conferences and committees focusing on specific fields, are considered the first indicator for the identification of learning (Jenkins-Smith and Sabatier, 1993);
- b) the building of new institutions and the expansion of the already existing institutional networks, bringing in new actors in response to changing external conditions that necessitate new policy areas and subsequently new sources of information and knowledge, are seen jointly as the second criterion for learning capacity;
- c) the problem identification procedures and the gradual achievement of general consensus among the actors about the problem, which can be seen as the previous stage of the Sabel's 'learning to cooperate', constitutes the third indicator of learning (Jenkins-Smith and Sabatier, 1993);
- d) finally, the presence of a good amount of formal and informal communication channels among the policy actors of the public sphere in a broad sense and private interest actors (firms), whereby the public/private divide is being overcome, is seen as the last but not least necessary prerequisite for institutional thickness and learning.

²⁴The 'VOLMED' research project is financed by the EU Commission (DG V) and focuses on registering the voluntary organizations in the Mediterranean countries. The research for Greece has been undertaken by the Panteion Univ of Social Sciences (dept. of Social Statistics); coordinator: associate prof. Ms Stasinopoulou.

Conclusions

This chapter discussed the theoretical aspects of European regional policy and defined the notions of learning, adaptation and Europeanization of regional systems of governance, which constitute the core concepts of this thesis. Subsequently, it established the main hypothesis of the thesis: that social capital and dense functional intra-regional networks are identified as independent and intervening variables respectively, of the local capacity for learning and adaptation within the European regional policy environment. Furthermore, the Europeanization of public policy and the structure of the state have been considered as providing opportunities for and constraints on the local institutional capacity for learning. Hence, some secondary hypotheses related to the role of the Europeanization process and the structure of the state in facilitating or inhibiting the learning and adaptation capacity of the local institutions were established.

Finally, this chapter outlined the methodology of the research study. A comparative case study approach is used, because of its ability to integrate a variety of data sources and to allow an in-depth analysis of complex social and political phenomena. To identify the interactions between structure and culture the thesis adopts a two-stage approach: first carrying out social network analysis, a statistical technique which can measure the density of the network and the distribution of power among the actors, and second identifying the presence of social capital. The network analysis is based on semi-structured in-depth interviews with local elites, while for the identification of social capital the study relied on data on membership in voluntary organizations and qualitative analysis by fieldwork research. Additionally, a set of criteria for measuring the local learning capacity are identified.

3. GREECE: RESTRUCTURING UNDER PRESSURE OR THE RESPONSE TO AN EXTERNAL SHOCK

Introduction

This chapter deals with two important features affecting, directly or indirectly, the system of local institutional interactions (local institutional infrastructure) and its learning capacity (adaptability): first, the structural -structure of the state and intergovernmental relations- and cultural -civic culture and social capital- specificities of the Greek socio-political system; and second, the main aspects of national regional policy, as it has gradually evolved after the second world war and the civil war, as well as the impact of the Europeanization process, especially after the introduction of the IMPs (1985). The chapter is divided into three sections. Section one presents the main features of the state structure and the system of intergovernmental relations and assesses their impact on the learning capacity and the Europeanization of local systems of governance. Section two focuses on the gradual transformation of national regional policy as a consequence of pressures from EU membership. Finally, section three discusses the impact of cultural characteristics on facilitating or inhibiting structural and political adaptation.

3.1 *State Structure and Intergovernmental Relations: from Local Clientelism to Clientelist Corporatism*

As chapter two has established, the distribution of power and financial resources between different levels of government and the political and administrative capacity of regional and local authorities may facilitate or inhibit the learning and adaptation processes of the subnational systems of governance.

The highly centralized and weak administrative structure and the lack of a viable system of subnational government are generally considered as the impediments to Greece's adjustment to the new European environment and the successful exploitation of the chances it presents for

modernization and economic development. However, Greece's entry into the EU and, in particular, the gradual Europeanization of regional policy, have constituted external shocks to the structure of the state and its public administration. In that sense the slow process towards administrative restructuring and adjustment, which started in the 1980s, is interpreted as a response to the challenges of the European environment. This section is divided into three subsections: the first focuses on the origins of the modern Greek state structure and the distribution of functions and competencies between different levels of government; the second examines the way in which financial resources are allocated and the resource-dependence relations between the tiers of government are shaped; finally, the third evaluates the capacity of bureaucracy and public administration, and the quality of the subnational political elites, for institutional learning and adaptation.

3.1.1 *From Local Clientelism to State Clientelist Patronage*

In Greece there are mainly three levels of subnational government: the region (NUTS II level-13), the prefecture (NUTS III level-55) and the municipality (437 *demoi*)-commune (5388 *koinotites*)¹. Given that the regions (*perifereies*) were established for the purposes of and under the pressure of implementation of European regional policy programmes (IMPs and CSFs) only in 1986 with their core functions concerning regional development and planning, the prefecture and the first tier of local government (municipalities and communes) constitute the traditional forms of subnational government. Both originated either during the Ottoman occupation or during the creation of the modern Greek state in the first quarter of the 19th century, and the subsequent tensions between centralization and decentralization.

Thus, the coexistence (duality) of municipalities (*demoi*) and a plethora of non-viable

¹The numbers of municipalities and communes derive from the most recent administrative charter, based on the 1991 population census.

communes (*koinotites*) constitutes the main characteristic of the Greek system of local government, which can be traced back to distinctive features of the economic, political and social structures of the Ottoman empire. These features refer to the combination of a highly centralized economic and political structure with autonomous small villages², which, since the middle of the 16th century and the increasing commercialization of agriculture produced a more or less total autonomy for local potentates (*pashas*) at the expense of both the state and the peasants. This process is viewed as a crucial factor in the creation and further reinforcement of local clientelistic networks (Mouzelis, 1978; Hadjimichalis, 1987).

This framework helps one to understand the system of Greek local government in the Ottoman era (Greek communes), as well as the *demoi*/communes (*koinotites*) antithesis, which constituted an important parameter of the intergovernmental relations in the modern Greek state. The communes in Ottoman Greece constituted nuclei systems of local government that performed a wide range of functions, involving the provision of a variety of public goods and services (education, public works, water provision) financed by the raising of their own taxes (Kontogiorgis, 1982). Despite the varied forms of organization, the common feature of their administrative structure was the predominant role of local landowning elites (local potentates - *prouchontes*) in choosing the local leadership, given the indirect and guided election procedures

²This system of power distribution within the empire evolved from the diversified patterns of landownership. Thus, in contrast with the feudal lords of western Europe, who had clear ownership rights over the land (feuds), the main feature of the timar system of landholding in the Ottoman empire was that all land belonged to the sultan, while the timar holders had a non-hereditary right over part of the production. The peasants, on the other hand, had a hereditary right over their land, subject to cultivating it regularly. Consequently, the distribution of power among the sultan and the leading social classes (aristocracy) led to a highly centralized structure, which did not allow for high rates of mobility of people and exchange of goods and ideas, that was the main underpinning factor for the crucial role of the cities as loci of political, economic and social functions that eventually led to the emergence of capitalism in western Europe. Furthermore, this system of power-distribution inhibited the regionalization process within the empire and the emergence of regions as integrated units of productive specialization and socio-political governance, which was the most important territorial feature in western Europe. Conversely, the Ottoman system of governance was favourable for the early development of clientelistic networks at the local level (Mouzelis, 1978).

(Christofilopoulou, 1990). Thus, the Greek communes, owing their existence to the financial and administrative requirements of the Ottoman system of administration (i.e the collection of taxes), and their survival to the tolerance of the empire's central authority (Christofilopoulou, 1990), should be seen simultaneously as quasi-democratic forms of local governance and nuclei bases for the formulation of local clientelism. Paradoxically enough, the ideological expediencies that accompanied the creation of the modern Greek state and emphasized the role of the communes in the Ottoman era as cells for the preservation of Greek language, religion and culture³ were used simultaneously by the opponents of ideas of decentralization (Kontogiorgis, 1985:75).

Thus, the structure of the newly-founded Greek state started, even from the first steps, to reflect the inherent from the long Ottoman period inconsistencies and discrepancies between the political (institutional), economic and social spheres. Hence, not surprisingly, the westernizers'-modernizers'⁴ approach to the tension between centralization and decentralization of the state structure was identified with the former, which, beyond the trends of the age in favour of highly centralized nation-states, in the Greek case was seen as a necessity, given the lack of class-based linkages between state and civil society and well-established personalistic, clientelistic, hierarchical networks at the local level (J. Petropoulos, 1968; Mouzelis, 1978). Moreover, the major asymmetry between, on the one hand, the political/institutional infrastructure, transplanted from the already matured capitalist countries of western Europe, and, on the other hand, the pre-capitalist structure of Greek economy and society led to an imposed 'from above' model of

³This historical debate is mainly dominated by the expediency for establishing the argument in favour of the continuity of Hellenism under the Ottoman rule, which has constituted the basis for the foundation of the Hellenic-Christian ideological movement that accompanied the creation of the modern Greek state. In that sense, the emergence and expansion of the communes have been interpreted either as the continuation of the communes in Byzantium or as a renewed version of the Greek cities of the Roman times (for an overview, see Kontogiorgis, 1982:31-33).

⁴The term refers to the ideological and political movement, which, based on the Greek diaspora of the West, constituted the leading force of the independence struggle (see section 3.3).

modernization, that became gradually a consistently persistent pattern for promoting political and economic innovation in Greece.

Within this framework, the institutional foundations laid down by Capodistrias⁵, the first Governor of Greece (1828-31), and King Otto (1833-62), were based on the perception of a centralized and unitary state structure with emphasis on core institutional aspects, such as the army and public bureaucracy. In intergovernmental relations this trend was substantiated with the establishment of the prefectural system, based on the departmental conception of *nomoi* involving the prefecture and the province as intrinsic features of the territorial and administrative state structure, headed by central state-appointed prefects (nomarchs) and heads of the provinces (eparchs) respectively. Furthermore, the creation of a new unit of local government, the municipality (*demos*), consisting of more than one communes, was seen as an attempt to assault the powerful local *prouchontes*.

However, the communes survived over time and their role was further reinforced by the so called “liberation of the communes” reform introduced by the prime minister Venizelos in 1912 (Law DNZ), in an attempt to liberate the communes from the organizational oppression of *demoi*, that had in the meantime become strongholds of his monarchic political opponents. What the Venizelos’s reform implicitly brought about was the transfer of clientelistic relations from the local to the national level, following the gradual establishment of the parliamentary system and the creation of national political parties. Thus, local clientelistic networks became gradually the bottom tier of the hierarchical, clientelistic networks, upon which the national political system and the organization of the political parties were based (Mouzelis, 1978). Hence, Venizelos’s

⁵Capodistrias’s endeavour to create a centralized state structure, an intrinsic element of which was the organization of the centre-periphery relations around the concept of the prefecture, has been interpreted as the first, failed, attempt to promote the “modernization from above” process, which, being against the interests of the local clientelist networks (*prouchontism*), eventually led to his assassination (Filiass, 1974; Mouzelis, 1978).

reform is considered a source of the structural problems facing the contemporary Greek administrative system (a large number of fragmented and non-viable communes⁶).

Within this hierarchical state structure, the role of the prefecture has had always been central in the system of centre-periphery relations, performing the functions of all ministries, and headed by the prefect, who was -until 1994- appointed delegate of the central government. Thus, since the provision of services and the distribution of the transferred from the central government funds were decided by the prefect and his officials and the prefectures are the electoral constituencies for general elections, the usually used channel for the satisfaction of local needs was through political pressures exercised by local politicians and local authority executives focusing mainly on the incorporation of municipal works into the Public Investment Programme of the prefecture, thus breeding the hierarchical clientelistic networks at the local level.

In the political upheaval of the post-civil war period in the 1950s and 1960s, the emphasis placed by the dominant ideology on the neutrality of the state was the appropriate tool for the covering up of the interconnectedness between the expansion of political clientelism and the strengthening of the state repression. The reform of the prefects' status, introduced by the 1955-57 reform, involving specific criteria and methods of recruitment which strengthened the civil servant-status of the prefects should be seen as an indication of this trend. Additionally, the predominance of the ideology of "apolitical" local government, emphasizing the administrative role of local institutions and the tightening of the prefectural supervision of local authorities, involving both *ex ante* and *ex post* control of municipal decisions, should be seen as a logical consequence.

The above features of the post-war centre-periphery relations, which were, to a significant

⁶It should be noted, that a major reform with the code name "Capodistrias" focused on the creation of viable local government units by the compulsory mergers of communes into new demoi is currently under implementation in Greece.

extent, dominant even in the first period after the restoration of democracy (1974-81), created a policy environment favourable for local governments' control by political clientelism, financial dependence on the central state and administrative supervision by the Ministry of the Interior. In this respect, the Greek system of local government is considered similar to the French one, given the existing in both systems schism between administrative and political functions of local authorities and their approach to decentralization as a functional reproduction of the central state at the local level (Christofilopoulou, 1990).

Yet, the process of democratic stabilization and the opening up of the European prospects have constituted the crucial determinants of the restructuring of the state and the reformulation of the intergovernmental relations after the restoration of democracy in 1974. The first post-dictatorship period (1974-80) was characterized by a series of reluctant reforms undertaken by the New Democracy right-wing government, involving mainly the reinstatement of key post-dictatorship legislation and the modernization of existing institutions. Thus, the first step was the restoration of the "quasi-civil servant" status of the prefects, according to which prefects were chosen by the government from a "List of Prefects" drawn by a group of judges called the "Council of Prefects", who used specific criteria for their appointment and evaluation.

Furthermore, with regard to the first tier of local government, a new Municipal Code was introduced in 1980 with a provision for a reluctant transfer of functions. Urban transport, nurseries, old age centres, housing and municipal market places were among a series of new competences transferred to local government. Additionally, the new Code provided for the division of local authority functions into "exclusive" and "shared" competences, that is functions performed either by local government or by other public sector organizations. Under this distinction, the only exclusive functions introduced by the new Code were: urban transport, municipal sports facilities and youth centres, the construction of municipal buildings and parking

meters. Conversely, a series of crucial for local development functions, such as tourist development of municipal land, public housing, culture, nurseries, hygiene and health care centres, pollution and building controls were characterized as shared competences. Thus, this distinction contributed to a considerable overlapping of functions among different levels of government, which raised as a crucial issue for centre-periphery relations after the reforms of the 1980s.

Finally, the ability -given to local governments- to create municipal enterprises -an important step towards enhancing the entrepreneurial character of local authorities with far reaching repercussions for getting access to and managing of the EU resources- and the establishment of the Municipal Enterprises of Water Supply and Sewerage (*DEYA-Demotikes Epichiriseis Ydrefsis Apochetefsis*) for managing the water supply and sewage systems in towns of more than 10000 inhabitants were the last important innovations of this first post-dictatorship period.

To sum up, the general characteristic of this first post-dictatorship period was the partial resurgence of the pre-dictatorship clientelist networks and the national party-driven patronage coupled with some reluctant reforms towards modernization.

3.1.2 Intergovernmental Relations and the Emergence of State Clientelist Corporatism

The entry into the EC in 1981 coincided with a major change in Greek politics: the coming to power of the first PASOK government. Thus, the period of Greece's response to the challenge of adjustment to the new European environment in the 1980s was marked by the presence of a new, socialist, government, that came into power with a strong commitment to and a widely-publicized programme of decentralization. The changes occurred in the system of intergovernmental relations in the post-1981 period are characterized by the tendency towards

a more corporatist system of regional interest representation (Andrikopoulou, et.al, 1988), which, however, is still based on the previous clientelist relations. Thus the reforms of the 1980s have led to what may be called clientelist corporatism⁷.

This trend became initially evident by the changes in the nature and the role of the prefectural councils introduced by the law 1235/82. Instead of being composed mainly by civil servants, they transformed into advisory councils representing the various organized interests of the prefecture. The new councils include local government representatives, that make up half the council, the mayor of the leading municipality of the prefecture, two representatives of the Local Association of Municipalities and Communes-LAMC (Topikes Enoseis Dimon ke Koinotiton-TEDK), while the remaining members are elected representatives of professional organizations, chambers of commerce, agricultural cooperatives and labour movement organizations at the prefecture level. Moreover, although the civil servants of the prefecture are allowed to attend the council meetings, they no longer have the right to vote.

This reform in the composition of the councils, however, coincided with a second change, involving the deinstitutionalization and 'politicization' (Christofilopoulou, 1990:88) of the prefects' status. The appointment and the evaluation of the prefects were no longer the responsibility of any specific governmental institution (Council of Prefects). Instead, the prefects were directly appointed and dismissed by the government, without any criteria for recruitment and time limits concerning their term in office.

The reformulation of the nature and the role of the prefect and the prefectural councils was accompanied by a third reform involving the relations between the prefecture and the first tier of local government. In particular, the *ex ante* and *ex post* controls of the prefects on the

⁷The term refers to the combination of political clientelism and elements of corporatist interest representation, involving hierarchically structured umbrella organizations, most of which get preferential treatment by the central state (Tsoukalas, 1986:92-95).

expediency of the municipal decisions were significantly restricted⁸ and the prefectural tutelage limited to checks on the legality of municipal decisions. Even though these reforms signaled a functional transformation of the role of the prefecture, they did not fulfil the virtues attributed by the wording of the law to the prefectural councils as “organs of popular representation”, given that they were not directly elected institutions. Instead, what the reform really brought about was a shift from the well-known clientelistic relations between local state (prefecture) and society (civil society, interests groups) towards an interest group-corporatist representation at the prefecture-level policy-making process (Verney and Papageorgiou, 1993:113).

At the local government level the main goal of the PASOK reforms was the opening up of the system for citizens’ participation in the decision-making on local issues. Thus, the provincial councils and the creation of directly elected district and neighbourhood councils, introduced by law 1416/84, were the innovations at the sub-prefectural and sub-municipal levels. Furthermore, a wide range of incentives for voluntary mergers of small *demos* and neighbouring communes, as well as, for inter-municipal cooperation and the establishment of municipal enterprises involving public/private partnerships at the local level were introduced with poor, however, results.

Moreover, the major reform, introduced by law 1622/86, for the creation of an elected second tier of local government at the prefectural level -the so called prefectural local authorities (*nomarchiakes autodioikiseis*)- was not implemented until 1994, when the elections were held under a different legal framework.

Finally, the provision for the creation of an elected second tier of local government was accompanied by the establishment of the administrative regions (*peripherei*) as central

⁸The expediency control of the Prefect, however, remained in policy areas, such as the sale of municipal or community land and buildings, the budgeting and the names given to municipal roads.

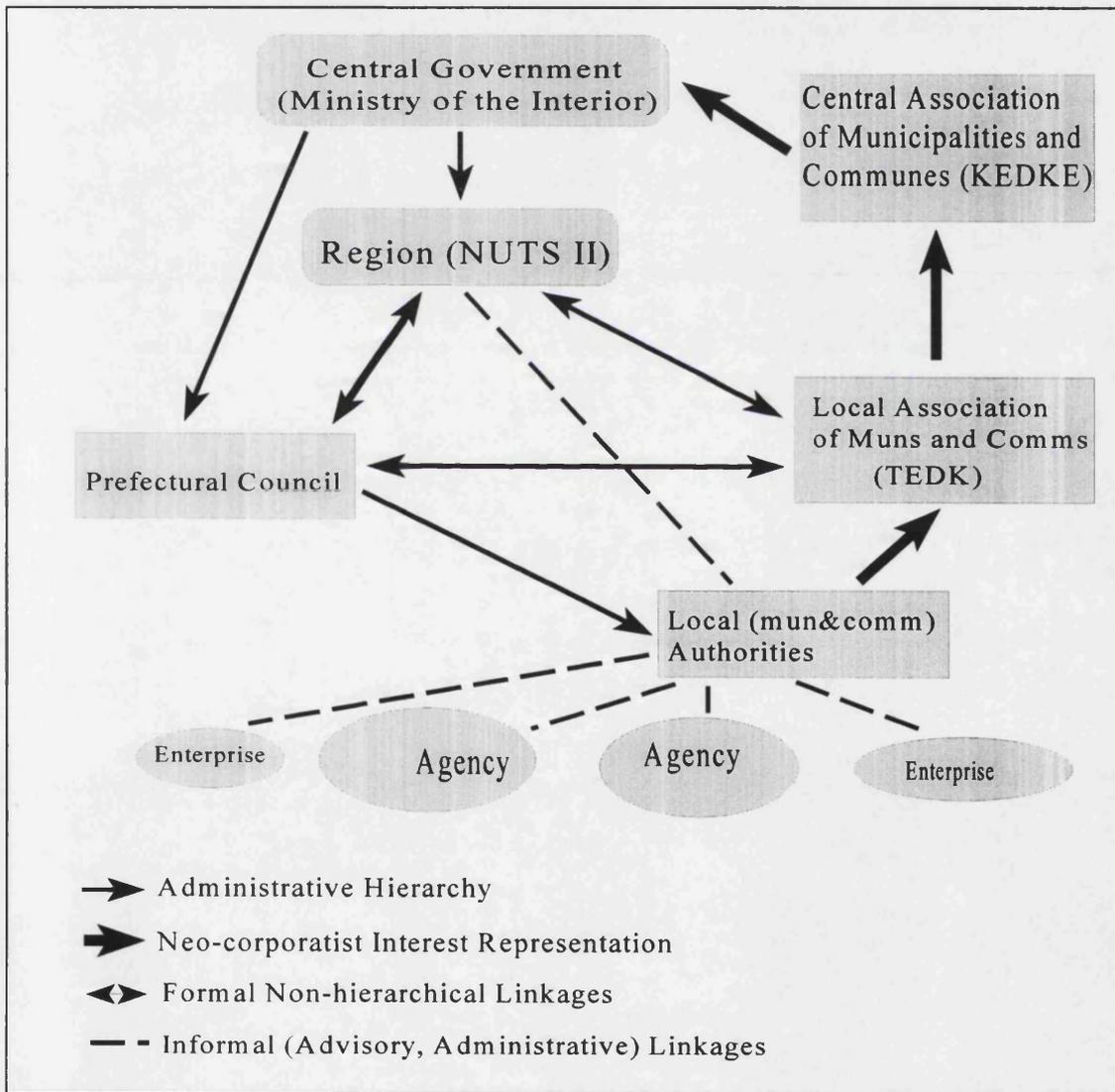
administrative units for regional planning and regional development. Both reforms, the creation of the regions and the provision for directly-elected prefectural councils, have constituted Greece's response to the increasing pace of Europeanization of regional policy in the 1980s and the subsequent reorientation of the planning, implementation and monitoring processes. Thus, the country was divided into thirteen regions⁹, headed by directly appointed and dismissed by the government General Secretaries of the Regions, while the regional councils, that were set up besides the General Secretaries consist of the prefects of each nomos of the region, and one representative of the Local Association of Municipalities and Communes of each nomos. In the regional Monitoring Committees of the Structural Funds' operational programmes, however, interest group representatives of each nomos of the region (chambers of commerce, agricultural cooperatives, trade unions) are actively involved in the process.

The structure of the system of intergovernmental relations in Greece, as it has been formed in the 1980s, is presented in Figure 3.1. What this graph reveals, is that, despite several reforms, involving the opening up of the system to civic participation and the encouragement provided for the formulation of local interactions, because of the persistent reluctance of the state to decentralize, the centre-periphery relations are hierarchically structured, and highly centralized, since the various bottom-up features are abrogated by the final control of the central state. Thus, the traditional administrative hierarchy between the levels of government involves mainly the central government, the prefecture and the local authorities, while the newly-created region constitutes the institutional aspect of the top-down approach to strategic regional planning. The only directly-elected form of subnational government within the system is the first tier of local government, whose interests at the central government level are represented through an umbrella

⁹The regions are: Eastern Macedonia and Thrace, Central Macedonia, Western Macedonia, Thessaly, Hesperus, Ionian Islands, Western Greece, Sterea Ellada, Peloponnese, Attica, Northern Aegean Islands, Southern Aegean Islands and Crete.

organization, the Central Association of Municipalities and Communes (Kentriki Enosi Dimon ke Koinotiton-KEDKE), in a traditionally neo-corporatist manner. As it might have been expected -and will be shown in the following section of this chapter- the processes of regional planning and democratic programming in Greece in the 1980s have been profoundly influenced by this structure of intergovernmental relations.

Figure 3.1
Intergovernmental Relations in Greece prior to the last (1994) Reform



The distribution of functions between different levels of subnational government, after the reforms of the 1980s and early 1990s, constitutes a crucial issue for the shaping of the local

interactions, the level and the scope of inter-organizational learning and adaptation, and hence, for the Europeanization function of local governments. Additionally, the European dimension and its dialectic interaction with the process of administrative restructuring has expanded dramatically the functional limits of subnational governments in Greece.

Table 3.1 below shows the distribution of functions among various levels of government after the reforms of the 1980s. Three are the main features of this distribution. First, with the exception of the traditional functions of the state, most of the other functions are shared between the central government, the prefecture and the first tier of local government. A wide range of economic, social and even territorial functions are shared predominantly among the central state and the prefecture. In particular, the powers of the prefectural councils include: planning and regional development, agriculture, tourism, health, social welfare, labour and commerce, transport, culture and education. Some of these functions are shared with the municipality, whose powers, however, remain minimal. Second, subsequently, in almost all policy areas there is a functional interference of the central state. Third, the functional role of the region is limited to that of a strategic regional planner, which places it at the margins of the local system of governance, which consists mainly of the prefecture and the local authorities. Thus, the high degree of functional overlapping has been raised as a crucial characteristic of the Greek system of subnational government after the reforms of the 1980s (Psychopedis and Getimis, 1989). This overlapping character has several consequences for the system of intergovernmental relations, which may inhibit or facilitate the degree of effectiveness within the system and the formation of the intra-regional or interregional interactions, that are seen as the necessary prerequisites for the building up of learning institutional policy networks at the local level.

Table 3.1
Distribution of Functions by Level of Government in Greece

Policy Areas	National Government	Regional Council	Prefectural Council	Local Government
TRADITIONAL				
Law & Order, Public Admin.	X X X X X			
Foreign Affairs, Defence	X X X X X			
Monetary Policy	X X X X X			
Foreign Trade, Fiscal Policy	X X X X X			
Statistics, Media, Communication	X X X X X			
ECONOMY-SECTORS				
Agriculture, Fisheries	X X	X	X X	
SMEs	X X X			X X
Commerce, Trade, Markets	X X X		X X	
Tourism	X X		X X	X
Banking, Insurance	X X X X X			
Employment, Industrial Relations	X X X		X X	
Economic Planning	X X X X X			
SOCIETY				
Education	XX		X	X X
Health-Welfare	XX		XX	X
Social Services	X		X X X	X
Social Insurance	X X X X X			
Culture, Leisure	X		X X	X X
TERRITORY				
Regional Planning	X	X X X	X	X
Urban Planning-Housing	X		X X	X X
Public Works	X		X X X	X
Public Transport	XX		XX	X
Roads	XX		XX	X
Water&Sewage				X X X X X
Energy	X X X X X			
Environment	X		X X	X X

Source: Municipal Code, Law 1622/86; elaborated by the author.

These consequences are three-fold. First, the strong overlap of functions, the imperceptible bounds of responsibilities and the subsequent coordination problems create dysfunctions in the system, that often inhibit rather than facilitate its effectiveness. Psychopedis and Getimis (1989:99) note:

The transfer and diffusion of powers among new decentralized institutions at the local level does not necessarily lead to the improvement of their performance. The conflict between the new institutions regarding the decentralized powers, the problem of strong functional overlap and the dispersion of responsibilities to various separate and isolated institutions continue to be considered the crucial issues of local institutions.

Second, the unclear distribution of functions opens up possibilities for a dynamic flexibility in the system of intergovernmental relations, within which local authorities are given space for bounded and relatively autonomous policy-making through the establishment of rules of the game among participants, thus providing the necessary environment for building cooperative policy networks in areas of common concern. Within this policy environment, characterized by a disorganized stability, the differentiation in innovation capacity and capability of adapting among subnational governments is crucially dependent on the availability of economic resources and civic culture endowments, that can facilitate the formation of inter-institutional interactions, by exploiting the benefits of institutional learning. The chances provided by the European policy framework and, in particular, by the Europeanization of regional policy play the catalytic role in this process. Finally, the resource interdependence and the subsequent bargaining requirements between levels of government or among institutions within the same level provide the foundation for dialogue and communication, and consequently, the basis, at least, of a learning environment. Hence, the functional overlapping of the Greek subnational system of government -a consequence of the fragmentary and often incoherent decentralization policy since the early 1980s- represents simultaneously a danger of inefficiency and a chance for flexible adaptation of subnational governments. The most crucial factor in this process is the presence of civicness (social capital endowments) at the local level.

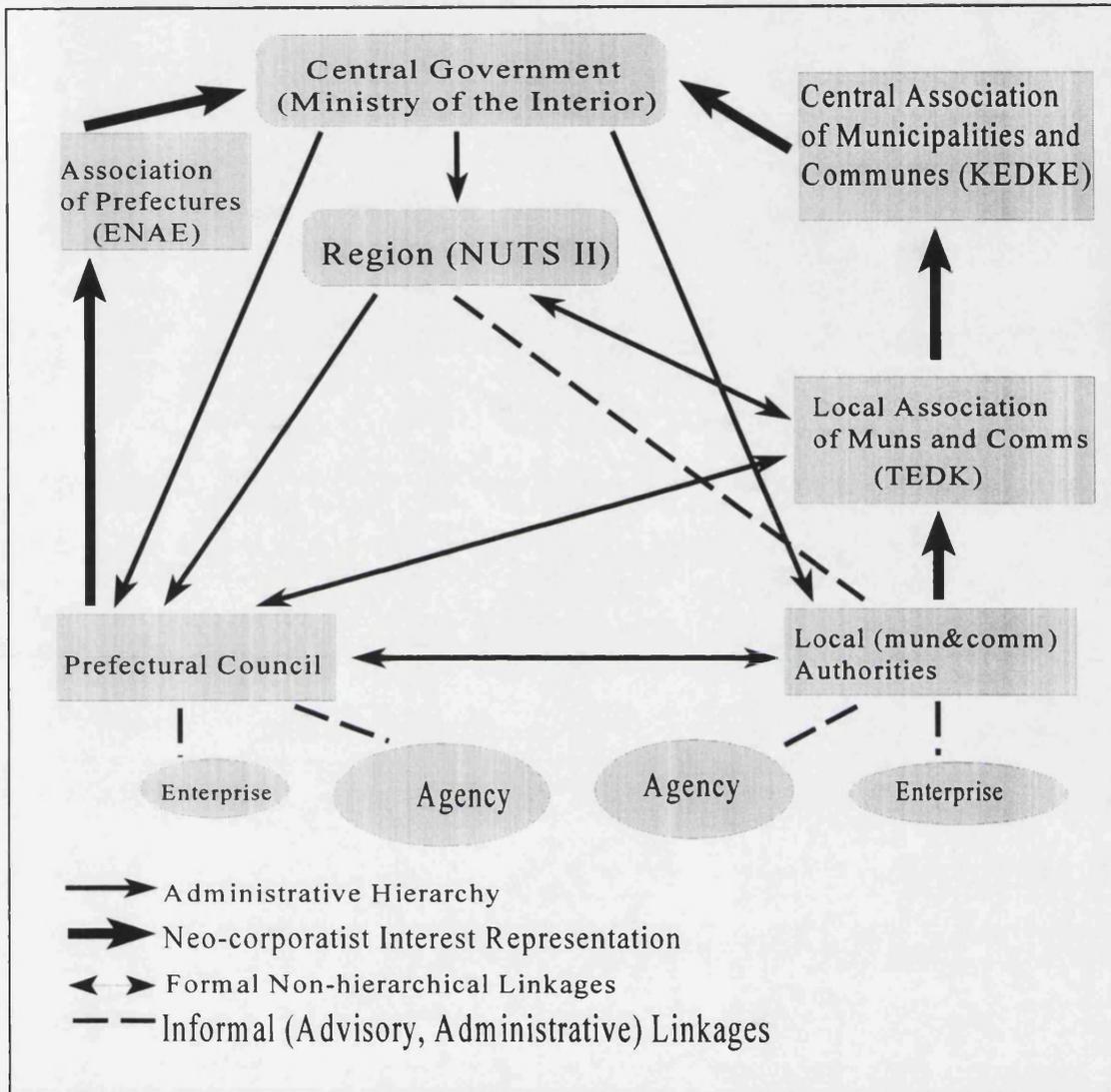
Although this thesis focuses formally on the period up to 1993, a quick look at the developments occurred after this time limit in the centre-periphery relations would be extremely

useful, since the reform of 1994¹⁰ and the elections for the second tier of local government, which were held in the same year, have changed significantly the landscape of intergovernmental relations in Greece. Figure 3.2 presents the structure of the intergovernmental relations after the 1994 reform. The main features of the reform refer to the role of the old prefectural councils, which have been renamed to *nomarchal* local authorities. The nomarchal local authorities constitute the elected second tier of local government with their own financial resources and the right to establish their own agencies, as well as to participate together with other local actors in enterprises. However, there is no administrative tutelage or hierarchical control between the second and the first tier. The abolition of the hierarchical relationship between the old prefecture and the local authorities implies the anticipated conflicts between the two tiers, because of the existing strong overlap of their functions. However, a sort of administrative tutelage of the region (Regional General Secretary), with regard to the legality of the decisions of the prefectural councils has been established, which points to the start up of a gradual process leading to the substitution of the old prefecture as a central state representative at the local level by the region.

Thus, the newly-reformed system of intergovernmental relations consists of two directly elected tiers of local government with unclearly allocated and strongly overlapping responsibilities and a third tier (region), directly-controlled by the central state. Within this institutional structure, the distribution of competences among the three levels and, especially among the prefecture and the local governments should be performed within the framework of territorial and functional subsidiarity.

¹⁰Although this reform is substantially based on the provisions of the 1986 legal framework (law 1622), the fact that the elections for the new prefectural councils were not held until eight years later led to a further reformulation of the legal framework as well (laws 2218, 2240, 2273/94 and 2284, 2297, 2307/95).

Figure 3.2
Intergovernmental Relations in Greece after the 1994 Reform



Finally, the transfer of almost all functions of the traditional “local state” (prefecture) to the new nomarchal authorities¹¹ has refocused the debate on two traditionally crucial issues for the subnational government in Greece: the problem of financial resources and the political and public administration capacity.

¹¹With the exception of the hard core functions of the central state (defense, foreign affairs, law&order, economic policy, statistics and the administrative control of the first tier of local government by the Ministry of the Interior) all other functions of the state at the prefectural level have been transferred to the new nomarchal councils.

3.1.3 *The system of Local Government finance and Centre-Periphery relations*

The system of local government finance in Greece has had always been the crucial administrative field that reflects the centralized state structure, as well as its interconnectedness with the resource-dependence relations between centre and periphery and the shaping of the hierarchical clientelistic networks at the national and local levels.

In the post-war period the centralization trend is indicated by both the limited role of local governments in the management of their own finances and the level of local government revenue as a percentage of the central state budget. Thus, only 52 out of 5999 local authorities have had their own financial services with the rest having delegated this task to the central state. Moreover, local government revenue as a percentage of the state budget in the post-war period dropped from 9.3 in 1948 to 6.6 in 1974 to be increased again to 11.1 in 1984 (Tatsos N, 1988:22).

The revenue of local government is categorized in “regular” and “extraordinary”(Ministry of the Interior, 1987). The former consists of the income from property, local taxes, charges and the regular grants of the central government, while the latter -most of which was abolished in the 1989 reform- concerns mainly grants from the Public Investment Programme of the Ministry of National Economy distributed by the prefectures, or specific grants given to local authorities by other public actors (i.e Ministry of Culture) for specific purpose municipal works.

Given the centralization of the fiscal system, Greek local authorities had minimal power to tax. On the other hand, the various charges imposed on all inhabitants for several services constitute a rather stable, but relatively limited source of revenue. Thus, the grants of central government have had constituted the main source of local government revenue¹². Since both the regular and extraordinary transfers were to a significant extent at the discretion of the central

¹²It is worth noting that the sum of the regular and extraordinary grants rose dramatically from about 40% of local government revenue in 1974 to about 65% in 1984 (Tatsos, 1988:33-39).

government and subsequently a permanent source of uncertainty for local economic planning, they facilitated the development of clientelist relationships between local authorities officials and central state political elites. Hence, the 1989 reform¹³ of local government finance was focused on strengthening local governments' financial autonomy, by rationalizing the revenue system. Thus, the return of the existing tax on immovable property to municipalities was accompanied by the abolition of the regular and most of the specific and extraordinary grants and their substitution by a new revenue sharing system: the so called "Central Autonomous Resources of Local Government" scheme. According to this scheme, the central transfers are made up of 20% of both the personal and corporate income tax, 20% of the tax on the immovable property, 50% of the road tax and 3% of the tax on the transfer of immovable property. Moreover, the grants from the Peripheral Investment programme of the Ministry of National Economy have been replaced by the one third of the local government share of the income tax, which is separated from the Central Autonomous Resources. Finally, and more importantly, local authorities are allowed, but not obliged, to introduce additional taxation for the completion of specific municipal programmes.

This major reform of local government finance, however, did not result to a substantial increase of revenue, given the political reluctance and the administrative incapacity for raising the tax on immovable property -the only tax given as a whole to local government. For this reason the responsibility for its collection was returned later to the central state services¹⁴. Subsequently, some local authorities in an attempt to strengthen their financial autonomy have tried to pursue

¹³The reform was introduced by law 1828/89.

¹⁴It should be noted, that, given the high political costs, because of the specific weight of the immovable property for Greeks, (the country has one of the highest rates of privately-owned houses in Europe), and the administration problems (lack of real estate registry, evaluation difficulties), the revenue from the tax on immovable property has had always been insignificant, either for the central state, or for local governments, when compared to other sources of taxation (Tatsos, 1989:35-37).

policies involving the provision of social services (day care, transport, cafeterias etc) as an indirect source of revenue. Nonetheless, the rationalization of the system of grant revenue accompanied by the enactment of “objective” criteria for its distribution has contributed to the institutionalization of a redistributive function of these transfers seeking to equalize the differences between rich and poor.

Within the EU policy-making environment, however, the reform of the system of local government finance constitutes a major challenge for both the local political leadership and the other public, private and voluntary (civil society) actors towards the reshaping of the system of local interactions on a reciprocal basis, involving the imposition of specific local taxes on the one hand and the commitment for the provision of public goods and services on the other. This process will be facilitated by the financial status of the new prefectural councils.

The financial function of the prefectural councils up to the 1994 reform was two-fold: first, the distribution of the funds provided by the Peripheral Public Investment Programme, and second, the administrative-legal control of the budget of local authorities (municipalities and communes). These functions were in line with the dual role of the prefecture, on the one hand, as the institutional formulation of what has been called “local state” (Psychopedis and Getimis, 1989) and, on the other, as the appropriate administration field for incorporating the local needs into the central decision-making and thus absorbing the local pressures. Both functions are performed through the Public Investment Programme, which provides the ground for the regulation of local problems by bridging the gap between local needs and availability of resources (Psychopedis and Getimis, 1989:84-85). The means to achieve these objectives lie with the functional and territorial differentiation of the Public Investment Programme, which is facilitated by its division into the programme of the central state (Collective Decision of Action-CDA; *Silogiki Apofasi Ergou-SAE*) and the regional public investment programme (Collective Decision

of the Prefectural Fund-CDPF; *Silogiki Apofasi Nomarchiakou Tamiou-SANT*). What this differentiation implies, is that, within the framework of the decentralization policies pursued in the post-1981 period, the central state undertakes the regulation of problems arising in policy areas, where the economies of scale are high (i.e large scale investments), while simultaneously leaves the regulation of local scale problems (i.e small scale infrastructure) to the local state (prefecture). Furthermore, in formulating the Peripheral Public Investment Programme local needs are taken into account, even within the limitations of the clientelist system.

After the 1994 reform, however, and the subsequent abolition of the budgetary control of local authorities by the prefecture, there has been a distinction of the nomarchal local authorities revenue, similar to that of the municipalities: in regular and extraordinary revenue. The regular revenue consists of taxes, charges, income from property, the central autonomous resources and the specific annual financial transfer for the costs of exercising central state functions. On the other hand, the extraordinary revenue refers to loans, specific transfers of other public actors and the resources from the EU.

To sum up, the maintenance of the financial dependence of subnational governments on the central state transfers accompanied by the strong functional overlap has constituted an intrinsic element of the system of intergovernmental relations in Greece. Nonetheless the opening up of the system to bottom-up initiatives based on flexible schemes for mobilization of endogenous resources (additional taxation, use of modern cooperative financial tools) presents a challenge to the local system of governance. Hence, the learning, adaptation and Europeanization processes rely on formal or informal networks at the local level, that can achieve synergistic effects among the actors by combining public and private resources. The success of this process, however, is crucially dependent on the presence of a strong civil society, the capacity of local political elites and the administration system. The next subsection examines the quality

of local political elites and the capacity of the public administration bureaucracy.

3.1.4 *Subnational political elites and the quality of Public Administration Bureaucracy*

Greek municipal and communal councils are elected every four years according to a double-ballot majoritarian electoral system¹⁵. In municipalities of more than 5000 inhabitants the winning list is that, which gains the absolute majority of the votes. The head of the winning list becomes mayor or president of the commune. In municipalities where no list receives absolute majority in the first ballot there is a second ballot between the leading candidates a week later. After each municipal election, the local authorities elect the governing boards of Local Associations of Demoi and Communes (TEDK), their corporate organization at the nomos level, which in turn elect their representatives in the Central Association of Demoi and Communes (KEDKE), the umbrella organization of local authorities on a nationwide basis. Both the KEDKE and the 51 TEDK, however, lack the appropriate organization and scientific expertise to provide the needed technical support and consultation to their members, or to present efficiently local authorities' interests and demands at the central government level.

Although there is no formal appearance of the names of political parties on the lists -a practice consistent with the post-war dominant ideology of "apolitical" local government- local elections are dominated by intense "party politicization" especially in the urban areas. Thus, municipal councils are usually run by party coalitions, which are formed either before the first ballot, or in the second ballot, when no separate list corresponding to major political parties wins the majority of the votes in the first ballot (Christofilopoulou, 1990).

The role of political parties as vehicles of political clientelism has had always been

¹⁵The same electoral system applies to the elections for the second tier of local government (new nomarchal councils) after the 1994 reform.

decisive for the huge expansion of the inefficient state bureaucracy¹⁶, as well as for the incorporation of civil society and the allocation of resources. Thus, the interrelated and mutually reinforcing processes of political clientelism and the expansion of a legalistic and inefficient bureaucracy are considered the main features of the system of public administration with serious repercussions for the functioning of the public sector. First, the usually used inappropriate recruitment criteria, as a result of political interventions, and the subsequent bureaucratic growth have led to the creation of a relatively autonomous from the political patrons bureaucracy, who resist the implementation of reformist political decisions insofar these decisions affect their interests (Flogaitis, 1987). This, in turn, creates conditions of the so called “bureaucratic vicious circle¹⁷” (Flogaitis, 1987:52-54), according to which bureaucrats’ resistance to reformist measures leads to their non-implementation, thus deteriorating their ineffectiveness, which results to new reform efforts. Second, the legalistic character of the system, the so called ‘notorious legalism of public administration’ (Athanasopoulos, D, 1983:137¹⁸; cited in Christofilopoulou, 1990:286), constitutes a major impediment to the system, given the dependence of public policy making on the bureaucracy’s expertise in legal formalities. Third, the hierarchical structure of the system accompanied by very small wage differentials and absolute job security discourages civil servants’ initiative, most of whom try to find secondary work in the parallel economy. Finally,

¹⁶As Tsoukalas argues, the bureaucratic organization in Greece does not correspond to organizational functions, but rather it is used, almost exclusively, for clientelistic political purposes, thus serving as a form of “political division of labour” (1986:121). Historically, this tendency goes back to the formulation of the patronage system of politics, when the enormous expansion of employment in the state bureaucracy had reached a disproportionate rate with regard to the size of both the population and the resources. As it has been calculated, by 1880 the civil servants’ analogy per 10000 population was ten times higher in Greece than in the UK (Dertilis, 1976, Social change and military intervention in politics: Greece, 1881-1928, unpublished Ph.D thesis, University of Sheffield.; cited in Mouzelis, 1978:17). After the last restoration of democracy, the revival of clientelism became evident by the increase in the number of civil servants by 74% in the period 1974-80 (Flogaitis, 1987:247).

¹⁷The term has been borrowed from similar accounts of the Italian public administration identified by Cassese, S (1983) Il Sistema Amministrativo Italiano, Bologna: Il Mulino.

¹⁸Athanasopoulos, D, (1983) The Greek Administration, Athens: Papazisis (in Greek).

as a consequence of the previous, in contrast with most European countries, there is no functional relationship between public administration and civil society. Hence, the political parties play the role of interlocutors between public sector bureaucracy and civil society, by attempting to bypass the rigidities of the public administration, thus bridging the gap in the state/society relations.

Within this framework, the functions of local authorities have had to be accomplished between the Scylla of the party-dominated political clientelism and the Charybdis of a highly centralized, hierarchically-structured system of public administration, with far reaching repercussions for local policy-making. Thus, being public law entities primarily under the administrative control and tutelage of the Ministry of the Interior¹⁹, and hence obliged to follow the rigid procedures of the public sector for personnel recruitment and salaries, local governments cannot attract competent, well educated, appropriate staff²⁰. Consequently, they lack the planning and project development capacity, necessary for the preparation of project proposals for participation in EU or national development programmes, thus facing enormous difficulties in tapping vital for local development resources. Furthermore, the above mentioned deficiencies block and ultimately undermine important development projects, while, on the other hand, the undertaking of planning functions by the central state bureaucracy results in huge delays in the transfer of EU or national funds. Finally, because of the bureaucratic inefficiencies of the state structure, the decision-making process is much more time-consuming than in other local actors (i.e private or voluntary).

Under these circumstances, the role of political parties and local MPs is similar to that observed at the national level, that is role of interlocutors between the central state bureaucracy

¹⁹Until 1994 this function was executed through the prefectural directions of the Ministry of the Interior.

²⁰It should be noted that higher education graduates represent only 9.9% of municipal personnel, while the majority (90.1%) are high school and secondary school graduates (Ministry of the Interior, 1996).

and local authorities to facilitate the transfer of resources by circumventing bureaucratic channels. In this process, local government executives (i.e mayors) are increasingly involved in a similar to the observed by S. Tarrow (1974:46-47) in Italy, political brokerage, which implies the use of contacts with their own or other political party deputies to achieve objectives corresponding to local needs. The crucial importance of the political parties, however, is not simply reduced to their role in the transferring of the necessary resources, but also to their ideological and organizational impact on the management of local issues and the quality of local elites.

Thus, in the post-war period, local government constituted the traditional forum for the, almost permanently in opposition during the 1950s and 1960s, centre and left-wing parties. The majority of urban demoi in this period were under the control of coalitions formed between the centre and left-wing parties. This “castle of democracy” approach to local government, however, although it was seen as an appropriate political tool against the authoritarianism of the post-war state and the predominance of the “apolitical” approach to local government, in fact contributed to the marginalization of crucial for local governance issues, by merely using local governments as forums for opposition on issues of the national political arena.

With the restoration of democracy in 1974 a new profoundly-altered political landscape emerged, that was marked by the reformulation of the old and the emergence of new political parties²¹. During the first post-dictatorship period (1975-81), that was substantially preparatory

²¹In the right wing of the political spectrum the pre-dictatorship right-wing party of National Radical Union was replaced by a new party, the New Democracy (ND), that won the 1974 and 1977 elections and remained in power until 1981. In the centre and left wing, on the other hand, the legalization of the Communist left -that after the 1968 split was divided into the pro-Soviet Communist Party of Greece (KKE) and the Communist Party of the Interior (KKEes)- allowed for its first in the post-war period appearance in the formal political arena, while the emergence of the Panhellenic Socialist Movement (PASOK), which absorbed the pre-dictatorship centre-wing party, the Centre Union, and became gradually the dominant party of the centre-left, led to a significant shift of the whole political spectrum towards the left. Since the late 1980s and early 1990s, however, the foundation -from the Communist Party of the Interior and other small left-wing parties- of the Coalition of the Left has redefined the boundaries of the centre-left wing of the political spectrum, which currently consists mainly of the PASOK, the Communist party and the Coalition of the Left.

period for the accession into the EC, decentralization and local government issues remained again at the margins of the public debate. The vast majority of municipalities were under the control of coalitions between PASOK and the parties of the communist Left, whose “politicization” approach to local government was in contradiction with the attitude of the New Democracy right-wing government, which considered local government as a branch of public administration (Christofilopoulou, 1990). The opportunistic strategy of PASOK, however, to exploit these alliances at the local level by presenting the image of a bloc of the so called “progressive democratic forces” against the “authoritarian” government led to the significant underplaying of local government issues as subordinates in the framework of the general confrontation with the government. A similar, in many respects, approach had been adopted by the major party of the communist left, the Communist Party of Greece, whose commitment to centralized state and central planning had led to a pathetic attitude of local governments, since local issues were seen as depended upon the change of government at the central state level. Additionally, the policies of these main opposition parties (PASOK and KKE) were crucially influenced by their common position against Greece’s entry into the EC. Within this political climate, there is no easily identifiable differentiation in administrative capacity at the local government level among the right and left-wing political parties. Rather, whatever the differentiation in institutional performance, it should be attributed, either to personal initiatives or, to the impact of differentiation in cultural or institutional capacity on shaping the interactions among the local actors. Moreover, the trend to use local government as a springboard for personal political elevation, which has had constituted common characteristic of all political parties in the post-dictatorship period, should be attributed to these deficiencies of all parties’ policy approach to local government.

In the second, after 1981, post-dictatorship period, which is characterized, with the

exception of the 1990-93 period, by the predominant role of PASOK in Greek politics, local government has had continuously been the preferential policy area of PASOK in collaboration with the left-wing parties, even though, since 1986, New Democracy has been proved particularly competent in increasing its influence in major urban municipalities (Athens and Salonika).

Therefore, beyond the necessities imposed by the EC membership, the reluctant reforms introduced by the PASOK governments during the 1980s should be partly attributed to the PASOK's powerful position in local governments, based on its well-established mechanisms for political mobilization at the local level, since 1974. These local strongholds have had constituted the first tier of the centralized clientelist structure of PASOK in the 1980s, upon which the populist mobilization was based. Mouzelis (1995:19) notes:

Papandreou managed to build the first non-Communist mass party organization in Greece, with PASOK's branches extending into the remotest Greek villages. This....contributed to the further centralization of political parties. Clientelistic bosses gradually saw their control over local votes being undermined by a populistically controlled, centralized party structure, which replaced traditional patrons with better-educated party cadres who derived their authority from above (from Papandreou's charisma) rather than from the grass-roots level.

Within this framework, very often during the 1980s, local governments were used as the appropriate base for mobilization and support of PASOK's policies at the national level and especially in foreign affairs²², thus underplaying their functions at the local level. However, the gradual shift of PASOK's European policy towards the complete acceptance of the EU orientation of the country since the late 1980s and especially during its last -matured- term in office after 1993 has contributed to the change of local governments attitude and the refocusing of their interest in local rather than national policy issues. Within these changing attitudes, EU membership is no longer considered as a threat for local development, but rather as a challenge

²²Of particular importance in this process was the reluctant attitude of PASOK towards the EC membership until the late 1980s and the general confrontation towards US policies in sensitive foreign affairs problems, such as the Cyprus issue.

for the reformulation of local interactions.

In conclusion, because of Greece's highly centralized administrative structure, the role of the political parties as mediators between centre and periphery is crucial. However, there is no identifiable identical pattern of administrative capacity at the local level among the political parties. What matters is the strength or weakness of the systems of interactions at the local level, which determine the local institutional capacity and the way in which local demands are mediated at the national or European level. In a country, where centralized planning remains predominant, the way in which central-local relations are shaped is particularly evident in the framework of regional policy, the gradual Europeanization of which is the subject of the following section.

3.2 Regional Policy in Greece: the National and the European Context

The centralized, hierarchical structure of the Greek administrative system corresponds to the pattern of regional disparities between centre and periphery, the main feature of which is the concentration of population and economic, social and cultural activities primarily in the greater Athens area and secondarily in Salonika. The origins of the regional problem are traced back to the transformations occurred in the beginning of the twentieth century that led to the early take-off of the industrial capitalist development. This process was boosted by the coincidence of several factors, such as the collapse of Asia Minor in 1922 and the subsequent refugees' waves of 1.6 million people, the acceleration of land reform and an enormous influx of foreign funds (Mouzelis, 1978; Hadjimichalis, 1987). Since the industrial activities were concentrated in the major cities -Athens, Piraeus, Patras, Volos and Salonika- the industrial boom of this period constituted the first crucial factor for the formulation of what called "development axes of the country" (Patras-Athens-Salonika). During the post-civil war period, the emigration waves and the subsequent concentration of population in the Athens and Salonika areas combined with the

administrative centralization contributed to the intensification of the problem, which became gradually the most serious national issue. Hence, the need for a national regional policy.

The evolutionary process for the formulation of a national regional policy, based on fiscal and monetary incentive packages (investment grants, interest-related subsidies, depreciation allowances) for attracting private investments in the periphery and creating basic economic and social infrastructure through the Public Investment Programme, can be divided in three pre-EC membership sub-periods: the first from 1948 to 1960, the second from 1961 to 1974 and the third from 1975 to 1979.

During the first post-war period, regional development policy was focused mainly on the abolition of indirect taxes imposed on the circulation of goods and services (the equivalent of the VAT), on increasing depreciation allowances for regional industry and on fiscal concessions for reinvesting profits²⁵, while interest rate subsidies for industrial loans were introduced.

The second period (1961-74) was characterized by an upgraded role of regional planning at the national level. This trend was substantiated by the operationalization of Regional Development Agencies (RDA) at the prefecture level under the control of the then Ministry of Coordination, and by the creation of the Industrial Areas Network undertaken by the Bank for Industrial Development. Furthermore, with the institutional framework of that period²⁶ the entire country was divided in four incentive zones and for the first time investment grants, conditioned on each region's level of development, were introduced (Paraskevopoulos, 1988).

After the restoration of democracy in 1974 emphasis was placed on the improvement of the incentive schemes for the development of the border regions, and especially Thrace, for national reasons. Furthermore, in an attempt to rationalize the system of investment grants, the

²⁵Law 843/48, Leg. Decree 2176/52, Law 3213/55.

²⁶Law 4458/65, Leg. Decree 1078/71, Leg. Decree 1312/72.

manufacturing branches were distinguished in branches of high, medium and low assistance (Paraskevopoulos, 1988). In the same period, however, the introduction of the first post-dictatorship regional development plan (1978-82) signaled a shift in spatial and regional planning towards the nodal or “growth poles” approach to regional development²⁷ (Konsolas, 1985:383-5). In particular, the main goal of the plan was the reduction of regional disparities through the development of a network of rival to Athens and Salonika cities. Thus, specific quantitative goals, in terms of population, were set up for primarily selected dynamic urban centres, the so called “Centres of Intensive Development Programmes” (KEPA-*Kentra Entatikis Periferiakis Anaptyxis*, i.e. Patras, Larissa), which were to be transformed into poles of self-sustaining development. Additionally, another network of less dynamic centres, consisting mainly of the capitals of the *nomoi*, constituted the so called “Municipal Urban Centres” (ASTOK-*Astika Oikistika Kentra*), in which special programmes for the improvement of infrastructure were provided. The rest of the urban areas of the country were organized in “Systems of Agricultural or Agro-Industrial Urban Centres”.

Although the notion of central economic planning had been introduced in 1964 following the establishment of the National Centre for Planning and Economic Research (KEPE-*Kentro Programmatismou kai Erevnon*), the five-year plans became gradually synonymous with highly centralized exercises on paper, because they did not take into account the real conditions and eventually they were not implemented. This rule did apply to this first post-dictatorship plan (1978-82), which was not implemented because of the change of government in 1981. Yet, it foresaw and influenced indirectly the developments, given that most of the urban centres selected by the plan for intensive development programmes became gradually, during the 1980s, growth

²⁷The specification of the main goals of the programme was made by the decision of the National Council for Spatial Planning and Environment (23/3/79).

poles, by concentrating population and economic resources from their broader region.

In the first period after the accession into the EC, which coincided with the coming into power of the PASOK government, the maintenance of the national character of regional policy, based on centralized “top-down” control, became evident in the modification of the system of regional development incentives, that was introduced by law 1262/82²⁸. The innovations brought about by the reform were three-fold. First, the broadening of the range of activities qualified for incentives, by including, in particular, the non-state public sector of the economy, that is the entrepreneurial initiatives of local authorities and various cooperatives and associations. Second, the increasing involvement of the regional and prefecture councils in the decisions concerning the approval of applications, which, however, reinforced the role of central administration bureaucracy (Ministry of National Economy), since both the regional and prefecture councils were not directly elected bodies and there was no provision for the involvement of local governments (Andrikopoulou, 1992). Third, a re-designation of the four broad incentive zones, according to their level of development²⁹, took place.

The top-down character of the decision-making, based on the dominant role of the Ministry of National Economy and its Regional Development Agencies at the prefecture level and the exclusion of the elected local authorities, coupled with the lack of coordination between the main responsible for regional development ministries of National Economy and Interior have had constituted intrinsic elements of the regional incentive policy (Psychopedis and Getimis, 1989:53-

²⁸It should be noted that, despite several reforms, the main features of this framework, aimed at strengthening the attractiveness of peripheral regions for investment, have remained the same up today.

²⁹Thus, the A and B zones of assistance comprise developed areas, such as the prefectures of Attica, Salonika, Corinth, Corfu (only for tourist enterprises), the city of Rhodes etc, the C zone consists of areas of medium level of development, while in the D zone of high assistance level belong the border areas, among which the prefectures of Lesbos, Chios, Samos and Dodecanese (with the exception of the city of Rhodes. It must be noted that, as far as the tourist sector is concerned, the Cyclades prefecture (with the exception of Mykonos-zone B) belongs to the C zone.

54). The coincidence of the above characteristics with the lack of information flows, communication and dialogue between actors at the local level led to the reduction of regional development policy into a series of fragmented and uncoordinated actions (ibid.). Since the incentives system and the Public Investment Programme constitute the main instruments of regional policy, the combination of centralized decision-making and the lack of local networks leaves little space for endogenous decision-taking, which is viewed as the main prerequisite for integrated development strategies (see chapter 1).

Moreover, interestingly enough, the gradual Europeanization of regional policy in the 1980s, in contrast with most of the Northern member states, did not result to the reduction of the regional incentive expenditure, but rather to its significant increase³⁰. This trend, which seems to be consistent with the expansionary fiscal policy followed by the PASOK governments in the 1980s and not affected by the short austerity programme of 1986-88, should be attributed to the well established political clientelist relations (see previous section) and the subsequent protective role of the state. Additionally, the persistence of the national incentives scheme as a quasi-national branch of regional policy has to a significant extent led, on the one hand, to a low contribution of the private sector to the sub-programmes or measures of the IMPs and CSFs (see chapter 2), and on the other, to the waste of national and European financial resources, since both the national contribution to the EU programmes and the regional incentives scheme are financed through the Public Investment programme.

The system of regional planning and the key role of the Public Investment Programme were at the centre of the institutional reforms imposed by the Europeanization of regional policy

³⁰The Regional Incentive Expenditure increased as a percentage of the national Gross Domestic Product (GDP) from 0.07% in 1980 to 0.35% in 1985 and to 0.49% in 1990, and as a per head of the population of the assisted regions (ECU 1990 prices) from 7.13 in 1980 to 36.28 in 1985 and to 52.47 in 1990. Similar trends have been observed in Italy in the same period (CEC, 1994:135-142).

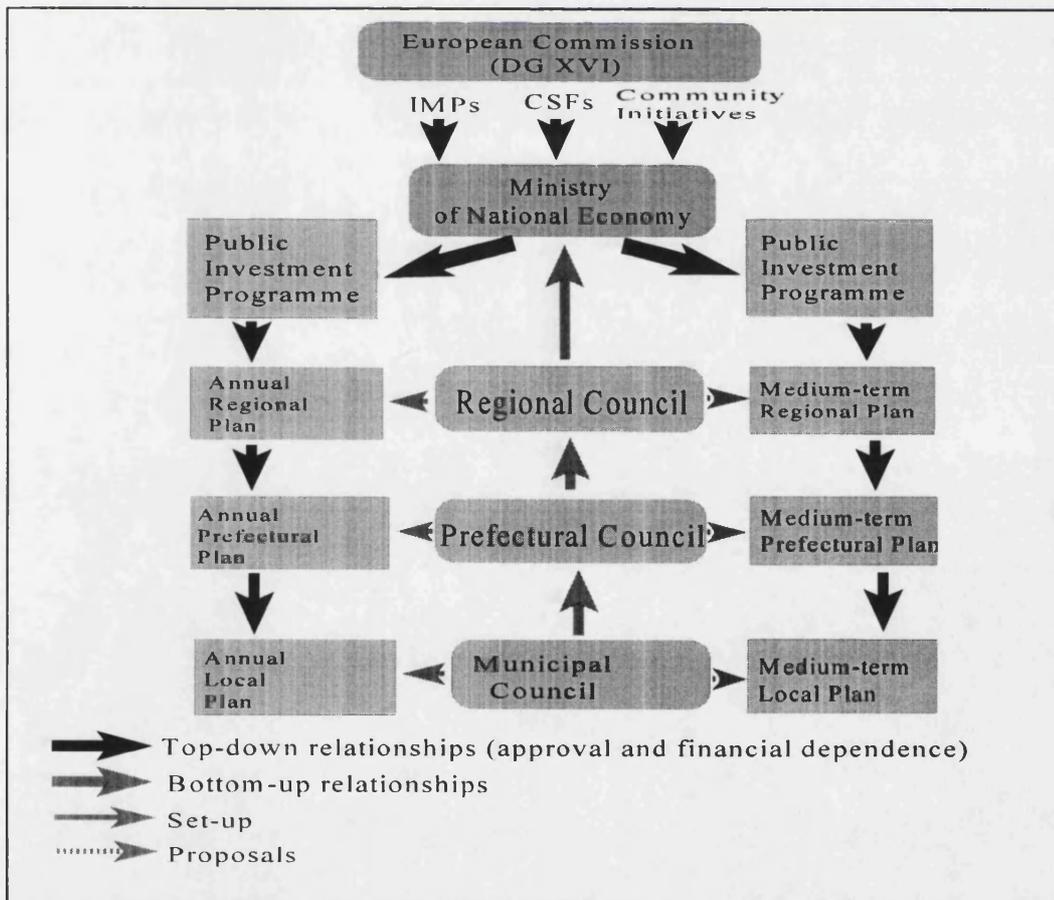
with the introduction of the six IMPs in 1985 and the CSFs in 1989. The very substance of the Greek centralized planning procedures was challenged by the principles of European structural policy, and especially by the operationalization of partnership and subsidiarity to facilitate the mobilization of subnational governments in the planning and implementation processes (see chapter 2). The integrated approach initialized by the IMPs implied the start up of the institutional learning process for Greek subnational authorities, by requiring their active participation in the planning and monitoring procedures. The maintenance and endurance of the same approach in formulating the Regional Development Plans (RDP) of the CSFs created conditions of a permanent pressure upon the central state for decentralization and restructuring of the planning system. The major reform of the intergovernmental relations in the 1980s, introduced by law 1622/86 (see previous section), coincided with the restructuring of the planning system, that was initialized by the 1983-87 five year plan. Thus, even though the IMPs and the RDPs were primarily conceived of as programmes for promoting economic development, their most important function in the Greek case has been that of ‘a financial “stimulus” to promote the reform of sub-national governmental structures’ (Papageorgiou and Verney, 1993:141).

The main features of the new planning system were two-fold. First, the opening up of procedures of democratic planning at each spatial level, which would be facilitated by the institutional changes in the intergovernmental relations (elected prefectural councils). Second, the maintenance of the hierarchical, “top-down” structure, within which the coherence and complementarity of plans in terms of spatial level and time (short and long-term) would be achieved. Thus, the functional limits of the new system were set by its attempt ‘to combine “top-down” control with “bottom-up” definition of priorities’ (Andrikopoulou, 1992:198).

As is shown in Figure 3.3, while annual and medium-term plans are to be drawn up at each spatial level, each tier of government decides the allocation of Public Investment Funds to

the next lower level. These decisions are constrained by the expenditure ceilings for each level of government defined by the ministry of National Economy. Under these conditions, what the decentralization and democratic planning reforms implicitly brought about, was the identification of specific projects at each level of government, subject to the expenditure constraints of the higher tier. Moreover, given the lack of directly-elected planning bodies at the prefectural level until the 1994 reform and the division of the Public Investment Programme into a national and a prefectural component, the real impact of democratic planning on the regionalization of the budget was the -controlled by the centre- co-management of the Public Investment Programme by the ministry of National Economy and the prefectures.

Figure 3.3
Regional Planning and Centre-Periphery relations in Greece prior to the 1994 reform



This structure of regional planning and budget management, dominated by the central role of the ministry of National Economy³¹, has constituted a major impediment to the implementation and monitoring of both the IMPs and the Regional Operational Programmes (ROPs) of the CSFs. In particular, the absence of direct links between the EU Commission and subnational governments has created major coordination problems and seriously inhibited the development of learning and adaptation capacities by the subnational elites, that constitute the prerequisites for the endogenously-driven integrated development strategies. Thus, during the formulation of the IMPs the centralization of decision-making was accompanied by a lack of formal or informal channels of information exchange and communication on intra or inter-regional basis, that is lack of intra and inter-regional horizontal institutional networks (Papageorgiou and Verney, 1993). This inadequacy of local institutional infrastructure caused the piecemeal drawing up of the IMPs by the ministry of National Economy, instead of it being an outcome of integrated planning, within which local needs would have been taken into account³². Consequently, the implementation of two-thirds of the IMPs budget was allocated to central agencies, while the remaining one-third was managed by the prefectures (ibid.,:148). Furthermore, in the monitoring procedures the lack of direct communication between the regional monitoring committees³³ and the EU bureaucracy became evident, since the channels of information between supranational and

³¹The financial control function of the ministry of National Economy, implicitly based on the additionality principle, has resulted to the incorporation of the EU financial resources into the state budget, through which indirect financial support for the Public Investment Programme is provided. However, this process is also usually used for financing the national balance of payments deficit (Andrikopoulou, 1992:201).

³²The case of the Crete IMP, in which measures of tourist-related infrastructure (i.e airports), despite the will of public and private actors representing tourism interests, were underfunded for the benefit of subsidized private hotel investment (Papageorgiou and Verney, 1993:145).

³³The regional monitoring committees of the IMPs were chaired by the regional secretaries and their members included the sub-programme managers and local interest groups representatives and officials from at least two directorate generals of the EC Commission. Because, however, of the lack of preexisting network experience and administrative dysfunctions, their role was marginal.

subnational level passed through the central Inter-ministerial Committee. All these dysfunctions led, in substance, to the distortion of the scope of the IMPs, which were aimed at enhancing the learning and adaptation functions at the subnational level by the operationalization of the integrated approach. Thus, instead of being integrated strategic plans for development, the IMPs were essentially lists of proposals by the prefectures on the basis of demands from local authorities and other local agencies (Konsolas, 1992). Hence the eventual outcome -the lowest implementation rate in comparison with the other beneficiaries (France and Italy) (Leonardi, 1995)- should be attributed to the limited Europeanization of the Greek administrative system and the lack of local institutional capacity. These weaknesses are indicated by the low rate of private-sector involvement in IMPs structural interventions³⁴.

The lessons learned by the implementation of the IMPs, the upgraded role of the regional secretariat in drawing up the Regional Operational Programmes and administrative support provided by the programme managers and the evaluation consultants, are the main improvements in the implementation of the first CSF (1989-93). However, the unfavourable political and economic circumstances, especially during the initial phase, the well-known administrative weaknesses and the maintenance of the hierarchical structure of the planning procedures, functioned as counter-forces causing internal and external inconsistencies, significant delays and inefficiencies (CEC, 1995; Ioakimidis, 1996). With the Regional Operational Programmes, on the one hand, control of the ministry of National Economy over the financial resources of the CSF and more importantly over Community Initiatives funds and, on the other, the low quality of the local institutional infrastructure in learning and adaptation (absence of learning intra-regional networks) played an important role in inhibiting endogenous decision-making, the formulation

³⁴The private sectors was involved in 10% of the individual interventions of the IMPs in comparison with around 46% in France and 28% in Italy (Bianchi, 1993).

of integrated development strategies, and eventually the Europeanization of subnational governments. Nevertheless, there are signs of some differentiation in effectiveness among regions and prefectures (CEC, 1995), which point to the crucial role of civic culture and the strength of civil society, that can facilitate or inhibit the formulation of the system of interactions among the actors at the local level. The cultural peculiarities and the strength of civil society in Greece are the subjects of the next section.

3.3 Civil Society and the Cultural Schism

The question of civicness constitutes a crucial as well as neglected side of Greek history. Even though in R. Inglehart's (1988) classification of European countries about mutual trust Greece appears to be above all parts of Italy, research on social trust and civic engagement is completely overlooked. However, the clientelistic political system, the lack of administrative transparency and the inadequate institutional infrastructure, which are the usually used explanations for the relative divergence of Greek economy (Lyberaki, 1993) and society, seem to be closely linked to an "extremely weak civil society" (Mouzelis, 1995:19).

Indeed, since the construction of the modern Greek state in the first half of the nineteenth century, its history has been dominated by a cross-cutting cultural schism -Diamandouros's *cultural dualism*³⁵ - between two powerful and conflicting cultural trends: the Western on the one hand and the Byzantine-Ottoman on the other (1994:8). The former is linked to the western Enlightenment traditions of civicness, rule of law and constitutionalism, as they have been reformulated over time since their original Hellenic roots, and the latter to the pre-capitalist

³⁵The notion of "cultural dualism", which in the Greek case has a cross-sectional nature in the sense that it is not exclusively identified with specific institution or structure but rather cuts across every institution in Greek society, is used by Diamandouros under the conceptual framework of the "critical juncture", that is as a determinant of the developmental trajectory useful in 'path-dependent analysis' and 'chaos theory' (Diamandouros, 1994:6-7).

despotic tradition of strong state, clientelism and the Orthodox Church, that is a combination of the later Byzantine and Ottoman heritages (Mouzelis, 1986, 1995).

During the independence struggle the cultural schism was evident in the conflict between the revolutionary block of “westernizers”, within which the enlightened Greek diaspora of the West played the key role, and the reluctant block dominated by the Orthodox Church (Mouzelis, 1978; Diamandouros, 1994; Clogg, 1979). The former consisted of the enlightened Greek diaspora bourgeoisie, the western-oriented, western-trained intelligentsia, who provided both the leadership and the necessary material resources for the struggle, and the masses of peasantry and ruined artisans, who were primarily interested in safeguarding their traditional rights against the increasing power of local notables. The latter (a reluctant) block comprised the Orthodox Church, whose hostility to any attempt to overthrow the Ottoman rule should be attributed to its fear of loss of its privileges and subsequently its political power; the Phanariotes, whose reluctance is easily explainable by their privileged position in the administrative hierarchy and their close relations to the Church; and the local notables, who because of their landowning power status were extremely reluctant to join the nationalist mood (Mouzelis, 1978; Filias, 1974; Diamandouros, 1994).

Two other important developments deserve reference, if the main features of the multifaceted processes that influenced crucially the structure of state/society relations are to be understood. The first refers to the protagonist role of Greeks in European commerce, which had been boosted, primarily, by highly favourable international circumstances that started as early as the end of the sixteenth and the beginning of the seventeenth centuries. This development had a direct impact on what has been called the “early take-off” period of the Greek capitalist

accumulation, (Moscof, 1972³⁶, cited in Mouzelis, 1978:10-11), involving a significant shift from the distribution sphere to productive economic sectors. This second important development, that started in the middle of the 18th century, was marked by an increasing tendency of investments in the shipbuilding industry and handicrafts (mainly textiles), among which the Ambelakia cooperative is the most famous case³⁷. However, the Ambelakia and the other cooperative handicraft industrial associations are directly comparable with and represent the Greek version of the 16th century proto-capitalist industrial movement in Europe and in particular the English industrial districts, that did not flourish because of the predominance of the paradigm of mass production that marked the dawn of the English Industrial Revolution (Mouzelis, 1978).

Thus, the eventually failed attempts at industrial development based on shipbuilding and handicraft cooperative activities signaled the predominance of the distinctively compradoric character of the Greek indigenous bourgeoisie and subsequently of Greek capitalism, which is not irrelevant to the structural and cultural characteristics of the modern Greek state.

Within this framework the cultural differentiation, a substantially Greek v Hellenist antithesis, has had far-reaching repercussions on Greece's transition to modernity and its capacity to adapt to changes in the global or European environments. The predominance of Diamandouros's famous 'underdog culture'³⁸ during the period of transition, and even during the later period after the second world war and the civil war, determined to a significant extent the

³⁶Moscof, C (1972) The national and social consciousness in Greece: 1830-1909 (in Greek):.83 ff, Salonika.

³⁷The Ambelakia cooperative (an association of villages in Thessaly specializing in the production and export of high quality yarn) employed 40000-50000 people and had an accumulated capital of 20 million French francs, at the peak of its expansion -end of 18th/beginning of 19th century (V. Kremmidas, 1976, Introduction to the history of modern Greek society 1700-1821:143, Athens: Exantas; cited in Mouzelis, 1978:10).

³⁸The most distinctive features of this culture are: the preponderant role assigned to the state vis-a-vis civil society; the underestimation of the role of institutions, the central role of the family in combination with clientelistic practices, and finally, a conspirational approach towards the Western world, combined with an overestimation of the importance of Greece in international affairs (Diamandouros, 1994:15).

"qualities" of the contemporary Greek economy and society. Furthermore, the emergence of the subcultures of clientelism and populism (Mouzelis, 1995; Lyrintzis, 1993), coupled with the quasi-capitalist character of the Greek economy characterized by the dominant role of the state, have led to the "atrophic civil society"- "hypertrophic state" interplay (Campbell, 1964). Additionally, the peculiar combination of populism, clientelism and elements of state corporatism (Mavrogordatos, 1988, 1993; Schmitter, 1995) after the emergence of PASOK in the 1980s led to what may be called state-clientelist corporatism that has added to the deterioration of state/society relations at the expense of the latter (Paraskevopoulos, 1998). Deriving from this analysis and emphasizing the weakness of civil society similarities between Greece -as an exception from the other southern European countries- and Latin America, over, in particular, the transition from authoritarianism have been identified (Schmitter, 1986).

Under these considerations, mutual trust, norms of reciprocity and networks of civic engagement, which constitute intrinsic elements of civiness, are difficult to be identified. Conversely, the Greek version of individualism and free-riding, within the framework of a still pre-modern society, is counterbalanced by the well-publicized, substitutes for trust notions of *filotimo* and *besa*³⁹, which however, being primarily irrational and non-contractual, in both the formal and informal senses, cannot be seen as convincing substitutes for mutual trust (Tsoukalas, 1995). Hence, the irresponsible, authoritarian and anomic behaviour identified by Banfield with familism in Southern Italy may be relevant to the Greek case as well.

Yet, notwithstanding these unfavourable circumstances the process of Europeanization is interpreted as an external shock for society and the economy by imposing pressures for change (Kazakos, 1991). Furthermore, reactionary attitudes towards trade unionism and subject-oriented

³⁹The notions refer to a sort of ill-defined, complex norms of 'civic responsibility and contractual honesty' (Tsoukalas, 1995:197), which, however, being considered as irrational reciprocities, are problematically treated within the rational analytic framework.

new social movements provide evidence of “from below” postmodern reactions that challenge well-established patterns of behaviour (Mouzelis, 1995). These trends are expected to create conditions of instability and change in the political system, which, even after Papandreou’s death, despite the current from above movement towards a more prompt adaptation, is still dominated by the cross-sectional rivalry between modernizers and populists.

Conclusions

This chapter has demonstrated that the combination of a centralized state structure and a weak civil society in Greece creates conditions that breed hierarchical clientelist networks, which in turn constitute a major impediment to learning, adaptation and Europeanization functions of the socio-political and economic structures. In particular, the well established clientelist networks, upon which the political system is traditionally based, have constituted the crucial determinant for shaping state-society and centre-periphery relations, since they function as mediators between the inefficient state bureaucracy and society (interest groups, civil society). Within this framework subnational governments’ functions have had to be accomplished between the Scylla of party-dominated political clientelism and the Charybdis of a highly centralized, hierarchically structured system of public administration.

However, the gradual process of Europeanization of regional policy in the 1980s has constituted an external constraint on administrative restructuring and adjustment of the hierarchically-structured Greek political and economic systems. Hence, the 1989 reform of local government finance, the establishment of the directly-elected second tier of subnational government at the prefectural level, and the initiation of democratic planning at the regional level have led to the opening up of the local governance system to bottom-up initiatives. However, they are crucially dependent on the strength of civil society and the formation of the system of

interactions among the actors at the regional and local levels on a horizontal basis.

Although our analysis suggests that the peculiar individualism of the Greek people has led to a country of free riders, in which civicness and social capital are major problems for society's capacity for learning and adaptation, the following chapters identify a regional differentiation in institutional learning and adaptation evolving from different traditions in institution-building, in the strength of civil society and in adaptation between the regions.

4. INSTITUTIONAL CAPACITY AND POLICY ENVIRONMENT IN SOUTHERN AEGEAN ISLANDS

Introduction

Although the centralized state structure, as outlined in chapter 3, constituted an important constraint for local institutional capacity in Greece, given the dynamic character of the system of intergovernmental relations, the specificities of the system of intra-regional interactions play the decisive role for the dynamism of the local systems of governance and their capacity for adaptation. This chapter maps the institutional infrastructure in the Southern Aegean Islands region, drawing its political, economic, institutional and cultural (social capital) features.

4.1 The Local Specificities and the Political Climate

The Southern Aegean Islands region (NUT II) comprises 78 islands, from which only 43 are inhabited, with a population of 257.481, or 2.51% of the entire country's population (1991). It consists of two island-complexes and simultaneously prefectures, the Cyclades with a population of 94.005 inhabitants, and the Dodecanese with a population of 163.476 (1991). The demographic picture of the region¹ is one of the best in the country since the early 1970s. After a substantial decrease during the decade 1961-71 (7.01% or 0.7 *per annum*) because of the internal and external emigration flows of the age, the population of the region increased significantly (12.6% or 1.26 *per annum*) in the decade 1971-81. Finally, during the 1981-91 decade, the region demonstrated the best demographic picture in comparison with the other Greek regions. Its population increased by 10.25%, or 1.0 *per annum*, while all the other regions had lower rates of increase in the same period. At the prefectural level, the Dodecanese

¹[Ethniki Statistiki Ypiresia tis Ellados-ESYE: Apografes Plithismou 1961, 1971, 1981, 1991]. National Statistical Service of Greece (NSSG): Population censuses 1961, 1971, 1981, 1991.

prefecture, after a small decrease in population in the decade 1961-71 (1.63%) -by far the smallest among the five prefectures of the Aegean islands in the same period- since the early 1970s has had demonstrated the best demographic picture in comparison with all the other Aegean islands prefectures, with an increase of 19.88% during the decade 1971-81 and 13% in the decade 1981-91. The Cyclades prefecture, on the other hand, shows a better performance when compared with the Northern Aegean islands, but lags behind of the Dodecanese. In particular, after a substantial decrease during the decade 1961-71 (-13.63%), its population increased significantly during the decades 1971-81 (2.46%) and 1981-91 (6.27%).

With regard to the educational features, the region lags behind the country averages. In particular, according to the 1991 population census, it demonstrates a lower percentage (7.1%) in university graduates when compared with the national mean (11.5%) in 1991. The picture is the same in the secondary education (27.95% vis-a-vis 31.5% respectively), while the region has a higher level of illiteracy than the national mean (7.75% vis-a-vis 6.8%).

The administrative and economic centre of the region is shared among the most prosperous islands. The capital city of the Syros island (Ermoupolis) is the capital of both the region (seat of the regional secretariat) and the Cyclades prefecture, while Rhodes is the capital of the Dodecanese. In terms of economic development, because of the significant intra-regional (among the islands) disparities, the economic centre of the region is shared among a leading group of developed islands consisting of Rhodes and Kos in the Dodecanese, and Mykonos and Santorini in the Cyclades. Additionally, the island character and the subsequent fragmentation of the space has important consequences for the administrative structure of the region at the sub-prefectural level. It involves ten provinces (provincial councils): seven in the Cyclades complex (Andros, Santorini, Milos, Naxos, Kea, Tinos, Paros) and three in the Dodecanese (Kos, Karpathos, Kalymnos). However, the subordinate character of the province vis-a-vis the

prefecture and the first tier of local government (municipalities) and the short life of the directly-elected sub-prefects (the first election took place just in 1994) have resulted to their limited role within the regional system of governance.

A significant aspect of the spatial fragmentation within the region is illustrated by the problematic communication between the two island-complexes and the subsequent lack of communication and transport linkages between the capitals of the prefectures (Syros and Rhodes). Under these circumstances, although the old dispute between the Cyclades and the Dodecanese with regard to the seat of the regional secretariat is interpreted as a symptom of the traditional parochialism of the Greek periphery, it may be viewed as a consequence of the centripetal structure of the Greek administrative and transport systems as well. Thus, the island character of the region should be seen as an aggravating factor that simply contributes to the deterioration of the structural deficiencies that derive from the Greek socio-political system (see chapter 3). Nonetheless, the undertaken by the regional secretariat policy-making initiatives, especially since the early 1990s, are focused on actions 'towards a cohesive and integrative approach to the development challenges facing the entire Southern Aegean Islands region'². Given, however, the limitations of the role of the regional secretariat deriving from its function within the centralized and hierarchical structure of the public administration system and the fact that both the regional secretary and the regional councils are directly appointed by the central government, one should take into account the existing specificities and particularities at the prefectural level.

Thus, the Dodecanese, arguably the most prosperous of the two Southern Aegean island-complexes, was incorporated into Greece in 1947, being until then under Italian rule. This is

²Interview No 41 with the General Secretary of the region (Ermoupolis, Syros: October, 1996).

considered as a crucial factor for the shaping of an identical, in comparison with the rest of Greece, political, economic and civic environment since the 1950s and 1960s. In particular, with regard to the prerequisites for economic development, the special tariff regime for the imported in the prefecture products since 1947 and the advanced infrastructure left by the Italians (land registry, transport network, ports, airports, theatres, public buildings) have had constituted crucial parameters for the formulation of the local specificities in terms of political, economic and social climate (Getimis, 1989). As one of the interviewees ³ underlined:

the physical infrastructure and cultural environment inherited from the Italians have constituted a unique asset for the tourist development of the Dodecanese, which, under a different -not that of the Greek state structure- policy making environment, would had secured the future of the Dodecanese islands as the leading tourist destination in Europe.

Furthermore, the local governance institutions and especially the city councils of Rhodes and Kos as well as the private-interest organizations (Chamber) have been proved particularly competent in comparison with their counterparts in other regions.

Additionally, within the Cyclades complex, some islands (Mykonos in the 1960s) started to demonstrate a policy-making environment similar to the Dodecanese, while some other (i.e. Syros) have had strong cultural and trade relations with western Europe originated in their role as niches of early capitalist development in the middle of the 19th century (1830-1860) (Kardasis, 1987).

With regard to the political climate, the dominance of the parties of the centre and centre-left of the political spectrum in the Dodecanese should be stressed. In particular, by contrast with most of the other Greek regions which were characterized by the predominant role either of extreme Right or extreme Left-wing political parties, the moderate political climate has had constituted the main feature of the Dodecanese in the post-civil war period. In that sense, the

³Interview No 60 with the President of the Rhodes Hotel Owners' Association (Rhodes, October, 1996).

Dodecanese has had an identical, for the Greek case, policy-making environment, facilitated by a political climate, which was not seriously affected by the political upheaval of the post-civil war Greece. Thus, during the pre-dictatorship years, it was considered a stronghold of the big coalition of the small Centre-wing political parties, the Centre Union, while the political influence of both the Right and extreme Left-wing political parties was rather marginal. In the post-dictatorship period, however, the process of building the two-party system in Greek politics, involving the marginalization and later the elimination of the Centre Union, resulted to the gradual replacement of the Centre Union by PASOK as the predominant party in the Dodecanese politics (table 4.1).

TABLE 4.1
SOUTHERN AEGEAN ISLANDS: DODECANESE Pref.:
General Elections 1974-1996 (percentage of votes by party)

	PASOK (Panhell. Socialist Movem.)	N.D (New Demo cracy)	EDHK (Centre Union)	United Left	K.K.E (Comm. Party)	Coalition of the Left (KKE+ KKEint.)	K.K.E(i) (Comm. Party of Interior)	Coali tion of the Left	POLAN (Political Spring)	DEKKI (Democ Social Mov.)
1974	21.01	45.35	16.98	2.39	—	—	—	—	—	—
1977	27.71	41.43	25.06	—	2.72	—	—	1.15	—	—
1981	58.19	30.29	—	—	4.89	—	0.80	—	—	—
1985	56.67	36.10	—	—	5.08	—	1.12	—	—	—
1990	50.50	42.78	—	—	—	4.83	—	—	—	—
1993	56.41	35.32	—	—	1.75	—	—	1.84	4.12	—
1996	51.48	34.21	—	—	2.35	—	—	3.53	3.90	3.20

SOURCE: Ministry of the Interior: National Elections' results (1974-1996)

The Cyclades prefecture, on the other hand, having been during the post-civil war period and until 1981 a stronghold for the right and centre-right political parties, in the post-1981 period followed the changes in the political climate, characterized by a shift towards the centre-left of the political spectrum and led by the gradual emergence and endurance of PASOK in Greek politics (table 4.2).

TABLE 4.2
SOUTHERN AEGEAN ISLANDS: CYCLADES Pref.:
General Elections 1974-1996 (percentage of votes by party)

	PASOK	N.D	EDHK	United Left	K.K.E	Coalition of the Left (KKE+ KKEint)	K.K.E (int.)	Coalition of the Left	POL.AN	DEKKI
1974	10.44	62.91	23.82	2.01	—	—	—	—	—	—
1977	22.92	54.95	12.61	—	3.45	—	—	2.38	—	—
1981	47.02	45.75	—	—	4.56	—	0.67	—	—	—
1985	48.12	45.39	—	—	4.31	—	1.14	—	—	—
1990	41.91	51.53	—	—	—	4.70	—	—	—	—
1993	48.94	42.05	—	—	1.71	—	—	1.90	4.69	—
1996	42.41	40.66	—	—	2.25	—	—	3.94	2.71	5.83

SOURCE: Ministry of the Interior: National Elections' results (1974-1996).

At the prefectural level, after the 1994 elections both prefectural councils are dominated by PASOK (Table 4.3). In Dodecanese there was a clear majority for the PASOK candidate, while in Cyclades the centre-left coalition consisting of PASOK and the Coalition of the Left won the majority of the votes.

TABLE 4.3
SOUTHERN AEGEAN ISLANDS: PREFECTURAL ELECTIONS 1994
(percentage of votes by party)

	PA.SO.K	New Democracy	Coalition of the Left	K.K.E	POL.AN
Dodecanese Pref.	53.4	31.5	6.3	4.0	4.8
Cyclades Pref.	50.9 (Cooperation with "Coalition of the Left")	49.1	—	—	—

Source: Ministry of the Interior: Prefectural Elections' results, 1994.

Finally, at the local level (municipalities and communes), Dodecanese is characterized by a strong tradition of PASOK dominance. Even after the last (1994) election, the vast majority of the 17 municipal and the 57 communal councils of the prefecture are dominated either by

PASOK, or by coalitions between PASOK and the Coalition of the Left. Thus, most of the mayorships and especially those of the big cities of the prefecture (Rhodes, Kos, Kalymnos) are held by the PASOK candidates. Furthermore, in Cyclades, although the majority of the 10 municipal and the 107 communal councils are governed by PASOK or by coalitions with the Coalition of the Left, there is an important present of New Democracy mayorships in Mykonos and Andros.

To sum up, the Southern Aegean Islands region, despite the consequences of the state structure for administrative and economic dependence of the regional, prefectural and local governments on the central state, demonstrates a relatively good [for the Greek case] policy-making and institution-building environment, especially at the prefectural level. The Dodecanese, in particular, has a strong tradition of collaborative relations among the local actors, which should be partly attributed to historical and cultural reasons. Additionally, some of the Cyclades islands have demonstrated similar trends, especially since the early 1960s.

4.2 Economic Structure, Boundedness and Adaptation

The Southern Aegean Islands region is one of the most converging regions in the country in both economic and welfare indicators. Subsequently, it demonstrates a relatively good ranking among the European regions (NUTS II). This is illustrated by the macro-economic indicators of table 4.4. Thus, in the interregional comparison based on the GDP index (EU 12=100) the three year (1989-91) GDP average in PPS per inhabitant of the region is 52.2, well above of the country's average of 48.1. Additionally, in terms of unemployment, the region demonstrates a low rate (3.6) when compared with the country's average (7.8), while it has the second best, among the Greek regions, rate in the change of unemployment for the period 1988-93 (-1.5). Furthermore, it should be emphasized that in the interregional ranking of the EU regions according to their

level of unemployment, the Southern Aegean Islands holds the twentieth first position within the group of the most converging regions in Europe (CEC, 1994:195-97).

TABLE 4.4
Principal Indicators per Region (NUTS II)

Regions	GDP three year average 1989-91 (EUR12=100)			Share of sectors in total employment (1991)			Unemployment rate	
	per inhab. (PPS)	per pers. empl. (PPS)	per pers. empl. (ECU)	Agr.	Ind.	Serv.	Rate 1993	Change 1988-93
1.East. Macedonia &Thrace	43.3	42.2	31.4	43.0	20.3	36.7	5.5	-3.5
2.Central Macedonia	46.8	53.1	39.5	25.1	28.4	46.5	6.2	-0.6
3.Western Macedonia	50.2	62.3	46.4	29.5	32.2	38.4	8.1	2.1
4.Ipeiros	36.2	41.1	30.6	34.8	22.5	42.7	9.9	4.9
5.Thessalia	43.7	49.2	36.6	36.1	24.5	39.4	7.0	0.1
6.Ionian Islands	43.7	41.3	30.7	35.7	17.7	46.6	4.0	0.6
7.Western Greece	40.8	42.1	31.3	39.0	19.4	41.7	8.8	1.6
8.Stereia Ellada	58.0	73.0	54.4	38.3	27.2	34.5	7.1	0.2
9.Peloponese	47.3	51.2	38.1	45.5	19.5	35.0	5.7	-0.1
10.Attiki	52.3	56.2	41.8	1.3	29.6	69.2	10.0	0.0
11.Northern Aegean Isls.	35.2	42.3	31.5	20.7	17.3	61.9	9.0	3.6
12.Southern Aegean Isls.	52.2	67.2	50.0	8.4	23.7	68.0	3.6	-1.5
13. Crete	45.5	48.8	36.3	45.0	15.9	39.1	4.0	0.5
GREECE	48.1	52.8	39.3	22.2	25.7	52.1	7.8	0.1

Source: CEC, 1994.

The good economic performance in macro-economic indicators, however, should not be simply reduced to a symptom of the EU regional policy interventions. Conversely, it should be strictly linked to the preexisting trends of the development process in the region since the late 1960s and early 1970s, which have been accelerated by the flow of the EU funds, especially in the late 1980s and early 1990s. Thus, as it is shown in Figure 4.1, the average annual change of GDP during the decade 1970-80 (5.30%) was well above the country's average (4.57), while in the decade 1980-91 the region experienced the highest, among the Greek regions, rate of average

annual change (23.16%) and, consequently, well above the country's average (20.07)⁴. Finally, in the post-1991 period, the share of the region in the national GDP increased substantially from 2.73% in 1991 to 2.78% in 1994.

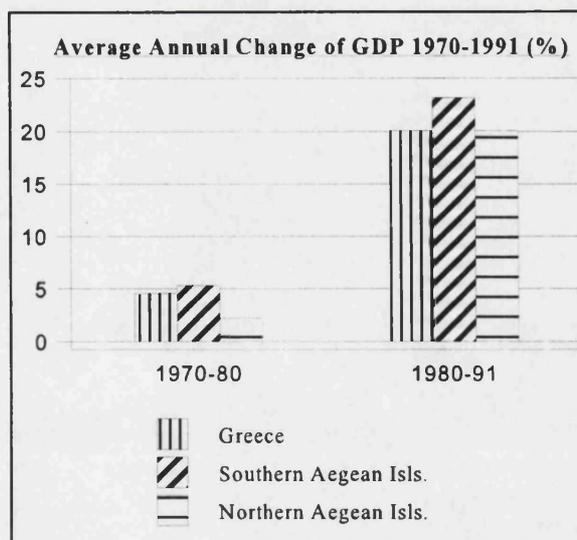


Figure 4.1

However, the processes of convergence and catching up in the Southern Aegean region are better illustrated by its ranking within the per capita GDP index (country=100) over time and by its performance with regard to specific welfare indicators. Thus, as it is shown in Figure 4.2, although the region had a relatively good ranking -sixth among the thirteen regions and definitely above the Northern Aegean- in 1970, it was lagging behind the country's average. During the period 1970-1981 it caught up to the third position within the index, just behind Attika and Sterea Ellada regions, and reached the country's mean. Finally, in the period 1981-91 the GDP per capita rate of the region exceeded the country's average. Finally, it must be emphasized that, even though the region was fourth in the 1991 index, in 1988 it was the second region just under Sterea Ellada.

⁴[Ethniki Statistiki Ypiresia Ellados-ESYE: Ethniki Logariasmi]. National Statistical Service of Greece, "National Accounts" (elaboration of primary data).

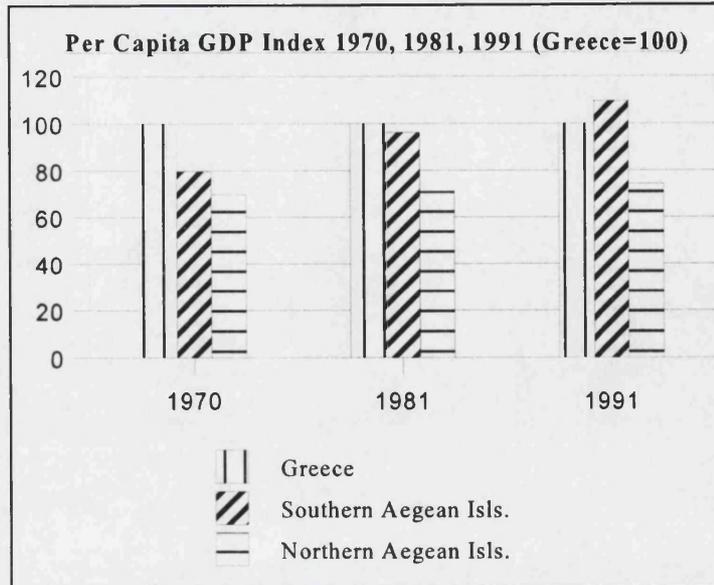


Figure 4.2

In welfare indicators, the Southern Aegean Islands was the first region in telephones per 100 inhabitants in 1991 and the second region in per capita savings, just after Attika in 1990 (see Figure 4.3). However, following the traditional weakness of the Greek periphery in social services, according to 1991 data, it lags behind in medical personnel per 1000 inhabitants, which is mainly concentrated primarily in the Athens area and secondarily in Salonika (Central Macedonia)⁵.

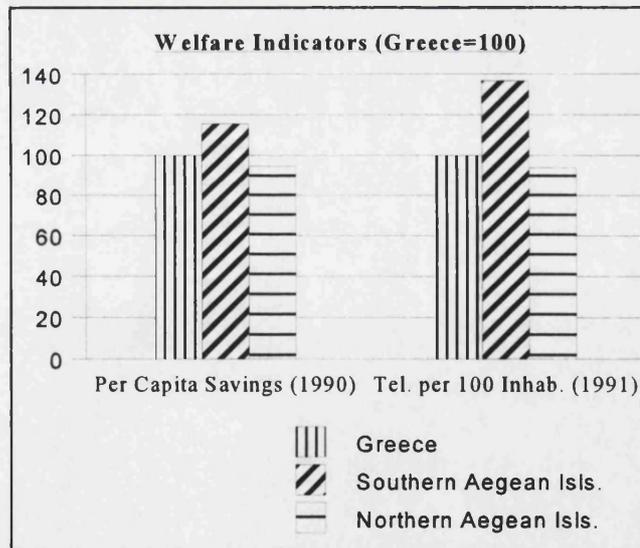


Figure 4.3

⁵The weakness of the Greek periphery in medical personnel corresponds to the generally poor social infrastructure (Athanasίου, et.al, 1995:51).

The crucial factor, however, that can account for the Southern Aegean's good economic performance and the closing of the divergence gap is the prompt adaptation of the economic structure of the region, characterized by the shift towards the development of the tertiary (services) sector of the economy with particular emphasis on tourism since the 1960s. This trend is particularly evident in the sectoral distribution of employment, which is illustrated by the spectacular increase of the employment in the tertiary sector from 38% in 1971 to 50% in 1981 and 68% in 1991 (see table 4.4). Conversely, the employment in the primary sector (mainly agriculture) of the economy decreased dramatically from 36% in 1971 to 21.1% in 1981 and 8.4 in 1991 (ibid). Furthermore, as the Location Quotients⁶ based on employment data show, the region of Southern Aegean Islands along with Attika -with values of the quotient varying from 1.24 to 1.46 respectively- were the only regions of the country with a clear orientation towards the tertiary sector of production in the 1980s (1981 and 1987) (Konsolas et.al., 1993:46-47).

Nonetheless, the specific weight of tourism in the productive structure of the regional economy is illustrated by the share of the region in hotel units and in foreign tourists' overnights (see Figure 4.4).

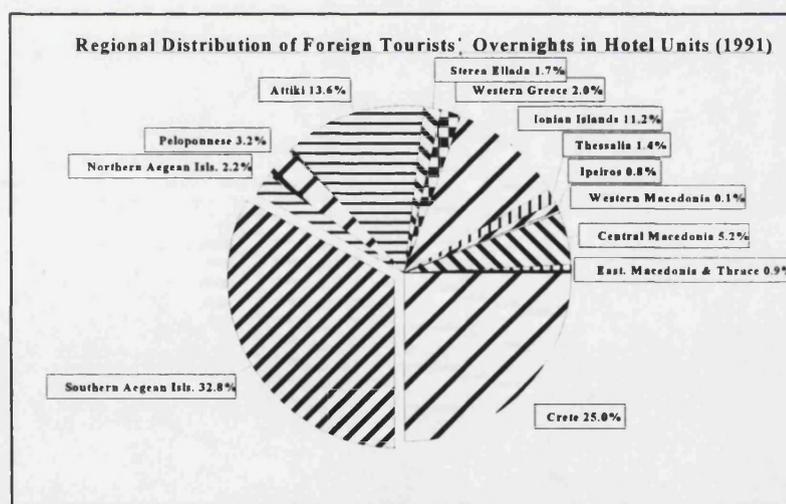


Figure 4.4

⁶The Location Quotient is one of the main indicators used in regional analysis for the identification of the regional specialization and for interregional comparisons with regard to the economic structure of each region. It is based on indirect reference to the national data and its value (varying from lower, equal or higher than 1) shows the degree to which (lower, equal or higher respectively) a specific productive sector is developed in a specific region in comparison with the country as a whole.

In particular, the Southern Aegean is the first region of the country in hotel units, accounting for 24% of the total capacity⁷, while, simultaneously, it constitutes the main destination for foreign tourists with 32.8% in 1991⁸.

Finally, in macro-economic indicators, the structural composition of the regional GDP among the main productive sectors of the economy for 1994 is revealing. The sector of “Miscellaneous Services”, which refers mainly to the tourist industry, accounts for the 36.53% of the regional GDP⁹ (see Figure 4.5). Hence, it constitutes the leading sector of the economy with “Commerce” being the complementary services-oriented sector and “Agriculture” accounting for a rather marginal, for the Greek case, percentage of regional GDP¹⁰. Furthermore, on an interregional basis, while the share of the Southern Aegean in the national GDP was 2.78% in 1994, its contribution

to the specific sector of “Miscellaneous Services” on a national basis amounted to 10.57% for the same year.

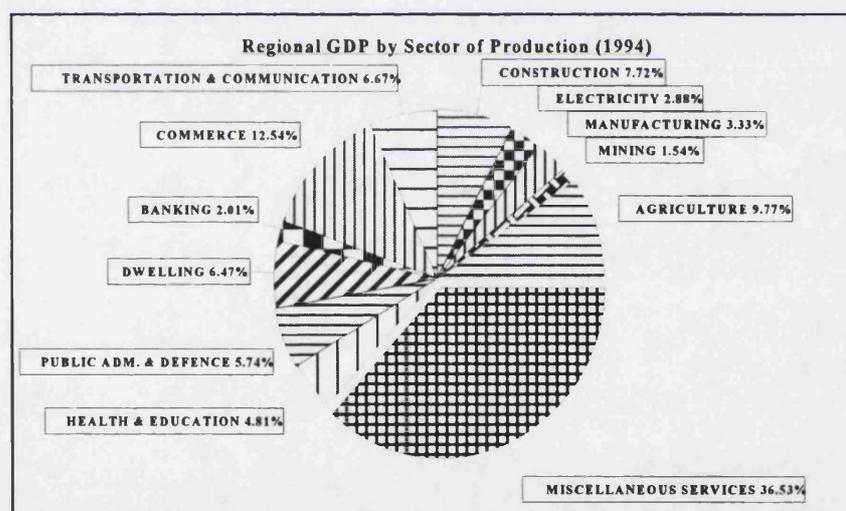


Figure 4.5

⁷EUROSTAT (1995) “EC Tourism in the 1990s”-DG XXIII.

⁸[ESYE (1991): Statistiki Tourismou]. NSSG (1991): Tourism Statistics.

⁹[ESYE (1994): Ethniki Logariasmi]. NSSG (1994): National Accounts: Section of Regional Accounts.

¹⁰Compare this with the outcome of the Northern Aegean Islands sectoral analysis (chapter 5).

Although the analysis of the economic structure at the regional level constitutes a prerequisite for the evaluation of the local institutional infrastructure, given the specifics of the Greek administrative system (see chapter 3), the identification of the learning capacity of the local system of governance requires the qualitative features at the prefectural level to be raised. Thus, at the prefectural level, the specifics of the economic structure and the local system of governance in Dodecanese can, to a significant extent, account for the developmental path of the entire Southern Aegean Islands region, given the specific weight of the prefecture within the regional economic and political structure.

The first important feature of the Dodecanese economic structure is its prompt adaptation towards the tertiary sector of the economy and particularly the tourist industry. This process, which started in the 1960s, was facilitated, to some an extent, by the advanced infrastructure left by the Italians and by the special

tariff regime¹¹ since its incorporation into the Greek state in 1947 (Getimis, 1989). Thus, as figure 4.6 reveals, the employment in the tertiary sector, which in 1971 was already the leading sector of the Dodecanese economy, increased significantly from 43.3% in 1971 to 68.2% in 1991, while the share

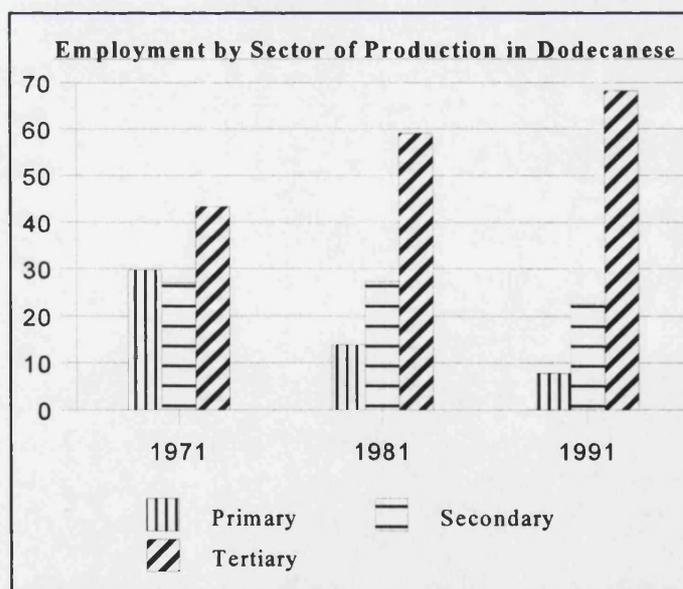


Figure 4.6

¹¹This special tariff regime, involving initially tariff reductions to a wide range of imported in the prefecture goods, has been gradually restricted to a small amount of goods, such as china, textiles, umbrellas and cosmetics (Getimis, 1989:137).

of the primary sector dropped dramatically from 29.7% to 7.8% respectively. Hence, the economic structure of the Dodecanese is similar to that of Attika, rather than to the country's average.

Furthermore, the emphasis on the development of the tourist industry becomes evident from the data on the sectoral composition of GDP. Thus, in 1994, the share of the "Miscellaneous Services" sector -the branch of the tertiary sector that refers mainly to the tourist industry- accounted for the 46.15% of the prefectural GDP, while in the same year the share of the primary sector was dropped to just 5.15%. Additionally, the Dodecanese prefecture accounted for the 18% of the annual inflows of foreign exchange in the period 1988-92 (1988-92 plan, Prefecture report) and has had demonstrated an extremely low rate of permanent inhabitants per foreigner tourist overnight over time (see table 4.5).

TABLE 4.5
Permanent inhabitants per foreigner tourist overnight

	1977	1981	1987	1991
PREFECTURES				
Dodecanese Pref.	10.6	7.4	5.4	6.3
Cyclades Pref.	66.2	43.1	36.5	58.5
GREECE	1034.8	866.5	804.2	1243.8

Source: [ESYE, Statistikes Plithismou, 1981, 1991; Statistikes Tourismou, 1977, 1987]. NSSG, Population Censi, 1981,1991; Tourism Statistics, 1977, 1987.

The emphasis on tourist development, however, has had important consequences for the other sectors of the economy. Thus, as the data on industrial specialization at the prefectural level reveal, the viability of the industrial sectors in Dodecanese depends crucially on their complementarity to the tourist industry (Paraskevopoulos, 1988; Getimis, 1989). In that sense, the industrial specialization in traditional, for the Greek industry, branches, such as those of food (20), beverages (21), non-metallic mineral products (33) and furniture (26) should be attributed

mainly to their complementarity to the tourist industry. The criterion of complementarity refers also to the primary sector, mainly agriculture, even though this trend has been substantiated recently (since the late 1980s). Conversely, during the initial take-off period, the increasing needs for agricultural products, because of the expansion of tourist industry, had led to an increased imports-trade, which had become the dominant sector of trade at the expense of the exports-trade, that was limited to just 3% of the import (Finas, 1981).

The concentration, however, of the tourist development in the islands of Rhodes and Kos, which are viewed as international tourist centres, has constituted the second important feature of the Dodecanese economic structure. In particular, even until the early 1980s Rhodes and Kos were dominated the tourist development in the prefecture with Rhodes concentrating the great part (86%) of the prefectural tourist product (Logothetis, 1983). Nonetheless, this trend has started to change since the late 1980s and early 1990s, given that the negative impact of the over-concentration on the quality and the gradual shift of consumers' preferences towards the small-scale tourism (Stokowski, 1994) have had contributed to the diffusion of the tourist development to the other islands of the prefecture.

Finally, the last and most crucial feature of the local economic structure, which is related to the functional performance of the Dodecanese local governments, and hence to the degree of boundedness of the local system of governance, is the Council tax. The Council tax (4 and 2 per cent on the value of imports and exports of the prefecture respectively) that has been imposed by all -both city and communal- local councils constitutes an important financial resource for all local governments of the prefecture and points to a comparatively bounded and endogenously driven system of local governance. It should be noted that in 1985 and only for the councils of the Rhodes island the Council tax revenue reached the amount of 800 million drs (Rhodes council 55%) (Getimis, 1989:137). Thus, the revenue from the Council tax and the Income tax

has led the local governments of Dodecanese (*demoi* and communes) to be the first in the country in terms of revenue per inhabitants (*ibid.*).

In this swing of the pendulum towards the tourism-oriented development followed gradually some islands of the Cyclades complex. This process was led by Mykonos in the 1960s, which had been favoured by a number of concurrent factors, such as the favourable international environment and a relatively good institutional infrastructure, was joined later by Santorini and the other islands. Nonetheless, as the data of table 4.5 demonstrate, the tourist development in Cyclades is less intense than in Dodecanese. This is because of the diversification of the types of development among the Cyclades islands, with some islands being based on the tourist industry (Mykonos, Santorini) and some others remaining mainly agriculture-oriented (Naxos). Hence, the Cyclades complex is characterized by a considerable role of agriculture in the productive structure of the prefectural economy.

Thus, as Figure 4.7 reveals, despite the increasing importance of tourism in the prefectural economy since the 1970s, the agriculture sector retains a significant share of the Cyclades GDP varying from 25.46% in 1970 to 21.40% in 1994. Additionally, the Cyclades tourist sector accounted for only 12.75% of the sectoral regional GDP (Miscellaneous Services) compared with the 87.25% of Dodecanese. Conversely, the Cyclades GDP in agriculture constitutes the great share (67.76%) of the sectoral GDP at the regional level. However, in terms of the share of the

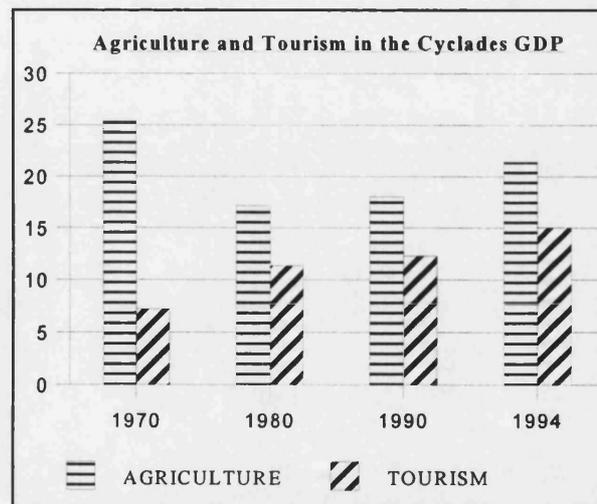


Figure 4.7

main sectors in the employment, the tertiary sector has jumped from 32.5% in 1971 to 66.6% in 1991, while, according to the latest data available for 1998, the tourism and commerce sectors account for the 52.48% of the total employment¹².

Finally, despite the lack of the Dodecanese historical background, there is a considerable degree of endogenous decision-making, which, although it was initially confined in Mykonos, gradually expanded to include the Syros institutional infrastructure. This may be interpreted as a combination of the specific weight of Syros and Mykonos; the former as the administrative centre (seat of the prefect) of the prefecture and the latter as the leading island in the tourist industry, which has resulted to an increasing weight of Mykonos local institutions, and especially of the mayor and the municipal council, in the decision-making process of the prefecture.

This section has demonstrated that the relatively good economic performance of the Southern Aegean Islands region is mainly because of the prompt adaptation of its economic structure towards the tertiary sector of the economy with particular emphasis on the tourist industry. This process was facilitated by capacities for endogenously-driven mechanisms of economic governance, primarily in Dodecanese and secondarily in the Cyclades. We now turn to examine, in the third and fourth sections, the crucial formal and informal institutional arrangements, that have underpinned the processes of learning and adaptation in these islands. Within this framework, the way in which local institutions as corporate actors interact with each other (institutional networks) and the crucial role played by the informal civic norms (civil society/social capital) is expected to show the way in which the structure-culture interactions may be viewed as the determinants of state/society relations and the capacity for learning and adaptation at the local level.

¹²[ESYE (1998): Apografi Katastimaton]. NSSG (1998): Firms and Employment Census per Sector of Production.

4.3 Local Institutional Networks and their Learning Capacity

This section draws the institutional map of the region and evaluates the structural features of the local institutional networks of general exchange. By measuring structural features, such as density, centralization and structural equivalence, we show the way in which the formulation of local institutional interactions through the processes of exchange, resource interdependence and power distribution affects the level of collective action and hence the learning and adaptation capacities at both the regional and prefectural levels.

4.3.1 Institutional Networks in the Southern Aegean Islands

The assessment of the structure of local institutional networks at the regional and prefectural levels is based on social network analysis (SNA) and, in particular, on density, centralization and structural equivalence measures, which reveal crucial features of the network structure, intrinsically linked to its collective action, learning and adaptation capacities (see chapter 2). These features -the degree of network cohesion (institutional thickness), the identification of the central actors within the network and finally the structure of the network- constitute indicative indicators of the way in which the interactions between the institutional actors are formulated and the public/private relations are shaped at the local level. Additionally, by using the multidimensional scaling technique all these features are illustrated within the graph of the network.

The most prominent public and private actors at the regional and local levels in reputation, position and role within the local system of governance were entered into the matrix¹³.

¹³The selection of actors is based on the criteria of their role within the local system of governance and the productive structure of the region or the prefecture. Therefore, local branches of corporate-umbrella organizations (i.e trade unions) or of central state agencies, which function as conveyors of central state policy choices (i.e the Ministry of the Aegean or the Tourist Training High School of Rhodes, run by the Greek Tourist Organization), have not been included in the matrix.

Thus, at the regional level, twenty one actors were identified as central for the regional system of governance. The sub-group of public actors comprises: the regional secretariat (SRGS), the two prefectural councils (DPREFC and CYPREFC), the local associations of municipalities and communes (DAMC and CYAMC), the city councils of Rhodes and Kos (RCITY, KCITY) in the Dodecanese and Ermoupolis and Mykonos (ERCITY, MYCITY) in Cyclades and the University of the Aegean. Additionally, the group of the most important private-interest organizations consists of the two Chambers of Commerce (DCHAMBER and CYCHAMBER), two Hotel Owners' Associations (RHOTELA, MYHOTELA), the Tourist Agents' Associations (DTOURA, MYTOURA). Finally, the development agencies (DDA and CYDA), which are mainly focused on the management of EU Structural Funds programmes or initiatives have become important actors, especially since the 1988 reform of the Structural Funds and the increasing needs for management and monitoring of the Regional Operational Programmes and Measures and the Community Initiatives.

As table 4.6 reveals, the network at the regional level is characterized by low density (0.367) and high centralization (70%) indicators. What these indicators underline is that there are no actual intra-regional networks but only ones within each prefecture. In particular, because, on the one hand, of the administrative structure of the state (see chapter 3) and, on the other hand, the fragmentation of space due to the island character of the region, at the regional level the network is highly centralized around the Regional Secretariat. Two lessons, however, should be drawn from this observation: first, that the prefecture, mainly because of historical reasons, remains the main locus of economic and political governance; and second, that the region has not yet been legitimized as a key actor within the subnational level of governance. Thus, it constitutes the meso-level between the two main levels of governance: the central state and the local government, consisting of the prefecture and the municipalities.

TABLE 4.6

Centrality Measures of General Exchange Network in the Southern Aegean Islands

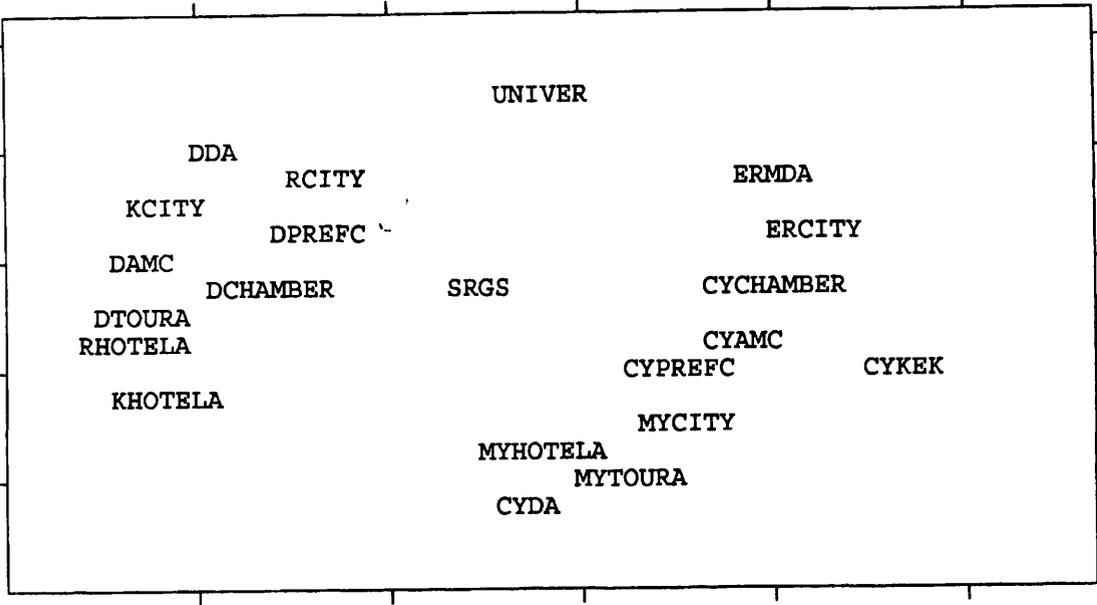
<u>Organizations</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Dodecanese Pref. Council	55.00
3. Cyclades Pref. Council	50.00
4. Dodecanese Chamber	45.00
5. Cyclades Chamber	45.00
6. Dodecanese Ass. Munic.&Comm.	45.00
7. Cyclades Ass. Munic.& Comm.	45.00
8. Rhodes City Council	40.00
9. Dodecanese Tourist Ag. Ass.	40.00
10.Kos City Council	35.00
11.Rhodes Hotel Owners Ass.	35.00
12.Kos Hotel Owners Ass.	35.00
13.Mykonos City Council	35.00
14.Ermoupolis City Council	30.00
15.Mykonos Hotel Owners As.	30.00
16.Mykonos Tourist Agents As.	30.00
17.Cyclades Training Centre	20.00
18.Dodecanese Development Ag.	15.00
19.Cyclades Development Ag.	15.00
20.University	15.00
21.Ermoupolis Development Ag.	10.00
Total Network Centralization	70.00%

With regard, in particular, to the extremely low specific weight of the University of the Aegean, it must be emphasized that, because of its location (its main departments are located on the Northern Aegean Islands), it constitutes a relatively more important actor for the Northern, rather than for the Southern Aegean Islands region (centrality measures). Furthermore, the marginal role of the Dodecanese, Cyclades and Ermoupolis development agencies should be interpreted as a result of their almost exclusive role in the management of programmes financed by the EU Structural Funds.

Thus, as Figure 4.8 based on the multidimensional scaling reveals, the regional secretariat is the central actor -mainly because of its role within the administrative hierarchy- and the real

networks are those at the prefectural level.

Figure 4.8
Institutional Networks in Southern Aegean Islands Region



4.3.2 Institutions and Institutional Networks in Dodecanese

The institutional infrastructure of the Dodecanese prefecture constitutes itself part of the heritage left by the Italians¹⁴. In particular, the “Italian heritage” should not be reduced to the physical infrastructure (road networks, airports, water and sewage systems), but it should include a series of pivotal institutions, such as the system of land registry¹⁵. Thus, the Dodecanese is the only prefecture in Greece with a land registry system, which has been a crucial factor for the protection of the physical environment, the separation between public and private use of land and the provision of public spaces in the cities. Additionally, beyond the city councils, which have been proved particularly competent in comparison with their counterparts in other regions,

¹⁴Interview No 60 with the president of the Hotel Owners’ Association (Rhodes).
¹⁵It should be noted that Greece and Albania are the only countries in Europe without a national land registry system.

Dodecanese demonstrates a strong presence of private-interest organizations, such as the Chamber, the Hotel Owners' Associations and the Tourist Agents' Association, which are active participants in the local system of governance.

The Chamber was established in 1949 and has 20287 members from all the islands of the Dodecanese complex. Although it is seated in Rhodes, it has three provincial offices in the Kos, Kalymnos and Karpathos islands and provides its members a wide range of services, such as administrative assistance, expert advice and reports, as well as information on important issues. Despite the fact that in Greece, as in most of the continental European countries, the Chambers are Public Law institutions, the Dodecanese Chamber constitutes the most historic and prominent private-interest organization and simultaneously one of the key actors in the institutional structure of the prefecture. In particular, having overcome its role as a unionist and corporatist body representing the merchants' interests, it is an important actor in the development process and the initiator of almost all the fora for information, dialogue and communication in the prefecture. Hence, it has been the key actor in the decision making processes in almost all policy areas. Thus, beyond its role within the regional council, it also participates in all decision making bodies, such as the economic and social committee of the prefecture, the health-related committees, as well as in the prefectural and provincial tourism committees. Finally, it is the only Greek chamber with a membership status in the Union of the Mediterranean Chambers (ASCAME), as well as in the EUROCHAMBERS, while simultaneously participates, along with the other chambers of the Aegean islands, in the only existing interregional (among the Southern and Northern Aegean regions) network, that is the Chambers' Association for the development of the Aegean Islands.

The Rhodes and Kos Hotel Owners' Associations constitute the second "pillar" of the private-interest institutional infrastructure of the Dodecanese. They were established in 1949 and 1956 respectively and have had constituted, along with the Chamber, the crucial institutional

components of the productive restructuring, that is the move from development based on agriculture and trade towards tourism, since the 1950s. The associations with around 650 members (450 only the Rhodes association) have had constituted key actors within the local system of governance. The Rhodes Association in particular, plays a key role in initiatives and projects related to the tourist industry. Thus, it was the initiator, along with other institutional actors (i.e the Local Association of Municipalities and Communes of the prefecture), for the creation of an advisory committee -in substance an informal prefectural council- dealing with development issues, besides the formal prefectural council. This committee has been an important forum for dialogue and communication in the prefecture since 1984.

Finally, the Tourist Agents Association, constituting substantially the tourist department of the Chamber, is considered an important actor in tourism-related local initiatives, along with the Chamber and the Hotel Owners.

Within this framework, the existing evidence on distinguished, in comparison with other regions, institution building and network creation on a bottom-up basis should be linked to intrinsic qualitative features of the institutional infrastructure in Dodecanese. This evidence should include the following. First, the city councils, and especially the Rhodes and Kos councils have undertaken pioneering initiatives in creating infrastructure and providing social services. The Rhodes council, in particular, has created the first municipal transport company in Greece (RODA) based on an initial Italian plan. Second, in a paradigm of horizontal networks at the local level, a mini-network has been created by the Hotel Owners Association, the Tourist Agents, the Chamber and the Association of Municipalities and Communes, focused on policy making initiatives with regard to the tourist industry. The institutional form of this network is the

Organization for Tourist Promotion¹⁶, which is financed by a special council tax. Finally, the Dodecanese Cooperative Bank, which has been created on a Chamber's initiative in cooperation with the Rhodes City Council and its branches' network includes both the Rhodes and Kos islands, may be seen as a Greek version of rotating credit associations at the local level.

The quality of the local institutional infrastructure, however, is illustrated by specific indicators of institutional performance at the prefectural level, such as the distribution of the financial resources among the main sectors of the local economy (investment vis-a-vis consumption) and the priorities of the prefectural public investment programme. In particular, without taking into account the grants and subsidies of the national regional policy (law 1262/82), the public investment expenditure for the years 1983, 1984 and 1985 accounted for the 46%, 51.5% and 61.8% of the total state expenditure in the prefecture respectively. Conversely, the public consumption and functional administrative expenses accounted for the 28.5%, 28.8% and 29.5% respectively, and the income support subsidies for the 21%, 16.9% and 21% respectively (Getimis, 1989:157). This investment-oriented structure of the public expenditure in Dodecanese diverges significantly from the country's average and especially from that of Attika region, where the public investment expenditure does not exceed the 25% and the 11% of the total expenditure respectively (ibid.).

Additionally, with regard to the sectoral prioritization of the public investment expenditure, the prefectural public investment programme (Collective Prefectural Fund's Action) demonstrates a more coherent and consistent orientation towards the "first priority" local problems, when compared with the orientation of the central state public investment (Collective

¹⁶The Organization for Tourist Promotion, whose origin should be traced back to an initiative undertaken by the Hotel Owners' Association in the 1960s, constitutes a unique, for the Greek case, forum for dialogue, communication and subsequently learning at the local level, which has facilitated the adaptation process of the local productive and economic systems (Hotel Owners' Association, 1992, anniversary edition).

Decision for Action). In particular, the sectors of transport/communication and water/sewage, which have had constituted the most crucial local issues given their impact on the tourist sector, were the first priorities of the prefectural public investment programme in the mid 1980s, whereas the central state investments had not a coherent orientation corresponding to the local needs (Getimis, 1989:153-54).

The structure of the institutional networks in Dodecanese reflects the above mentioned qualities of the local institutional infrastructure, the outcome of its strong -for the Greek case- tradition in institution building since its incorporation into the Greek state in the early 1950s. Thus, the density measure of the general exchange network (0.727), which shows the degree of network cohesion, indicates that almost all the actors are connected to each other.

TABLE 4.7
Centrality Measures of General Exchange Network in **Dodecanese** Prefecture

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Pref. Council	100.00
3. Association Mun.&Comm.	90.00
4. Chamber	80.00
5. Rhodes City Council	80.00
6. Tourist Agents' Ass.	80.00
7. Kos City Council	70.00
8. Rhodes Hotel Owners Ass.	70.00
9. Kos Hotel Owners Ass.	70.00
10. University	30.00
11. Development Agency	30.00
Total Network Centralization:	33.33%

Furthermore, the centralization measures (table 4.7) reveal the way in which resources and hence power are distributed among the actors and, subsequently, the central actors within the network, that is those with the greatest number of linkages (Scott, 1994). The low degree of centralization (33.33%) demonstrates a horizontal, rather than vertical-hierarchical structure of

the network. What the density and centralization measures indicate is that resources and power are rather equally dispersed among a wide range of actors, and subsequently this structure provides the ground for shifting alliances and creating synergies among public and private actors, which is a prerequisite for achieving collective action, and hence facilitating the learning and adaptation processes within the network.

Nonetheless, as the individual centralization measures of each actor demonstrate, certain actors hold more central positions than others. Thus, beyond the Regional Secretariat, whose central position derives from its role within the administrative hierarchy of the central state, there is a number of both public and private local actors, which provide certain capacities for alternative leadership roles. Thus, the following points deserve reference. First, the central role of the Prefectural Council, which is connected to all other actors, is complemented by the quite central position of the Association of the Municipalities that constitute the interlocutor between the first and the second tiers of local government and provides municipalities and communes of the prefecture crucial services, such as technical and administrative assistance. Additionally, the Rhodes City Council, the Chamber and the Tourist Agents hold quite central positions within the network, which reflects their key role in the decision making processes. Second, the low centrality of the University is due to its dislocation among the Aegean islands. In particular, the main university departments are located in the Northern Aegean islands (see chapter 5) with the exception of the education department, which is the only department located in the Southern Aegean (Rhodes). Moreover, the university is a quite new institution (it has been established in 1985), which has not yet acquired its role within the institutional structure of the region. Finally, the marginal position of the Development Agency should be attributed to its exclusive orientation towards the management of EU regional policy programmes and initiatives.

The structural characteristics that derive from the analysis of centrality are further

strengthened by the analysis of the structural equivalence, which identifies common structural positions among the actors with regard to their linkages (Scott, 1994).

Figure 4.9
Structural equivalence of Network Actors in Dodecanese

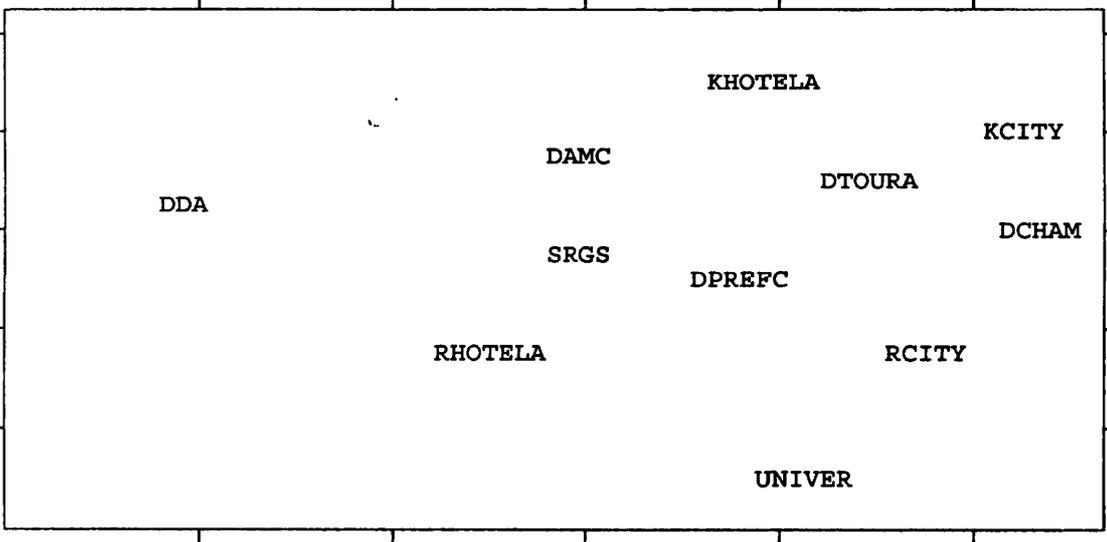
		D							
		C	R			K			
	D	H	H	D	H				U
	P	A	O	K	T	O	R		N
	S	R	M	T	C	O	D	T	C
	R	E	B	E	I	U	A	E	I
	G	F	E	L	T	R	M	L	T
	S	C	R	A	Y	A	C	A	Y
SRGS	1	1	1	1	1	1	1	1	1
DPREFC	1	1	1	1	1	1	1	1	1
DCHAMBER	1	1	1	1	1	1	1	1	1
RHOTELA	1	1	1	1	1	1	1	1	1
KCITY	1	1	1	1	1	1	1	1	1
DTOURA	1	1	1	1	1	1	1	1	1
DAMC	1	1	1	1	1	1	1	1	1
KHOTELA	1	1	1	1	1	1	1	1	1
RCITY	1	1	1	1	1	1	1	1	1
DDA	1	1	1	1	1	1	1	1	1
UNIVER	1	1	1	1	1	1	1	1	1

What the structural equivalence of the actors in the Dodecanese general exchange network (Figure 4.9) reveals is that, beyond the public actors of block one -Region's General Secretariat and Prefecture Council- which are completely connected to all other actors and can constitute the leadership of the network, there is a second block consisting of both public -Rhodes and Kos City Councils, Association of Municipalities- and private-interest organizations -Chamber, Rhodes and Kos Hotel Owners' Associations and the Tourist Agents' Association. Even though these actors are not completely connected, with the exception of the two marginal actors of block three, namely the University and the Dodecanese Development Agency (DDA), they have a good rate

of linkages within the network. The marginal character of the University and the DDA is because of the dislocation of the departments of the former among the Aegean islands and the specific role of the latter as an organization created primarily for the management of Structural Funds programmes (Community Initiatives).

Finally, the graphical depiction of the network, by using the multidimensional scaling technique, in Figure 4.10, reflects the above structural characteristics. The principal actors of the network (Regional Secretariat, Prefectural Council, Association of Municipalities, Rhodes city, Chamber and Tourist Agents) are depicted in the centre of the graph, while the other less central actors (Hotel Owners, Kos city) are depicted around the core centre. Conversely, the University and the Development Agency are at the margins of the network.

Figure 4.10
Institutional Networks in Dodecanese



To sum up, the Dodecanese has a good [for the Greek case] institutional infrastructure, characterized by dense and horizontal local institutional networks. Despite the leading role of the Regional Secretariat and the prefecture as a consequence of the state structure, there is a

considerable presence of synergistic networks that cross the public/private divide and play a decisive role in the local system of governance. Thus, the horizontal structure of the local network should be attributed to the upgraded structure of the local institutions rather than to a differentiation of the state structure.

4.3.3 Institutions and Institutional Networks in Cyclades

The institutional infrastructure in the Cyclades prefecture is, to a significant extent, similar to that of the Dodecanese. Despite the lack of the Dodecanese tradition in institution-building and the differentiation in institutional capacity and economic structure between the islands of the Cyclades complex, the central institutional actors of the prefecture are particularly active in undertaking initiatives towards the institutional and economic adjustment of the prefecture. Thus, beyond the Regional Secretariat and the Prefectural Council, which provide the formal leadership, mainly because of their role within the administrative structure of the state, a series of public (Association of Municipalities and Communes, Mykonos and Ermoupolis City Councils) and private-interest (Chamber, Hotel Owners, Tourist Agents) actors play an important role within the local system of governance. In particular, the underpinning factors that have had sustained the Cyclades institutional structure should be identified, on the one hand, with the strong trade and cultural relations of Syros with western Europe in the middle of the 19th century (1832-1857) and, on the other, with the prompt adjustment of the economic structure of other islands (Mykonos, Santorini) towards the tourist sector since the early 1960s.

Thus, with regard to the private-interest organizations, the Chamber constitutes one of the most historic and prominent actors within the local system of governance. It was established in the dawn of the Syros take-off period (1836) and has been the first chamber of the country. It is seated in Syros and amounts around 10000 members. Although it has been in the past the

leading institutional actor because of its role in the export-oriented trade in the “golden” period, it currently focuses on leading the adaptation process of Syros and the other Cyclades islands, by combining tourist development with trade and a small scale agriculture¹⁷. Therefore, beyond providing its members the usual services in terms of administrative and technical assistance, the Chamber participates in initiatives focusing on self-sustainable development¹⁸ at the local, intra-regional and inter-regional levels. Hence, at the local level, it participates, along with the Ermoupolis City Council and the Association of Municipalities, in a local network, the institutional form of which is the Ermoupolis Municipal Development Agency. This agency focuses on the regeneration of the, famous for its architecture, Ermoupolis city and the management of related EU programmes or initiatives. Second, at the prefectural level, the Chamber is actively involved, along with the Prefectural Council and the Association of Municipalities, in the creation of the prefectural training centre, the establishment of a credit association focusing on financing local development projects, as well as in the development of an energy policy centre for renewable energy sources. Finally, the Chamber participates, along with the other chambers of both the Northern and Southern Aegean islands, in the only interregional network of the archipelago, the Chambers’ Association for the development of the Aegean Islands, while it is active participant in the tourism committee of the Union of Greek Chambers.

The Hotel Owners and the Tourist Agents Associations are active participants in tourism-related initiatives undertaken especially by the city councils. In particular, they participate in the tourism committees of both the Syros and Mykonos city councils, with whom they usually take

¹⁷Interview No 43 with the president of the Cyclades Chamber (Syros, November 1996).

¹⁸In the particular case of the Syros island, the pursuit of the goal of sustainable development should not overlook the strong tradition of the island in shipbuilding industry, given that the Syros shipyard still constitutes an important parameter of its economic structure, accounting for a considerable share of the local employment.

part in international tourism-related exhibitions (i.e Philoxenia). Additionally, they participate in the cooperative programmes for tourist promotion, organized by the prefectural council.

With regard to the public actors of the prefecture, the Ermoupolis and Mykonos City Councils have been proved particularly competent in taking initiatives with emphasis on tourism-related infrastructure, upgrading the physical and cultural environment and improving the training capacity of the prefecture. In particular, the Ermoupolis city council has developed a controversial project, financed jointly by the private sector (60%) and the Municipal Enterprise for Tourist Development (40%), for the creation of the Aegean casino on the Syros island by the end of 1997. Additionally, the mayor of Mykonos and the city council have played a key role within the Cyclades Development Agency (presided by the Mykonos mayor), which has been created on an initiative by the Prefectural Council, along with the Association of Municipalities and Communes. Finally, the Prefectural Training Centre is the outcome of the joint action undertaken by the Association of Municipalities, the Prefectural Council and the Chamber.

Looking at the structural characteristics of the institutional networks in the Cyclades, it reflects, to a significant extent, the above mentioned qualitative features of the local institutional infrastructure. Thus, the density measure in the general exchange network (0.545), which reflects the degree of network cohesion, indicates that most of the central actors are connected to each other. Additionally, as the centrality measures of table 4.8 reveal, the relatively high rate of network centralization (54.55%) is mainly due to the extremely low presence of the University. It should be noted that there is no any University department located on any of the Cyclades islands, which can partly account for its marginal role within the network. Therefore, the centrality measures do not correspond to a vertical structure of the network, but rather stress the division of the other network actors in mainly two groups. The first group consists of the leading actors with the greatest number of linkages, while the second comprises the less connected actors.

TABLE 4.8
Centrality Measures of General Exchange Network in *Cyclades* Prefecture

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Prefecture Council	81.82
3. Association of Munic.&Comm.	81.82
4. Chamber	72.73
5. Mykonos City Council	63.64
6. Ermoupolis City Council	54.55
7. Hotel Owners Ass.	54.55
8. Tourist Ag. Ass.	54.55
9. Training Centre	36.36
10. Development Agency	27.27
11. Ermoupolis Development Ag.	18.18
12. University	9.09
Total Network Centralization:	54.55%

Thus, beyond the Regional Secretariat, which is the most central actor because of its position within the administrative hierarchy of the state, the Prefecture Council and the Association of Municipalities and at a second stage the Chamber constitute the leading actors of the network, providing alternatives for leadership roles within the local system of governance. Furthermore, the Mykonos and Ermoupolis City Councils, as well as the Hotel Owners Association and the Tourist Agents, although less central, provide the ground for public/private synergies that facilitate the learning and adaptation processes. Additionally, the relatively marginal position of the Training Centre does not reflect the expectations for its dynamic role, especially in the implementation of EU Social Fund programmes, given that it is a quite new institution. Finally, the rather marginal position of the prefectural and the Ermoupolis Development Agencies should be attributed to the orientation primarily towards the management

of Structural Funds programmes, while the University¹⁹ is at the extreme margins of the institutional infrastructure.

The main features of the institutional infrastructure that derive from the centrality measures are further strengthened by the block model of structural equivalence, which identifies common structural positions among the actors.

Figure 4.11
Structural Equivalence of Network Actors in Cyclades

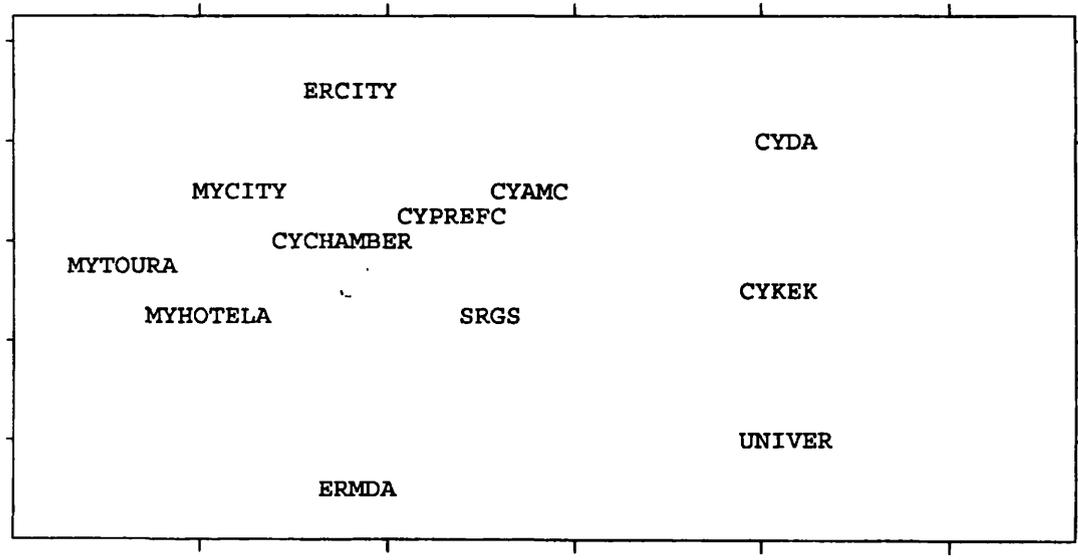
	C	MY	U	E
SRGS	1 1 1	1 1 1 1	1 1	1 1 1
CYPREFC	1 1 1	1 1 1 1		1 1 1
CYAMC	1 1 1	1 1 1 1		1 1 1
MYHOTELA	1 1 1	1 1 1 1		
CYCHAMBER	1 1 1	1 1 1 1		1 1
MYCITY	1 1 1	1 1 1 1		1
MYTOURA	1 1 1	1 1 1 1		
ERMDA	1		1	1
UNIVER	1		1	
CYDA	1 1 1		1	1
ERCITY	1 1 1	1 1	1	1
CYKEK	1 1 1	1		1

In particular, the structural equivalence of the actors in the general exchange network (Figure 4.11) demonstrates a, to a significant extent, similar structure to that of the Dodecanese. More specifically, under the leading -public- actors of block one (Regional Secretariat, Prefecture

¹⁹Although the dislocation of the University departments among the Aegean islands cannot fully explain its extremely marginal role within the Cyclades institutional networks, there is a plan for creation of a School for Fine Arts in Syros. Additionally, there is a considerable involvement of the University in local networks during the implementation of the second CSF (1994-99).

Council, Association of Municipalities and Communes) there is a group of public and private-interest organizations (Mykonos and Ermoupolis City Councils, Chamber, Hotel Owners' Association and Tourist Agents), which, although less connected within the network, contribute to its cohesive and relatively horizontal character. This is not revealed in the density and centralization measures mainly because of the marginal presence of the University.

Figure 4.12
Institutional networks in Cyclades



The graph of the network (Figure 4.12), based on the multidimensional scaling technique, represents the above mentioned structural features of the network. Thus, the Regional Secretariat (SRGS) is depicted at the centre of the graph surrounded by two groups of central actors which constitute the local network. The first group consists of the Prefecture Council, the Chamber and the Association of Municipalities (CYAMC). The second group comprises the Mykonos and Ermoupolis City Councils, the Hotel Owners and the Tourist Agents. Finally, at the margins of the network are depicted the Cyclades Development Agency (CYDA), the Training Centre

(CYKEK), the Ermoupolis Development Agency (ERMDA) and the University.

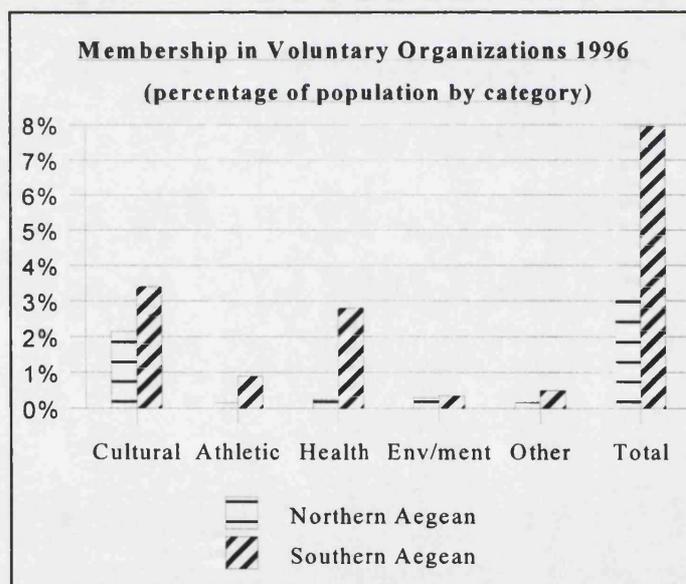
In conclusion, the Cyclades demonstrates general exchange networks relatively similar to that of the Dodecanese, which, with the exception of the University and the EU Funds-oriented actors, is horizontally structured, thus providing alternative leadership roles and public/private synergies.

4.4 Social Capital and Civic Culture

Beyond the fact that research on social trust and civic engagement is completely overlooked in Greece, its identification may be misleading, given the unclearly defined boundaries between trust and its famous Greek substitute

of *filotimo* (see chapter 3). Therefore,

research on social trust, norms and networks of civic engagement, that is social capital, should take into account the Greek specificities and peculiarities. Within this framework, it has been difficult to identify clear-cut differences in the levels of social capital among the regions concerned.



However, as it is shown in Figure 4.13

Figure 4.13, which is based on registration data of membership in voluntary organizations²⁰, there

²⁰The collection of the data has been facilitated by the 'VOLMED' research project, financed by the EU Commission (DG V) and focusing on the registration of the voluntary organizations in the Mediterranean countries. The fieldwork research for Greece, which is now being carried out, has been undertaken by the Panteion University of Social Sciences and coordinated by the assistant professor, Dr. Stasinopoulou.

is an almost clear superiority of the Southern Aegean Islands in all the categories of voluntaristic participation²¹. In particular, the differentiation is predominantly evident in the cultural and health care-related categories, as well as, at a second level, in the category ‘other’, which includes crucial sub-categories, such as the human rights and women organizations. Nonetheless, what the qualitative analysis of the data underlines, is that voluntarism and civic engagement in the Southern Aegean focuses mainly on initiatives for the provision of public goods (i.e health care).

Looking at the qualitative features of the fieldwork, however, an unclear picture emerges from the answers of our respondents -although they do not constitute a sample- to the questions about law and order (obedience of the law) and trust issues. In particular, while there seems to be a vast majority arguing there is trust in the region, another vast majority is negative about obedience of the law²². Additionally, there is some evidence on transgression of the law, especially about construction regulations, which is mainly related to the land registry system in Dodecanese (Getimis, 1989). Moreover, the presence of social trust needs to be further researched, since it is usually confused with the strong tradition of *filotimo*.

Nonetheless, the relative strength of civil society in the Southern Aegean should be attributed to the strong tradition of civiness in most of the Dodecanese islands and in some islands of the Cyclades complex (Syros, Mykonos). In the Dodecanese, it seems to be closely linked to the long period of Italian rule and the subsequent western orientation of the local economy and society. In the Cyclades, the tradition of civiness is related to the presence of a

²¹It should be noted that the data, although they derive from registration, demonstrate age-long trends in terms of percentage of population, since the membership has followed the demographic and population trends. (Interview No 49 with the responsible for cultural policy issues of the Dodecanese prefecture).

²²More specifically, the “agree completely” and “more or less agree” answers amounted to around 90% of the respondents to the statement: “the citizens of the region usually obey the law only if it does not contravene their personal interests”. Conversely, the same answers accounted for more than 95% of the respondents to the statement: “in this region usually people trust each other”.

civic class in some islands (i.e Syros in the 19th century²³), which influenced, to a significant extent, the prompt adaptation of other islands (Mykonos) towards the development of tourism in the 1960s.

However, an in-depth assessment of the strength of civil society and the presence of social capital would require the local specificities at the prefectural level to be raised. Thus, as the data of the table 4.9 reveal, mainly the health-care and cultural organizations can account for the strength of civil society in both the Cyclades and Dodecanese prefectures. For the former, it is particularly evident by the important presence of health-care and social protection-related organizations in both prefectures. In that sense, the following cases deserve special reference. First, in Syros, a 200-member strong complete network providing home-care services for disabled people has been established. Additionally, another huge, in comparison with the population, network of civic engagement involving 2000 voluntarist blood-donors in Syros has contributed to the substantial independence of the Cyclades prefectural hospital on blood²⁴.

TABLE 4.9
Membership in Voluntary Organizations 1996
(percentage of population by category)

	Cultural	Athletic	Health Care	Env/ment	Other	Total
Cyclades Prefecture	4.5	1.15	3.15	0.45	0.65	9.9
Dodecanese Pref.	2.8	0.75	2.5	0.3	0.45	6.8
Southern Aegean Isl.	3.4	0.9	2.8	0.35	0.5	7.95

Source: VOLMED Research Project (1996), author's research; elaborated by the author.

Furthermore, in the Dodecanese, the Association of Persons with Special Needs with 2000 members, by operating under city council schemes, provides social protection services and has

²³Compare this with the Mytilene experience (chapter 5), which demonstrates a significantly different picture.

²⁴Interview with the president of the organization (Syros, October, 1996).

been involved in several local initiatives. Within this framework, it had undertaken the implementation of the HORIZON I Initiative during the period of the first CSF (1989-1993) in the entire prefecture²⁵.

With regard to the cultural voluntarist organizations, most of them (Lyceums of Greek Women, theatre groups) were established during the last quarter of the nineteenth century and were closely linked to the presence of a trade-oriented and strongly influenced by western cultural forms civil class. Thus, although the evident in the past civic traditions have been significantly undermined by the collapse of the old civil class in these islands, there are signs of cultural differentiation and relative civicism. Hence, in the particular case of Syros, a special city council tax, the so called “cultural tax” has been imposed focusing on the financial support of the local cultural organizations and, especially, the Lyceum of Greek Women, established in 1915, and several theatre groups²⁶. Additionally, most of the other social protection-related organizations in Cyclades are financially supported by the city councils.

Finally, the considerable presence of voluntarist organizations concerned with human rights and women-related issues have been included in the category “other”. Thus, in the Cyclades prefecture women organizations have been identified primarily in the Naxos and Paros islands, which are actively involved in cultural activities as well. Additionally, in the Dodecanese, the involvement of the Kos and Rhodes women organizations in crucial local issues has been identified. The Kos women society, in particular, constitutes an important actor within the local system of governance, since it participates in several local networks in close cooperation

²⁵Interview No 59 with the president of the organization, a member of the Rhodes city council (Rhodes, November, 1996).

²⁶Interview No 44 with the mayor of Ermoupolis (Ermoupolis, October, 1996).

with the Kos city council²⁷.

This section has demonstrated in is that, despite the lack of mass survey data, there is a relatively civic policy-making environment in the Southern Aegean Islands region. In particular, beyond the data analysis, this trend seems to be vindicated by the qualitative features arising from the fieldwork research and is attributable to the pre-existing strong tradition of cultural and trade relations with western European countries in most of these islands.

Conclusions

This chapter has shown that the Southern Aegean Islands region has demonstrated a better, in comparison with the Northern Aegean Islands and most of the other regions in Greece, economic performance in macroeconomic indicators. This differentiation should be attributed to the prompt adaptation of the economic structure of the region towards the tertiary sector of the economy with particular emphasis on tourism. In institutional capacity, however, it has been shown that there are no actual intra-regional networks, but only ones at the prefectural level. This observation points to the fact that the Regional Secretariat remains at the margins of the local system of governance, because of historical and state-structure reasons.

Thus, the Dodecanese prefecture demonstrates a very good, for the Greek case, quality of institutional infrastructure, characterized by dense and horizontally-structured general exchange institutional networks and a relatively bounded system of local economic governance, which should be, to a significant extent, attributed to its tradition in institution-building since its incorporation into the Greek state in the late 1940s. This institutional infrastructure involves cooperative relations among public and private institutional actors and provides a variety of

²⁷Interview with the president of the Kos women society (Kos, November, 1996).

leadership roles, which, especially after 1994 with the elected prefectural council, provides the ground for a learning environment that can facilitate the adaptation process within the framework of the EU regional policy. The Cyclades prefecture, on the other hand, has a quality of institutional networks similar to the Dodecanese, but a less bounded system of local economic governance.

Finally, the good institutional infrastructure is facilitated by the presence of a relatively strong civil society and social capital endowments in both prefectures.

5. POLICY ENVIRONMENT AND INSTITUTIONAL CAPACITY IN NORTHERN AEGEAN ISLANDS

Introduction

As it has been shown in chapter 4, in the case of the Southern Aegean islands, despite the centralized structure of the state, the local specificities in institutional networks and in the strength of the civil society can play an important role in facilitating the learning and adaptation processes of the local system of governance. This chapter maps the institutional infrastructure in the Northern Aegean Islands region, drawing its political, economic, institutional and cultural features.

5.1 The Local Specificities and the Political Climate

The Northern Aegean Islands region (NUT II), with a population of 199.231 inhabitants, or 1.94% of the entire country in 1991, consists of three big islands (Lesbos, Chios and Samos), each of which, along with some smaller islands constitutes a homonymous prefecture. Thus, the Lesbos prefecture with a population of 105.082 inhabitants (1991) comprises mainly the Lesbos and Limnos islands. The Samos prefecture consists mainly of the Samos and Ikaria islands with a population of 41.965 inhabitants (1991). Finally, the Chios prefecture with a population of 52.184 (1991) comprises the Chios island and the small islands of Innouses and Psara. The demographic picture of the region is one of the worst in the country, characterized by significant population losses since the 1950s and 1960s. In particular, its population decreased significantly during the decades 1961-71 (17.30%) and 1971-81 (7.34%), while only in the 1981-91 decade the region demonstrated a small increase (2.17%).

At the prefectural level, the Lesbos prefecture has demonstrated the worst demographic picture since the 1960s, with population decreases of 18.14% and 8.87% for the decades 1961-71

and 1971-81 respectively, while only during the last decade 1981-91 it experienced a small increase in population (0.4%). The Samos prefecture demonstrates a similar picture with population losses of 19.82% and 2.85% during the decades 1961-71 and 1971-81 respectively, and a small increase (0.6%) during the 1981-91 decade. Finally, the best, in relative terms, demographic picture is that of Chios prefecture with population decreases of 13.30% and 7.57% during the decades 1961-71 and 1971-81 respectively and a substantial increase (4.7%) in the last decade 1981-91.

With regard to the educational features, the region lags behind the country averages with the exception of the illiteracy rate. In particular, according to the 1991 census, it demonstrates a lower percentage (7.46%) in university and technical colleges graduates in comparison with the national average (11.5%). Additionally, the situation is similar in the secondary education (28.1% vis-a-vis 31.5% respectively), while the level of illiteracy is lower (5.30%) than the national average (6.8%).

The complete fragmentation of the administrative and economic structures between the three prefectures is the main feature of the region. Although Mytilene -the capital of the Lesbos prefecture- is the seat of the regional secretariat and hence the administrative centre of the region, it does not constitute the economic centre of the region, since the development patterns among the islands-prefectures are fragmented. Thus, the only similarity in terms of economic development among the islands is the low level of development. Additionally, the administrative structure is affected by the degree of fragmentation of space. In that sense, it involves only two provinces (provincial councils): one in the Lesbos (Limnos) and one in the Samos prefectures (Ikaria). However, for reasons similar to those in the Southern Aegean (see chapter 4) the role of the provincial councils remains marginal within the regional system of governance.

The fragmentation of administrative and economic structures is illustrated by the

problematic transport and communication linkages between the islands-prefectures. Thus, the only existing transport linkage is a boat line between Lesbos and Chios, while Samos is completely isolated from the other two prefectures having transport and communication linkages directly with Athens. Therefore, the existing dispute between the three prefectures, regarding mainly the distribution of the public investment funds, should be viewed as a consequence of the radial structure of the Greek administrative and transport/communication systems and the structure of the intra-regional interactions. Within this framework, 'the only cohesive institution of the region is the regional Secretariat, whose relatively good administrative structure is mainly due to the stability and continuity of the personnel'¹. However, given on the one hand the limitations of the role of the regional secretariat (see chapters 3, 4) and, on the other hand, the existing differentiation in local specificities at the prefectural level, to identify the particularities of the policy making environment one needs to go into the analysis at the prefectural level. Moreover, the important common features of the Northern Aegean islands, in terms of their contemporaneous liberation from the Ottoman rule and incorporation into the Greek state, as well as their economic dependence on the trade with the Asia Minor region with which they had constituted an integrated economic area, do not abrogate the crucial role of the local peculiarities.

Thus, Lesbos was incorporated into the Greek state in 1912, being until then under the Ottoman rule. However, during the last years of the Ottoman rule (1880-1912) it experienced a period of early capitalist development based exclusively on the olive oil and soap production (Siphneou, 1996). The subsequent development of trade and cultural relations with the countries of the western Europe contributed, on the one hand, to the formulation of a cosmopolitan civil class and on the other to the start up of a premature working class movement based on germs of

¹Interview with the EU Commission (DG XVI) responsible for the Structural Funds programmes on the Aegean Islands (Brussels, June, 1996).

the socialist ideas of the age (beginning of the 20th century). Nonetheless, the collapse of the Asia Minor (1922) and the world economic crisis of the 1930s led to the gradual decline of the Lesbos economy and society, which was still based on the monoculture of olive oil. Additionally, the subsequent refugees' wave played the key role in the formulation of a strong socialist movement, which constituted an important component of the newly founded (during the 1920s and 1930s) Communist party of Greece. Under these circumstances, Lesbos, having been headquarter of a very strong partisan army, became one of the main theatres of the Greek civil war (1946-1949) and a stronghold of the Communist party during the post-war period. Moreover, since the collapse of the old civil class in the 1920s, Lesbos has remained an olive oil-dependent economy and society, 'demonstrating a consistently persistent lack of both institutional and policy adaptation, accompanied by the lack of local leadership that would had led the adaptation process of the economy and the society'². Within this framework, the challenge of adaptation and adjustment constitutes the most crucial issue for Lesbos economic and institutional structures today.

Samos, on the other hand, has demonstrated similar to Lesbos economic and political characteristics. After its liberation from the Ottoman rule in 1913 incorporated into the Greek state. The refugees' waves that followed the collapse of Asia Minor led to the development of a strong communist tradition. Hence, during the civil war it was also a strong headquarter of partisan army. The Ikaria island, in particular, having been used as place for political exiles during the post-civil war period of political upheaval, continues, even today to be considered one of the strongholds of the Communist party. Thus, Samos has remained a primarily agriculture-oriented economy and society, characterized by lack adaptation capacity, even though in the post-

²Interview No 4 with the president of the Local Association of Municipalities and Communes, Mytilene, (October, 1996).

dictatorship period there has been evidence of a shift towards the small scale tourism.

Finally, Chios, having been liberated in the same period with the other Northern Aegean islands (1912-13), has had demonstrated similar adaptation problems, without, however, the agricultural and partisan tradition of the other islands. Conversely, it is considered the island of ship owners and shipping-maritime industry, while on the other hand it has had characterized by a rather moderate political climate. Thus, its adaptation incapacity is related to its traditional dependence on the shipping-maritime industry.

TABLE 5.1
NORTHERN AEGEAN ISLANDS: LESBOS Pref.:
General Elections 1974-1996 (percentage of votes by party)

	PASOK (Panhell. Socialist Mov)	N.D (New Demo cracy)	EDHK (Centre Union)	United Left	K.K.E (Comm. Party)	Coalitio n of the Left (KKE+ KKEint)	K.K.E (i) (Comm. Party of Interior)	Coalitio n of the Left	POL.AN (Political Spring)	DEKKI (Democ Social. Mov.)
1974	15.14	42.88	16.77	24.54	—	—	—	—	—	—
1977	20.79	42.77	7.96	—	24.13	—	—	2.45	—	—
1981	39.9	31.39	—	—	26.04	—	1.43	—	—	—
1985	44.48	30.23	—	—	22.58	—	1.62	—	—	—
1990	37.78	38.78	—	—	—	21.83	—	—	—	—
1993	47.63	33.79	—	—	11.53	—	—	3.3	3.15	—
1996	40.93	31.87	—	—	14.39	—	—	5.19	2.35	3.98

Source: Ministry of the Interior: National Elections' results (1974-1996)

Under these circumstances, the main feature of the political climate in both the Lesbos and Samos prefectures has been the Left/Right divide. In particular, the extreme Left-extreme Right clashes dominated the political life of both islands during the post-civil war period. Thus, Lesbos was considered the "red island", because of the strong presence of the Communist party during the whole post-civil war period and even after the restoration of democracy in 1974 (table 5.1). This trend was not affected by the emergence of the PASOK phenomenon in the first post-dictatorship years, but only after 1993, when, for the first time, the Communist party experienced

a substantial reduction of its power for the benefit of PASOK and the other Left-wing parties (i.e Coalition of the Left). However, as it will be shown in section 4 of this chapter, the strong presence of this Communist party³ in the political life of the island, especially during the post-dictatorship period, ‘has had important consequences for the local system of governance and its adaptation and learning capacity’⁴.

TABLE 5.2
NORTHERN AEGEAN ISLANDS: SAMOS Pref.:
General Elections 1974-1996 (percentage of votes by party)

	PASOK (Panhell. Socialist Mov)	N.D (New Demo cracy)	EDHK (Centre Union)	United Left	K.K.E (Comm. Party)	Coalitio n of the Left (KKE+ KKEint)	K.K.E (i) (Comm. Party of Interior)	Coalitio n of the Left	POL.AN (Pol/cal Spring)	DEKKI (Democ. Social. Mov)
1974	7.21	51.22	24.52	16.37	—	—	—	—	—	—
1977	10.88	43.39	21.54	—	17.58	—	—	3.07	—	—
1981	33.73	41.21	—	—	21.12	—	2.5	—	—	—
1985	40.99	36.2	—	—	19.3	—	2.48	—	—	—
1990	—	43.76	—	—	—	52.91 (with PASOK)	—	—	—	—
1993	43.56	36.4	—	—	12.22	—	—	4.18	2.8	—
1996	35.67	36.38	—	—	14.82	—	—	6.14	1.96	3.06

Source: Ministry of the Interior: National Elections’ results (1974-1996).

The Samos prefecture demonstrates a similar to Lesbos political climate, characterized by the strong presence of the Communist party, even during the post-dictatorship period. Nonetheless, the specific feature of the Samos prefecture has been a more clear-cut Left/Right divide, which is identified by the Right-wing New Democracy party percentages in the post-

³In Greece, after the 1968 split, which was crucially influenced by the Czechoslovakia invasion, there have been two Communist parties: the reformist and Euro-communist party (Communist Party of the Interior) that has more or less followed the trajectory of the Italian PCI and currently participates in the Coalition of the Left, and the hard-core more powerful party (Communist Party of Greece), which was well-disposed towards the ex Soviet Union.

⁴Interview No 4 with the president of the Local Association of Municipalities and Communes, Mytilene (October, 1996).

dictatorship period (table, 5.2). Additionally, after 1993 there has been a considerable reduction in the percentages of the Communist party for the benefit of PASOK and the Coalition of the Left.

TABLE 5.3
NORTHERN AEGEAN ISLANDS: CHIOS Pref.:
General Elections 1974-1996 (percentage of votes by party)

	PASOK (Panhell. Socialist Mov)	N.D (New Demo cracy)	EDHK (Centre Union)	United Left	K.K.E (Comm. Party)	Coalitio n of the Left (KKE+ KKEint)	K.K.E(i) (Comm. Party of Interior)	Coalitio n of the Left	POL.AN (Pol/cal Spring)	DEKKI (Democ. Social. Mov)
1974	10.89	53.19	29.28	5.98	—	—	—	—	—	—
1977	15.67	47.76	27.03	—	5.4	—	—	2.14	—	—
1981	48.97	42.68	—	—	6.18	—	1.01	—	—	—
1985	52.33	39.08	—	—	5.91	—	1.65	—	—	—
1990	43.21	46.64	—	—	—	7.53	—	—	—	—
1993	50.05	38.75	—	—	3.19	—	—	2.64	4.6	—
1996	45.51	37.82	—	—	4.01	—	—	5.62	3.2	2.31

Source: Ministry of the Interior: National Elections' results (1974-1996).

Finally, the political climate in Chios is completely different. In particular, after the restoration of democracy Chios has demonstrated a rather moderate and similar to the trends at the national level political climate. Thus, while in the first post-dictatorship period it was dominated by the centre-right, after 1981 followed the changes in the political climate brought about by the emergence of the PASOK and the subsequent shift towards the centre-left of the political spectrum (table 5.3).

At the prefectural level, after the 1994 election, despite the considerable presence of the Communist party in both Lesbos and Samos, there is a clear predominance of PASOK in all the three prefectures (table 5.4). Thus, in Lesbos and Chios there was a clear majority for the PASOK candidate, while in Samos the centre-left coalition consisting of PASOK and the Coalition of the Left won the majority of the votes.

TABLE 5.4
NORTHERN AEGEAN ISLANDS: Prefectural Elections 1994
(percentage of votes by party)

	PA.SO.K (Panhellenic Socialist Movement)	N.D (New Democracy)	Coalition of the Left	K.K.E (Communist Party)	POL.AN (Political Spring)
Lesvos Pref.	40.8	32.2	9	13.9	4.2
Chios Pref.	46.9	44.3	4.3	4.6	—
Samos Pref.	42.3 (Coop. with "Coalition of the Left")	41.1	—	16.6	—

Source: Ministry of the Interior: Prefectural Elections' results, 1994.

Finally, at the crucial local level (municipalities and communes) Lesbos and Samos, have had a strong tradition of Communist party predominance. In particular, until recently (1994), the vast majority of the 10 municipal and 90 communal councils of Lesbos and the 5 municipal and 43 communal councils of Samos were dominated by the Communist party. More specifically, most of the local councils of the Lesbos prefecture are still dominated by the Communist party, while only after the last 1994 election there have been some PASOK or Coalition of the Left majorities or mayorships. The climate in Samos is similar, although in the Samos prefecture there is a clear-cut differentiation between the Samos and Ikaria islands. In Chios, however, especially during the later period after 1981, the majority of the 9 municipal and the 32 communal councils are mainly PASOK or Coalition of the Left dominated.

In conclusion, the Northern Aegean Islands region demonstrates a lack of the political and structural prerequisites for a policy-making environment that would facilitate the processes of institution-building and adaptation at both the regional and prefectural levels. In particular, the monoculture of olive oil in Lesbos, the persistently strong dependence of Chios on the shipping and maritime industry and the agricultural orientation of Samos, which provide evidence for a lack of learning and adaptation capacities, point to the absence of crucial institutional and cultural

features from the local system of governance. The strong presence of the stalinist communist party in Lesbos and Samos and, especially, the ideological orientation of this party after the 1968 split have affected the qualities of the institutional infrastructure in these islands.

5.2 Economic Structure, Boundedness and Adaptation

Despite the close proximity and the similar level of natural resources with the Southern Aegean, the Northern Aegean Islands region is one of the most diverging region within Greece, as well as at the European level, in terms of both the economic and welfare indicators (see table 4.4). Thus, in the interregional comparison based on the GDP index (EU 12=100) its three year (1989-91) average in PPS per inhabitant of the region is just 35.2, lagging behind the country's average (48.1). Furthermore, the region has demonstrated one of the higher rates of unemployment (9%) well above the country's average (7.8%) in 1993, while it had the second worst rate of unemployment increase for the period 1988-93 (3.6). Additionally, in the interregional ranking at the EU level (NUTS II), according to the GDP per head criterion, the Northern Aegean is the sixth most diverging region in the EU (CEC, 1994:192-94).

This divergence, in macro-economic indicators, however, is not a new phenomenon, but it is linked to preexisting trends of the economic performance in the region. Thus, as Figure 4.1 shows, the average annual change of GDP during the 1970-80 decade (2.18%) was inferior to the country's average (4.57%), as well as to that of the Southern Aegean (5.30%). Additionally, in the decade 1980-91 the region had the same with the national mean rate of average annual change, but it was lagging behind the Southern Aegean. Finally, in the post-1991 period the share of the region in the national GDP dropped substantially from 1.33% in 1991 to 1.31% in 1994⁵.

⁵[ESYE: Ethniki Logarismoi]. NSSG, "National Accounts" (elaboration of primary data).

The divergence gap of the region, however, is further illustrated by its ranking within the per capita GDP index (country=100) over time and by assessing its performance regarding specific welfare indicators. Thus, as Figure 4.2 reveals, the Northern Aegean was one of the worst regions in the country in 1970, while during the 1970-81 decade it fell to the last position, lagging behind the country's average and the Southern Aegean. Finally, in 1991 the Northern Aegean Islands was the second worst region in the country just above Epirus. Moreover, with regard to welfare indicators, the region was inferior to both the country's average and the Southern Aegean in telephones per 100 inhabitants in 1991 and in per capita savings in 1990 (see Figure 4.3). Additionally, according to the 1991 data, it had one of the worst indicators of the country in medical personnel per 1000 inhabitants (Athanasίου, et al, 1995:51), even though the low level of social services constitutes a traditional weakness of the Greek periphery.

Nonetheless, the crucial factor that can account for the economic divergence of the region is the lack of adaptation of its economic structure to the changing conditions. Thus, despite the close proximity to the Southern Aegean and the similar climatological conditions, the region has continued to rely

on the traditional for each island productive sector, which has led to the dominant role of agriculture in the structure of the regional economy, which

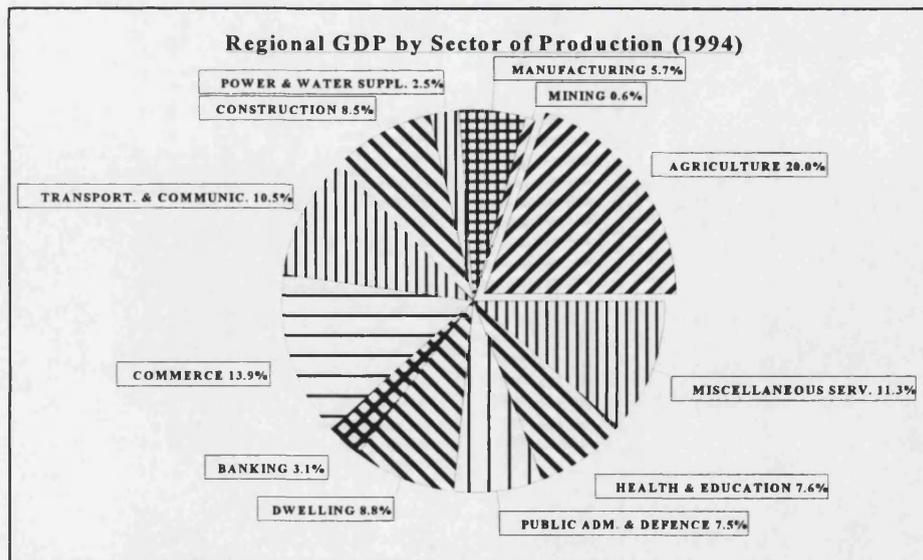


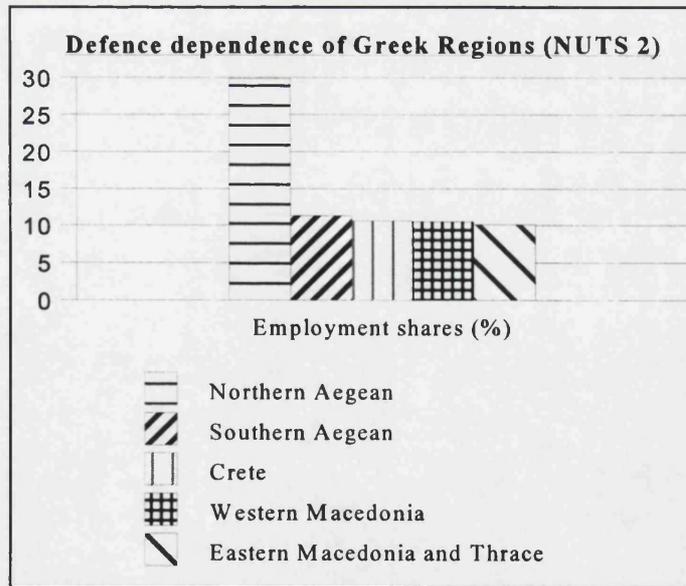
Figure 5.1

is illustrated by the 1994 structural composition of the regional GDP. As Figure 5.1 reveals, the sector of agriculture accounts for the 20% of the regional GDP and hence it constitutes the leading sector of the economy. Conversely, the sector of Miscellaneous services, which refers primarily to the tourist industry, represents just the 11.3% of the regional GDP⁶.

Additionally, although the share of agriculture in the total employment has been substantially decreased during the last decades, it still remains significantly high (20.7% in 1991) (see table 4.4). Moreover, this is vindicated by the Location Quotients for the 13 Greek regions based on employment data, which show the agricultural specialization of the region in the 1980s (Konsolas, et.,al., 1993:46-47). Conversely, the share of the region in the foreigners-oriented tourist industry in 1991 was just 2.2%, in comparison with the 32.8% of the Southern Aegean (see Figure 4.4).

However, another crucial factor affecting the structural features of the regional economy has been its dependence on the

defence-related activities. In particular, because of the deterioration of the Greece-Turkey relations during the post-1974 period, the Northern Aegean Islands region is considered the most defence-dependent region of the EU. As Figure 5.2 based on employment data



reveals, the Northern Aegean is the Figure 5.2

⁶[ESYE: Ethniki Logariasmis, 1994]. NSSG: National Accounts: Section of Regional Accounts, 1994 (elaboration of primary data).

first defence-dependent region in Greece, with a high (29.9%) share of the defence-related employment (CEC, 1994:180). This may be interpreted as an indication of the way in which the lack of an endogenously-driven, bounded system of local economic governance and the subsequent failure of structural adjustment and adaptation of the regional economy, accompanied by a low level of economic performance, are substituted by non productive economic activities, such as the defence-related financial transfers of the central state.

The structural characteristics at the regional level, however, are inadequate to capture the peculiarities of the local system of governance, because of the role of the fragmentation of space and the specifics of the Greek administrative system, which require the qualitative features at the prefectural level to be raised. Thus, the most important feature of economic structure in all the three islands-prefectures is the persistence on the traditional for each island productive sectors.

In particular, the strong agricultural tradition emphasizing the monoculture of olive (olive oil) is viewed as the main feature of Lesbos's economic structure. Hence, it constitutes the explanatory variable for both its take-

off period in the dawn of the twentieth century and its gradual decline after the collapse of the Asia Minor (1922). As Figure 5.3 shows, the share of agriculture in the structural composition of the Lesbos prefectural GDP has had always been extremely high, varying from 34.2%

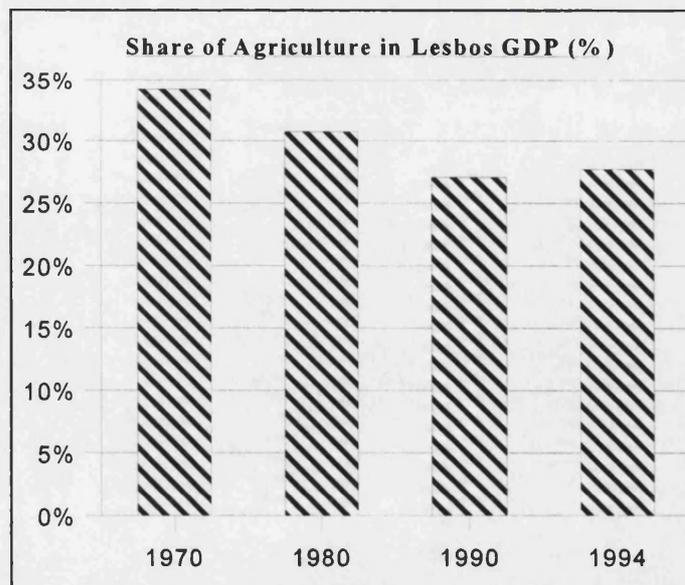
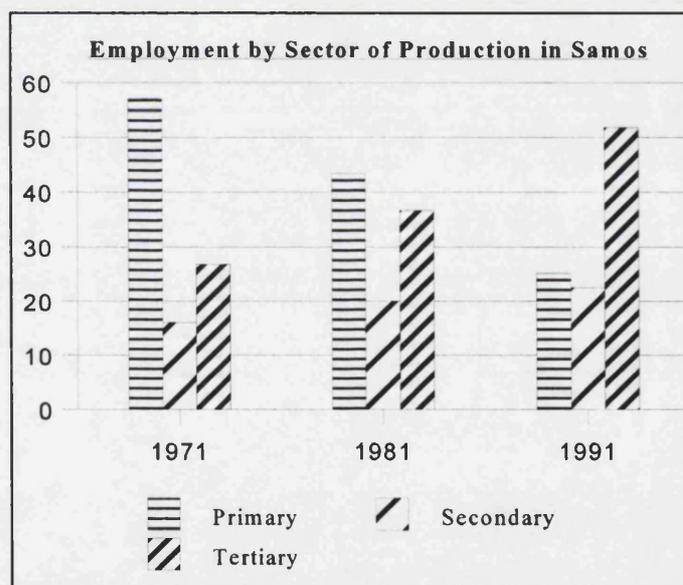


Figure 5.3

in 1970 to 27.75% in 1994⁷. Additionally, the share of agriculture in the total employment still remains identically high, even though it has been dramatically decreased from around 60% in 1971 to around 29% in 1991⁸. Conversely, the share of the sector of Miscellaneous services, which reflects the dynamism of the tourist industry, accounted for just the 9.75 % of the 1994 prefectural GDP⁹. What these data illustrate is the lack of adaptation capacity of the Lesbos's system of governance, which points to crucial weaknesses of the local institutional infrastructure, which are discussed in the next section.

Although Samos, on the other hand, has tried since the 1980s to combine the agricultural with small-scale tourist development, agriculture remains its basic economic sector. Thus, even though the share of agriculture in the

total employment has decreased significantly during the last decades, it still constitutes the second sector of the prefectural economy in terms of its contribution to the structural composition of the GDP. In particular, while the employment in the primary sector has dropped from 57.1% in 1971 to 25.1% in 1991 with



a parallel increase of the employment Figure 5.4

⁷[ESYE: Ethniki Logariasmi]. NSSG: National Accounts: Section of Regional Accounts (elaboration of primary data).

⁸Thodori-Markoyiannaki et.,al (1986) and NSSG, 1991 census.

⁹[ESYE: Ethniki Logariasmi]. NSSG: National Accounts. Section of Regional Accounts, 1994 (elaboration of primary data).

in the tertiary sector (see Figure 5.4), agriculture accounted for the 13.34% of the 1994 prefectural GDP vis-a-vis the 17.12% of the Miscellaneous Services (tourism)¹⁰.

Finally, Chios demonstrates a different from the other islands-prefectures economic structure, characterized by its dependence on its traditional sector of the shipping-maritime industry. This is illustrated by the structural composition of the prefectural GDP in 1994. As Figure 5.5 reveals, Chios main feature is the rather transport/communication and commerce-driven economy. In particular, they constitute the leading sectors of the prefectural economy, accounting for the 31.2% of the prefectural GDP. Additionally, the share of agriculture and tourism (miscellaneous services) is limited, with the share of the latter not exceeding the 9.2% of the GDP. Thus, although Chios has the lower rate of employment in the primary and the highest rate in the tertiary sector of the economy (15.2% and 59.5% respectively in 1991) among the Northern Aegean

islands, its tertiary sector-oriented economic structure is not related to the development of the tourist industry, but to the role of the commerce and transport/communication sectors.

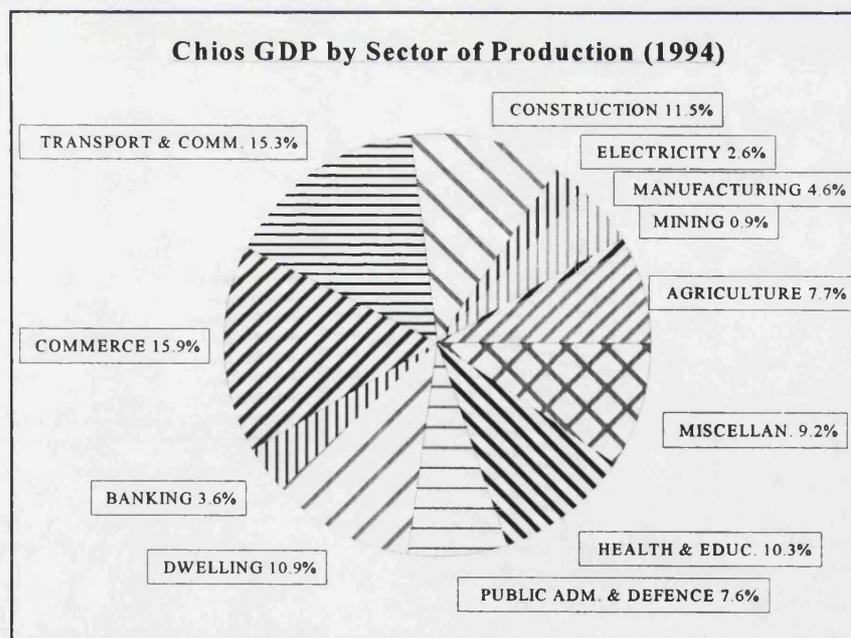


Figure 5.5

¹⁰[ESYE: Ethniki Logariasmi, 1994]. NSSG: National Accounts. Regional Accounts, 1994.

This point is further strengthened by the data on foreigner tourists overnights (table 5.5). According to these indicative indicators, Chios is the less tourist developed island of the Northern Aegean.

TABLE 5.5
Permanent inhabitants per foreigner tourist overnight

	1977	1981	1987	1991
PREFECTURES				
Lesbos Pref.	314.2	239.2	178.5	157.1
Chios Pref.	278	183.4	251.4	269.6
Samos Pref.	119.3	46.4	29.7	41.9
GREECE	1034.8	866.5	804.2	1243.8

Source: [ESYE, Apografes Plithismou, Statistikes Tourismou]. NSSG, Population Censi, 1981,1991; Tourism Statistics, 1977, 1987.

These indicators are also revealing with regard to the tourist development on the other islands of both the Northern and the Southern Aegean (see chapter 4). Thus, Samos is the most foreign tourism-oriented island of the Northern Aegean. Conversely, the underdeveloped, in general, tourist industry of the other Northern Aegean islands is mainly oriented towards the domestic tourist market. However, the Dodecanese is, by far, the most foreign tourism-oriented prefecture, while domestic tourism holds a significant share in the Cyclades tourist industry.

This section has shown that the economic divergence of the Northern Aegean islands should be mainly attributed to the lack of adaptation of their economic structure to changing conditions, remaining crucially dependent on the traditional for each island economic sector. This process is accompanied by the lack of any endogenous mechanisms of economic governance. The following sections are focused on the evaluation of the formal and informal institutional arrangements, that is local institutional networks and strength of the civil society, upon which the learning and adaptation processes depend.

5.3 Local Institutional Networks and their Learning Capacity

This section assesses the quality of the institutional infrastructure of the region, by mapping the institutional networks of general exchange and measuring structural features, such as density, centralization and structural equivalence. These features are expected to reveal the way in which the formulation of institutional interactions through the processes of exchange, resource interdependence and power distribution affects the level of collective action and hence the capacities for learning and adaptation at the regional and local levels.

5.3.1 Institutional Networks in the Northern Aegean Islands region

The evaluation of the structure of institutional networks at both the regional and prefectural levels is based on social network analysis (SNA). The above mentioned structural measures (density, centralization and structural equivalence) refer to crucial structural features, such as the degree of network cohesion, the identification of the central actors within the network and finally the network structure, which constitute indicative indicators of the way in which the institutional interactions are formulated and the public/private relations are shaped at the local level. Furthermore, all these features are illustrated within the graph of the network, by using the multidimensional scaling technique.

Thus, the most prominent public and private actors at the regional and local levels in terms of reputation, position and role within the local system of governance were entered into the matrix. At the regional level, twenty three public and private actors were identified as central for the system of governance. Within this framework, the group of public actors consists of: the regional secretariat (NRGS), the three prefectural councils (LPREFC, CPREFC and SPREFC), the local associations of municipalities and communes (LAMC, CAMC and SAMC), the city councils of Mytilene (MCITY), Chios (CCITY) and Samos (SCITY) and finally, the University

of the Aegean (UNIVER). Furthermore, the second sub-group comprises the most important private-interest organizations: the three chambers of commerce (LCHAMBER, CCHAMBER and SCHAMBER), the Lesbos farmers' association (LFARMA), the Chios mastic growers' association (CMASTA) and the Samos wine makers' association (SWINE). Finally, the Lesbos and Chios training centres (KEKANAL and CKEK), as well as the development agencies in Lesbos (Local Development Agency-LLDA, Aeoliki Development Agency-AEOLIKI, Mytilene Municipal Development Agency-MDA) and Chios (Municipal Development Agency-CDA) constitute the outcome of public/private initiatives under the pressure of the increasing needs for the implementation of the Structural Funds programmes.

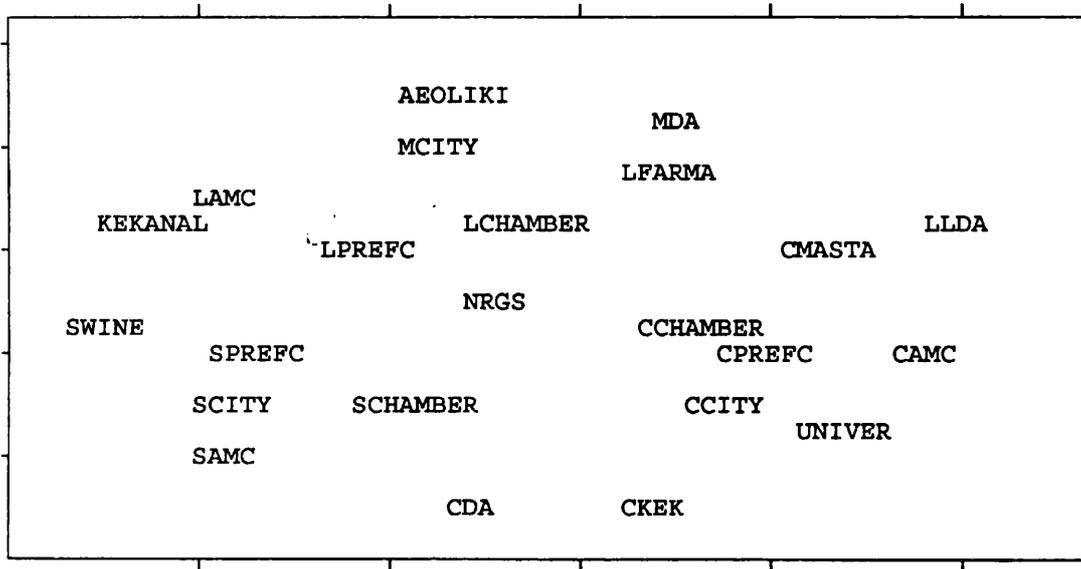
What the low density (0.237) and high centralization (83.55%) measures of table 5.6 reveal, is that the structure of the network at the regional level is even worse than in the Southern Aegean. In particular, beyond the lack, in substance, of intra-regional interactions, the networks are even more fragmented within each prefecture. Thus, the regional network demonstrates a high degree of centralization around the Regional Secretariat. Given, however, the common administrative structure of the state and the fact that the fragmentation of space is not worse than in the Southern Aegean, the slight differentiation of network structures at the regional level points to different structures of institutional interactions at the prefectural level. Additionally, the relatively higher than in the Southern Aegean specific weight of the University (see chapter 4) should be attributed to the fact that its main departments are located in the Northern Aegean islands. Finally, the marginal role of both the Lesbos and Chios development agencies and training centres should be seen as a consequence of their almost exclusive role in the implementation and management of programmes financed by the EU Structural Funds.

TABLE 5.6
Centrality Measures of Exchange Network in Northern Aegean Islands

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Lesbos Pref. Council	40.91
3. Chios Pref. Council	36.36
4. Mytilene City Council	31.82
5. Samos Pref. Council	27.27
6. Lesbos Chamber	27.27
7. Chios Chamber	27.27
8. Chios City Council	27.27
9. University	22.73
10. Lesbos Farmers' Ass.	22.73
11. Samos City Council	22.73
12. Samos Chamber	22.73
13. Lesbos Ass. Munic. & Comm.	18.18
14. Chios Mastic Growers' Ass.	18.18
15. Samos Wine Makers' Ass.	18.18
16. Lesbos Training Centre	13.64
17. Chios Ass. Munic. & Comm.	13.64
18. Samos Ass. Munic. & Comm.	13.64
19. Aeoliki Dev. Agency	9.09
20. Mytilene Mun. Dev. Agency	9.09
21. Chios Mun. Dev. Agency	9.09
22. Chios Training Centre	9.09
23. Lesbos Local Dev. Agency	4.55
 Total Network Centralization:	 83.55%

Thus, in the graph of the regional network in Figure 5.6, which is based on the multidimensional scaling technique, the regional secretariat is depicted at the centre of the network, as central actor, mainly because of its position within the administrative hierarchy. It is surrounded by the other actors, which constitute the three prefectural networks. However, the structure of the networks at the prefectural level differ substantially in comparison with those in the Southern Aegean (see chapter 4). This is due to the different structural characteristics at the prefectural level, which will be raised from the analysis in the following sub-sections.

Figure 5.6
Institutional Networks in the Northern Aegean Islands region



5.3.2 Institutions and Institutional Networks in the Lesbos Prefecture

The quantitative and qualitative features of the institutional infrastructure in the Lesbos prefecture reflect the lack of local leadership since the collapse of the old civil class in the dawn of the twentieth century and its subsequent reliance on the centralized and hierarchical structures of the Greek state¹¹. Thus, Lesbos is characterized by a weak system of local governance, whose main feature is the lack of the appropriate decision making mechanisms and fora for dialogue and communication among the local public and private actors. Subsequently, the system of local interactions demonstrates symptoms of incapacity of bottom-up initiatives and abandonment on the central state agencies for the necessary financial, administrative and technical resources.

The weaknesses of the system of local governance are illustrated by the low level of

¹¹Interviews No 4 and 8 with the presidents of the Local Association of Municipalities and Communes and the Local Development Agency respectively (Lesbos, October, 1996).

synergies among the actors and the subsequent lack of an endogenously driven development strategy. Additionally, the public actors of the prefecture (i.e. city councils) are incapable of providing the necessary public goods (services) that would support the local productive system. Thus, it is almost exclusively relied on uncoordinated and fragmented initiatives undertaken mainly by specific private actors, such as the Chamber, which, however, lead to poor, in terms of effectiveness and efficiency, results.

Within this policy environment, the Chamber constitutes the only active institutional actor of the prefecture with 8400 members. Although it is seated in Mytilene, the capital of Lesbos, it has another provincial office on the Limnos island. It is one of the most historic local institutions -it was established during the “golden” age of Lesbos in 1918- and the leading actor in development initiatives focused on facilitating the adaptation capacity of the local productive structure towards the changing conditions of the environment. Thus, beyond providing its members the traditional services, it is the pioneer in local initiatives focusing on the shift of the local productive system towards small-scale tourist development supported by the agricultural sector. Within this framework, it has undertaken initiatives aimed at the tourist promotion of the Lesbos and Limnos islands, the agricultural restructuring by the exploitation of comparative advantages of the islands (cultivation of sweet-smelling herbs) and finally the creation of a cooperative bank to improve the financial services sector on the islands. However, “its action is restricted by the limitations and weaknesses of the local institutional infrastructure and the system of local interactions”¹². Moreover, at the interregional level, the Chamber participates, along with the chambers of the other Aegean islands, in the only existing interregional (among the Southern and the Northern Aegean regions) network, that is the Chambers’ Association for

¹²Interview No 3 with the president of the Chamber (Mytilene, October 1996).

the development of the Aegean Islands.

The Farmers' Association, because of the agricultural orientation of the local economy with emphasis on olive oil, constitutes the second most important private-interest institutional actor of the prefecture. It has been established in 1931 and consists of 61 first degree organizations, most of which are olive oil-producing, representing around 13500 members. Although the leadership of the association has adopted a policy towards gradual agricultural restructuring, "the lack of fora for dialogue and communication at the local level and the mentality of the local society constitute crucial impediments for achieving collective action and synergies and hence for the adaptation process"¹³. Moreover, the lack of agricultural restructuring and adaptation has been identified as a crucial local issue from the respondents' degree of satisfaction with regard to specific sectors of the economic and social structure of the prefecture¹⁴.

With regard to the public actors, it should be noted that Lesbos has been chosen as the seat of a wide range of public actors in a 'from above' attempt to enhance the development potential of the region, but with poor results. Thus, it constitutes the typical seat of the Ministry of the Aegean, whose, however, substantial headquarter and decision making centre is seated in Athens. Additionally, Lesbos has two of the basic departments of the University of the Aegean (environment and social anthropology). The case of the University deserves special reference, mainly because of the hostile environment it faced during the initial period of its presence on the island (1985-90). These identical of both the Greek parochialism and the local mentality reactions were rooted in well established short-term individualistic economic interests closely

¹³Interview No 5 with the secretary of the Farmers' Association (Mytilene, October, 1996).

¹⁴The vast majority of the respondents (98%), who, although do not constitute a sample, represent the most prominent local organizations, stated as 'not at all satisfactory' the situation of the prefecture regarding the agricultural restructuring (Interviews No 1-23, Lesbos prefecture, October, 1996).

linked to the preexisting function of the Educational Institute on the island and its large numbers of students¹⁵. Nonetheless, beyond the fact that the University is a quite new institution and hence rather marginal within the local institutional infrastructure, the evidence does not seem to support the hypothesis that the location of its main departments in Lesbos would provide the ground for an educational services-based model of development.

The structure of the institutional networks in Lesbos corresponds to the above mentioned features of its institutional infrastructure. Thus, the low rate of the density measure of the general exchange network (0.418), which reveals the degree of network cohesion, indicates that less than half of the actors are connected to each other.

TABLE 5.7
Centrality Measures of Exchange Network in Lesbos Prefecture

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Lesbos Pref. Council	70.00
3. Mytilene City Council	70.00
4. Lesbos Chamber	40.00
5. Lesbos Ass. Munic.&Comm.	40.00
6. University	30.00
7. Lesbos Farmers' Ass.	30.00
8. Lesbos Training Centre	30.00
9. Aeoliki Mun. Dev. Agency	20.00
10. Mytilene Mun. Dev. Agency	20.00
11. Lesbos Local Dev. Agency	10.00
Total Network Centralization	71.11%

Additionally, the centralization measures (table 5.7) reveal the way in which resources and power are distributed among the actors and, subsequently, the central actors within the network, that is those with the greatest number of linkages (Scott, 1994). Hence, the high degree

¹⁵Interviews No 11 and 30 with the secretary of the Research Committee of the University (Athens, November, 1996) and the dean of the Social Anthropology dept. (Mytilene, October, 1996).

of network centralization (71.11%) indicates a vertical rather than horizontal structure of the network. What the low density and high centralization measures reveal is that power and resources are unequally dispersed among the actors, and subsequently, this structure inhibits the process of shifting alliances and creating synergies among public and private local actors and hence the learning and adaptation processes within the network. Thus, the local system of governance is characterized by a low degree of boundedness and endogenously driven decision making mechanisms.

In particular, as the individual centralization measures demonstrate, the Regional Secretariat, because of its role within the administrative hierarchy of the state, holds the central position within the institutional structure of the prefecture. Additionally, the only local actors with a substantial amount of linkages within the network are the Prefectural Council and the Mytilene City Council. All the other public and private actors are loosely connected within the network, which is an indicator for the lack of public/private partnerships and synergies creation and hence for a low level of collective action. Thus, the Association of Municipalities, despite its, formally, key role within the local system of governance as interlocutor between the first and the second tiers of local government, does not have the corresponding amount of linkages. The low centrality rate of the Chamber and the Farmers' Association, on the other hand, which are the only private-interest organizations within the network, indicate the low, in general, level of the prefecture in public/private synergies. Moreover, although the University, because of its location, constitutes a more central actor in comparison with the prefectures of the Southern Aegean (Dodecanese and Cyclades), it cannot be considered yet integral part of the institutional structure of the prefecture. Finally, the marginal position of the training centres and the development agencies is generally improved within the policy network, because of their involvement in the implementation and monitoring of Structural Funds' programmes.

The structural features that derive from the analysis of the centrality measures are illustrated by the structural equivalence, which identifies common structural positions among the actors (Scott, 1994).

Figure 5.7
Structural Equivalence of Network Actors in Lesbos

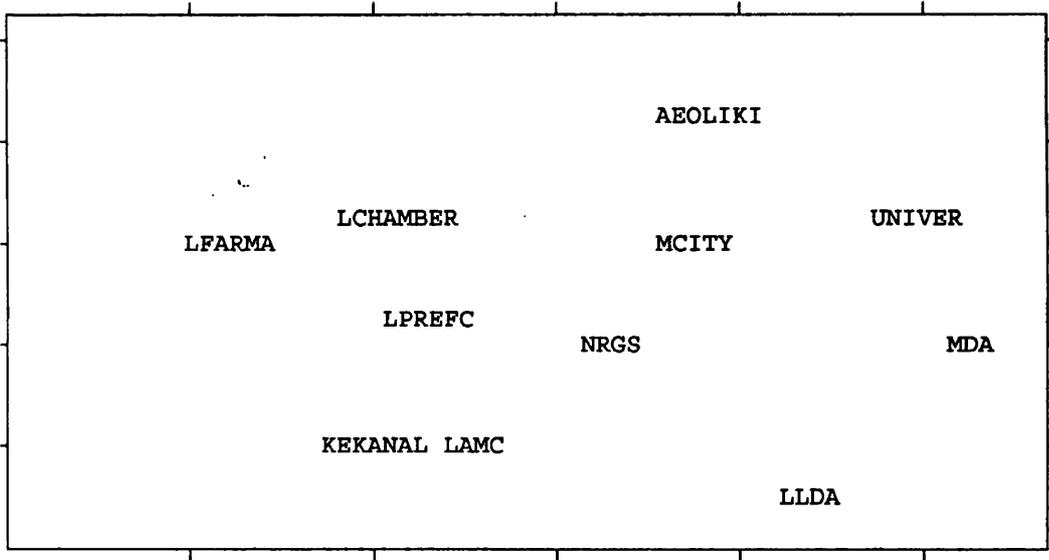
	N	R	G	S	L	P	M	K	F	E	L	R	C	A	A	L	H	U	A	N	M	I	L	B	V	A	E	E	M	R	R	C	L	C	A	A	I	
NRGS	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
LPREFC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
MCITY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
KEKANAL	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LFARMA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LCHAMBER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
UNIVER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LAMC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LLDA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
MDA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
AEOLIKI	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Thus, the first important outcome of the structural equivalence of the actors in the Lesbos general exchange network (Figure 5.7) is the central role of the Regional Secretariat, which is completely connected to all other actors of the prefecture. The second feature is that there are two other groups of both public (Prefecture Council, Mytilene City Council, Association of Municipalities, University) and private (Farmers' Association, Chamber) actors that are loosely connected to each other. Hence, they cannot provide the potential for an endogenously-driven decision making mechanism that would provide the necessary alternative leadership roles. Finally, the prefectural and municipal development agencies (Lesbos Local Development Agency, Mytilene

Development Agency, Aeoliki) are marginalized within the network, since they are mainly oriented towards the management and implementation of the Structural Funds programmes.

The graphical depiction of the network, by using the multidimensional scaling technique, in Figure 5.8 vindicates the above structural features. In particular, the Regional Secretariat is depicted at the centre of the graph and is surrounded by the actors of the second and third groups. The development agencies, however, are depicted at the margins of the network, according to the group of actors to which they are related.

Figure 5.8
Institutional Network in Lesbos



In conclusion, the Lesbos prefecture is characterized by a weak local institutional infrastructure, which has led to its dependence on the central state administrative structure for financial and technical resources. Thus, the network of general exchange has a vertical structure with the central role attributed to the Regional Secretariat. Additionally, the absence of a bounded and endogenously-driven policy-making environment is illustrated by the lack of local partnerships and synergies among public and private actors that would contribute to the

overcoming of the public/private divide and achieving collective action.

5.3.3 Institutions and Institutional Networks in the Chios prefecture

The Chios prefecture demonstrates a relatively better quality of institutional infrastructure than Lesbos, which is interpreted, to a significant extent, as a consequence of the existing cultural differentiation (see section 5.4 of this chapter). The undertaken initiatives for the, unique for the Northern Aegean islands, voluntary merger of most of the communes of the island in five municipalities constitute an indication of its qualitative differentiation in terms of institutional infrastructure¹⁶. However, the quantitative and qualitative differentiation becomes evident mainly within the framework of European regional policy, by the comparatively higher level of local partnerships and synergies creation among the actors.

Thus, beyond the public actors, among which the City Council is the most active in local initiatives and has additionally established a cooperative relation with the University, the private-interest organizations, that is primarily the Mastic Growers' Association and secondarily the Chamber play a key role within the institutional structure of the prefecture. This is due to their history and to their traditional links with the productive system of the island. In particular, the Chamber was established in 1918, during the take-off period of the Northern Aegean islands due to their trade relations with the Asia Minor region, and has around 3600 members. The Chamber is active participant in local initiatives pursued by the prefectural and city councils focusing on crucial local issues. Within this framework, it has played a key role in the procedures for the extension of the Chios airport, in the initiative for the creation of a trade centre in the city to

¹⁶The merger was a bottom-up initiative undertaken by the District Council of the northern part of the island before the compulsory merger, which is currently being imposed by the Ministry of the Interior in Greece (see chapter 3), and has had significantly improved the administrative and financial function of local authorities (Interview No 13 with the local representative of the Coalition of the Left party; Chios, October, 1996).

facilitate the development of the transport linkages of the island and in the creation of an industrial park¹⁷. Additionally, in cooperation with the Mastic Growers, it is actively involved in promotion projects and in joint participation in international exhibitions. Furthermore, along with the other Aegean islands' chambers, it participates in the Chambers' Association for the development of the Aegean islands, the only interregional network among the Northern and Southern Aegean regions.

The Mastic Growers' Association, on the other hand, was established in 1938 and constitutes the umbrella organization for 20 first rank mastic growers cooperatives with around 3000 farmers members. It aims at the collection, standardization and promotion of the mastic, which is a traditional product of the island. The main feature of the association is that it is an exports-oriented organization with an annual budget of 2.5 billion drs. Hence, it constitutes the, dynamically, most important private-interest institutional actor at the prefectural level. Under these circumstances, the Association, as most of the private-interest organizations of the Northern Aegean, favours the Greece-Turkey cross-border cooperation and the opening up of the Turkish market and therefore has a positive attitude towards the EU-Turkey Customs Union¹⁸.

Nevertheless, the strong presence of an isolation mentality accompanied by the intense fear of the Turkish threat, a consequence of the deterioration of the Greece-Turkey relations, are used as the explanatory variable for the poor institutional capacity of the prefecture. Thus, although the institutional capacity of the prefecture seems to be better than in the case of Lesbos (with a density rate 0.528), the network has a vertical and hierarchical structure. This is illustrated by the centrality measures of table 5.8, which reveal that beyond the Regional Secretariat and the Prefectural and City Councils there is a low degree of the private actors'

¹⁷Interview No 10 with the president of the Chamber (Chios, October, 1996).

¹⁸Interview No 16 with the executive director of the Mastic Growers' Association (Chios, October, 1996).

involvement in the local system of governance.

TABLE 5.8
Centrality Measures of Exchange Network in **Chios** Prefecture

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Chios Pref. Council	87.50
3. Chios City Council	75.00
4. Chios Chamber	50.00
5. University	37.50
6. Chios Ass. Munic.&Comm.	37.50
7. Chios Mastic Growers' Ass.	37.50
8. Chios Mun. Dev. Agency	25.00
9. Chios Training Centre	25.00
 Total Network Centralization:	 60.71%

Thus, what the individual centralization measures of each actor demonstrate, is the central role of the Regional Secretariat and, at a second stage of the Prefectural and municipal councils. However, the private-interest organizations' (Chamber and Mastic Growers) relatively low rate of linkages within the network indicates the lack of public/private partnerships and synergies creation. Hence, this weakness of the institutional infrastructure cannot provide alternative leadership roles that a learning policy making environment and local system of governance would require. The relatively advanced role of the University should be attributed to the location of one of its main departments (business administration) on the island and, additionally, to its involvement in financed by the prefecture projects aimed at the improvement of the island environment by the management of the physical resources. Furthermore, the extremely weak presence of the Association of Municipalities, although its position is improved in the policy network, points to its outflanking by the City Council. Finally, the marginal role of the Municipal Development Agency is because it has been created by the City Council for the management of Community Initiatives, while the Training Centre is the outcome of a central

state actor (Greek Institute for Productivity) initiative and is also focused on the implementation of the EU Social Fund programmes.

The main features of the institutional infrastructure that derive from the centrality measures are further illustrated by the block model of structural equivalence, which identifies common structural positions among the actors.

Figure 5.9
Structural Equivalence of Network Actors in Chios

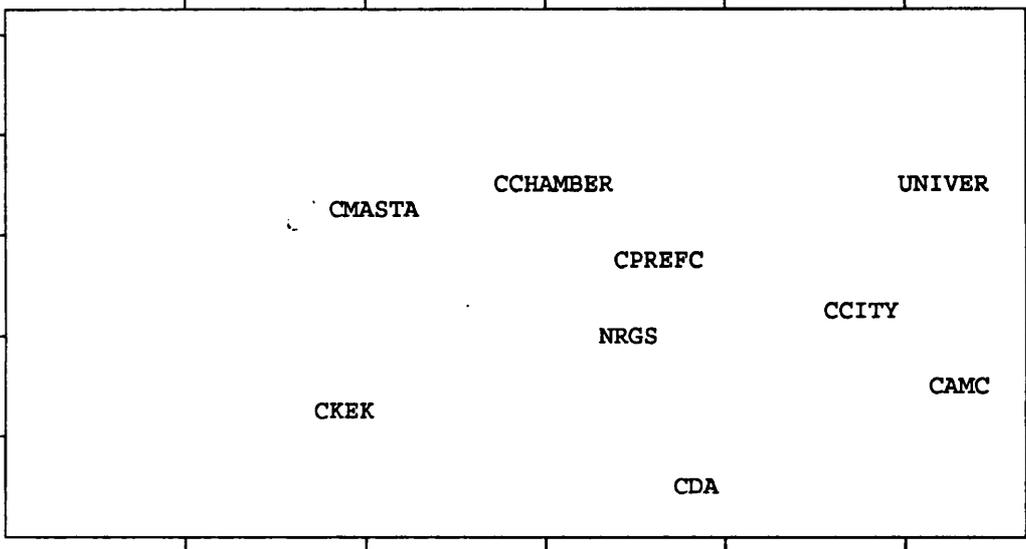
	C P NR RE GF SC	C C I T Y	U N I V E R S I T Y	C M H A S K A S K M T E B A K
NRGS	1 1	1	1 1 1	1 1 1
CPREFC	1 1	1	1 1	1 1 1
CCITY	1 1	1	1 1 1	1
UNIVER	1 1	1	1	
CAMC	1 1	1	1	
CDA	1	1	1	
CCHAMBER	1 1	1		1 1
CMASTA	1 1			1 1
CKEK	1 1			1

In particular, as the structural equivalence of the actors in the general exchange network (Figure 5.9) shows, the block of the leading actors consists of the Regional Secretariat and the Prefectural Council, which are linked to all other actors of the prefecture (with the exception of the Municipal Development Agency). Additionally, the City Council (second block) has a rather good rate of linkages within the network, with the exception of the Mastic Growers and the Training Centre. The fragmented role of the private-interest organizations (block four) is illustrated by the loose linkages with the public actors and by the strong relations among each

other. Moreover, the role of the University and the Association of Municipalities is run out in the linkages with the Prefectural and City Councils. Finally, the Municipal Development Agency and the Training Centre are marginalized within the local system of governance.

The graph of the network (Figure 5.10) vindicates the above structural characteristics. Thus, the Regional Secretariat (NRGS) and the Prefectural Council (CPREFC) are depicted at the centre of the network, while, with the exception of the City Council (CCITY), all the other actors are portrayed at a rather marginal position around the central actors.

Figure 5.10
Institutional Network in Chios



To sum up, the Chios prefecture demonstrates a network structure, similar to Lesbos's in many respects. In particular, the vertical rather than horizontal structure of the network is related to the relatively marginal role of private-interest organizations and, hence, to the lack of public/private local partnerships and synergies. Furthermore, although one of the basic departments of the University of the Aegean is located on the island, it has not yet been incorporated into the institutional structure of the prefecture. Nonetheless, the structure of the

network is significantly improved in the framework of EU regional policy (see chapter 7).

5.3.4 Institutions and Institutional Networks in the Samos prefecture

The institutional infrastructure in the Samos prefecture reflects its isolation in terms of transport, communication and administrative linkages from the other prefectures of the Northern Aegean islands. Under these circumstances, the traditional for the Greek periphery parochialism has become more intense in the case of Samos, since it is associated with the issue of the distribution of the financial resources among the three prefectures of the region¹⁹. Thus, Samos demonstrates an extremely weak institutional infrastructure, characterized by the almost complete lack of local initiatives and subsequently by major cooperation and coordination problems among the institutional actors, whose relationships are almost exclusively confined within the framework of the necessary exchanges imposed by the functions of the administrative hierarchy. This policy making environment is further deteriorated by the huge divergence of the political climate among the main islands of the prefecture, that is Samos and Ikaria, in terms of the Left/Right divide (see section 5.1). However, the lack of any specific tradition in terms of the structure of the local economy may be seen as a positive factor in preventing the institutional lock-in and in allowing for some kind of tourist development.

Within this policy environment, the role of the Regional Secretariat is central within the institutional structure of the prefecture. Additionally, given the lack of any development agency that would combine public and private actors around specific development objectives, the Association of Municipalities has now undertaken an initiative for concentrating most of the

¹⁹The percentage system of distribution of the Public Investment Programme financial resources (40% for Lesbos and 30% for Chios and Samos) is viewed as a crucial factor that contributes to the deterioration of the rival relations among the islands-prefectures (Interview No 17 with the mayor of Samos city, Samos, November, 1996).

local actors towards this objective²⁰. The University, on the other hand, although one of its main departments (mathematics) is located on the island, is completely marginalized within the institutional structure of the prefecture, while the City Council is currently trying to pursue a form of cooperation²¹.

Moreover, the only important private-interest actor is the Association of Wine Producers. This is mainly attributed to the fact that the Chamber is a quite new institution. It was established just in 1988 by the merger of the two preexisting chambers of the prefecture and has around 4000 members. The Wine Producers Association has undertaken some initiatives towards increasing its exports-orientation, while there have been identified cooperation problems with the Association of Municipalities.

Within this framework, the comparatively good rate of the density measure in the general exchange network (0.595) only partly reflects the real degree of the network cohesion, since it is based on exchanges deriving from the fundamental administrative functions of each actor.

TABLE 5.9
Centrality Measures of Exchange Network in **Samos** Prefecture

<u>Organization</u>	<u>Network Centrality</u>
1. Reg. Gen. Secretariat	100.00
2. Samos Pref. Council	83.33
3. Samos City Council	83.33
4. Samos Chamber	50.00
5. Samos Ass. Munic.&Comm.	50.00
6. Samos Wine Producers' Ass.	50.00
7. University	16.67
Total Network Centralization:	53.33%

²⁰ Interview No 19 with the president of the Local Association of Municipalities (Samos, November, 1996).

²¹ Interview No 17 with the mayor of the Samos City Council (Samos, November, 1996).

Additionally, looking at the centralization measures of table 5.9 the central role of the Regional Secretariat is illustrated. Furthermore, the Prefectural and City Councils have a considerable amount of linkages within the network, while the Association of Municipalities and the private-interest actors (Chamber and Wine Producers) are linked to half of the actors. Finally, the University is marginalized within the local institutional structure and its only link is that with the Regional Secretariat.

Figure 5.11
Structural Equivalence of Network Actors in Samos

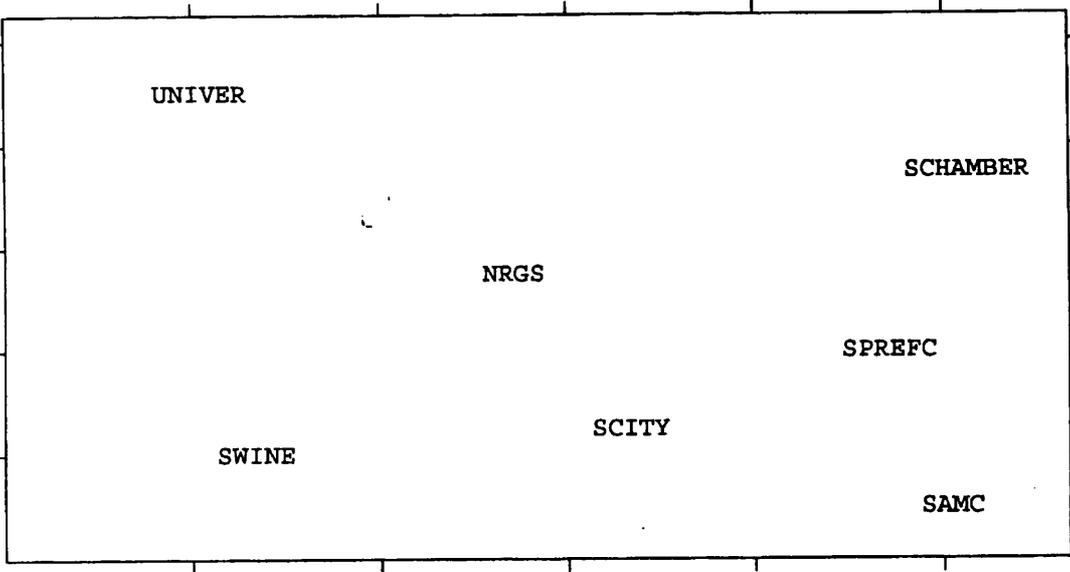
		S P S	U N C	S H S W
	N	R C	I	A A I
	R	E I	V	M M N
	G	F T	E	B C E
	S	C Y	R	
NRGS	1	1 1	1	1 1 1
SPREFC	1	1 1		1 1 1
SCITY	1	1 1		1 1 1
UNIVER	1		1	
SCHAMBER	1	1 1		1
SAMC	1	1 1		1
SWINE	1	1 1		1

The block model of structural equivalence (Figure 5.11) demonstrates structural positions of the actors that correspond to their centrality measures. Thus, the Regional Secretariat is linked to all other institutional actors, while the University is clearly marginalized. The Prefectural and City Councils, on the other hand, are linked to all other actors with the exception of the University. Finally, the Association of Municipalities and the private-interest organizations have only the formal administrative linkages with the Regional Secretariat and the Prefectural and City

Councils. Given the lack of any development agencies, the structure of the network reveals the fragmentation of the institutions within the prefecture and the absence of local partnerships.

This policy making environment is further illustrated by the graph of the network (Figure 5.12), based on the multidimensional scaling. In particular, the graph demonstrates the lack of network cohesion and the loose linkages among the actors. The Regional Secretariat (NRGS), as the leading actor of the network, is depicted at the centre of the graph. The other actors are distanced from the centre, while the University is portrayed as the most marginalized institutional actor.

Figure 5.12
Institutional Networks in Samos



In conclusion, Samos demonstrates a weak institutional infrastructure, characterized by the vertical and hierarchical structure of the general exchange network, which has caused its dependence on the regional secretariat for administrative leadership. This unfavourable policy-making environment has deteriorated by the diverging political climate among the islands of the prefecture and its isolation, in transport and communication linkages, from the other islands of

the region. However, the lack of any strong tradition in its economic structure may be seen as a potentially positive factor that might facilitate its adaptation in the future.

5.4 Social Capital and Civil Society in Northern Aegean Islands

The identified in section 4.4 and illustrated in Figure 4.13 of the previous chapter differentiation in the level of participation in voluntarist organizations between the Southern and the Northern Aegean islands should be interpreted as an indication for the, in relative and comparative terms, weakness of civil society in the Northern Aegean Islands region. Beyond the quantitative analysis of the membership data, however, this weakness is vindicated by the qualitative analysis as well: in particular, the high level of voluntarist participation in organizations related to the provision of specific public goods, such as the health care and social protection, in the Southern Aegean islands vis-a-vis the negligible level of such a participation in the Northern Aegean.

Nonetheless, what both the quantitative and the qualitative analysis of the fieldwork research underlines, is that there is a similarity in attitudes between the two regions, with regard to the crucial law and order issue (obedience of the law²²).

Looking at the prefectural level, however, the low level of voluntarist participation and the weakness of civil society in the Northern Aegean region seems to be related to local specificities and peculiarities. In particular, primarily the Lesbos and Samos respondents and secondarily those of the Chios prefecture underlined the role of the differentiation in mentalities between the Southern and the Northern Aegean²³ in an attempt to explain the lack of adaptation

²²In particular, the ‘absolutely agree’ and ‘more or less agree’ answers of the respondents, who, however, were not constituted a sample, to the statement: “the citizens of this region usually obey the law (traffic code, building regulations) only if it does not contravene their personal interests” reached the 98% in all the prefectures of the Northern Aegean. Compare this with the, in many respects, similar outcome of the Southern Aegean (chapter 4).

²³Interviews No 11, 4, 8, 6, 12 (Lesbos, Samos, October-November, 1996).

and the divergence gap of the region. The usually used explanations for this differentiation, however, refer to feelings of isolation and to the fear of the Turkish threat, given the deterioration of the Greece-Turkey relations.

The in depth analysis of the fieldwork research at the prefectural level, however, points to a different direction. Thus, as the data of table 5.10 demonstrate, the voluntarist participation in the Lesbos prefecture is characterized by the lack of organizations focusing on the provision of social services-related public goods. Additionally, the only relatively active sector in participation is that of culture-related activities. Indeed, Lesbos is characterized by the presence of some historic voluntary cultural organizations, which are mainly literature and theatre-oriented²⁴. The most important feature of Lesbos, however, is the intense evidence on lack of local leadership. This is interpreted as a consequence of the collapse of the old civil class without it having been replaced (Siphnaeou, 1996). Hence, the evidence from Lesbos seems to suggest there is neither local leadership nor networks.

TABLE 5.10
Membership in Voluntary Organizations 1996
(percentage of population by category)

PREFECTURES	Cultural	Athletic	Health Care	Env/ment	Other	Total
Chios Pref.	4.9	0.15	0.9	0.8	0.45	7.2
Lesbos Pr.	1.1	0.18	—	0.15	0.1	1.53
Samos Pr.	1.2	0.1	—	—	—	1.3
Northern Aegean Isl.	2.15	0.15	0.25	0.3	0.17	3.02

Source: VOLMED Research Project (1996), author's research; elaborated by the author.

On the other hand, the evidence from Chios seems to provide the best picture among the Northern Aegean islands with a particularly strong presence of culture-related voluntarist

²⁴Among others, the Agiassos Library, the Lesbos and Aeolic Studies Societies and the Mytilene Progressive Society "Theophilos" deserve special reference.

participation²⁵. Indeed there seems to be an important activity of literature, treatre and music-related organizations, but negligible voluntarist participation in the provision of social services-related public goods. However, Chios demonstrates a better picture in all the other categories of voluntarist participation, such as the protection of the environment or the women issues-related social movements.

Finally, Samos seems to provide the weakest among the islands-prefectures evidence on voluntary participation with some culture-related organizations. Moreover, this picture of civic engagement and civickness seems to be consistent with the evidence from the institutional infrastructure of the prefecture.

What, however, reflects adequately the conditions of civickness and social capital endowments in the Northern Aegean is the evidence of the presence of social trust. In particular, by contrast with the Southern Aegean, a substantial number of the respondents in the Northern Aegean responded negatively to the question about the level of social trust in the region. This pattern of attitudes was more evident primarily in Lesbos²⁶ and secondarily in Samos.

A catalytic, although overlooked, factor that seems to have influenced the formulation of crucial cultural norms, however, is the predominant role of the Communist party of Greece (the Stalinist one) primarily in the Lesbos and secondarily in the Samos prefectures, since its foundation in the late 1920s-early 1930s and definitely during the post-civil war period. Lesbos and Samos were until recently (early 1990s) considered -and in comparative terms they continue to be- strongholds of this Communist party. In Lesbos, in particular, the strong presence of the

²⁵However, given the distinction between active and non-active members there should be a little doubt about the extent to which those data correspond to a really active voluntarism.

²⁶Of particular importance are the cases of the University Dean and the president of the Association of Municipalities (Interviews No 4 and 11), who expressed serious doubts with regard to the presence of social trust on the island: q. "in this region usually people trust each other".

Communist party seems to be related, on the one hand, to its phase of early capitalist development, which lasted until the dawn of the 20th century and, on the other, to the wave of refugees after the collapse of Asia Minor (see section 5.1). More specifically, the combination of the collapse of Asia Minor and the subsequent refugees' wave with the strong presence of the Communist party and its later ideological orientation -well disposed towards the ex-Soviet Union and adoption of the central state-dominated 'from above' model of political and economic modernization-strongly influenced the formulation of the mentality and the attitudes at the local level. The main feature of this mentality is a specific victim's attitude which has subsequently resulted in a pathetic and conspirational approach to events²⁷. Thus, the answer of one of our interviewees to the question "what would better describe the region (Lesbos) 'honesty' or 'corruption'?" was characteristic about the cultural climate on the island. He said: "neither, only misery"²⁸.

Under these circumstances Lesbos demonstrates an extremely weak civil society, closely linked to an unfavourable policy-making environment. In that sense, although it is similar and comparable to the Syros case, in history and social structure, it diverges significantly from it, in terms of both the quality of institutional infrastructure (networks and social capital) and the adaptation capacity (see chapter 4). Samos demonstrates similarities to the case of Lesbos, which are mainly related to the impact of political culture features on civic culture, despite the Left/Right divide between the two main islands of the prefecture (Samos and Ikaria).

Hence, this section has demonstrated that, despite the lack of mass survey data, there is evidence of a considerable differentiation, in civic environment, between the Southern and the Northern Aegean regions. In particular, the latter shows, in both quantitative and qualitative

²⁷Interviews No 4, 8, 10, 12 (Lesbos, October, 1996).

²⁸Interview No 11 with the dean of the University -Social Anthropology dept.- (Lesbos, October, 1996).

terms, a lower level of participation in voluntary organizations. Additionally, there is some evidence of anomic behaviour and lack of social trust, especially in the Lesbos prefecture. The increased influence of the Communist party, especially in the Lesbos and Samos prefectures has been identified as a crucial factor that has affected the level of social capital and civiness in the region.

Conclusions

This chapter has demonstrated that the divergence of the Northern Aegean Islands region at the national as well as at the European level is mainly because of the lack of adaptation of its economic structure to the changing conditions of the global and European environments. Thus, the basic feature of the economic structure of the region is its dependence on economic sectors traditional for each island. This deficiency of the economic structure, however, seems to be related to crucial institutional and political discrepancies of the region. In particular, the peculiarities of the institutional infrastructure of the region, given the common lack of intra-regional networks in Greece, because of the role of the prefecture within the state structure, are attributed to the specifics of the local systems of governance at the prefectural level.

The Lesbos prefecture is characterized by centralized and hierarchically-structured local institutional networks, which correspond to the structure of the system of local interactions in resource exchange and interdependence, as well as power distribution among the institutional actors. This structure reflects an unbounded and exogenously-driven local system of governance, which relies on central state institutions and particularly on the Regional Secretariat for financial, administrative and technical resources. The main feature of this weak local system of governance is the lack of learning and adaptation capacities, which is closely linked to an extremely weak civil society and lack of citizens' engagement with voluntary organizations focused on the

provision of social services-related public goods. Consequently, this has led to the continuous dependence of the Lesbos economy on the monoculture of the olive. Under these circumstances, a decisive role should be attributed to the unfavourable political climate characterized by the predominant role of the Communist party.

The Samos prefecture demonstrates a policy making environment to some extent similar to Lesbos's, characterized by multi-fragmented institutional networks at the prefectural level and lack of public/private synergies and local leadership. This extremely weak local institutional infrastructure is further aggravated by its almost complete isolation from the other islands-prefectures of the region. However, the lack of any particular tradition of productive orientation of the prefectural economy may be seen as a future asset for successful adaptation and adjustment, by avoiding the institutional lock-in. An illustration of that is the trend of the local economy towards small-scale tourist development supported by the agricultural sector.

Finally, Chios is partly differentiated from the other Northern Aegean islands, in institutional infrastructure and civic participation, mainly in culture-oriented voluntarist organizations. In particular, it demonstrates comparatively more horizontally-structured local institutional networks, without, however, having yet a learning and adaptable local system of governance. Moreover, this lack of adaptability is illustrated by the significant continuing dependence of its economy on the traditional sector of shipping and maritime industry.

Finally, the fieldwork research has clearly shown the inadequacy of the usually used explanations for the divergence of the region, that is the isolation and the fear of the Turkish threat.

6. CATCHING UP BY LEARNING IN EUROPEAN STRUCTURAL POLICY: POLICY NETWORKS AND ADAPTATION IN SOUTHERN AEGEAN ISLANDS

Introduction

Chapter 4 examined the institutional infrastructure in the Southern Aegean Islands region, and now this chapter focuses on the processes of both institutional and policy adaptation to European structural policy, with particular emphasis on the implementation and monitoring of the first CSF (1989-93). Since the CSFs have constituted a step forward in the formulation of European regional policy as far as the initialized by the IMPs integrated approach to development is concerned, evidence from the implementation of both the IMP (1986-92) and the initial face of the second CSF (1994-99) will be used on a comparative basis with regard to the adaptation process.

6.1 From the IMP to the MOPs

The introduction of the IMPs in 1985-86 has been interpreted as an attempt to initiate the integrated approach within the European regional development policy (see chapters 2 and 3). Within this framework the integrated approach to the development problems facing the Aegean islands determined, to a significant extent, the main priorities of the IMP for the entire Aegean islands area, which for the planning procedures of the IMP constituted a single region. The main priority objectives of the Aegean islands IMP were: first, the improvement of transport and communication linkages to combat the isolation of the islands; second, the control of the over-concentration of tourism; third, the promotion of those islands underdeveloped by tourism; and fourth, the development of agriculture (URDP, 1992; Ministry of Nat. Economy, 1994a).

However, given the general problems in the planning and implementation of the IMPs in

Greece, as discussed in chapter 3, the degree of completion of the Aegean IMP cannot be characterized as satisfactory. Further, its implementation has demonstrated similarities with those of other regions (i.e Crete) in the dominant role of central state agencies in the management of the programme (Papageorgiou and Verney, 1993). The share of central state agencies in the management of the Aegean IMP funds almost reached 93% of the budget. Hence, as Figure 6.1 reveals, even at the end of 1993 the degree of completion of the actions of the IMP as a whole was just 79%. In particular, looking at the measures of the specific subprogrammes, the following points must be emphasized. First, the subprogramme IV for the development of agriculture, involving mainly support for small-scale irrigation systems, fisheries and advisory services, demonstrates the greatest degree of completion (87%). Second, the crucial subprogramme III focusing on promoting tourist development in underdeveloped islands shows the least degree of completion (74%). It must be stressed that this subprogramme was mainly oriented towards supporting mostly central state agencies-driven schemes of agro-tourist projects for the tourist development of areas in the

Northern Aegean islands with poor results (i.e Petra agro-tourist cooperative in Lesbos). Finally, the subprogrammes I and II, focusing mainly on improving the transport and communication infrastructure, demonstrate the same degree of completion (81%).

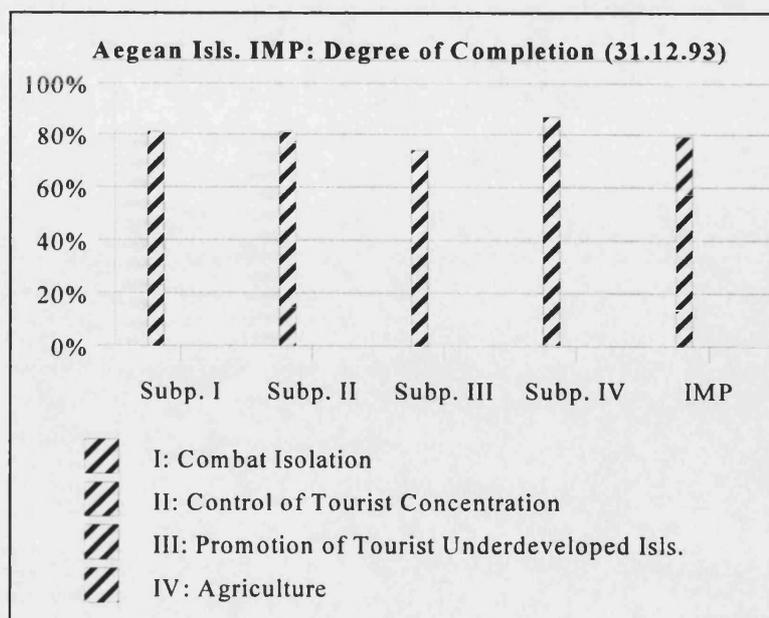


Figure 6.1. Source: Ministry of National economy, (1994a).

To achieve the objectives of the programme the particular measures in the Southern Aegean islands were focused on providing advisory services to SMEs, improving the roads, ports and airports linkages, as well as the tourist infrastructure (marinas, museums), by exploiting the cultural and architectural heritage, and reducing energy dependence and improving the living conditions (CEC, 1990a).

Nevertheless, although it has been extremely difficult to identify differences in the implementation of the programme -mainly because of its unified character- among the Southern and the Northern Aegean regions, some signs of an initially structural, but at a second stage effectiveness and efficiency-related differentiation has emerged. In that respect, the following points are significant. First, the Leros-programme¹, which constituted an integral, as well as crucial, part of the IMP was almost entirely (98%) completed by the end of 1993, with good results for the island. Second, the emphasis on physical and social infrastructure, which will be raised in the following section as a structural feature of the MOP of the Southern Aegean, became evident even from the implementation of the IMP. In particular, the successful completion of the projects for the creation of two new airports on the Syros and Naxos islands and the substantial improvement of another one on the Karpathos island, which are the three of the four major interventions of the IMP in the airports-infrastructure policy area, all refer to the Southern Aegean region. Additionally, the Southern Aegean and especially the Dodecanese prefecture demonstrate a clearly better performance in the absorption of the ESF funds for training, emphasising in particular tourism (Ministry of Nat. Economy, 1994a). Finally, the interventions in the Northern Aegean islands region were mainly oriented towards the improvement of the

¹The Leros-project was focused on the development of the Leros island, whose economy was almost exclusively dependent on the asylum for the mentally-ill. The goal achieved by the successful implementation of the programme was two-fold; first, by facing the development challenges of the island in an integrated manner; and second, by bringing about a revolutionary, for Greece, reform of the psychiatric system.

agricultural sector by small-scale irrigation schemes, the support of fisheries and the enhancing of central state agencies-driven initiatives for the creation of agro-tourist cooperatives. This trend should be interpreted as an attempt to reform the mainly agriculture-dominated productive structure of these islands, which, however, mainly because of its top-down character, had poor results.

To sum up: even though the IMP for the Aegean islands has demonstrated similar weaknesses with most of the other regions' IMPs in planning and implementation, some signs of differentiation between the Southern and Northern Aegean islands regions have been identified, which point to the pre-existing differentiation in capacity for adaptation of the institutional infrastructure (see chapter 4). However marginal this differentiation may be, because of the role of the state, it is further illustrated by differentiation in the involvement of institutional actors, mainly in the implementation process of the IMP, as will be shown in the following section 6.3.1.

6.2 Planning and Implementing the CSF (MOP 1989-93)

The Multifund Regional Operational Programmes (MOPs) constitute the regional section of the Community Support Frameworks (CSFs), whose introduction marked the shift in European regional policy from the single-project to the programming approach. Furthermore, they opened up the process for establishing direct contacts between supranational and subnational levels of government and for active participation of the latter in the planning procedures of the programmes (see chapter 2). Thus, in Greece there have been thirteen MOPs for the thirteen Greek regions. Each MOP consists of mainly three subprogrammes corresponding to the three Funds responsible for the co-financing of the Community's structural interventions, that is ERDF, ESF and EAGGF-Guidance Section, whilst the financial resources are allocated according

to priority objectives specified for each region.

Within this framework the main priority objectives put forward by the MOP for the Southern Aegean region were focused on combatting the region's isolation, the exploitation of the region's resources, the control of tourist development, the management of water resources and improving living conditions (CEC, 1990a:42). These general objectives have been explicitly elaborated through specific measures, involving the improvement of transport and communication, as well as the social and educational infrastructure, the improvement of water and sewage networks, the promotion of tourism and the exploitation of the cultural and architectural heritage in tourist underdeveloped islands and the development of services for local SMEs. All these measures belong to the financial assistance provided by the ERDF. Furthermore, the ESF is responsible for financing mainly the vocational training-related measures, while the EAGGF focuses on measures for the protection of natural resources and the repair of damages caused by natural disasters.

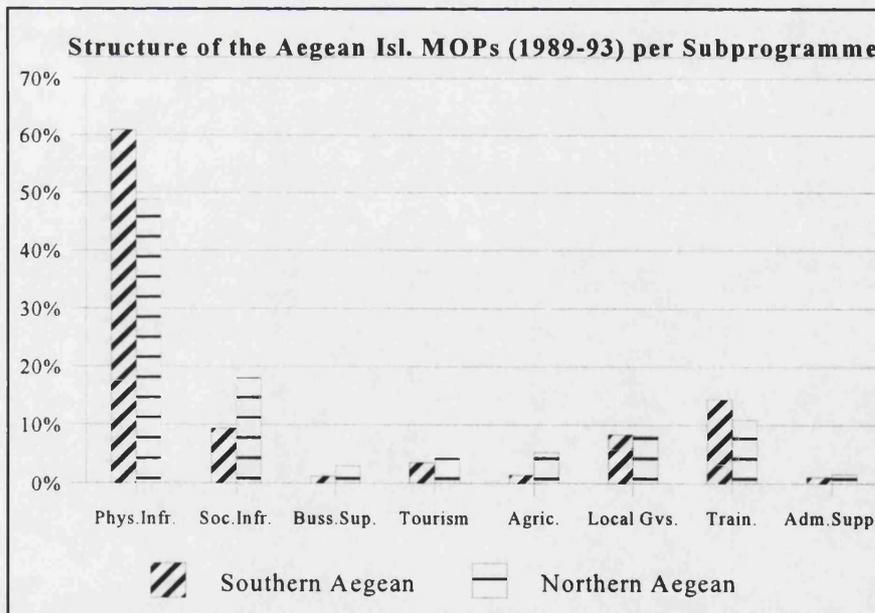


Figure 6.2

As Figure 6.2 demonstrates, there is an almost clear differentiation in the distribution of financial resources among the specific measures of the subprogrammes between the Southern and the Northern Aegean regions². In particular, the programme of the Southern Aegean demonstrates a considerable orientation towards the creation of physical infrastructure and vocational training³, whereas in the Northern Aegean the shares of the social infrastructure, business support and agriculture-related measures account for a significant part of the allocated resources. This trend should be attributed, on the one hand, to the presence of a comparatively advanced social infrastructure (hospitals, public buildings) in the Southern Aegean -which in the Dodecanese was left by the Italians- and, on the other hand, to the presence of an active entrepreneurship (see chapter 4) that does not

require business support. Instead it stresses the need for vocational training with an emphasis on tourism. Moreover, the tourist industry combined with the multi-fragmentation of space poses increased needs for technical infrastructure,

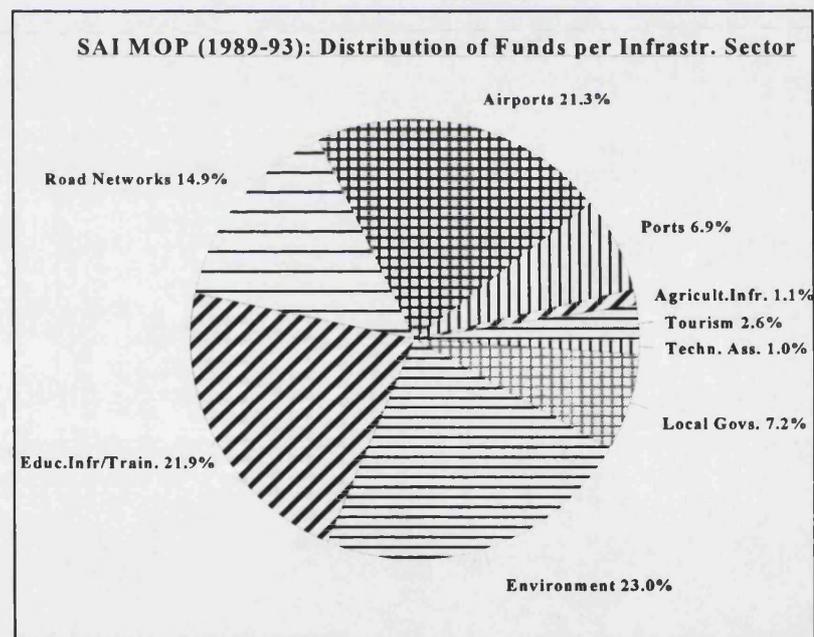


Figure 6.3

²This distribution represents budget data of the (1989-93) MOPs for the Southern and the Northern Aegean islands regions (URDP, 1992), which may vary significantly from the ex-post (after implementation) data. However, in this particular case, they reflect the real outcome of the implementation process.

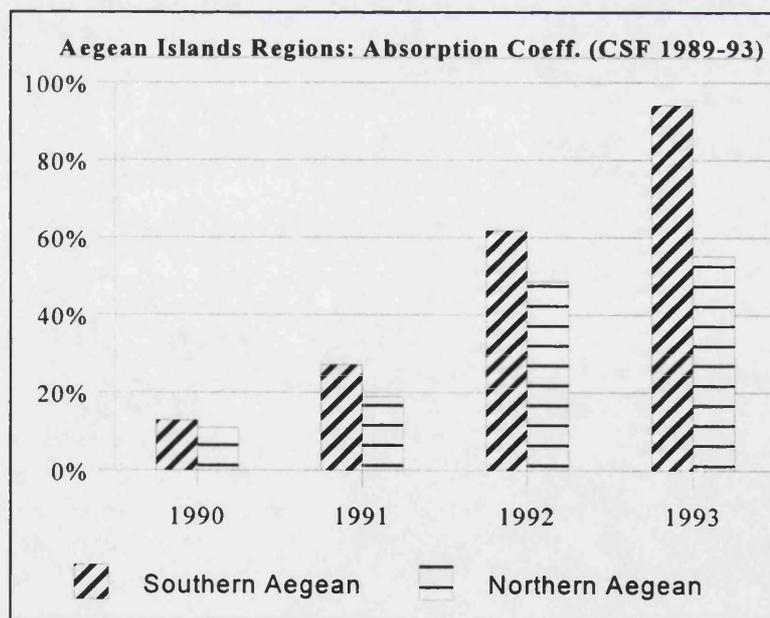
³This trend in the Southern Aegean is identical in comparison with most of the other Greek regions as well, such as Western Macedonia, Central Macedonia and Eastern Macedonia and Thrace (URDP, 1992).

which is linked to crucial issues, such as the roads, ports and airports networks, as well as water and sewage-related problems.

Figure 6.3, which is based on 1995 ex-post data⁴, confirms the above trend. In particular, the airports, road networks, vocational training and environment-related infrastructure absorbed the greatest share of the financial resources of the MOP, while agriculture and support of tourist development are marginal. It should be noted that the category “environment” includes water and sewage-related measures, while the category “airports” refers mainly to seven interventions, three in the Dodecanese and four in the Cyclades prefectures.

Beyond, however, the crucial and revealing qualitative differences identified in the structural orientation of the EU interventions, the two regions of the Aegean differ crucially in another important aspect of the implementation of the structural funds interventions: that of the absorption capacity. As Figure

6.4 reveals, the Northern Aegean region has been lagging behind the Southern Aegean in absorption capacity during the entire period of the implementation of the programme. Subsequently, at the end of the period (31.12.93) the Northern



Aegean absorption rate

Figure 6.4

⁴The data derive from the final report of the Programme Manager for the Southern Aegean MOP (1989-93) (Aegean Ltd., Syros, February, 1995).

did not exceed the 57% of the available funds, compared with almost 98% of the Southern Aegean⁵. This has caused serious delays, inconsistencies and the loss of substantial financial resources for the development of the Northern Aegean.

In the funding of the MOPs and, in particular, the contribution of the private sector to the Structural Funds programmes the Southern Aegean region constitutes an excellent example of the way in which the maintenance of the national regional policy through the incentives system (see chapter 3) leads to the distortion of the EU structural interventions. As table 6.1 below reveals, the region seems to demonstrate the lowest level in the country in private sector's involvement in the funding of the MOP measures (0.27%). Although the table derives from elaboration of primary EU Commission's budget data that may vary significantly from the ex-post (after the implementation) final data⁶, the contribution of the private sector to the Structural Funds programmes is comparatively low in the Southern Aegean (around 3% according to estimated data). This is partly attributed to the role played by the national regional policy incentives scheme, especially during the 1980s and early 1990s.

In particular, the region demonstrates one of the highest rates of the country (12.9 per cent) in private investments supported by the regional development incentives scheme for the period 1982-91 (Ministry of Nat. Economy, 1993a:105). These investments, however, refer, almost exclusively, to the tourist sector in the Dodecanese prefecture with particular emphasis on the island of Rhodes. Thus, since the creation of infrastructure is financed by Structural Funds money and private investments in the tourist industry are subsidized through the national regional

⁵Elaboration of primary data deriving from the evaluation reports for both MOPs (Ministry of National Economy, 1993a,b).

⁶For instance, the private sector's involvement in the Northern Aegean MOP has been substantially lower (1.42%) than the 3.41% indicated in the table (Ministry of Nat. Economy, 1993b), while in the case of other regions like Eastern Macedonia/Thrace the high rate of private sector's contribution to the MOP is related to the use of MOP's funds for support of private investments through the national regional policy incentives scheme (URDP, 1992).

policy, beyond the abolition of any notion of entrepreneurial risk, there is no motivation for the private sector to contribute to the Structural Funds programmes.

Table 6.1
FUNDING OF THE FIRST CSF (1989-93) MOPs IN GREEK REGIONS (in %)

Regions	Private Sector Contr. (%)	National Contr. (%)	Total EU Contr. (%)	ERDF Contr. (%)	ESF Contr. (%)	EAGGF Contr. (%)
East Maced. & Thrace	6.03	38.51	55.46	47.53	5.22	2.71
Central Macedonia	1.23	40.58	58.19	41.65	11.64	4.90
Western Macedonia	1.83	35.95	62.22	50.50	7.77	3.95
Ipeiros	1.60	37.53	60.87	47.55	9.38	3.94
Thessalia	1.88	37.76	60.36	47.38	10.48	2.50
Ionian Isl.	3.70	37.72	58.58	50.94	5.91	1.72
Western Greece	2.75	37.40	59.85	46.17	9.66	4.00
Sterea Ellada	1.00	42.18	56.82	43.50	10.80	2.52
Peloponnese	2.77	35.54	61.70	45.30	11.77	4.61
Attika	1.72	37.15	61.13	40.76	19.88	0.50
Northern Aegean Isl.	3.41	37.51	59.08	50.21	7.32	1.54
Southern Aegean Isl.	0.27	32.86	66.88	56.35	9.67	0.85
Crete	2.21	39.54	58.26	47.90	8.24	2.12
GREECE (Total)	7.40	39.71	52.72	31.86	17.60	3.11

Source: CEC (1992a,b), elaborated by the author.

Moreover, since the bureaucratic procedures of the national incentives scheme may involve a substantial amount of clientelism, access to the national regional policy money through clientelist networks is considered easier. What needs to be stressed, however, is, that the investments supported by the national incentives scheme may account for the expansion of the huge massive tourist industry mainly on the islands of Rhodes and Kos in the 1980s, but they

cannot be considered as the explanatory variable for the successful adaptation of the Southern Aegean region and, in particular, the Dodecanese, since the early 1960s. Furthermore, the increased share of the EU contribution in the financing of the MOP (66.88%) may be seen as an indication of the relatively better absorption capacity of the local institutional infrastructure, which should be linked to its learning and adaptation capacities (see chapter 4).

Table 6.2
Groups of Islands According to the Level of Development

GROUP I		
AGATHONISI	KEROS	NISIROS
ANAFI	KIMOLOS	SIKINOS
ANTIPAROS	KINAROS	SCHINOUSA
ARKOI	KOUFONISIA	TELENDOS
DONOUSIA	LEIPSOI	TILOS
IRAKLEIA	MARATHOS	FOLEGANDROS
THRASSIA	MEGISTI	CHALKI
GROUP II		
AMORGOS	KASOS	PAROS
ANDROS	KEA	PATMOS
ASTIPALAIIA	KYTHNOS	SERIFOS
IOS	LEROS	SIFNOS
KALYMNOS	MILOS	SYMI
KARPATOS	MYKONOS	TILOS
GROUP III		
KOS	RHODES	SANTORINI
SYROS	NAXOS	

The planning and implementation processes of the MOP have been crucially affected by the significant intra-regional (among the islands) disparities in the level of development. Thus, the distinction among mainly three groups of islands, according to their level of development, as it is shown in table 6.2⁷, has been adopted by both the local and central level planning bodies.

⁷Although there have been valid proposals for the reform of this categorization of the islands (i.e for the inclusion of Mykonos in the group III of most developed islands and of Syros in the group II of islands of medium level of development), it constituted the basis for the planning and evaluation procedures of the first CSF (Ministry

According to this categorization, the third group (III) consists of the most prosperous islands, namely Rhodes, Kos, Santorini, Syros and Naxos, among which the economic and administrative centres of the region are shared. The second group (II) comprises islands of medium development, while the first group (I) consists of the most disadvantaged small islands. As Figure 6.5 shows, the first group of the small and less developed islands and the third group of the most developed ones have consistently demonstrated the best performance in absorption capacity during the entire period of the Southern Aegean islands MOP (1990-93⁸). This trend may be attributed, on the one hand, to the relatively small-scale projects undertaken on the less-developed islands and, on the other, to the clearly better quality of institutional infrastructure of the developed ones. Conversely, since the second category comprises islands of both prefectures and with relatively large-scale

projects undertaken, the fragmentation of space and the well known coordination problems seem to have been the main reasons for the comparatively unsatisfactory absorption rates of this group of islands.

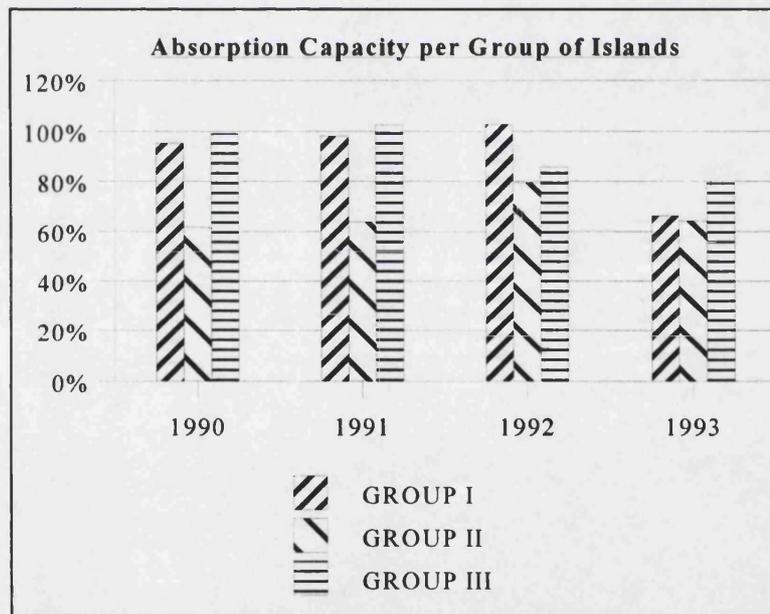


Figure 6.5

of Nat. Economy, 1993a).

⁸In particular, while, according to the evaluation report for the MOP, the absorption rates for the I and III groups ranges between 66.3% (1993) to 102.6% (1992) and 79.5 (1993) to 102.4% (1991) respectively, the rate of the category II has not exceeded the 79.6% (1992) (Ministry of Nat. Economy, 1993a).

Beyond the outcomes deriving from the analysis of the particular characteristics of the groups of islands, however, important aspects of the way in which local specificities have affected the implementation of the programme emerge from the inter-prefectural, namely between Dodecanese and Cyclades, comparisons. In that respect, the differentiation illustrated in Figure 6.6 between the shares of each prefecture in any particular subprogramme of the MOP only partly may be attributed to the difference in population. Essentially, it may be viewed as reflecting the differentiation in local needs and the capacities of the local institutional infrastructure in each prefecture. Thus, the marginally greater share of the Dodecanese in the mainly infrastructure- oriented ERDF subprogramme reflects the main priorities of the prefecture initially in water and sewage-related infrastructure and at a second stage in the protection of the environment and educational infrastructure. Conversely, in the categories of ports, airports and road networks a rather balanced allocation of the funds among the prefectures has been identified. Finally, in areas of tourist infrastructure, such as the exploitation of the cultural heritage, there are no funds at all allocated to the Dodecanese.

In the ESF subprogramme, which focuses on vocational training, the almost huge gap between the two prefectures corresponds to the existing differentiation in numbers of persons who undertook training in each prefecture.

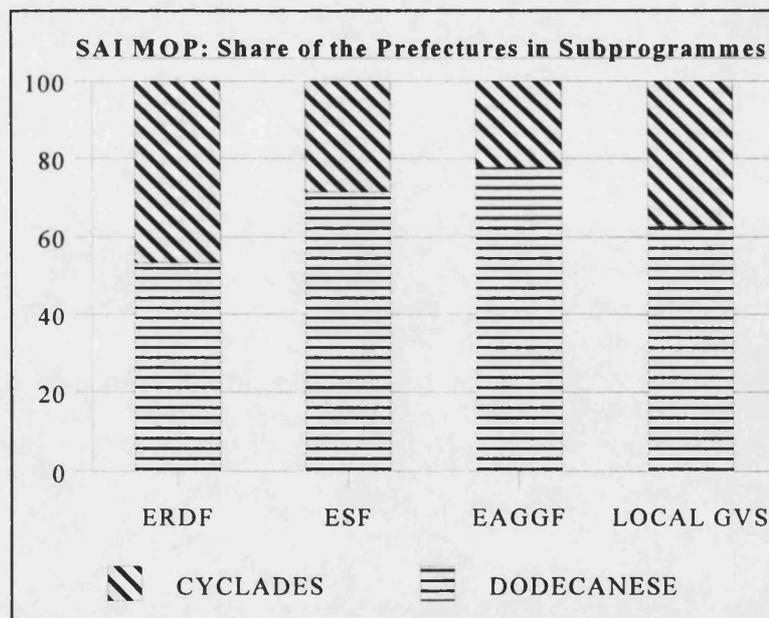


Figure 6.6

In particular, the Dodecanese has, almost traditionally, demonstrated a strong orientation towards vocational training with emphasis on tourism, which has been, to a significant extent, facilitated by the presence of the central state-run High School for Tourist Training and the appropriate institutional infrastructure. Conversely, the share of the Cyclades funds has been mainly focused either on agriculture or training about local development issues.

With the EAGGF subprogramme, on the other hand, the huge gap between the prefectures in the allocated funds should be attributed to the increasing needs of the Dodecanese for forestry-protection measures, whereas Cyclades funds are mainly oriented towards primary sector-related activities.

Finally, the most revealing differentiation is in the specific subprogramme for Local Governments' Actions. In particular, the strong tradition of the Dodecanese in institution-building at the local level and subsequently its effectiveness and efficiency in the absorption of the related funds and in performing the necessary actions has had important consequences for the way in which the funds are

allocated and hence it may account for the Dodecanese's greater share in the subprogramme.

What, however, illustrates the comparatively better performance of the Dodecanese prefecture, is the absorption/commitments data

of Figure 6.7.

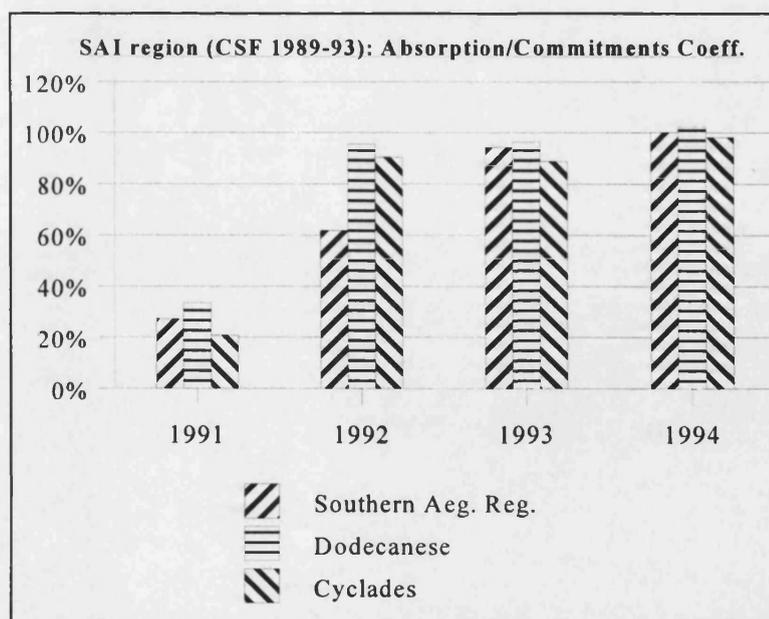


Figure 6.7

According to these data (Aegean Ltd, 1995), the Dodecanese has consistently demonstrated a better performance in the absorption rate of financial commitments of the MOP in comparison with both the region and the Cyclades prefecture, during the entire period of the CSF, which seems to be linked to the qualities of its institutional infrastructure.

Moreover, two of the subprogrammes of the MOP, namely the ERDF and the specific Local Governments subprogramme, for which reliable data at the prefectural level were found, reveal a similar to the entire-programme picture in absorption capacity at the regional and prefectural levels. In particular, as Figure 6.8 reveals, the Dodecanese had a higher absorption rate in comparison with both the region and the Cyclades prefecture over the entire period of implementation of the ERDF subprogramme. This differentiation reflects the strong orientation of the Dodecanese towards the infrastructure-related use of EU funds, with particular emphasis on water-sewerage and educational infrastructure measures. Furthermore, the higher rates of differentiation during the initial phase of the programme among the Dodecanese and the Cyclades prefectures -which

gradually declined by the end of the period- should be interpreted as an indication of the existing differentiation in the levels of learning and adaptation among the institutional infrastructures of the two prefectures concerned.

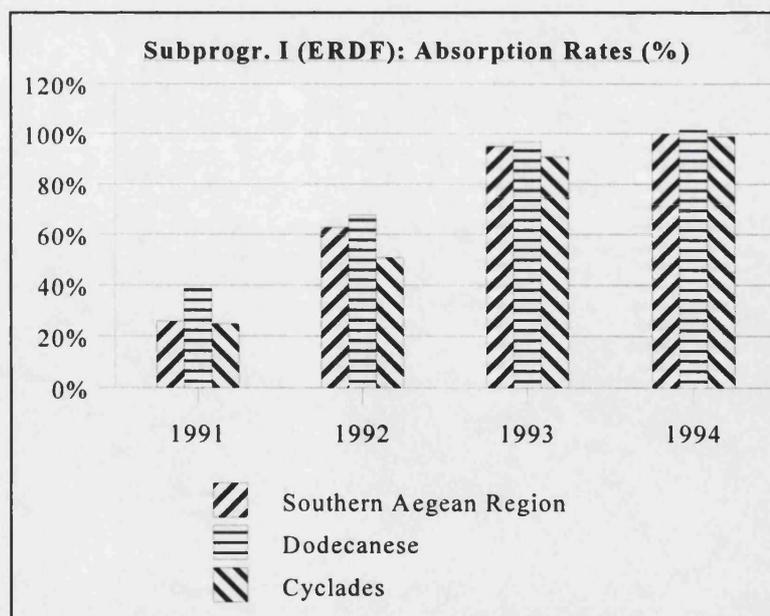


Figure 6.8

On the other hand, the specific Local Governments' subprogramme may be viewed as providing the most strong evidence about the differentiation in institutional capacity among the prefectures of the Southern Aegean islands. As Figure 6.9 shows, there is a huge gap in the absorption rates of the Dodecanese and Cyclades local governments over the entire period of the programme (1990-94). In particular, Dodecanese local authorities have been proved much more competent in comparison with their Cyclades counterparts in planning and hence absorbing more funds for structural interventions that reflect the local needs and demands. Thus, in almost all the specific measures of the subprogramme, that is: "road networks", "social and cultural infrastructure", "protection of the environment" and "tourist infrastructure", there is a clear predominance of the Dodecanese local governments.

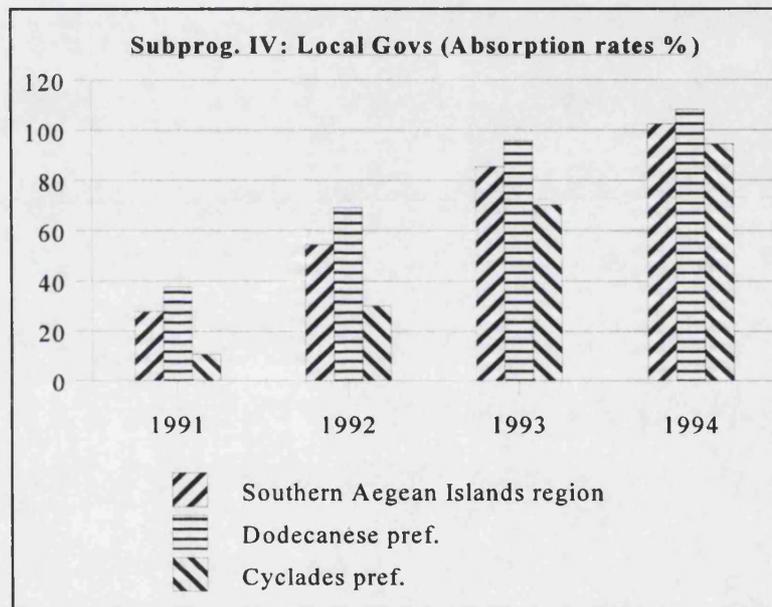


Figure 6.9

Finally, as far as the Community Initiatives⁹ are concerned, it has been extremely difficult to specify the particular actions, because of the dominant role of the central state in the planning procedures and the subsequent overlapping between several ministries involved. Therefore, we have relied on the evidence from fieldwork research at the regional and local levels. As it will

⁹The Community Initiatives constitute a sort of parallel to the CSF structural interventions, which are managed by the central state (Ministry of National Economy and other ministries) and are not considered as integral part of the MOPs.

be shown in the following section, the Community Initiatives have constituted important tools for the mobilization of local actors and the promotion of local partnerships within the EU regional policy environment. However, despite the lack of specific evaluation data at the regional or prefectural levels, specific Initiatives that accompanied the first CSF have played a more important role than others in the region concerned. Thus, the LEADER, VALOREN, HORIZON, ENVIREG and REGEN/INTERREG have been raised as the most important Initiatives for the Southern Aegean region.

Since the period of the fieldwork research coincided with the starting up of the implementation phase of the second CSF (1994-99), existing evidence from its ex-ante evaluations enables some preliminary observations to be made in comparative terms. The following points deserve note. First, although the second CSF (MOP) may be seen as a continuation of the first, since it focuses on the pursuit of the same main goals, there has been a shift in its approach to tourist development, involving in particular the gradual abandonment of the mass tourism model and the adoption of flexible, small-scale forms of leisure that are more appropriate for the smaller and less developed islands. Since this shift is accompanied by a specific integrated programme for the exploitation of the physical and cultural resources, it represents an outcome of the learning process from the implementation of the first CSF, which seems to have led to adaptations towards the changing patterns of demand in leisure (Stokowski, 1994). Second, this process of policy adaptation goes hand in hand with integrated actions in transport, communication and social infrastructure to promote the catching up of the less developed islands, thus reducing intra-regional disparities. Third, the interconnectedness between the sustainability of natural resources and sustainable local development has been taken into account by the new programming approach. Hence the share of actions for the protection of the environment and urban planning have been substantially upgraded within the programme.

Finally, there has been a strengthening of the role of local government institutions in the planning and implementation processes through increasing support in human and technical resources provided by the specific subprogramme for local governments.

This section has demonstrated that, despite significant intra-regional (among the islands) disparities in the levels of development and absorption capacity, there is an important differentiation between the Southern and the Northern Aegean islands regions in both the priorities in the use of the funds and the absorption capacity. In particular, the Southern Aegean region shows a strong orientation towards technical and educational infrastructure in the use of funds, whereas in the Northern Aegean business support, social and agricultural infrastructure account for a considerable share of the funds. Furthermore, at the prefectural level, the Dodecanese prefecture demonstrates a better performance than the Cyclades in almost all the subprogrammes and measures of the MOP and especially in the specific subprogramme for Local Governments. Notwithstanding the comparatively low level of private sector contribution to the Funds payments, because of the maintenance of the national regional policy incentives scheme, what provides the exegesis for the better performance of the Dodecanese is the differentiation in attitudes, which is illustrated by what an interviewee said: ‘Structural Funds money constitutes investment for the SAI (Dodecanese). In other regions it is used as social subsidy’¹⁰.

We now turn to assess, in the third section, the way in which the better learning capacity of the local institutional infrastructure in the Southern Aegean region in general and of the Dodecanese prefecture in particular as identified in chapter four has facilitated the adaptation process of the region to a -new- policy making environment, that of European regional policy.

¹⁰Interview No 60 with the president of the Rhodes Hotel Owners Association conducted in Rhodes (October 1996).

6.3 Institution Building, Policy Networks and Adaptation

By drawing the institutional map of the region and evaluating the structural features of the general exchange local institutional networks, chapter four explored the levels of collective action and hence the learning and adaptation capacities of the system of institutional interactions at the regional and prefectural levels. This section assesses the degree to which the main features of the local institutional infrastructure for collective action and learning have affected the processes of institution building and adaptation of the region to the rapidly-changing environment, characterized mainly by the gradual Europeanization of regional policy.

6.3.1 Institution Building, Policy Networks and Adaptation in the Southern Aegean islands

Although the Europeanization of regional policy and the introduction of the programming approach with the planning and implementation of the first MOP (1989-93) has constituted the most crucial external constraint for institution building and adaptation at the regional level, the centralized Greek administrative system and the multi-fragmentation of space have functioned as inherent impediments to the promotion of the adaptation process in the Southern Aegean region. Thus, despite the positive impact of the European structural policy programmes on improving significantly the policy-making environment at the regional level, and the substantially better network structures in comparison with the Northern Aegean, the combination of centralized decision-taking and fragmented policy action, which does not seem to be taken into account by the EU Commission (DG XVI), have played an important role in impeding the processes of institution building and achieving cohesion at the regional level¹¹.

The Monitoring Committee for the CSF (MOP) implementation, that has been seen as the

¹¹Interview No 41 with the General Secretary of the Southern Aegean islands region (Ermoupolis, Syros, November, 1996).

institutionalized form of the linkages between supranational (EU Commission officials), national and subnational elites, has constituted the only aspect of “induced” institutional building at the regional level in the Southern Aegean as well. As table 6.3 reveals, this process has been substantiated by the broadening of the regional councils to include, beyond the prefects of the prefectures of the region and the representatives of the Local Associations of Municipalities and Communes, representatives of the major interest group-organizations in each prefecture (Chambers, Labour Movement Organizations).

Table 6.3
Southern Aegean Regional Partnership for Monitoring the MOP

A. President: Regional General Secretary	
B. Members:	
1. Prefects:	Cyclades, Dodecanese.
2. Local Ass. of Munic.&Communes:	Cyclades, Dodecanese.
3. Central Government (Ministries):	National Economy, Agriculture, Employment, Interior, Environment&Public Works, Aegean.
4. Higher Education Institutions:	University of the Aegean
5. Commission of the EC (DGs):	XVI, V, VI
6. Interest Group Representatives:	Cyclades and Dodecanese Chambers, Tourist Agents, Trade Unions etc.
7. Programme Manager	
8. Evaluation Consultant	

Source: Ministry of National Economy, 1992, 1995.

Notwithstanding the relatively limited role of the monitoring committee, especially during the initial phase of the first CSF, in the Southern Aegean the Structural Funds programmes have facilitated the gradual process of institution building at all levels of subnational government,

which cannot still be raised at the regional level, because of the lack of directly elected regional councils¹².

Within this policy environment, even though the structure of the policy network at the regional level has improved in comparison with that of the general exchange network (chapter 4), it continues to demonstrate the same general characteristics. In that respect, the outcomes of the social network analysis (SNA), based on density, centralization and structural equivalence measures (see chapters 2 and 4) are revealing. Thus, although the density of the policy network, which is used as an indicator of network cohesion, has been substantially improved when compared with that of the exchange network (0.414 vis-a-vis 0.367 out of 1 respectively), essentially, it remains low, given that fewer than half of the actors are connected to each other within the network.

Furthermore, as table 6.4 with the centrality measures of both the general exchange and policy networks demonstrates, despite improvement in the degree of centralization, the policy network remains highly centralized (64.74%). What these low density and high centralization indicators underline, is that even within the European regional policy environment the network continues to demonstrate the same features, that is centralization around the Regional Secretariat and fragmentation at the prefectural level. The following lessons are drawn from this comparative analysis. First, even though the region has constituted a byproduct of the pressures for the implementation of the Structural Funds programmes, it has not yet been institutionalized, even within the favourable (for it) policy-making environment. Second, the processes of institution building and adaptation should be considered as slow as the learning process itself, while both the state structure and the general features of the socio-political system are unfavourable. Finally,

¹²Interview No 41 (ibid.).

learning and institution building are more easily achieved at the local and prefectural levels, where the development of dialogue and communication linkages may be facilitated by relatively favourable local specificities that are more difficult to flourish at the regional level.

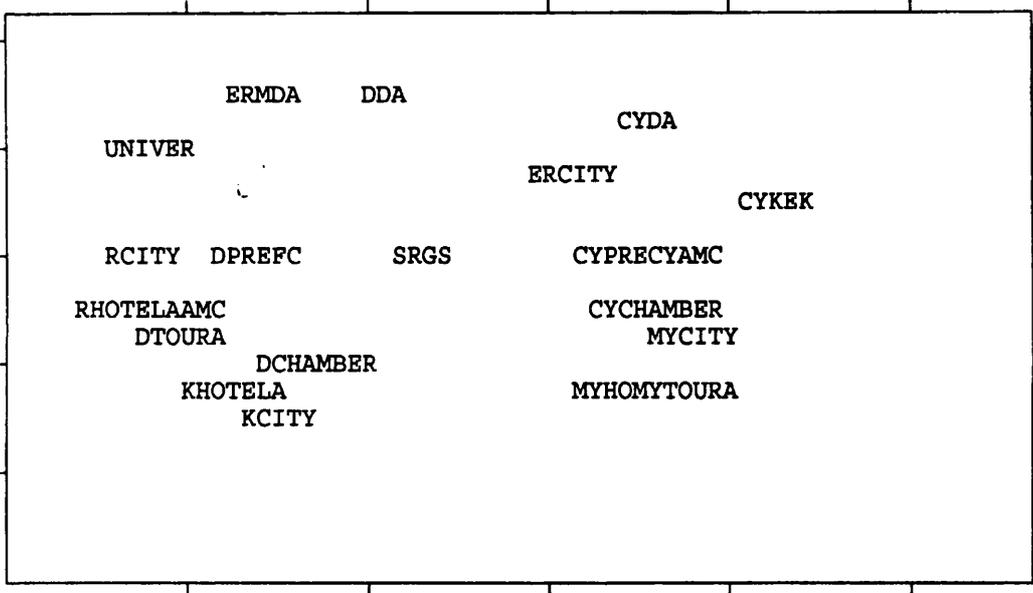
TABLE 6.4
Centrality Measures of General Exchange and Policy Networks
in Southern Aegean Islands

<u>Organizations</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Dodecanese Pref. Council	55.00	55.00
3. Cyclades Pref. Council	50.00	50.00
4. Dodecanese Chamber	45.00	50.00
5. Cyclades Chamber	45.00	50.00
6. Dodecanese Ass. Munic.&Comm.	45.00	45.00
7. Cyclades Ass. Munic.& Comm.	45.00	50.00
8. Rhodes City Council	40.00	45.00
9. Dodecanese Tourist Ag. Ass.	40.00	40.00
10.Kos City Council	35.00	40.00
11.Rhodes Hotel Owners Ass.	35.00	40.00
12.Kos Hotel Owners Ass.	35.00	35.00
13.Mykonos City Council	35.00	40.00
14.Ermoupolis City Council	30.00	35.00
15.Mykonos Hotel Owners As.	30.00	35.00
16.Mykonos Tourist Agents As.	30.00	35.00
17.Cyclades Training Centre	20.00	20.00
18.Dodecanese Development Ag.	15.00	35.00
19.Cyclades Development Ag.	15.00	35.00
20.University	15.00	15.00
21.Ermoupolis Development Ag.	10.00	20.00
 Total Network Centralization	 70.00%	 64.74%

Thus, the centrality measures of the individual actors within the network reflect mainly the degree to which the role of any particular actor has been upgraded within the EU regional policy environment. In that respect, the upgraded role of the Dodecanese, Cyclades and Ermoupolis development agencies in the policy network is because of their involvement in the management of specific Structural Funds programmes or initiatives (LEADER, URBAN), which

will be raised more clearly at the prefectural level. Furthermore, the improved degree of centrality of important private-interest or associational actors (Chamber, Associations of Municipalities, Hotel Owners Ass.) should be attributed to their participation in the monitoring committee of the CSF and their involvement in specific projects of the MOP at the prefectural level. Finally, the marginal role of the University in the policy network reveals the degree of its legitimation within the institutional structure of the Southern Aegean region, given that it is a relatively new institution, significantly dislocated or completely absent, especially in the Cyclades¹³.

Figure 6.10
Policy Network in Southern Aegean Islands



The structure of the policy networks in the Southern Aegean is depicted in Figure 6.10, which is based on the multidimensional scaling technique. The main feature of the graph is its

¹³In the Cyclades prefecture only recently (within the framework of the second CSF 1994-99) have local institutional actors started to seek the University's cooperation either for joint participation in projects or for preparation of project proposals (Interviews No 42 and 44, Syros, November 1996).

similarity with its equivalent of the general exchange network (see chapter 4). Hence, the regional secretariat, which remains the central actor is depicted at the centre of the graph, while the increased density of the policy network is illustrated by the structure of the actors at the prefectural level.

6.3.2 Institution Building, Policy Networks and Adaptation in Dodecanese

As it has been shown in chapters four and five, Dodecanese has the best institutional infrastructure in qualitative features, such as capacity for learning and adaptation, which is partly attributed, on the one hand, to the presence of social capital endowments and, on the other hand, to the technical and institutional infrastructure left by the Italians. This strong -for Greece- tradition in institution building seems to be relevant to the process of adapting to the European environment, by seizing the opportunities the Europeanization of regional policy presents for modernization, economic/institutional adjustment and development. Thus, notwithstanding the limited room for manoeuvre, because of the peculiarities of the Greek socio-political structure, the Dodecanese may be viewed as one of the most successful stories in adaptation among the Greek regions.

The approach to the EU regional policy as a challenge for opening up the process of institution building, by facilitating endogenous local action through the provision of the opportunity to bypass the central state structure, became evident in Dodecanese even during the implementation of the IMP for the Aegean islands. Thus, despite the central state-dominated processes of planning and implementation of the programme, in the Southern Aegean in general and in Dodecanese in particular there has been a -in relative terms- considerable presence of local

non-state actors and voluntary organizations¹⁴.

Since the introduction of the CSF (MOP) opened up the game for supra-subnational linkages mainly in the planning and monitoring processes (monitoring committees), local governments and voluntary organizations in Dodecanese have been proved competent in comparison with their counterparts in other regions in both the implementation of specific measures and the institution building, mainly around specific Community Initiatives. Thus, although the implementation of the MOP was mostly run by the prefecture, most of the local governments were involved in the implementation of projects of the MOP and, in particular, of the subprogramme for the protection of the environment. In the same manner they were involved in the implementation of measures of the ENVIREG Initiative. Conversely, the implementation of both the INTERREG I and II Initiatives was undertaken by the prefecture.

Interestingly enough, even though the rapid changes in the external conditions, such as the gradual Europeanization of regional policy for Obj. 1 regions, may make old institutions redundant and hence the need for the creation of new ones, in the Dodecanese, because of the pre-existing qualitative features of the local institutional infrastructure in learning and adaptation, this trend did not vindicated¹⁵. On the contrary, the process of institutional building in the Dodecanese took the form of the adjustment of the existing institutional structures to the requirements of the new environment. Within this framework the creation primarily of the Dodecanese Development Agency (DDA) and secondarily of the Kos Development Agency were perhaps the only important additives in the existing institutional infrastructure. Thus, the DDA was created by the local Association of Municipalities (TEDK) and the Prefecture Council and

¹⁴In the Dodecanese, despite their limited role, the presence of the Society of Rhodes Women and the Leros Metropolis as implementation agents must be stressed.

¹⁵Compare this with the evidence from the Northern Aegean islands prefectures (chapter seven).

focuses on developing local networks mainly around specific Community Initiatives. Hence, it has initiated joint actions with the Prefecture Council, involving the LEADER -for the islands of the I group (see section 6.2)- and INTERREG Initiatives¹⁶.

Whatever the degree of adjustment of the other institutions of the prefecture may be, the role of the Chamber has been dominant within the Dodecanese institutional infrastructure. Given its almost traditional role as initiator of all the fora for dialogue and communication among the actors at the prefectural and local levels, it constitutes the leading institutional actor in adjustment and adaptation to the Europeanization of the policy-making.

Table 6.5
Community Initiatives and Transnational Networks in Dodecanese

ACTORS	INITIATIVE
a) Dodecanese Chamber Nice (France) Irish Spanish Portuguese	a) Economic Observatory (art. 10)
b) Dodecanese Chamber Majorca Chamber	b) ECOMOST (Tourism&Environment)
c) Dodecanese Chamber Chamber Cote d' Azur	c) MERCURE
d) Dodecanese Chamber Kiev Chamber	d) MERCURE-TACIS
e) Dodecanese Chamber Chamber Cote d' Azur	e) EUROFORM

As table 6.5 demonstrates, beyond its role within the local general exchange network (see chapter 4), it constitutes the pioneer of developing and expanding its institution-building capacity at the transnational level. Within this framework, it has participated in numerous EU programmes

¹⁶Interview No 58 with the executive of the DDA (Rhodes, November, 1996).

and initiatives, such as the ECOMOST and ECOLOGIC HOTELS programmes of the DG XXIII, as well as, the MERCURE-TACIS and EUROFORM, along with other European regions. Additionally, it has organized, along with the Hotel Owners Association, a series of conferences on issues about the impact of tourism on development¹⁷.

Finally, a major step forward, in the process of institution building is under way in Dodecanese, involving a joint initiative of the basic institutional actors on a plan of the Prefectural Council for opening of an office in Brussels¹⁸.

The structure of policy networks in the Dodecanese reflects the relatively successful adjustment of its institutional infrastructure to the changing conditions and the level of institution building thus achieved. The density measure, which indicates the degree of network cohesion, in the policy network (0.800) is even higher than in the general exchange network (see chapter 4). This density indicator demonstrates that almost all the actors are connected to each other within the network.

Furthermore, the centrality measures (table 6.6), which reveal the way in which resources are distributed among the actors and subsequently the dominant actors within the network, demonstrate a similar structure to that of the density measure. In particular, the degree of policy network centrality is even lower than that of the general exchange network (24.44% vis-a-vis 33.33%). This low degree of centralization reflects an even more horizontal structure in the policy network than that at the general exchange one (chapter 4). Therefore, what the high density and low centrality measures of the policy network indicate, is that, within the European regional policy environment, resources and power are even more equally dispersed among the local actors. Hence, the possibilities for shifting alliances, creating synergies and achieving collective action

¹⁷Interview No 50 with the president of the Chamber (Rhodes, November, 1996).

¹⁸Interview No 55 with the -newly- elected prefect of Dodecanese (Rhodes, November, 1996).

are even higher within the policy network. In that sense European regional policy may be viewed as a positive external shock that facilitates the processes of crossing the public/private divide, achieving synergies and collective action among public and private actors that constitute the prerequisite for the necessary learning and adaptation processes within the network structure.

Table 6.6
Centrality Measures of General Exchange and Policy Networks
in Dodecanese Prefecture

<u>Organization</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Pref. Council	100.00	100.00
3. Association Mun.&Comm.	90.00	90.00
4. Chamber	80.00	90.00
5. Rhodes City Council	80.00	90.00
6. Tourist Agents' Ass.	80.00	80.00
7. Kos City Council	70.00	80.00
8. Rhodes Hotel Owners Ass.	70.00	80.00
9. Kos Hotel Owners Ass.	70.00	70.00
10. University	30.00	30.00
11. Development Agency	30.00	70.00
Total Network Centralization:	33.33%	24.44%

Looking at the centralization measures of each individual actor on a comparative basis between general exchange and policy network the following points emerge. First, beyond the Regional Secretariat and the Prefectural Council, which, because of their position within the administrative structure of the state, provided the “traditional” leadership of the general exchange network, the role of all the other-public and private-actors has been significantly upgraded. Second, this almost horizontal structure of the network opens up opportunities for synergies among powerful public and private actors and hence for the provision of varying leadership roles. Third, this is crucially dependent on the role of the state structure and the

dynamism of the system of interactions at the local level. Fourth, the upgraded role of the DDA creates possibilities for a crucial role it could play within the local system of governance, which would be favoured by the complete Europeanization of regional policy. Within such a policy environment, the DDA could function as a complementary or even substitute organization to the Association of Municipalities, providing local governments with technical and administrative assistance. Finally, the role of the University remains even in the policy network rather marginal. The only joint involvement of the University and local actors of the Dodecanese prefecture in projects financed by the Structural Funds seems to be the sewage system of the Lipsi island.

The structural features that derive from the centrality measures are further reinforced by the analysis of the structural equivalence, which categorizes actors according to their structural positions within the network. Thus, the structural equivalence (Figure 6.11), when compared with the general exchange network (chapter 4), reveals the following features of the policy network¹⁹. First, with the exception of the University (fourth block), almost all other actors are connected to each other. Second, because of the centralized administrative structure of the state (even in the implementation of the Community Initiatives and the Pilot Projects the state plays the key role), the public actors (Regional Secretariat, Prefecture Council, Cities' Councils) provide the leadership of the policy network. However, almost all the actors of the second and third blocks can provide varying leadership roles in the future. Third, the upgraded status of the Dodecanese Development Agency (DDA) indicates its successful involvement in the LEADER and INTERREG initiatives and its possible role as interlocutor among public and private actors to achieve synergies at the prefectural level. Finally, the structure of the network provides the ground for crossing the public/private divide among the actors, thus facilitating collective action

¹⁹Because of the extremely large number of actors' participation in specific programmes, measures or initiatives, the structural equivalence of actors in the policy network is based on linkages' identification and does not present the number of programmes' participation for each organization.

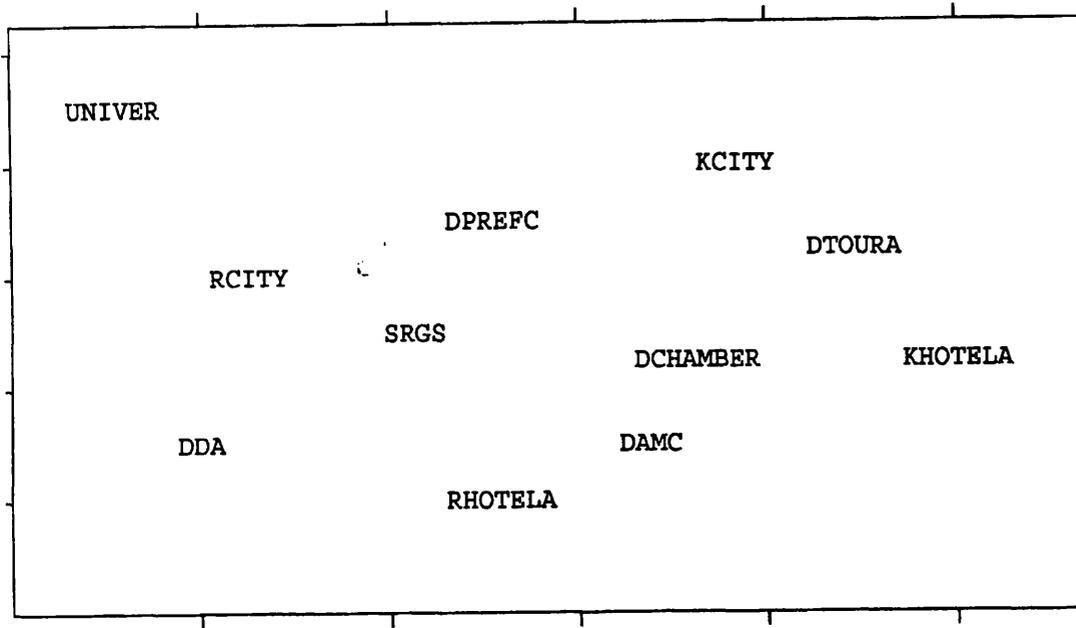
and learning and adaptation processes.

Figure 6.11
Structural Equivalence of Policy Network Actors in Dodecanese

	D P R S R C R E I G F T S C Y	K H O T D E D L A A	D T O D U A R M A C	D C R H H A O K M T C B E I R A Y	U N I V E R
SRGS	1 1 1	1 1	1 1 1 1 1	1	
DPREFC	1 1 1	1 1	1 1 1 1 1	1	
RCITY	1 1 1	1	1 1 1 1 1	1	
DDA	1 1 1	1	1 1 1 1 1		
KHOTELA	1 1	1	1 1 1 1 1		
DTOURA	1 1 1	1	1 1 1 1 1		
DAMC	1 1 1	1 1	1 1 1 1 1		
DCHAMBER	1 1 1	1 1	1 1 1 1 1		
RHOTELA	1 1 1	1 1	1 1 1 1		
KCITY	1 1 1	1 1	1 1 1	1	
UNIVER	1 1 1			1	

The graph of the network based on the multidimensional technique, as depicted in Figure 6.12, vindicates the structural features arising from the structural equivalence. The first observation is that the graph of the policy network represents a more balanced network structure, in comparison with that of the general exchange network (chapter 4). Furthermore, beyond the General Secretariat and the Prefecture Council, which are depicted at the centre of the graph, with the exception of the University, no other actor is marginalised within the network. Hence, the graph corresponds to the cohesive, horizontal and balanced structure of the Dodecanese policy network.

Figure 6.12
Policy Network in Dodecanese



In sum, the Dodecanese prefecture demonstrates a high (for Greece) degree of institution building and adaptation, which, however, is not characterized by the increasing redundancy of old institutions and the emergence of new ones, but rather by the successful structural adjustment of the pre-existing institutional infrastructure. On the other hand, the structure of the policy network is better than in the general exchange network, which means it has a structure more horizontal, cohesive and balanced between public and private actors.

6.3.3 Institution Building, Policy Networks and Adaptation in Cyclades

As established in chapter four, the Cyclades prefecture demonstrates significant similarities to the Dodecanese in qualitative features of institutional infrastructure. In particular, even though Cyclades lack the Dodecanese's tradition in institution building, its institutional infrastructure is characterized by a significant amount of synergies between the actors and the crossing of the public/private divide. The relatively good quality of the Cyclades institutional infrastructure may be attributed to the prompt adjustment of the economic and institutional structure of some islands (Mykonos) towards the tourist sector since the 1960s and to the historical trade and cultural relations of others (Syros) with western Europe.

The processes of institutional building and adaptation to the European policy-making environment, though less prompt than in the Dodecanese, had already become evident during the implementation of the IMP for the Aegean Islands. Thus, like the Dodecanese, the Cyclades was the second prefecture of the entire Aegean islands region with non-state public and voluntary organizations involved in the implementation of the programme²⁰.

The introduction of the CSFs and MOPs marked the start of the learning process for local institutional infrastructure, which proved almost as competent as the Dodecanese in mobilizing around specific programmes or initiatives of European regional policy. The planning and monitoring (Monitoring Committee) processes of the MOP constituted an opening up of direct linkages between the supranational and the subnational levels of government. In this respect, local governments of the Cyclades prefecture, despite the fragmentation of space and the differentiation of economic and institutional structures, exploited the comparative advantage of having easier proximity to the capital of the region (Ermoupolis, Syros) and hence the seat of the

²⁰The Syros Lyceum of Greek Women and the Santorini Commune were amongst the few non-state organizations involved in the implementation of specific projects of the programme (Ministry of Nat. Economy, 1994a).

Monitoring Committee. Even though the implementation process of the MOP as in every region in Greece was primarily run by the Prefecture, local governments were actively involved in the implementation of specific measures, in projects of the MOP and, especially, in the subprogramme for the protection of the environment. Furthermore, as in the Dodecanese, most of the Cyclades's local governments and particularly those of the small and less developed islands were involved in the ENVIREG Initiative's projects focusing on tackling water and sewage problems of the smaller and most disadvantaged islands.

With regard to the process of institution-building the response of Cyclades to the challenges imposed by the rapidly changing environment were rather different from those of the Dodecanese. In particular, there has been a gradual process of building new institutions, mainly because of the lack of appropriate institutional structure. Therefore, the new institutions have been brought about to fill specific gaps within the institutional infrastructure of the prefecture. Within this framework, the Cyclades Development Agency (CYDA) is the outcome of a cooperative network between the Prefectural Council and local Association of Municipalities and Communes²¹. On the other hand, the Ermoupolis Development Agency (ERMDA) was created by the Ermoupolis City Council and the Chamber. Moreover, a series of development agencies seem to be under way, such as the Naxos Development Agency. Thus, the gradual Europeanization of regional policy brought about new institutions focusing mainly on the development of local networking around specific Community Initiatives.

In that sense the Cyclades Development Agency has been currently involved in projects of the LEADER Initiative, whereas the Ermoupolis Development Agency is currently involved in the implementation of the URBAN Initiative in the city of Ermoupolis, which focuses on the

²¹The mayor of Mykonos, is the president of both the local Association of Municipalities and the Cyclades Development Agency.

regeneration of the old city centre²². Finally, several Hotel Owners Associations of the Cyclades complex have been involved in projects of the PRISMA Initiative, focusing on tourist promotion activities.

The structure of the policy network in Cyclades corresponds to the relatively successful adjustment of its institutional infrastructure to the Europeanization of regional policy. The density measure, which is used as an indicator of the degree of network cohesion, has significantly improved in the policy network in comparison with that of the general exchange (0.636 vis-a-vis 0.545 respectively). What the density measure of the policy network indicates is that more than half of the institutional actors are connected to each other within the network.

Moreover, with regard to the centrality measures (table 6.7), which demonstrate the way in which resources are distributed among the actors and hence the dominant actors within the network, there is a lower level of centralization in the policy network in comparison with that in the general exchange network (43.64% vis-a-vis 54.55% respectively). This change indicates that within the regional policy environment, the structure of the network tends to become more horizontal, given the higher degree of actors' involvement in exchange relations with other actors of the network. Therefore, European regional policy creates favourable conditions for resource interdependence and hence for achieving synergistic effects and collective action which are viewed as prerequisites for learning and adaptation. What should be stressed, however, is that the relatively high degree of centralization in both the general exchange and policy networks is because of the extremely low presence of the University within the network.

²²Interviews No 43, 44 with the mayor of Ermoupolis and the president of the Chamber (Ermoupolis, October, 1996).

Table 6.7
Centrality Measures of General Exchange and Policy Networks
in Cyclades Prefecture

<u>Organization</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Prefecture Council	81.82	81.82
3. Association of Munic.&Comm.	81.82	90.91
4. Chamber	72.73	81.82
5. Mykonos City Council	63.64	72.73
6. Ermoupolis City Council	54.55	63.64
7. Hotel Owners Ass.	54.55	63.64
8. Tourist Ag. Ass.	54.55	63.64
9. Training Centre	36.36	36.36
10. Development Agency	27.27	63.64
11. Ermoupolis Development Ag.	18.18	36.36
12. University	9.09	9.09
Total Network Centralization:	54.55%	43.64%

Looking at the centralization measures of any individual actor at both the general exchange and policy network, the following points should be emphasized. First, under the Regional Secretariat, which is the most central actor within the networks, there is a significant presence of institutional actors other than the Prefectural Council (especially in the policy network). In particular, primarily the local Association of Municipalities and the Chamber, and secondarily the Mykonos City Council, are well connected, important actors within the prefecture and especially in the policy network. Second, there is, especially in the policy network, a considerable presence of important public and private actors under the leading actors (Regional Secretariat, Prefectural Council, Association of Municipalities), that constitute the basis for future public/private alliances at the local level. Third, the upgraded role of both development agencies (CYDA and ERMDA) within the policy network indicates that under certain circumstances (favourable policy making environment, such as that of complete Europeanization

of regional policy), they can play the crucial role of interlocutors between public and private actors, thus achieving synergies and providing local actors with crucial technical and administrative assistance. In that sense they may be seen as substituting for the role of the Association of Municipalities and Communes at the prefectural level. Finally, the role of the University remains extremely marginal, even within the policy network.

The main structural characteristics that derive from the analysis of the centrality measures are further strengthened by the structural equivalence, which identifies common structural positions among actors within the network, according to the structure of their relationships. Thus, the structural equivalence (Figure 6.13), when compared with the general exchange network (chapter 4), reveals the following structure of the policy network. First, the University is the only marginalized actor within the structure of the policy network. Second, there are some similarities to the policy network structure in the Dodecanese, in the sense that under the leading -public-actors (Regional Secretariat, Prefecture Council and Association of Municipalities), there is a group of public and private-interest organizations (Mykonos and Ermoupolis City Councils, Chamber, Hotel Owners' Association and Tourist Agents), which, although less connected within the network, contribute to its cohesive and horizontal character.

However, with the exception of the University, there is a group of actors in the Cyclades network, namely the Ermoupolis Development Agency, the Training Centre and the Ermoupolis City Council, which for several reasons are still clearly less connected within the network. Hence their position in shifting alliances and achieving synergies and collective action is rather weak. Conversely, since the status of the Cyclades Development Agency has been substantially upgraded within the policy network, it constitutes a more important and cohesive actor in the sphere between public and private actors, and contributes to network cohesion as well. Within this framework there is a rather limited number of actors in comparison with the Dodecanese that

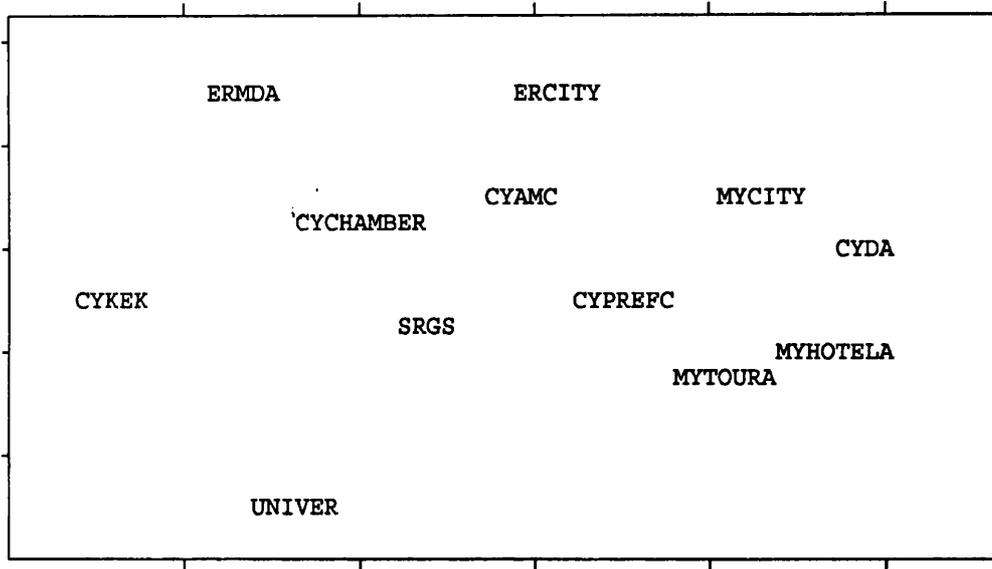
can provide varying leadership roles and facilitate the stabilization of relations among the key institutional actors, which is required by the learning process.

Figure 6.13
Structural Equivalence of Policy Network Actors in Cyclades

	C	Y	M	C	U	E
	C	Y	M	C		
	H	H M	Y Y			
	C A	O Y	T P	N	R E C	
	S Y M	T C C O R		I	C R Y	
	R A B	E I Y U E		V	I M K	
	G M E	L T D R F		E	T D E	
	S C R	A Y A A C		R	Y A K	
SRGS	1	1	1	1	1	1
CYAMC	1	1	1	1	1	1
CYCHAMBER	1	1	1	1		1
MYHOTELA	1	1	1	1		
MYCITY	1	1	1	1		1
CYDA	1	1	1	1		1
MYTOURA	1	1	1	1		
CYPREFC	1	1	1	1		1
UNIVER	1				1	
ERCITY	1	1	1			1
ERMDA	1	1	1			1
CYKEK	1	1	1			1

The graph of the network (Figure 6.14), based on a multidimensional scaling technique, depicts the main structural features arising from structural equivalence. In particular, the main characteristic of the policy network seems to be a slightly more balanced structure when compared with the general exchange network (chapter 4). On the other hand, it clearly illustrates that beyond the University, which is marginalised, the Ermoupolis Development Agency (ERMDA) and the Training Centre (CYKEK) are at the margins of the network, as they were in the general exchange network.

Figure 6.14
Policy Network in Cyclades



Conclusions

This chapter has demonstrated that, despite the general weaknesses in the implementation of the first integrated development plans of European regional policy (IMPs and MOPs) in Greece, there have been signs of some differentiation among the regions of the Aegean islands. In the case of the IMP -which referred to the entire Aegean islands region- the differentiation between the Southern and the Northern Aegean was identified with the structural priorities and effectiveness in the use of resources.

In the case of the MOPs, however, where comparisons are easier, despite the intra-regional (among the islands) differences, a more clear differentiation initially among the Southern and the Northern Aegean regions and at a second stage among Dodecanese and Cyclades has been identified, which seems to be related to the structure of priorities, the absorption capacity and the efficient use of resources per subprogramme.

As the analysis of the processes of institution-building and adaptation in the Southern Aegean islands region has shown, the capacity for adaptation within the European regional policy environment is crucially dependent on specific features of the system of institutional interactions at the regional and local levels, such as learning capacity. The network analysis at both the regional and prefectural levels of the Southern Aegean has demonstrated that regions best able to adapt to changing conditions are those that possess learning institutional networks, that is networks able to change with changing conditions.

Moreover, even if there are no such networks at the regional level, the process of institution-building may be seen as an externally-driven process for promoting adaptation capacity at the local level. This process, however, is dependent on the presence of crucial socio-cultural factors at the local level, such as trust, norms and networks that can facilitate collective action, and hence the learning and adaptation processes.

7. NEITHER LEARNING NOR LEADERSHIP: POLICY NETWORKS AND STATE-DRIVEN ADAPTATION IN THE NORTHERN AEGEAN ISLANDS

Introduction

By focusing on the implementation and monitoring of the first CSF (1989-93), this chapter examines the degree to which the main features of the local institutional infrastructure in the Northern Aegean Islands region (chapter 5) have affected the institutions and policy-adaptation processes within the European structural policy. Given, however, the innovative character of the CSFs as a step forward in the integrated approach initiated by the IMPs and the generally poor results of the implementation of the first CSF in the region, the evidence from the implementation of the Aegean IMP and the initial phase of the second CSF (1994-99) is assessed to make an overall comparative evaluation of the adaptation process over a longer period of time.

7.1 Planning and Implementing the IMP in the Northern Aegean

As identified in chapter 6, for the planning procedures of the IMPs the entire Aegean islands area constituted a single region. Hence the common priority objectives of the Aegean islands IMP are the improvement of transport and communication linkages to combat the isolation of the islands; the control of tourist development; the promotion of tourism in the tourist-underdeveloped islands; and finally, agricultural development (see chapter 6).

However, beyond the generally low degree of completion of the programme as a whole (79%) and of its four subprogrammes in the entire Aegean islands region (chapter 6), the Northern Aegean has demonstrated important qualitative aspects in both the orientation of the funds and in the effectiveness and efficiency of the implementation of the programme. In that respect, the following points should be emphasized. First, the low degree of completion of the subprogramme III (74%), that was identified in chapter 6, is to a significant extent attributed to

the poor results of the programme in the Northern Aegean islands. In particular, given the primary focus of the subprogramme towards the promotion of tourist development in the underdeveloped islands, its core was constituted by a specific measure for the promotion of agro-tourism in the islands of the Northern Aegean. However, the orientation of the measure ended up in providing financial support for projects of central state agencies, focusing on the creation of a new source of income, complementary to the agriculture for the inhabitants, through the supplementary development of tourism¹. Moreover, the lack of any bottom-up collective participation by local actors and the subsequent absence of the necessary structural support (promotion, advertisement) led initially to poor results and eventually to the complete failure of the projects.

Second, in the sector of power supply, despite the increase in demand over time and the significantly higher cost of electric power in comparison with continental Greece, the implementation of the measure in the Northern Aegean islands and particularly in Lesbos suffered substantial delays and inefficiencies. In particular, the project for the creation of a power plant in Lesbos, which had been included in the initial plan of the IMP, experienced significant delays because of local clientelist reactions and hence waste of financial resources. Thus, notwithstanding the existing range of the unexploited yet renewable sources of power on the islands, the implementation of the specific measures in the sector of electric power supply through conventional means was marked by a substantial differentiation between the Southern and Northern Aegean regions in the degrees of effectiveness and efficiency. This differentiation should be attributed to specific features of the institutional infrastructure in the Northern Aegean

¹ Although the implementation of the measure was managed by the Ministry of Agriculture, the most well-publicized projects were the women agro-tourist cooperatives of Petra (Lesbos) and Mesta (Chios), in which the active involvement of Mrs. Papandreou, the wife of the then prime minister, played the decisive role. The 84 agro-tourist units in the Northern Aegean islands were located as follows: 41 in Lesbos, 11 in Chios and 32 in Samos (Ministry of National Economy, 1994a).

and particularly in Lesbos.

Third, in the subprogrammes focusing on the upgrading of the basic and tourist infrastructure, as well as on the level of human capital, a differentiation in the orientation of the funds and in the levels of effectiveness and efficiency between the Aegean islands regions has been identified, which is closely linked to crucial deficiencies in the local institutional infrastructure and, at a second stage, to pressures from well-established local clientelistic networks. In particular, beyond the differentiation in the sector of transport linkages (ports, airports), which were identified in chapter 6, the comparative failure of the Northern Aegean region in the measures of the infrastructural subprogrammes II and III, involving projects of tourist infrastructure (marines) and projects aimed at the improvement of the general development infrastructure (i.e. Lesbos shell-fish production plant), has been attributed either to the incapacity of the local institutional infrastructure, or to clientelist reactions of local actors (Ministry of Nat. Economy, 1994a). Thus, the relatively good performance of the Northern Aegean in primarily small-scale projects for the expansion and improvement of the road network of the islands is viewed as a consequence of the dominant role played by local clientelist networks in the planning and monitoring processes of the IMP.

Finally, the still high, in comparison with the Southern Aegean, weight of agriculture in the use of the ESF funds for training and the improvement of human capital² points to the maintenance of the agricultural orientation in the productive structure of the region.

In conclusion, the qualitative features of the local institutional infrastructure in the Northern Aegean islands (see chapter 5) have become evident even in the planning and implementation processes of the IMP, despite its unified structure and the dominant role played

²The trainees in the agricultural sector in the Northern Aegean have constituted the 17% of the total trainees, while the percentage for the entire Aegean islands region is just 7.2% (Ministry of Nat. Economy, 1994a:84).

by the central state in the management of the programme. These institutional weaknesses are further illustrated by the differentiation between the two regions in qualitative features of the institutional actors involved in the implementation of the programme, as it is demonstrated in the following section 7.3.1.

7.2 The Effectiveness Gap in Implementing the first CSF (MOP 1989-93)

The main feature of the effectiveness gap between the two Aegean islands regions in the implementation of the Multifund Regional Operational Programmes (MOPs) is, as identified in chapter 6 (Fig. 6.4), a differentiation in the capacity for absorption of the allocated funds of the programme. Furthermore, the priority objectives put forward by the MOP for the Northern Aegean islands region correspond to the existing differentiation in the phase of the adaptation process in comparison with the Southern Aegean. Thus, they emphasize sectors that can facilitate the processes of structural and productive adjustment in the region. Hence, the main priorities of the programme refer to improving the communications and energy infrastructures, the exploitation of raw materials and natural resources, the improvement of the living conditions through the upgrading of the basic infrastructure and the development of the human resources of the region (CEC, 1990a:40-41). The specific measures financed by the ERDF to achieve the above objectives involve the improvement of transport and communication linkages, as well as the water, sewerage, social and educational basic infrastructures, the exploitation of the cultural heritage and the provision of services to the SMEs. Additionally, the interventions financed by the ESF subprogramme in the region include vocational training measures in farming and spa-tourism, agricultural diversification, fisheries and geothermal energy. Finally, the EAGGF subprogramme is primarily focused on measures for the preservation and protection of natural resources and the environment, as well as the repair of damage caused by natural disasters.

Within this framework the distribution of the financial resources in the MOP of the Northern Aegean region demonstrates a considerable orientation towards the sectors of social infrastructure, business support and agriculture-related measures. In particular, as Figure 7.1 reveals³, the sectors related to the crucial for the islands transport and communication physical infrastructure, such as airports and ports, account for just the 19% of the programme, while the social and basic infrastructure, which correspond to sectors of social infrastructure, such as health, security, housing and water and sewerage absorb 24.6% of the allocated funds. Additionally, the high share of the road networks (24.80%) deserves special reference. It refers primarily to small-scale interventions that should be attributed to local clientelist pressures rather than to a demand rooted in real local needs⁴. Finally, the major share of the funds allocated to the education and training sector (13.3%) refers to the creation of

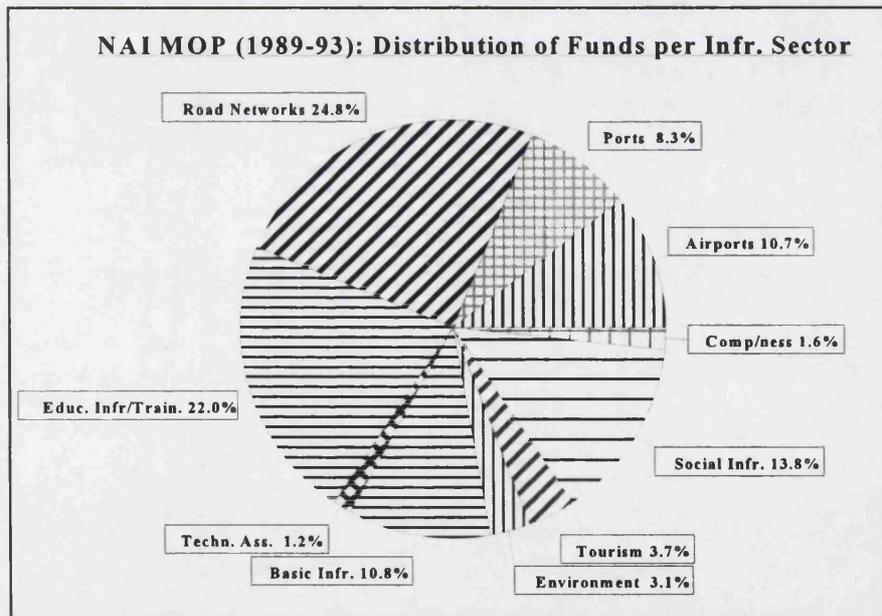


Figure 7.1

³It is based on data from the evaluation report of the MOP of the Northern Aegean (Ministry of Nat. Economy, 1993a).

⁴Compare these data with the equivalent data of the Southern Aegean, where the airports and ports-related infrastructure represents the 28% of the funds, the road networks the 14.9% and the social services-related infrastructure did not exceed the 16% (see chapter 6).

educational infrastructure (school buildings) and only the remaining 8.7% is earmarked for vocational training, from which a substantial amount refers to the agricultural sector.

The impact, however, of the problematic structural adjustment of the region on the management of the EU funds becomes even more clear from analysis of the qualitative features of the absorption capacity per subprogramme. In particular, as Figure 7.2⁵ demonstrates, the by far greater contributor to the funds allocated to the programme is the ERDF (78.99%), whose primary orientation is structural interventions in the physical infrastructure (transport, communication). Conversely, the Funds responsible for the creation of social infrastructure (ESF, EAGGF) represent a rather small part of the total funds of the programme.

On the other hand, by looking at the structure of the generally low (57%) absorption rate of the region per subprogramme⁶ (Figure 7.3), what emerges is the deficiencies of the structural adjustment of the region. In particular, the region demonstrates higher absorption rates (66% and 67% respectively) in the ESF and

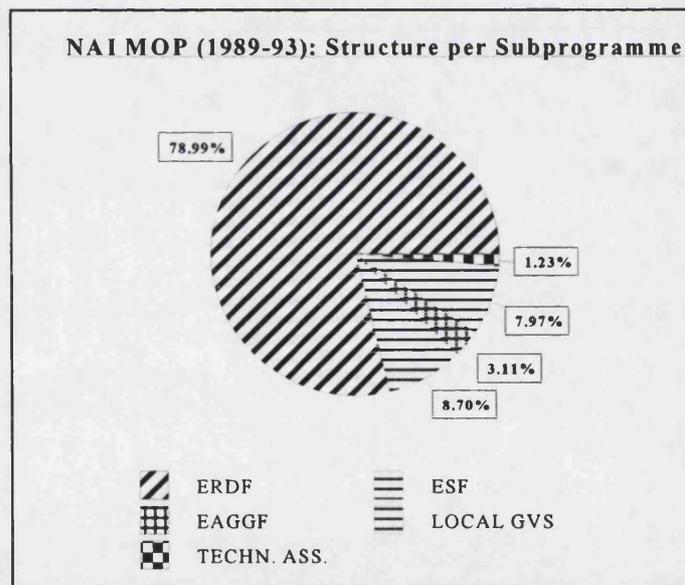


Figure 7.2

⁵The data derive from the evaluation report and hence refer to the final structure of the programme as it was formulated after the successive reforms brought about by the Monitoring Committees (Ministry of Nat. Economy, 1993a).

⁶The data derive from the evaluation report and reflect the 1993 state of the implementation process of the programme (Ministry of Nat. Economy, 1993a). It should be noted that non absorbed funds of the first MOP transferred to the second MOP (1994-99).

EAGGF subprogrammes, that is the lower funded and social infrastructure-oriented subprogrammes. Conversely, it shows low rates of absorption (just 47%) in the ERDF subprogramme, which provides financial assistance to physical infrastructure projects. Finally, the also low level of absorption of the specific programme for projects undertaken by local governments (53%) reflects the limited capacity for learning and adaptation of the local governments in the region as a whole. Furthermore, this picture reflects the problematic implementation of a wide range of measures financed by the ERDF in basic infrastructure (promotion of region's products, exploitation of the cultural heritage), while the only relatively successfully implemented measures are related to the activities of the mastic growers of Chios (see below) and the improvement of the tourist infrastructure of the island.

Moreover, on the contribution of the private sector to the Northern Aegean MOP, the following points should be emphasized. First, as it has been shown in chapter 6, even though primary (*ex ante*) data show a contribution of the private sector to the programme as high as 3.41%, according to the ex-post

(after implementation) data, it does not exceed 1.42% (Ministry of Nat. Economy, 1993a).

Second, this contribution refers, almost exclusively, to the contributions of the local governments to the projects of their specific subprogramme and

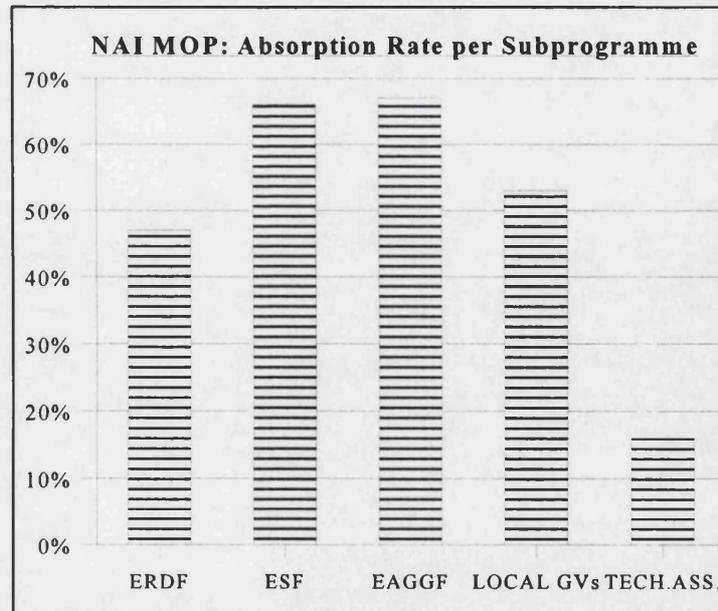


Figure 7.3

to the measures of the EAGGF subprogramme for the processing of the cattle-farms' waste material. Finally, despite the relatively low level of the private sector contribution to the Southern Aegean MOP (around 3%, as in chapter 6), it is well above the real rate of the Northern Aegean.

The impact, however, of the local specificities on the degrees of effectiveness and efficiency in the implementation and monitoring processes of the programme cannot be raised without taking into account the local specificities at the prefectural level. Furthermore, whatever the differentiation may be in local needs and institutional capacity between the Lesbos, Chios and Samos islands and simultaneously prefectures, it is expected to emerge by focusing on inter-prefectural comparisons. Thus, as Figure 7.4 -which is based on ex-post data from the major structural interventions financed by the MOP⁷- reveals, the general trend in the distribution of the EU financial resources per prefecture seems to follow the tradition established for the funds of the national Public Investment

Programme, that is the scheme 40%, 30%, 30% for Lesbos, Chios and Samos respectively (see chapter 5). This trend should be attributed to the dominant role of the regional secretariat in the allocation of the EU resources through the mechanisms of the Public Investment Programme.

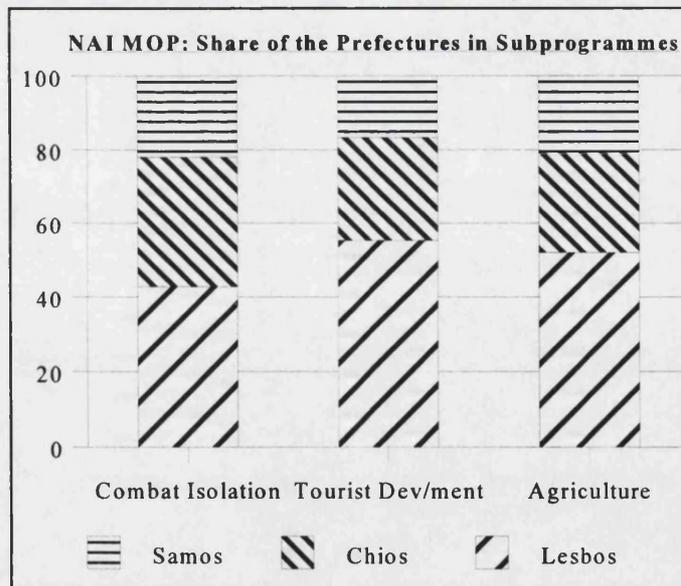


Figure 7.4

⁷Because of the lack of appropriate -after implementation- data on the allocation of the funds at the prefectural level per Fund/subprogramme (ERDF, ESF, EAGGF), the Figure draws on data per category of structural interventions (Ministry of Nat. Economy, 1993a).

The Lesbos prefecture has the greater share in the two infrastructure-oriented categories of structural interventions, that is transport and communication linkages to combat the isolation of the islands and tourist development, which are mainly funded by the ERDF. Both categories, of tourist development and combating the isolation of the islands, involve a wide range of structural interventions from transport (airports, ports) linkages to water and sewerage infrastructure. However, the relatively balanced share with the Chios prefecture in the first category is attributed to the rather successful implementation of the specific National Programme of Community Interest (NPCI) for the Chios island, which was incorporated into the MOP in 1992 (see below).

Nevertheless, in the third category of the interventions in the agricultural sector, the case of the Lesbos prefecture deserves special reference. It provides evidence of the way in which the Common Agricultural Policy (CAP), based on the price subsidization mechanism, not only contradicts the goals of European regional policy, but also often provides counter motives for adaptation and adjustment, thus contributing to the widening, in the long-term, of the divergence gap among the EU regions. In particular, the increased share of the Lesbos prefecture in the category of the mainly EAGGF-funded and agricultural restructuring-oriented measures of the programme is distorted by the heavy subsidization of olive oil production⁸ through the CAP. The CAP subsidies have constituted one of the main reasons for the failure of the agricultural restructuring subprogrammes and measures of the IMP, the first CSF and most important of the LEADER Initiatives in Lesbos. Moreover, the heavily subsidized producers lack motivation to participate in local networks and development initiatives focused on improving the adaptation capacity of the local economy by enhancing collective competitiveness.

⁸In particular, the production subsidies in Lesbos amounted to 4.33% and 6.05% of the 1993 and 1994 Gross Prefectural Product respectively, while the amounts seem to be similarly high during the following years, depending on the size of production (Interviews with the responsible directors of the Ministry of Agriculture and the Lesbos Prefecture, Athens, Mytilene, October, 1996).

Whereas the share of the Lesbos prefecture in almost all the categories of the EU structural interventions is substantially increased, the absorption rate data point to the opposite direction. In particular, as Figure 7.5 reveals, Lesbos demonstrates the lower absorption rate in the ERDF subprogramme over the whole programme period, which reflects the problematic implementation of specific measures of the subprogramme. The measures with the major deficiencies in Lesbos are in the sectors of water and sewerage, educational infrastructure, airports and promotion of the prefectural products. Although the factors that have affected these effectiveness and efficiency gaps in the management of the funds and the implementation of the programme in Lesbos range widely from parochialist reactions closely linked to protection of individualistic interests to the institutional incapacity, what emerges from the qualitative analysis as the most important factor is the weakness of the local institutional infrastructure.

Conversely, Chios demonstrates, in comparative terms, a better performance, which partly reflects the rather successful implementation of the basic social infrastructure measures and the measures of the specific National

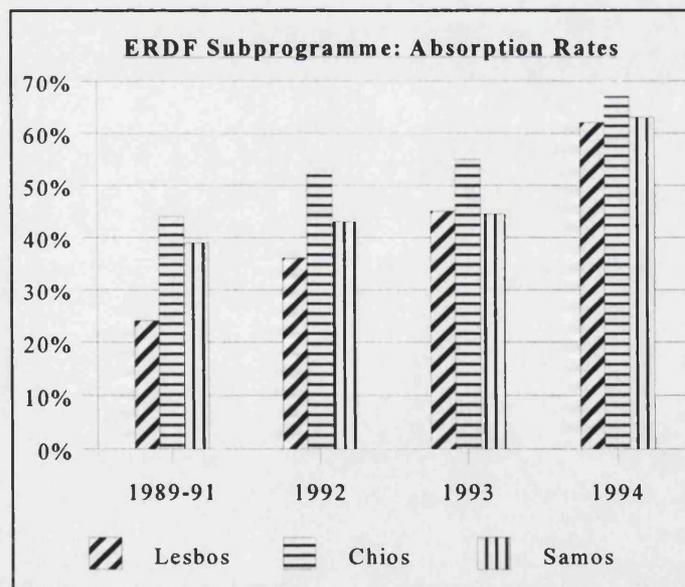


Figure 7.5

Programme of Community Interest (NPCI) for Chios⁹, which was mainly used for the improvement of the production methods and the promotion of mastic and mastic-products. The successful implementation of the measures for market-research, promotion of new mastic products and training of mastic growers, in which the Mastic Growers' Association played the key role¹⁰, has contributed to the better overall performance of Chios in the ERDF subprogramme. However, the generally better quality of the local institutional infrastructure of Chios seems to be linked with the higher absorption rates in the subprogramme.

Finally, the comparatively satisfactory performance of Samos in the ERDF subprogramme is attributed to the rather successful implementation of the measure for the creation of tourist infrastructure (marinas) and the measure for the improvement of the road network on the Samos and Ikaria islands.

The existing differences in the capacity for learning and adaptation at the local government level between the islands are illustrated by the absorption performance in the specific subprogramme for local governments

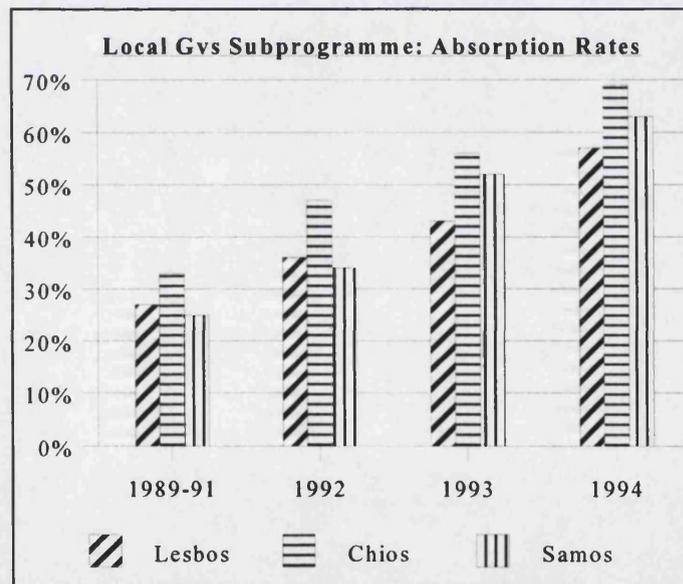


Figure 7.6

⁹The National Programme of Community Interest (NPCI) for Chios was a ERDF-financed (21.858 Mecus) programme for the period 1/1/1988-31/12/1992 focusing on the sectors of the basic infrastructure, manufacturing and tourism. After a decision taken by the Monitoring Committee in 1992, the unabsorbed by 31/12/1992 funds of the programme were transferred into the MOP and hence the implementation of the programme was carried out through the subprogrammes of the MOP.

¹⁰Interview No 16 with the director of the Mastic Growers' Association (Chios, October, 1996).

(Figure 7.6). In particular, notwithstanding the incapacity of all local governments of the region in protection of the environment, the Chios local authorities demonstrate a better performance in absorption rate during the whole period of the programme, when compared with the worst performance of Lesbos and the medium performance of Samos. Thus Chios's local governments have proved particularly competent in comparison with their counterparts in other prefectures in most of the specific measures of the subprogramme, that is; road networks, water and sewerage, tourist and socio-cultural infrastructure. Samos local governments' comparatively good performance, on the other hand, should be attributed to their competence in the specific measures of road networks and tourist infrastructure. Nonetheless, their incapacity in the specific measure for the protection of the environment contributed to its almost negligible rate of absorption. Finally, the institutional weakness of the Lesbos's local governments is mainly illustrated by their failure in the specific measures of tourist and socio-cultural infrastructure and water and sewerage, while they proved incapable of carrying out the two major interventions in the protection of the environment (Ministry of Nat. Economy, 1993a).

For the Community Initiatives, which do not constitute an integral part of the MOPs (see chapter 6), despite the key role of the central state-agencies (ministries, organizations of public sector utilities) in the planning and implementation processes, the evidence from the fieldwork research proved adequate for defining the most important Initiatives for the region and the specific actions financed by them. Thus, by contrast with the Southern Aegean region, only the VALOREN, INTERREG and LEADER Initiatives were identified as linked to the specific structural interventions in the region. In particular, the VALOREN Initiative supported financially the creation of Aeolic parks on the Lesbos and Psara islands, the INTERREG financed part of the works for improvement of the Mytilene port, while the LEADER Initiative supported measures for agricultural restructuring and development in the entire Lesbos

prefecture. The real impact, however, of the Community Initiatives on the mobilization of local actors and the promotion of local partnerships, which is considered their crucial contribution as policy-making tools, will be considered in the following section.

The coincidence of the fieldwork research with the starting up of the implementation phase of the second CSF (1994-99), however, enables for some preliminary comparative observations to be made, even though ex-ante evaluations were not possible. The following points deserve note. First, there is evidence in the second CSF (MOP) of a reorientation of the main development goals of the region towards the abandonment of the previous model based on the traditional sectors of each island (agriculture, maritime industry) and the adoption of tourism as the main developmental sector of the local economy supported by a small-scale agriculture. This shift is interpreted as an outcome of the dialogue, communication and learning processes, initiated by the planning and monitoring procedures of the Structural Funds' programmes. Second, there is a significant improvement in the planning process characterized by an emphasis on the sectors of basic transport and communication infrastructure rather than on indirectly social policy-oriented measures. Finally, there is evidence of the strengthening of the role of local government institutions through the increased support in human and technical resources provided by the specific subprogramme for local governments (Regional Secretariat, 1994).

To sum up: this section has shown that the differentiation identified in chapter 6 between the Northern and the Southern Aegean islands regions in absorption capacity and in the orientation of the funds is accompanied by considerable differences between the islands-prefectures of the region. Thus, at the prefectural level the Lesbos prefecture, even though it has the greater share of the allocated funds, demonstrates the worst performance in absorption in all the subprogrammes. Conversely, the Chios prefecture shows a comparatively high level of absorption rates, mainly because of the relatively successful implementation of the National

Programme of Community Interest. Finally, Samos lies between the two in absorption performance. On the other hand, the Northern Aegean islands region, despite the highly subsidized national regional policy incentive scheme, does not show either a high level of private investment in the region or of contribution of the private sector to the Structural Funds programmes.

Let us turn now to assess in the third section the impact of the weaknesses of the Northern Aegean islands institutional infrastructure at the regional and local levels, as identified in chapter 5, on the adaptation process of the region to the European policy-making environment.

7.3 Institution Building, Policy Networks and Adaptation

Chapter five, by drawing the institutional map of the region and assessing the structural characteristics of the local institutional networks of general exchange, examined the level of collective action and subsequently the capacity for learning and adaptation of the system of institutional interactions at the regional and prefectural levels. This section evaluates the extent to which these qualitative features of the institutional infrastructure and, particularly, the capacity for collective action and learning, have affected the processes of institution building and adaptation of the region to the new European environment.

7.3.1 Institution Building, Policy Networks and Adaptation in the Northern Aegean Islands

The Europeanization of regional policy and the introduction of the programming approach with the first MOP (1989-93) have constituted the most crucial external constraint for both the institutional and policy adaptation of the Northern Aegean islands region. However, despite the presence of a relatively good administrative structure in stability, continuity and hence efficiency of the personnel at the regional level¹¹ (regional Secretariat), the weaknesses of the local institutional infrastructure, as identified in chapter 5, and the subsequent reliance on the central state for vital administrative and technical resources have constituted key impediments to promoting the processes of adaptation and Europeanization in the Northern Aegean. Thus, notwithstanding the significant improvement of the policy-making environment that has become favourable for institutional and policy adaptation, the region continues to lag behind the Southern Aegean islands in quality of network structure and hence in capacity for learning and

¹¹Interview with the responsible in the DG XVI (EU Commission) for the Aegean islands' Structural Funds programmes (see chapter 5).

adaptation¹².

Thus, the Monitoring Committee for the implementation of the MOP, beyond its role as the institutionalized form of the linkages between supranational, national and subnational levels of governance, represents for the Northern Aegean region ‘an unprecedented forum for dialogue and communication, focusing, almost exclusively, on the development *problematique* of the region’¹³.

Table 7.1	
Northern Aegean Regional Partnership for Monitoring the MOP	
A. President: Regional General Secretary	
B. Members:	
1. Prefects:	Lesbos, Chios, Samos
2. Local Ass. of Munic.& Communes:	Lesbos, Chios, Samos
3. Central Gov/ment (Ministries):	Agriculture, Interior, Employment, National Economy, Environment&Public Works, Aegean
4. Interest Group Representatives:	Lesbos and Chios Chambers, Lesbos Farmers’ Ass., Chios and Samos Trade Unions
5. Commission of the EC (DGs):	XVI, V, VI
6. Higher Education Institutions:	University of the Aegean

Source: Northern Aegean’s Regional Secretariat

As table 7.1 demonstrates, this process of EU-induced institutional building is substantiated by the broadening of the regional council to include beyond the prefects and the representatives of the local Associations of Municipalities, representatives of the most important interest group-organizations of each prefecture, such as the Chambers and the Lesbos Farmers’ Association.

¹²This trend had become evident even during the implementation of the IMP for the Aegean islands, when, while in the Southern Aegean there was a considerable presence of non-state local actors and voluntary organizations (see chapter 6), in the Northern Aegean the implementation was a state-driven process.

¹³Minutes from the 14.12.94 meeting of the Monitoring Committee (Interview No 1 with the General Secretary of the region, Mytilene, October, 1996).

Nevertheless, although the implementation and monitoring of the Structural Funds programmes brought about the creation of a series of new institutions in the region, it is not revealed at the regional level, because of the lack of directly-elected regional council¹⁴. Conversely, as will be shown, the creation of new institutions is particularly evident at the prefectural level.

The structure of the policy network at the regional level reflects the above features of the policy-making environment of the region. Thus, although the policy network shows an improved structure in comparison with the network of general exchange (chapter 5), it continues to demonstrate the same general characteristics, that is low density and high centralization. In particular, even though the density of the policy network -which to reiterate indicates the degree of network cohesion- is improved in comparison with that of the general exchange network (0.277 vis-a-vis 0.237 out of 1 respectively), it remains extremely low, which reflects the small number of actors connected to each other within the network. Furthermore, as table 7.2 with the centrality measures of both the general exchange and policy networks indicates, despite the improvement in the degree of centralization of the policy network, it remains highly centralized (79.22%). What the low density and high centrality rates indicate, is that, even within the EU policy environment, the network continues to demonstrate the same structural features, that is fragmentation at the prefectural level and centralization in the regional secretariat.

The following lessons are drawn from this comparative analysis. First, although the creation of the region has constituted a reform of the Greek administrative system, imposed, to a significant extent, by the Europeanization of regional policy, it shows low degree of institutionalization within the local system of governance, even in the favourable environment of European regional policy. Second, despite the low capacity of the institutional infrastructure

¹⁴Moreover, the only presence of the region in transnational networks is in the EURISLES programme, through a mini-network, comprising the Research Unit for island Development of the University and the Chios Association of Municipalities, which had undertaken the implementation of the programme in the Northern Aegean.

of the Northern Aegean in learning and adaptation, the European policy-making environment has functioned as an external impetus for the improvement of the main structural features of the local institutional network. Finally, the institution building and adaptation processes are as slow as the learning process, especially under conditions of an unfavourable socio-cultural environment and a centralized state structure.

TABLE 7.2
Centrality Measures of General Exchange and Policy Networks
in Northern Aegean Islands

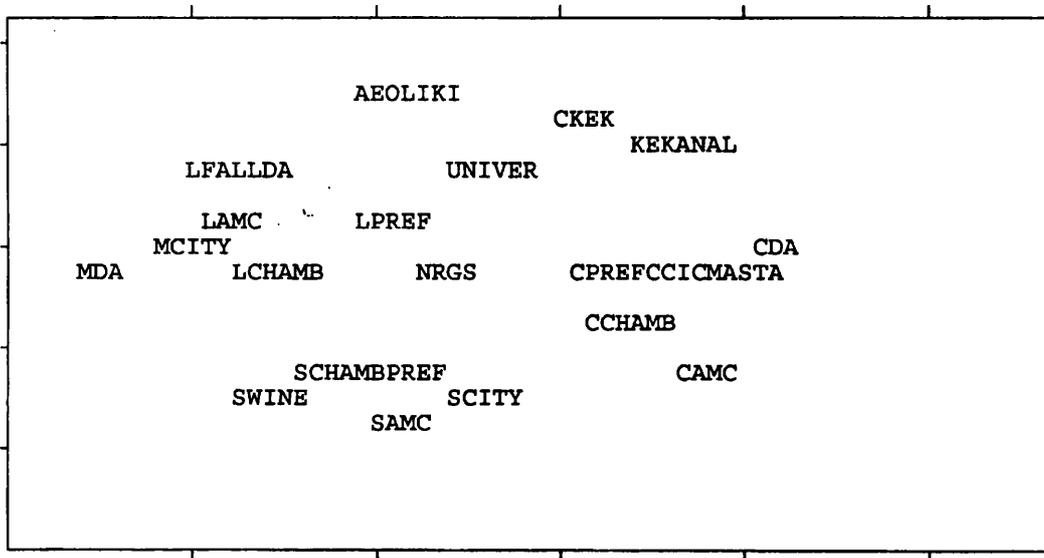
<u>Organizations</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Lesbos Pref. Council	40.91	40.91
3. Chios Pref. Council	36.36	36.36
4. Mytilene City Council	31.82	31.82
5. Samos Pref. Council	27.27	31.82
6. Lesbos Chamber	27.27	36.36
7. Chios Chamber	27.27	27.27
8. Chios City Council	27.27	31.82
9. University	22.73	27.27
10. Lesbos Farmers' Ass.	22.73	22.73
11. Samos City Council	22.73	18.18
12. Samos Chamber	22.73	27.27
13. Lesbos Ass. Munic. & Comm.	18.18	36.36
14. Chios Mastic Producers' Ass.	18.18	27.27
15. Samos Wine Makers' Ass.	18.18	18.18
16. Lesbos Training Centre	13.64	13.64
17. Chios Ass. Munic. & Comm.	13.64	13.64
18. Samos Ass. Munic. & Comm.	13.64	18.18
19. Aeoliki Dev. Agency	9.09	9.09
20. Mytilene Mun. Dev. Agency	9.09	18.18
21. Chios Mun. Dev. Agency	9.09	13.64
22. Chios Training Centre	9.09	9.09
23. Lesbos Local Dev. Agency	4.55	27.27
 Total Network Centralization:	 83.55%	 79.22%

The centrality measures of the individual actors within the policy network reflect the degree to which the role of any particular actor has been upgraded within the European regional

policy environment. Thus, the upgraded role of the Lesbos Local Development Agency, Mytilene Municipal Development Agency, Aeoliki Development Agency and Chios Municipal Development Agency in the policy network reflects their involvement in the implementation of specific programmes or initiatives (LEADER, IMP, VALOREN), which will become more clearly evident in the analysis of the prefectural level. Additionally, the upgraded status of prominent private-interest or associational actors (Chambers, Local Associations of Municipalities and Communes, Chios Mastic Growers' Association) in the policy network should be attributed either to their participation in the Monitoring Committee or to their involvement in the implementation of specific programmes of the MOP at the prefectural level. Finally, the relatively upgraded status of the University in the policy network corresponds to its participation in the Monitoring Committee, as well as to its involvement in implementation projects, mainly by carrying out research studies.

The graph of the Figure 7.7, which is based on multidimensional scaling technique, depicts the structure of the policy network in Northern Aegean. What the graph reveals is a structure of the network significantly similar with that of the general exchange network (chapter 5). In particular, the regional secretariat, which remains the central actor within the network, is depicted at the centre of the graph, while the increased density of the network and the upgraded degree of centrality of particular actors is illustrated by the thicker structure of the actors at the prefectural level. Finally, what emerges by comparison with the policy network of the Southern Aegean (chapter 6), is that, despite the common structural features of fragmentation and centralization, the policy network in the Southern Aegean demonstrates a better structure at the prefectural level.

Figure 7.7
Policy Network in the Northern Aegean Islands



7.3.2 Institution Building, Policy Networks and Adaptation in Lesbos

As has been demonstrated in chapter 5, the qualitative and quantitative features of Lesbos's institutional infrastructure reflect the lack of dialogue and communication among public and private actors and subsequently the lack of synergies at the local level that would facilitate the learning and adaptation processes. This weakness of the local institutional network corresponds to and is affected by the lack of local leadership, almost since the "golden age" at the start of the twentieth century. Therefore, the incapacity for the formulation of an endogenously-driven development strategy goes hand in hand with the lack of the appropriate mechanisms for the re-stabilization of the system of local interactions, which the learning process would require during periods of catching up with changes occurring in the external environment. Hence the dependence of the local system of governance either on central state agencies or on fragmented initiatives undertaken by specific actors (Chamber) for the necessary administrative, financial and technical resources should be seen as a logical consequence.

Nonetheless, even within this policy environment, the EU regional policy programmes constituted an external constraint for challenging the established relationships among the actors within the local institutional networks and promoting the institution-building and adaptation processes of the local system of interactions. After the introduction of the programming approach with the CSFs and the MOPs, in particular, and the opening up of the process for bypassing the central state level and establishing direct supra-subnational linkages, there was a start up of initiatives towards enhancing the learning process within the local system of governance¹⁵.

This process, however, was marked by a tendency to create new institutions, since changes in external conditions, such as the Europeanization of policy-making in this case, and the process of catching up, entailed by learning, often lead to a redundancy of old institutions: hence the necessity for the creation of new ones¹⁶. Thus, the Chamber has been involved, along with the Farmers' Association and the Association of Municipalities, in the creation of the Local Development Agency for the management of specific Community Initiatives and, in particular, of the LEADER Initiative so crucial for the Lesbos's monocultural economy. Furthermore, the Mytilene Municipal Development Agency, created by the Mytilene City Council, operates as a municipal enterprise and has been involved in implementing projects of the ERDF subprogramme of the MOP, such for the exploitation of geothermy in agriculture-related activities¹⁷. The Aeoliki is another Municipal Development Agency, created during the implementation of the IMP by the Mytilene City Council. It was involved in the implementation

¹⁵Interview No 3 with the president of the Chamber (Mytilene, October, 1996).

¹⁶This phenomenon, however, should be compared with what happened in the Southern Aegean and particularly in Dodecanese, where, because of the pre-existing qualitative features of the local institutions in learning and adaptation, the process of institution-building took the form of adjusting the existing institutional structures to the requirements of the new environment (see chapter 6).

¹⁷Interview No 7 with the responsible councilor of the Mytilene City Council (Mytilene, October, 1996).

of the VALOREN Initiative (which was managed by the state-owned electric power company) for building two wind-generators on the island. Finally, the Prefectural Council along with the local Association of Municipalities were involved in the creation of the Training Centre in an attempt to facilitate the implementation of the ESF subprogramme of the MOP¹⁸.

This rather extended process of institution-building, however, did not change significantly the mainly regional secretariat and prefecture-dominated process of the implementation of the MOP in the prefecture, which is indicated by the density, centralization and structural equivalence measures of the policy network. Thus, although the density measure, which shows the degree of network cohesion, has been substantially improved in the policy network (0.564 vis-a-vis 0.418 of the general exchange), is still inadequate for the adaptation process, since it implies that only half the actors are connected with each other within the network.

Additionally, looking at the centrality measures (table 7.3) similar structural characteristics with that from the density indicator emerge. In particular, even though the degree of centrality in the policy network is significantly lower when compared with the general exchange network (53.33% vis-a-vis 71.11% respectively), the policy network retains its rather vertical structure, which indicates that power and resources are still unequally dispersed among the actors. Hence, what the density and centralization measures reveal is a structure of the policy network still unfavourable for shifting alliances, creating synergies and achieving collective action among public and private actors at the prefectural level, thus inhibiting the learning and adaptation processes within the network. Nonetheless, the significant improvement of both the density and centralization measures in the policy network indicates that, even if the conditions for learning and adaptation are unfavourable (lack of social capital endowment and weak

¹⁸Interview No 2 with the prefect of Lesbos (Mytilene, October, 1996).

institutional infrastructure), European regional policy challenges the resistance to change of the local institutional actors and initiates at least the starting up of the learning process.

TABLE 7.3
Centrality Measures of General Exchange and Policy Networks
in the Lesbos Prefecture

<u>Organization</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Lesbos Pref. Council	70.00	70.00
3. Mytilene City Council	70.00	70.00
4. Lesbos Chamber	40.00	60.00
5. Lesbos Ass. Munic.&Comm.	40.00	80.00
6. University	30.00	40.00
7. Lesbos Farmers' Ass.	30.00	50.00
8. Lesbos Training Centre	30.00	30.00
9. Aeoliki Mun. Dev. Agency	20.00	20.00
10. Mytilene Mun. Dev. Agency	20.00	40.00
11. Lesbos Local Dev. Agency	10.00	60.00
Total Network Centralization	71.11%	53.33%

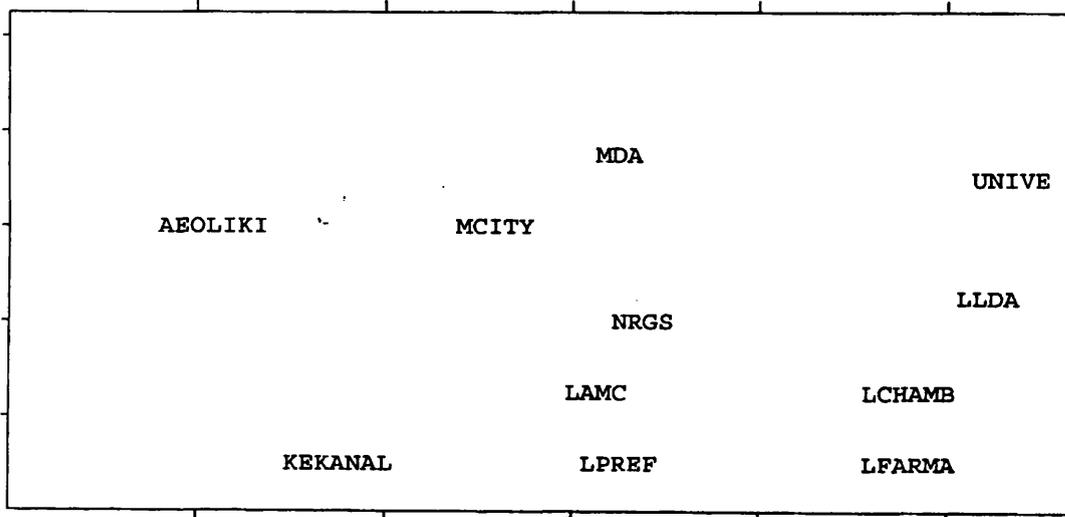
From the centrality measures of the individual actors on a comparative basis the following points deserve reference: first, the Regional Secretariat remains the central actor, even in the policy network. This dominance reflects the weakness of the local institutional network to provide varying leadership roles for endogenous institutional actors. Second, the upgraded status of the Association of Municipalities in the policy network reflects its crucial role primarily in monitoring and secondarily in the implementation processes of the MOP, and especially in the ESF subprogramme for vocational training and the specific subprogramme for the local governments. What this upgraded status essentially brings about, however, is the traditionally key role the Association has as mediator between the first and the second tiers of local government within the local system of governance. Furthermore, this status establishes expectations for other leadership roles in the local network, along with the Prefectural Council and the Mytilene City

Council. Third, the strengthened position of the Local Development Agency (LLDA) points to the possibilities for it having a more important role within the local system of governance in the future, that might be favoured by successful learning and adaptation processes necessitated by the further Europeanization process. The LLDA would expect to gain a complementary role to that of the Association of Municipalities, providing local governments with technical and administrative assistance. Finally, the role of the University is further upgraded in the policy network, especially in comparison with the Southern Aegean. This upgrading corresponds to its joint involvement with the LLDA and the Mytilene Municipal Development Agency in subprogrammes of the MOP.

The analysis of the structural equivalence, which categorizes actors according to their structural positions within the network, strengthens further the main structural features that derive from the centrality measures. In particular Figure 7.8 in comparison with the general exchange network (chapter 5) reveals the following structural features of the policy network¹⁹. First, the Regional Secretariat (block one) remains the only leading institutional actor within the network. Second, the upgraded role of the LLDA (block two) places it among the leading institutional actors within the local system of governance, along with the Prefecture Council, the Mytilene City and the Association of Municipalities. Third, the University and the other development agencies (Aeoliki and Mytilene), despite the relative improvement of their structural position in the policy network, remain at the margins of the local system of governance. Finally, although the structure of the policy network is better than that of the general exchange, it does not yet demonstrate the necessary structural features for crossing the public/private divide and thus facilitating collective action and the learning and adaptation processes.

¹⁹As in the Southern Aegean region, because of the extremely large number of actors' participation in specific programmes or initiatives, the structural equivalence in the policy network is based on linkages identification and does not present the number of programmes for each organization.

Figure 7.9
Policy Network in Lesbos



In conclusion, even within the process of European regional policy, the local system of governance of the Lesbos prefecture, despite the significant improvement of its structural characteristics, continues to demonstrate similar weaknesses with the institutional network of general exchange. In particular, the creation of new institutions did not improve adequately the quality of the local institutional infrastructure, which is still characterized by a lack of capacity for achieving local synergies, overcoming the public/private divide and achieving collective action among the actors. Hence, it seems to be still weak for successful adaptation to the European environment.

7.3.3 Institution Building, Policy Networks and Adaptation in Chios

Chapter 5 established that the Chios prefecture demonstrates a relatively better quality of institutional infrastructure than Lesbos, an indication of which is the voluntary merger of most of the communes of the island in five municipalities, that has improved the administrative and financial functions of local authorities. Additionally, the comparatively higher level of partnerships and synergies-creation among the actors have been facilitated by the presence of two active private-interest organizations, that is the Mastic Growers' Association and the Chamber, while the Chios City Council constitutes the most active public actor within the local institutional infrastructure.

However, within the framework of European regional policy a more clear differentiation in institutional capacity for learning and adaptation between Chios and the other Northern Aegean islands emerges. In particular, the programming approach to development initiated by the CSFs and MOPs enabled the active local actors and especially the Chamber and the Mastic Growers' Association to be involved in subprogrammes and initiatives. In that respect the process of institution-building in the Chios prefecture did not lead to the creation of new institutions, but rather, opened up the game for the most capable local institutions to learn and adapt to the changes in external conditions. The only new institution is the Municipal Development Agency, created by the City Council mainly focusing on the effective management of Community Initiatives. Conversely, the Training Centre has been created by an initiative undertaken by the Greek Centre for Productivity (Elliniko Kentro Paragogikotitas-ELKEPA) -a central state actor- and is mainly focused on the implementation of the ESF subprogramme in the prefecture.

Thus, while the implementation of the MOP was primarily run by the prefecture, the City Council, the Mastic Growers' Association and the Chamber were actively involved in the implementation of specific subprogrammes or initiatives. In particular, the Mastic Growers,

arguably the most prominent private-interest actor of the prefecture, was involved in a INTERREG project undertaken at the regional level, focusing on the development of cross-border cooperation with Turkey and Bulgaria. Furthermore, the Association was involved in one of the actually few intra-regional networks that developed around the LEADER I and II Initiatives. The former was based on an initiative initially undertaken by the City Council and the Municipal Development Agency, while the latter, which refers to the second CSF, is expected to be based on joint action by the main local institutional actors. Finally, the most important involvement of the Mastic Growers' Association in European regional policy programmes was in the implementation of the National Programme of Community Interest (NPCI) for Chios¹⁹. As has already been pointed out in the previous section, the NPCI included specific measures for the improvement of the efficiency levels in the production of mastic on the island, such as sectorial market research, promotion of mastic products and training in the production process.

The Chamber, on the other hand, beyond its participation in the Monitoring Committee for the implementation of the MOP, was actively involved in the local network for the LEADER Initiative, along with the Municipal Development Agency and the Mastic Association²⁰.

Finally, the University was involved in the implementation of a project focusing on application of the telematique in the area of the mastic production, but this venture was a STAR-TELEMATIQUE subprogramme run by central state-agency (Ministry of Research and Development)²¹.

The structure of the policy network in Chios reflects the above-mentioned features of the

¹⁹Interview No 16 with the president of the Mastic Growers' Association (Chios, October, 1996).

²⁰Interview No 10 with the president of the Chamber (Chios, October, 1996).

²¹Interviews No 11 and 30 with the secretary of the Research Committee of the University of the Aegean (Athens, November, 1996).

processes of institutional learning and adaptation in the prefecture. The density measure, which shows the degree of network cohesion, has significantly improved in the policy network, when compared with that of the general exchange (0.611 vis-a-vis 0.528). What the density measure indicates is that well over half the institutional actors are connected to each other within the network. Moreover, according to the centrality measures in table 7.4, which demonstrate the dominant actors within the network, the degree of centralization in the policy network is significantly lower in comparison with that of the general exchange (50.00% vis-a-vis 60.71% respectively). However, although the lower degree of centralization indicates a more horizontal structure of the policy network in comparison with the general exchange, this improvement should be mainly seen as the outcome of the upgraded status of the Mastic Growers' Association, the City Council and the Municipal Development Agency.

TABLE 7.4
Centrality Measures of General Exchange and Policy Networks
in Chios Prefecture

<u>Organizations</u>	<u>General Exchange</u> <u>Network Centrality</u>	<u>Policy Network</u> <u>Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Chios Pref. Council	87.50	87.50
3. Chios City Council	75.00	87.50
4. Chios Chamber	50.00	50.00
5. University	37.50	50.00
6. Chios Ass. Munic.&Comm.	37.50	37.50
7. Chios Mastic Producers' Ass.	37.50	75.00
8. Chios Mun. Dev. Agency	25.00	37.50
9. Chios Training Centre	25.00	25.00
Total Network Centralization	60.71%	50.00%

Thus, looking at the centralization measures for each individual actor in both the general exchange and policy network, the following points should be underlined. First, the Regional Secretariat and secondarily the Prefecture Council are the most central actors within the network,

which points to its domination by the hierarchical structure of the central state. Second, the City Council is the most central public actor, especially within the policy network, having outflanked the Association of Municipalities, whose position can be characterized as marginal within the institutional structure of the prefecture, given its formally key position within the local system of governance. Third, the Mastic Growers' Association constitutes the most important private-interest actor, but only within the policy network, which reflects its dynamic position within the local productive system, and may justify expectations for its role as the initiator of networks development on intra-regional, inter-regional, or trans-regional basis. Conversely, the Chamber, which is the second most important private-interest institutional actor, demonstrates a stable, but limited role within the local institutional infrastructure. Fourth, the upgraded role of the University, especially in the policy network, should be attributed to the location of one of its main departments (business administration) on the island and additionally, to its involvement in MOP projects. Finally, the Municipal Development Agency demonstrates a considerable role within the policy network, while the role of the central state-run Training Centre is still rather marginal within the institutional structure of the prefecture.

The structural equivalence (Figure 7.10), which reveals common structural positions among the actors within the network, reflects the same structural features of the network with these that derive from analysis of the centrality measures. Thus, the comparison between the structural equivalence of the policy network and the exchange network (chapter 5) reveals the following structural features of the network. First, in both networks the block of the leading actors -which are connected with all the other actors of the other blocks- consists of public actors, namely the Regional Secretariat (NRGS), the Prefecture Council and the City Council. Second, by contrast with the network of general exchange, in the policy network there is evidence for a start up of network building among public and private actors, as illustrated especially in the block

four, which comprises both the private-interest organizations, that is the Chamber and the Mastic Growers (CMASTA). Third, the position of the Association of Municipalities (CAMC) and the Training Centre (CKEK) remains marginal within both networks, while the participation of the Municipal Development Agency (CDA) in the MOP programmes (LEADER) and hence in public- private local networks has led to an improvement of its position within the policy network. Finally, despite the better structure of the policy network, it demonstrates weaknesses in building public/private synergies, which is considered an a prerequisite for learning and adaptation.

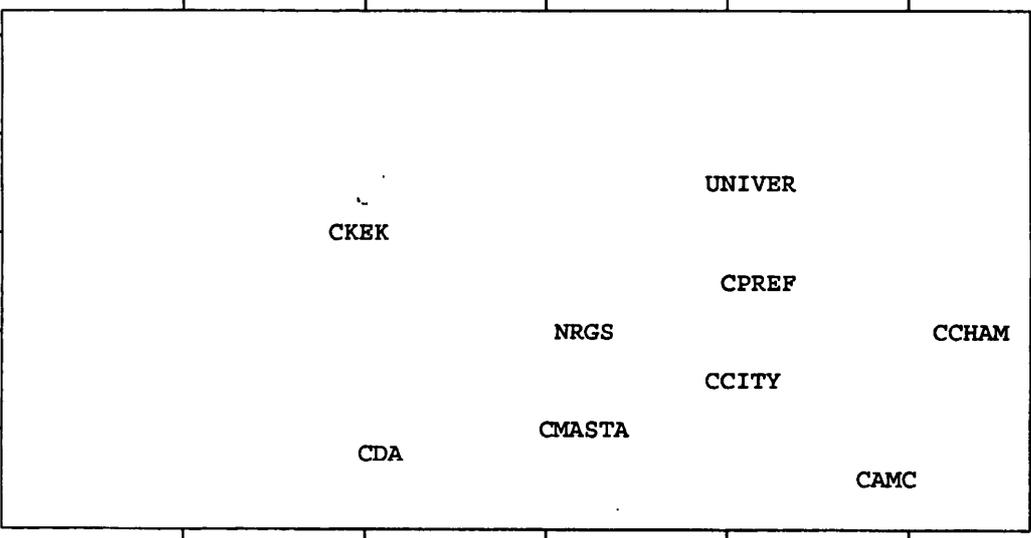
Figure 7.10
Structural Equivalence of Policy Network in Chios

	N	C C	U	C	C
	R	I R	N	M	C
	G	T E	I C C	A	H
	S	Y F	V K A	S C A	
			E E M	T D M	
			R K C	A A B	
NRGS	1	1 1	1 1 1	1 1 1	
CCITY	1	1 1	1 1	1 1 1	
CPREF	1	1 1	1 1 1	1 1	
UNIVER	1	1 1	1		
CKEK	1	1	1		
CAMC	1	1 1	1		
CMASTA	1	1 1		1 1 1	
CDA	1	1		1 1	
CCHAMB	1	1 1		1 1	

The graph of the network in Figure 7.11, which is based on a multidimensional scaling technique, depicts the main structural features of the policy network. This structure is, in many respects, similar to the structure of the general exchange network (chapter 5). In particular, while

the General Secretariat (NRGS) and the Prefecture Council (CPREF) are depicted as the central actors in both networks, the Training Centre (CKEK) and the Association of Municipalities (CAMC) are represented as marginal actors. Conversely, the position of the Mastic Growers' Association (CMASTA), the City Council (CCITY) and the Municipal Development Agency (CDA) is portrayed as significantly improved in the policy network when compared with the general exchange network.

Figure 7.11
Policy Network in Chios



7.3.4 Institution Building, Policy Networks and Adaptation in Samos

As established in chapter 5, the Samos prefecture demonstrates a weak institutional infrastructure, characterized by the lack of local initiatives and by major cooperation-problems among the institutional actors, whose relationships are confined within the framework of the necessary exchanges imposed by the functions of the administrative hierarchy. This institutional structure of the prefecture corresponds to its isolation in transport, communication and administrative linkages from the other two prefectures of the Northern Aegean.

Within this policy environment the European structural policy programmes, despite criticisms of unfair allocation of resources among the islands and the role of the central state in this process, are viewed as providing a unique opportunity for institutional and economic development²². However, the poor performance of the prefecture in institution-building is illustrated by the lack of creation of any new institution and even in the policy network, the relations between the institutional actors are determined by exchanges within the administrative hierarchy. Additionally, beyond the formal participation of the Prefect and the Association of Municipalities in the Monitoring Committee of the MOP, the involvement of local institutional actors is extremely limited. In particular, given the lack of any development agency, which could create networks around specific programmes or initiatives, only the City Council and the Association of Municipalities were involved in the INTERREG Initiative and in a local action group for the LEADER Initiative. Nonetheless, what illustrates best the capacity for learning and adaptation of the local institutional infrastructure is the complete failure of the proposal for participation in the LEADER I Initiative, because of cooperation and coordination problems between the Association of Municipalities and the Wine Producers Association.

The structural features of the policy network in Samos only partly reflect the incapacity of the institutional infrastructure for learning and adaptation, because of the limited number of actors and the presence of exchanges that derive from the fundamental administrative functions of each actor. Thus, the density measure, which is an indicator of network cohesion, has been substantially improved in the policy network in comparison even with the comparatively high rate of the general exchange network (0.667 vis-a-vis 0.595 respectively). However, this rate does not correspond to the institutional capacity of the prefecture in learning and adaptation, given that

²²Interviews No 17 and 20 with the mayor of the Samos City Council and the prefect (Samos, November, 1996).

its improvement refers to the -ex officio- participation of actors in administrative functions (i.e Monitoring Committee). Furthermore, the centrality measures (table 7.5), which identify the central actors within the network, demonstrate in both the general exchange and policy networks a relatively horizontal rather than vertical structure (53.33% vis-a-vis 46.67% respectively). However, they do not reflect the real institutional capacity of the prefecture.

TABLE 7.5
Centrality Measures of General Exchange and Policy Networks
in Samos Prefecture

<u>Organizations</u>	<u>General Exchange Network Centrality</u>	<u>Policy Network Centrality</u>
1. Reg. Gen. Secretariat	100.00	100.00
2. Samos Pref. Council	83.33	83.33
3. Samos City Council	83.33	66.67
4. Samos Chamber	50.00	66.67
5. Samos Ass. Munic.&Comm.	50.00	66.67
6. Samos Wine Makers' Ass.	50.00	66.67
7. University	16.67	16.67
Total Network Centralization	53.33%	46.67%

For the centrality measures of each individual actor at both the general exchange and policy networks, the central role of the Regional Secretariat, the marginal role of the University and the relative rates of the other actors deriving from the necessary administrative exchanges-involvements should be emphasized.

The main structural features that derive from the analysis of the centrality measures are further strengthened by the structural equivalence, which identifies common structural positions among the actors within the network, according to the structure of their relationships. Thus, the structural equivalence of the policy network reflects the same structural features with the centrality measures, that is the centrality of the Regional Secretariat (NRGS) and the marginal

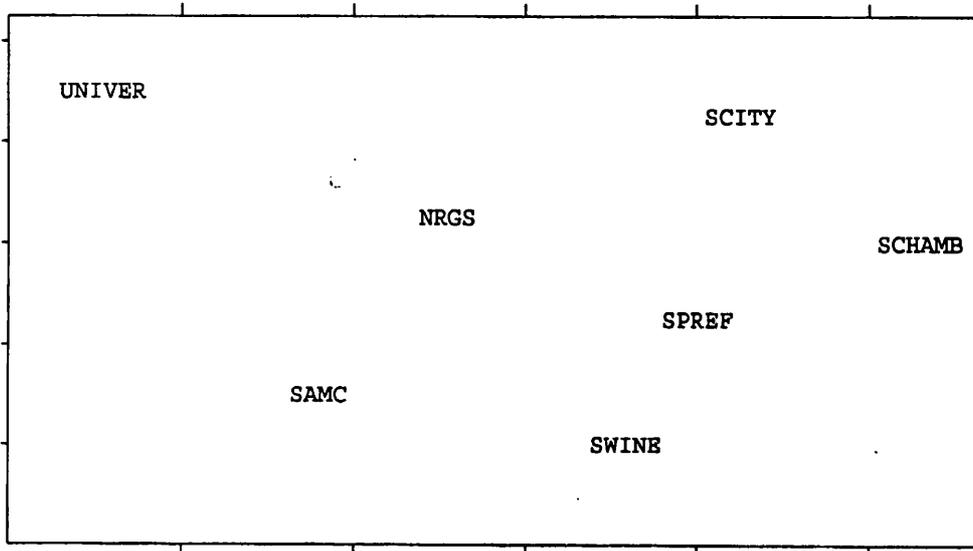
role of the University. All the other actors constitute a rather dense network, without, however, reflecting a real institutional capacity.

Figure 7.12
Structural Equivalence of Network Actors in Samos

	U			S			
	N		S	S	C		S
	I	N	P	C	H	S	W
	V	R	R	I	A	A	I
	E	G	E	T	M	M	N
	R	S	F	Y	B	C	E
UNIVER	1	1					
NRGS	1	1	1	1	1	1	1
SPREF		1	1	1	1	1	1
SCITY		1	1	1	1		
SCHAMB		1	1	1			1
SAMC		1	1			1	1
SWINE		1	1		1	1	1

The graph of the network (Figure 7.14), based on multidimensional scaling technique, represents the structure of the network, as described by the centrality and structural equivalence measures. What the comparison between the policy network and the general exchange network reveals is that there are no important differences between the two networks. In particular, the Regional Secretariat and the University are depicted in both graphs as the most central and most marginal actors respectively. Additionally, the depiction of the other actors illustrates the looseness of the network with the small number of actors.

Figure 7.13
Policy Network in Samos



To sum up: the Samos prefecture reveals a poor institutional infrastructure in the policy network, which is characterized by a small number of institutional actors, linked mainly on the basis of the exchanges of the administrative system (i.e Monitoring Committees). The structure of the policy network is similar to the general exchange network (see chapter 5) despite the better density and centrality measures: hence, the dependence on the Regional Secretariat for leadership.

Conclusions

This chapter has shown that the differentiation identified in chapter 6 between Southern and Northern Aegean islands in absorption capacity and the orientation of the funds is accompanied by some differences among the islands-prefectures of the Northern Aegean region. In particular, the Lesbos prefecture demonstrates the worst performance in absorption in all subprogrammes, while the evidence from the Chios prefecture is comparatively better, because of the rather successful implementation of the National Programme of Community Interest (NPCI) for Chios.

Finally, the Samos Prefecture lies between the two, even though its share in the MOP was relatively small. Furthermore, the Northern Aegean islands region, despite the highly subsidized national regional policy incentives scheme, does not show either a high level of private investment or, a considerable contribution of the private sector to the Structural Funds programmes. The problematic Europeanization of the region should be closely linked to the qualitative features of the institutional infrastructure at both the regional and prefectural levels. As the analysis of the processes of institution-building and adaptation in the region has shown, the institutional infrastructure at the regional level is characterized by a combination of centralization of the network around the regional Secretariat and fragmentation at the prefectural level. In that sense, it is similar to the general exchange network (chapter 5). Additionally, at the prefectural level all the prefectures demonstrate a lack of local leadership and capacity for learning and adaptation of the local institutional infrastructure, despite the unquestionable improvement in all islands. In particular, the following points should be emphasized for each island-prefecture. First, in Lesbos, despite the significant improvement of the structural characteristics in the policy network, it continues to demonstrate a lack of capacity for achieving local synergies and collective action among the actors. Second, Chios shows a comparatively better capacity for creating local synergies, learning and adaptation, while Samos demonstrates a poor institutional infrastructure in number of institutional actors involved in joint projects.

The following lessons should be drawn from the case of the Northern Aegean. First, the structure of the system of the intra-regional interactions plays the key role in facilitating the learning and adaptation processes. Second, even if the capacity of the local institutional infrastructure for learning and adaptation is poor, the Europeanization process constitutes an external shock for the local systems of governance that leads to the improvement of the local institutional infrastructure.

8. CONCLUSIONS: SOCIAL CAPITAL, INSTITUTIONAL LEARNING AND ADAPTATION IN EUROPEAN REGIONAL POLICY. IMPLICATIONS FOR INTEGRATION THEORY

Introduction

This thesis has shown that the concept of social capital, by facilitating the learning process within institutional networks at the regional and local levels, plays a crucial role in shaping the intra-regional interactions among the actors and hence in determining the capacity for adaptation and adjustment by regional and local systems of governance within the European regional policy environment. Thus, the main hypothesis of this thesis, established in chapter 2, is that the adaptation of local systems of governance to the European policy-making environment is dependent on:

- the presence of dense, intra-regional, functional institutional networks at the local level that cross the public and private divide by achieving synergies between public and private resources and have a capacity for learning whereby institutional relationships and policy outcomes adapt to changing conditions, and,

- the presence of social capital endowments that, by resolving dilemmas of collective action and thus enabling actors to be actively involved in the provision of public goods and services that support the local productive system, facilitate the formation of the system of interactions and the learning process within institutional networks.

Additionally, the capacity of the local institutional infrastructure for learning and adaptation is to a significant extent conditioned by:

- the structure of the state and the functional and territorial distribution of power and resources through centre-periphery (intergovernmental) relations and the qualitative features of public administration, and,

- the process of Europeanization of public policy, which challenges well-established institutional structures and creates conditions favourable for institution-building, even if the pre-existing institutional capacity for learning is poor.

This final chapter evaluates the validity of the above theoretical framework, by drawing the most important conclusions that arise from the two cases, focusing on the main theoretical

concepts of this thesis: social capital, learning and adaptation/Europeanization. It is divided into three sections. Section one examines the impact of the national (state structure) and international (Europeanization) factors upon the learning and adaptation capacity of the local institutional infrastructure. The second section, relying on the criteria for measuring learning and adaptation established in chapter 2, assesses the learning and adaptation capacity of the institutional networks in the two regions and the role of social capital in this process. Finally, the third section discusses the emerging theoretical implications for regional integration in general and European regional policy in particular.

8.1 National Structures, Local Institutional Capacity and the European Challenge

The capacity of local systems of governance for learning and adaptation to changing conditions brought about by the Europeanization of policy-making is shaped by the way in which the system of interactions between subnational institutions, national structures and European environment is formulated. The national and supranational levels of governance provide the structural and functional parameters within which local governments act to achieve objectives corresponding to local needs. Thus, within this complicated policy environment local institutions have, theoretically, a variety of ways for performing their functions. Therefore, the structural external parameters for action may inhibit or facilitate the learning and adaptation capacities of local systems of governance. Based on our evidence from a centralized state structure and a weak civil society, we examine the impact that the structure of intergovernmental relations has had on local institutional capacity and the role of Europeanization in this process.

The structure of the state, in general, is considered a crucial component that affects the formation of the system of local institutional interactions (institutional networks) and the capacity for learning and adaptation of local systems of governance. Three interrelated factors are crucial

in this process: the power and resource-dependence relationships among tiers of government, the degree of centralization of the state and the presence of a directly-elected regional government. This thesis, however, is based on the theoretical assumption that intergovernmental relations is a dynamic system which cannot be simply reduced to the constitutional structure of the state. Within this theoretical framework resource dependencies between central and subnational levels of government and between public and private actors shape the degree of boundedness for the subnational systems of governance and for any particular local actor. Thus, the system of interactions among the local actors through the recognition of their mutual dependence and hence their collectivity constitutes the most important factor for learning and adaptation and may additionally enable the local system of governance to exploit the channel of intergovernmental relations for the satisfaction of local needs irrespective of the degree of centralization of the state (Paraskevopoulos, 1998a,b; Sabel, 1993b). The presence of a strong civil society and social capital endowments plays the key role in this process (Paraskevopoulos, 1998a). Within this dynamic system of intergovernmental and centre-periphery relations, intra-regional functional networks provide the locality with public goods and services and pursue endogenously-driven policies that meet local needs, while, on the other hand, they can use the channels of the intergovernmental networks to obtain access to additional resources from and coordinating policies at the national level. Hence, while resource-interdependence is seen as the prerequisite for network-building, the presence of social capital and the strength of civil society at the regional and local levels constitute the decisive factors enabling local actors to recognize their mutual dependence and collectivity, thus shaping the system of local interactions and facilitating the learning process within the networks.

The centralized and hierarchical structure of the state in Greece and the peculiarities of the system of intergovernmental and centre-periphery relations, characterized by the dominant

role of the prefecture as a deconcentrated administrative unit of the central state at the local level and the lack of a directly-elected regional government, did not inhibit the process of institution-building and network creation, primarily in Dodecanese and secondarily in Cyclades since the 1960s. This process was a function beyond the boundaries of the formal hierarchically-structured intergovernmental networks. Chapter four provides evidence for this prompt formation of intra-regional interactions and network-building, which enabled local actors to avoid the inter-local competition for resources from the central state and subsequently allowed for the collective, in comparative terms, moulding of the policy priorities within the local system of governance. In particular, the Organization of Tourist Promotion and the Advisory Committee for Local Development in Dodecanese, as well as the informal Tourist Committees in Cyclades, constituted the nuclei for network-building and collective action at the local level. These networks provided the local productive system with vital public goods and services and facilitated the learning process and the prompt adjustment of the local system of governance and its policy outputs to the changing conditions of the external environment (shift towards tourism).

Conversely, in the prefectures of the Northern Aegean the poor institutional capacity and the weak civil society (lack of social capital endowments) led the local system of governance to dependence on the hierarchical structure of intergovernmental relations for the necessary financial and administrative resources. Hence, its dependence on the central state is interpreted not merely as a consequence of the structure of centre-periphery relations, but mainly as a result of the weakness of the institutional infrastructure. Chapter five provides evidence for the way in which the lack of local networks and the weak civil society led to exogenously-driven local systems of governance and subsequently to the problematic adjustment of these prefectures in terms of policy outcomes. Thus, the productive structures of the Northern Aegean islands remained crucially dependent on the traditional sectors of each island, that is the mono-culture

of olive for Lesbos, the shipping-maritime industry for Chios and agriculture for Samos.

The gradual Europeanization of public policy in general and of regional policy in particular since the early 1980s brought about radical changes in the structure of the Greek state and the system of intergovernmental relations (chapter 3). The creation of regions and regional councils -even without directly-elected members- and the gradual move initially from the clientelist to a rather neo-corporatist pattern of regional-interest representation at the prefectural level with the 1982 reform of the prefectural councils, and later (1994) to the directly-elected second tier of subnational government, constitute the most important reforms, attributed to pressures imposed by the European environment. Furthermore, the opening up of the system to bottom-up initiatives and the subsequent unclear distribution of functions among the tiers of government, coupled with the rationalization of the local government finance introduced by the “Central Autonomous Resources” scheme, opened up possibilities for dynamic flexibility in the system of intergovernmental relations. Finally, the ability of local governments to impose additional taxation for the completion of local-scale projects created an environment favourable for regions and localities who were institutionally capable of bottom-up initiatives in adapting their structures and policies.

The response of the two case study-regions to the intended and unintended consequences of the Europeanization, however, was analogous to their preexisting institutional capacity. The evidence provided in chapters six and seven supports the hypotheses, on the one hand, that regional differentiation in learning and adaptation capacities, though possible even within centralized states, usually reflects a preexisting differentiation in institutional capacity, and on the other, that even if the preexisting local institutional capacity is poor, the challenge of Europeanization and involvement in EU programmes and initiatives constitute a positive external shock for local systems of governance, which caused an improvement of the local institutional

infrastructure. The cases demonstrate that the European dimension provides as an alternative policy-making field for local governments that can counterbalance possible rigidities within the structures of the traditional nation-state.

Thus, the prefectures of the Southern Aegean were better able than their Northern Aegean counterparts to exploit the changes occurring in the system of intergovernmental and centre-periphery relations and to adapt their institutional structure and policy process to the new European environment. In particular, the preexisting structure of local institutional networks in the Dodecanese and Cyclades prefectures was further improved by the strengthening of public/private synergies among the institutional actors. This process was substantiated by the intersection between the local sectoral networks already in place and the hierarchical intergovernmental networks between region, prefecture and city. The functional networks, emerging through the combination of public and private actors, provided an environment favourable for learning, since they facilitated the exchange of information, ideas and knowledge about the new policy environment. Hence, despite the comparatively low level of the private-sector contribution to the Structural Funds programmes, because of the maintenance of past clientelistic practices operating around the national headquarters of regional policy, especially in the Dodecanese, a significant coordination of public and private resources took place. EU and public funds were used for the improvement of the physical infrastructure, while, even though the involvement of the private sector was in general low, it had a considerable presence in Community Initiatives-projects. These features are illustrated by the absorption rates, primarily of the Dodecanese and secondarily of the Cyclades prefectures, in all the subprogrammes and measures of the first CSF (chapter 6). What both the significant improvement of the network-structure and the absorption rates in the Southern Aegean indicate is that, despite the centralized and hierarchical structure of the state and the system of intergovernmental relations, the

preexisting institutional capacity at the prefectural level led to a rather successful adaptation of the local economies and societies to the EU regional policy environment. Finally, on whether the role of Europe was an alternative to the nation-state policy-making field, the answer of one of our interviewees was characteristic:

for our region the bypassing of the nation-state level and its mismanagement of the EU resources -for social policy rather than for development- is so important, that we would prefer completely direct contacts with Brussels without any interference from the state structures¹.

In a similar vein, in the prefectures of the Northern Aegean the learning capacity of the preexisting institutional infrastructure played the most important role in the adaptation process. Although both the qualitative features of the network structure and the policy outputs have been substantially improved within the European regional policy environment, the three prefectures of the Northern Aegean lag behind the Southern Aegean and even most of the other Greek regions in adaptation capacity. In institutional infrastructure the lack of functional networks in the processes of general exchange, combining public and private actors within the European policy environment, was replaced by a process of institution-building, which led to the creation of new institutions, especially in Lesbos, without, however, changing dramatically the structure of the networks. Thus, with the partial exception of the Chios prefecture which had shown some elements of qualitative change with the creation of public/private partnerships around the specific National Programme of Community Interest (NPCI), the structure of the policy networks in the prefectures of the Northern Aegean did not demonstrate the necessary structural features for crossing the public/private divide and thus facilitating collective action, learning and adaptation. Therefore, the predominance of the hierarchical structure of the system of intergovernmental relations, namely the Regional Secretariat, within the local system of governance reflects, to a

¹Interview No 60 with the president of the Rhodes Hotel Owners' Association (Rhodes, October, 1996).

significant extent, the weakness of local institutional networks and should not be attributed exclusively to the state structure. The institutional weakness of the prefectures of the region is illustrated by the low level of effectiveness and efficiency of the local systems of governance in the management of the EU funds. In particular, beyond the low level of the private-sector contribution, the prefectures of the region demonstrated one of the lowest rates of absorption capacity in the country during the first CSF (MOP). Additionally, as the qualitative analysis of the use of the funds shows, the bulk of the EU funds was used for social and small-scale physical infrastructure (road network, education), which only partly reflects local needs, given that its major part is the outcome of clientelist pressures. Finally, the start up of debate among the main local actors of the Northern Aegean prefectures-islands on the necessity for adaptation of both the institutional structure and policies (i.e shift towards tourism) constitutes the most important innovation brought about by the Europeanization of regional policy. Hence, the improvement of the local institutional structure, and the beginning of learning procedures within the local system of governance in the Northern Aegean, vindicate the hypothesis that the challenge of Europeanization, even in areas of poor institutional capacity, constitute a positive external shock starting up institution-building and the learning processes that eventually led to improvement of the local institutional infrastructure.

To sum up, even though the state structure plays an important role in determining the learning and adaptation capacity of local systems of governance, the latter is crucially dependent on certain capacities for collective action at the local level which facilitate the formation of the system of interactions among the actors. The presence of social capital and of a strong civil society is the most important factor in this process. The Europeanization process, on the other hand, by providing an alternative to that of the nation-state policy-making field for local governments, plays, especially within centralized states, a crucial role in changing the rules of

the game and thus enhancing the institution-building process at the local level, which eventually leads to significant improvement of the preexisting institutional capacity.

8.2 Social Capital, Learning and Adaptation: An Agenda for Europe of the 21st Century?

Institutional learning has been defined in chapter two as a function involving the changing of ideas, preferences or policy choices and the improved capacity of institutional actors to design and implement these new policies, all of which may affect the balance of power among the actors. This process is crucially influenced by the presence of social capital and the structure of the networks. This section evaluates the learning capacity of the institutional networks by using the criteria for measuring learning established in chapter two, and then examines the impact of social capital and networks' type and structure on the learning process. Finally, it categorizes the case study-regions according to the measures of Europeanization established also in chapter two.

8.2.1 Measuring Learning

Five criteria have been identified for measuring the learning capacity of local institutional infrastructure. First, the presence of fora for dialogue and communication among the actors, which is considered a prerequisite for the exchange of information, ideas and knowledge and hence for shaping the interactions among the actors. Second, the process of institution-building and adaptation of the network structure refers to the creation of new institutions or to change in the existing institutional structure as a consequence of the learning process. The third criterion is the extent to which partnerships among public and private actors have been established, which facilitate the communication of new knowledge and information and hence the formulation of policy priorities. The fourth variable is the common understanding of the major issues facing the local system of governance, which constitutes a precondition for dialogue among the actors.

Finally, the adaptation of the policy output is the fifth criterion, which can reveal the way in which the institutional structure has responded to the requirements for policy change posed by the changing conditions. Table 8.1 below presents a synopsis of the indicators of learning at the regional and prefectural levels.

For dialogue and communication the main feature of the prefectures of the Southern Aegean is the presence of multiple fora, some of which are not associated with European regional policy. Thus, in the Dodecanese prefecture the Organization for the Promotion of Tourism, which focuses on the exchange of knowledge and information about policy for tourist development, had its origins in the 1960s, and has constituted an important component for the successful adaptation of the productive structure of the prefecture towards the development of the tourist sector. Additionally, the advisory committee, which comprised prominent public and private institutional actors of the prefecture, functioned as an advisory forum for dialogue and communication alongside the prefectural council until 1994, when the first elections for a directly-elected council took place. Finally, a series of conferences on the problems of tourist development, which had been organized mainly by the Chamber's initiatives since the early 1980s, constitute pioneering fora for the communication of primary knowledge and information, without, however, being all of them associated with European regional policy. Yet the Europeanization of regional policy, and the initiation of the Structural Funds programmes, contributed to the further improvement of dialogue and communication in the prefecture with new fora for dialogue required by the implementation of the partnership principle. In this category fall the Monitoring Committee for the CSF (MOP) and the fora created for the implementation of the Community Initiatives (LEADER, VALOREN, HORIZON, INTERREG).

Table 8.1
Indicators of Learning Capacity in Southern and Northern Aegean

CRITERIA FOR MEASURING LEARNING	SOUTHERN AEGEAN REGION	NORTHERN AEGEAN REGION
Fora for Dialogue and Communication	<p>A. Dodecanese pref.:</p> <ol style="list-style-type: none"> 1. Tourist Promotion 2. Advisory Committee 3. CSF Monit. Committee 4. Tourism/Devel. Conf. 5. LEADER 6. VALOREN 7. HORIZON 8. INTERREG <p>B. Cyclades pref.:</p> <ol style="list-style-type: none"> 1. Tourist Committees 2. CSF Monit. Committee 3. LEADER 4. ENVIREG 5. URBAN 6. PRISMA 	<p>A. Lesbos pref.:</p> <ol style="list-style-type: none"> 1. CSF Monit. Committee 2. LEADER 3. VALOREN <p>B. Chios pref.:</p> <ol style="list-style-type: none"> 1. CSF Monit. Committee 2. NPCI 3. LEADER 4. STAR/TELEMATIQ. <p>C. Samos pref.:</p> <ol style="list-style-type: none"> 1. CSF Monit. Committee 2. LEADER 3. INTERREG
Institution Building (Network Creation)	<p>A. Dodecanese pref.:</p> <ol style="list-style-type: none"> 1. Org. for Tourist Prom. 2. Cooperative Bank 3. DDA 4. KDA <p>B. Cyclades pref.:</p> <ol style="list-style-type: none"> 1. CYDA 2. ERMDA 	<p>A. Lesbos pref.:</p> <ol style="list-style-type: none"> 1. LLDA 2. AEOLIKI 3. MMDA <p>B. Chios pref.:</p> <ol style="list-style-type: none"> 1. CDA 2. Chios Training Centre <p>C. Samos pref.: --</p>
Crossing the Public/Private Divide (partnerships)	<p>A. Dodecanese pref.: present</p> <p>B. Cyclades pref.: present</p>	<p>A. Lesbos pr.: almost absent</p> <p>B. Chios pref.: partly</p> <p>C. Samos pref.: absent</p>
Problem Identification among the Local Actors	<p>A. Dodecanese pref.: partly present</p> <p>B. Cyclades pref.: partly present</p>	<p>A. Lesbos pref.: starting up</p> <p>B. Chios pref.: starting up</p> <p>C. Samos pref.: starting up</p>
Policy Adaptation	<p>A. Dodecanese pref.: partly</p> <p>B. Cyclades pref.: partly</p>	<p>A. Lesbos pref.: starting up</p> <p>B. Chios pref.: starting up</p> <p>C. Samos pref.: starting up</p>

The Cyclades prefecture demonstrates to a significant extent a similar environment for communication and dialogue. In particular, the tourist committees were primary fora for dialogue

and policy advice to the prefecture bodies at the local/island level, which functioned until the first elections for the new prefectural councils took place (1994). In a similar vein to Dodecanese, the Monitoring Committee for the CSF, and the mobilization of local actors around specific Community Initiatives, contributed to the upgrading of the prefecture's capacity for dialogue and communication.

The prefectures of the Northern Aegean islands demonstrate a different picture. The existing fora for dialogue and communication constitute byproducts of the implementation of the Structural Funds programmes and Initiatives, given the lack of any preexisting mechanisms for facilitating the communication of new information and the exchange of ideas. This weakness reflects the dependence of the local system of governance on the centralized structure of intergovernmental relations and hence the dominant role of the prefecture. Thus, the Monitoring Committee for the CSF and the Community Initiatives are the only opportunities for dialogue in Lesbos and Samos, while the NPCI for Chios contributed substantially to the improvement of the capacity of the island for dialogue and communication.

The evidence from the regions about the second variable of institution-building and network-creation reflects their differentiation in the capacity for dialogue. However, the strong tradition of the Dodecanese in local institutional capacity and institution-building, almost since its incorporation into the Greek state, led to its differentiation from all the other prefectures. Whereas in them the process of network-creation was closely linked to the Europeanization of regional policy, in the Dodecanese the EU programmes contributed to an improvement in the preexisting network structure (Cooperative Bank, Organization for Tourist Promotion etc), and the new networks are well-connected within the institutional infrastructure. Thus the Europeanization of regional policy brought about the further improvement of the Dodecanese networks rather than the creation of new institutions, which remained comparatively limited. This

pattern contrasts with the Northern Aegean and particularly Lesbos, where the creation of new institutions and networks is a consequence of the redundancy of a major part of the old institutional infrastructure.

With the third criterion, the presence of communication channels between public and private actors, the network structure of the Southern Aegean prefectures provides convincing evidence of public/private partnerships, which constitute, on the one hand, fora for dialogue, information exchange and the formulation of policy priorities, and on the other, channels for linking the local system of governance with the central state through the structure of intergovernmental relations. Conversely the structure of the networks of the Northern Aegean islands' prefectures reveals, with the exception of Chios, an absence of communication on a horizontal basis between public and private actors. In Chios the implementation of the NPCI has played an important role in enhancing partnerships between public and private actors. The leading actors in this process are the Mastic Growers' Association and Chamber.

With the fourth variable, the common understanding of the problems or challenges facing the localities, the evidence from the two regions proves they are similar in one respect: both face adaptation challenges of a different phase and scale. In particular, the major challenge for the prefectures of the Southern Aegean (Dodecanese and Cyclades), which are characterized by development of the mass tourist industry, is whether they will exploit the opportunities provided by European structural policy to adjust their policy priorities and reform their institutional structures to the new patterns of demand in leisure (small-scale tourism). The evidence shows that the local actors in both prefectures have to a significant extent a common understanding of the problems they face. The challenges facing the Northern Aegean islands, on the other hand, are to use Structural Funds money for building the necessary infrastructure and to adapt their institutional structure and policies towards development based on small-scale tourism, thus

avoiding the paradigm of the mass tourist industry in which the Southern Aegean were trapped since the 1970s. As the evidence from the Northern Aegean shows, this debate, which involves the gradual shift from the traditional for each island productive sectors, has just started in these islands.

Finally, the evidence on the crucial fifth criterion, policy adaptation, corresponds to the level of problem identification for each prefecture. Thus, the evidence for the presence of policy adaptation in Dodecanese and Cyclades is illustrated by both the pursuit of innovative policies and the orientation of the major part of the EU funds. In particular, the conclusions of the conferences, organized by the Dodecanese Chamber, which suggested changes in the priorities of tourist policy (conference tourism, expansion of the tourist period to the Winter underpinned by small-scale units), were introduced into the policy priorities. This trend has become evident by the policy for control of tourist development in the islands of Rhodes and Kos and by the pursuit of small-scale tourist development in the still underdeveloped islands of the prefecture. Additionally, in Cyclades, where the problem of over-concentration is less intense, the policy priorities adopted focus on expansion of the tourist period, the promotion of qualitative tourism and avoidance of concentration. The above policy priorities are reflected also in the orientation of EU funds and especially during the period of the second CSF (1994-99) towards the creation of basic infrastructure on underdeveloped islands and of appropriate infrastructure for the promotion of flexible forms of tourism (yachting). By contrast, the Northern Aegean islands lag behind in policy adaptation, since they are currently in the phase of early debate on the necessity for adaptation. Hence there is no evidence of formulation of policy priorities and even less of policy adaptation.

In conclusion, the evaluation of the case study-regions, according to the criteria for measuring learning, indicates that in the Southern Aegean islands prefectures an institutional

structure and policy environment favourable for learning have facilitated the learning process among the actors and hence the learning capacity of the local systems of governance. Conversely, the lack of these features in the Northern Aegean has led to an institutional environment poor in learning, which shows some signs of improvement only within the framework of the EU structural policy.

8.2.2 Social Capital, Networks and Learning: evaluating Europeanization

This section tests the main hypothesis of this thesis, that the local systems of governance better able to learn and adapt to changing conditions are those whose institutional structure is based on dense functional networks that combine public and private actors and have a horizontal rather than a vertical structure. This process, however, is crucially determined by the presence of social capital and a strong civil society that facilitate communication, the sharing of new ideas and knowledge, and hence collective action among the actors, and the learning process within institutional networks. Therefore, social capital (trust, norms) and inter-organizational structure are to be assessed as the explanatory (independent-intervening) variables of the learning and adaptation capacity of the case-study regions.

Chapters four and five have shown that the institutional networks of general exchange in the Southern Aegean islands prefectures demonstrate substantially higher density rates in comparison with the equivalent networks of the prefectures of the Northern Aegean. In particular, in Dodecanese, which has the most dense network, the density rate is 0.727 out of 1, while in Cyclades, because of the low presence of the University of the Aegean, the density rate found was 0.545 out of 1. Conversely, the density rates of the networks in the prefectures of the Northern Aegean are significantly lower, 0.418 for Lesbos, 0.528 for Chios and 0.595 for Samos.

This differentiation in the density of the networks reflects differentiated levels of network

cohesion among the prefectures. Primarily in Dodecanese and secondarily in Cyclades the comparatively high density rates reflect the presence of bonds of trust among the actors, which facilitate better communication of new ideas and knowledge and hence dialogue. Additionally, the dense networks correspond to bringing together public and private actors, thus achieving synergies and subsequently shared rules and a common understanding of the problems and challenges facing the local economy and society. By contrast, the low density rates in the networks of the prefectures of the Northern Aegean indicate a less shaped system of institutional interactions, which is characterized by the lack of channels for dialogue and communication among the actors and an absence of a common understanding of the problems that inhibit the learning process.

Variation in the degree of centralization among the prefectural networks, however, is more indicative than that of the density measures, given that centralization reveals the distribution of resources and power among the actors and subsequently the structure (hierarchical or horizontal) of the network. Thus, the centrality measures of the Dodecanese and Cyclades general exchange networks are significantly lower (33.33% and 54.55% respectively) than those of the Lesbos, Chios and Samos networks (71.11%, 60.71% and 53.33% respectively).

This differentiation in centrality reflects the different structures of the networks. In the Dodecanese and Cyclades prefectures the structure of the networks is more horizontal than vertical. What this structure reveals is that the Dodecanese and Cyclades networks are based on cohesive functional networks that combine public and private actors and constitute key components for the formation of the local institutional interactions. Thus, despite the centralized structure of the state and subsequently the leading role of public actors (Regional Secretariat and Prefecture Councils), the core of the network structure consists of functional networks, comprising public and private actors well-connected within the network structure. Additionally,

actors in the functional networks may provide alternative solutions for the leadership roles in the future, as the latest reforms lead to a less hierarchical structure of the intergovernmental relations. The horizontal structure of institutional interactions in Cyclades and Dodecanese reflects the comparatively more balanced distribution of resources and power among the actors, which allows for horizontal exchange of valuable resources (knowledge, information) and facilitates the learning and adaptation processes.

Conversely, the high centrality rates of the networks in the prefectures of the Northern Aegean indicate the lack of core functional networks that combine public and private actors and facilitate collective action and coordination of resources at the local level. Hence, the local systems of governance tend to have a vertical rather than a horizontal structure, which is overwhelmingly dependent on the central state through the system of intergovernmental relations. As identified in chapter two, the vertical-hierarchical structure of institutional networks inhibits the exchange of information, new ideas and knowledge and hence communication and dialogue among the actors. This weakness of the institutional infrastructure in the prefectures of the Northern Aegean has led to a policy-making environment characterized by the dominant role of the Regional Secretariat as the leading actor within the institutional structure of each prefecture and the lack of other leading actors to provide leadership from within the institutional structure. This vertical and hierarchical structure of the local systems of governance has constituted a major impediment to the learning and adaptation processes in the Northern Aegean islands, which is illustrated by the problematic adjustment of their economic structures to the changing economic environment in the 1960s and 1970s.

These characteristics of the institutional networks of general exchange played an important role in determining the adaptation capacity of the two regions to the European environment. Nonetheless, whereas in the Southern Aegean their preexisting institutional

capacity facilitated their comparatively successful adjustment to European regional policy, in the Northern Aegean the Europeanization of regional policy signaled the start up of the process of institution-building, which led to a substantial improvement in local institutional capacity. Hence, improvement of the institutional structures in both regions is illustrated by the structural features (density, centralization, structural equivalence) of the policy networks.

Table 8.2 below presents a synopsis of the territorial structure of institutional networks in the two regions per dominant actor. This table reveals the predominance of the prefectures of the Southern Aegean region in functional networks, the absence of intra-regional networks with the exception of the regional councils and the Monitoring Committees of the CSF, and weak inter-regional cooperation which is restricted to a sectoral network created by the Chambers. At the transnational level the dominant role of the Dodecanese Chamber, which has participated in numerous sectoral networks, is clear. By contrast the participation of the Northern Aegean region in the EURISLES Initiative is characterized by the dominant role of local government agencies (Chios Association of Municipalities).

The differentiation in institutional capacity for learning and adaptation between the prefectures of the case-study regions, however, is linked to their categorization by degree of Europeanization. Thus, according to the criteria established in chapter two, the following points should be stressed. First, there is convincing evidence that the prefectures of the Southern Aegean, given the limitations of the Greek socio-political structure, may be easily categorized in the third stage of Europeanization, since they fulfil the criteria of management and communication of EU-related information among the actors, involvement in programmes and ability to gain access to more EU funding, as well as developing network structures which overcome the public/private divide among the actors. Additionally, the plan of the newly-elected Dodecanese prefecture council along with other private and public actors of the prefecture for

Table 8.2
Institutional Networks by Type in Southern and Northern Aegean Islands

Territory	Prefectural		Intraregional		Interregional		Transregional	
	S. Aegean	N. Aegean	S. Aegean	N. Aegean	S. Aegean	N. Aegean	S. Aegean	N. Aegean
Governmental		Lesbos Train. Cent. (Kekanal) Chios Train. Cent.	Regional Council	Regional Council				Lesbos Univ/sity/ Eurisles Chios CAMC/ Eurisles
Sectoral					Dod/nese & Cyclades Chambers Aegean Isls Chambers' Association	Lesbos Chios Samos Chambers Aegean Isls Chambers' Association	Dod/nese Chamber/ 1.Economic Obs/tory 2.Ecomost 3.Mercure 4.Tacis 5.Euroform	
Functional	Dodecanese Tourist Promotion Coop/tive Bank DDA KDA CYDA ERMDA	LLDA	CSF (MOP) Monitoring Committee	CSF (MOP) Monitoring Committee				

opening an office in Brussels is viewed as an indicator of its entering into the final stage of full Europeanization, characterized by the development of European-style initiatives at the local level and advisory channels towards the Commission through its participation in transeuropean networks. Second, the prefectures of the Northern Aegean are categorized in the second stage of Europeanization, given that they are involved in the management of information and mobilized around EU Structural Funds programmes, but they display a poor performance in the development of public/private networks. Finally, the evidence from the two regions should be interpreted in relative terms, given the still centralized state structure and the general weakness of local governments in Greece.

Variation in the strength of civil society, and the presence of social capital endowments constitute the explanatory variable for the diversified degree of learning and adaptation to the European environment among the Aegean islands regions. Despite the difficulties of identifying clear-cut differences in the level of social capital among the regions, chapters four and five provide evidence based on both quantitative and qualitative research on the differentiation of the two regions in the strength of their civil society. Thus, beyond the clear superiority of the Southern Aegean in participation in all the categories of voluntarist organizations, the analysis of the data has revealed crucial qualitative differences in participation in the two regions. In particular the presence of numerous networks of civic engagement focusing on the provision of crucial public services (health care) in Dodecanese and Cyclades in comparison with the rather culture-oriented voluntarist organizations in the Northern Aegean islands has been illustrated by the involvement of the Dodecanese Association of persons with Special Needs in the implementation of the HORIZON I Initiative. Furthermore, the involvement of voluntarist organizations (Lyceums of women) in EU programmes had already become evident, even during the implementation phase of the Aegean IMP. This evidence seems consistent with the strong

tradition in institution-building primarily in Dodecanese and secondarily in Cyclades since the 1960s. Thus, although the evidence demonstrates similarities between the two regions over “law and order”, a strong civil society and important voluntarist organizations constitute intrinsic elements of the local systems of governance in both prefectures of the Southern Aegean and have facilitated the processes of general exchange and policy network-building.

The interrelationship between the presence of social capital and the quality of local institutional structure (networks) is illustrated by the descriptive graphs (A.1-A.6) in appendix A. These graphs present correlations between the main variables of this thesis, that is social capital, structure (vertical or horizontal) of the general exchange and policy networks, economic performance and absorption capacity from the Structural Funds programmes (1st CSF-MOP). The main conclusion that emerges from these graphs is that the presence of social capital and a strong civil society are highly correlated with the structure of the local institutional networks and their capacity for learning and adaptation.

8.3 Implications for Policy and Integration Theory

The theoretical framework of this thesis initiated the notions of social capital and institutional (inter-organizational) networks as crucial conceptual tools for understanding how the learning and adaptation processes of the local systems of governance in the European regional policy environment were facilitated. This final section draws the main theoretical implications deriving from this research for integration theory in general and European regional policy in particular.

Since both concepts, social capital and networks, have been used for explaining the adaptation process in industrial districts and areas of industrial decline, their introduction into the European policy-making process is linked to the existing within the European environment similar needs for adaptation and adjustment. The increasing importance of the network paradigm

across a wide variety of research fields, as a form of governance distinct from the models of market and hierarchy, is related to its capacity for explaining the complex system of exchanges and interdependencies among the actors on a horizontal basis.

Subsequently, the use of the network metaphor in European regional policy implies the need for overcoming the traditional in the *problematique* of regional development state/market dichotomy and the respective theoretical implications for policy design, implementation and outcomes. By mapping institutional structures and hence actors' interdependencies, institutional networks challenge the main ontological assumption about actors' independence, upon which the market model is based. On the other hand, networks question the effectiveness and efficiency of the hierarchically-structured and top-down state intervention in achieving adaptation and positive economic outcomes at the regional level. Thus, the view of local systems of governance as systems of interactions emphasizes the role of the networks as the appropriate conceptual tools for capturing these interactions and the subsequent processes of resource exchange and interdependence among institutional actors at the local level. It is within this institutional environment that synergies among public and private actors are achieved and the public/private divide is overcome. In that sense, institutional networks constitute the organizational form of collective governance within which the pursuit of individual interests is seen as a function of collective rather than of autonomous-individual actions.

Within such a policy environment, however, still dominated by rationality-based actors' preferences through the processes of exchange and interdependence, the concept of social capital emerges as a set of norms, internalized by individual actors, that introduces the notion of social structure into the rational-choice paradigm, thus bridging the gap between rational or purposive action and social structure, and facilitating collective action among the actors within the networks. Social capital is the key conceptual tool for learning and adaptation processes for two

main reasons. First, given that the learning process is crucially affected by the uncertainty and volatility that characterize modern institutional settings and depends on information exchange, communication and dialogue, social capital, by facilitating collective action among actors within networks, plays the most important role in enhancing the learning and hence the adaptation functions. Second, since the functions of institutional learning and adaptation usually undermine the stability of relations among actors, the forms of social capital (trust, norms) play a key role in re-stabilizing relations among the involved actors and thus the further development of the network structure.

Under these considerations, social capital and networks constitute key components of the main theoretical argument of this thesis: that learning, adaptation and hence development are socially and institutionally embedded processes, which cannot be understood either by the old leftist tradition of state intervention or by the new-right orthodoxy which emphasizes governance by a self-regulating economy. This “embeddedness thesis”, which implies the overcoming of the notion of methodological individualism for utility maximization and hence the neo-liberal predominance, constitutes the corner stone of the notion of collective competitiveness (Paraskevopoulos, 1998a,b). Collective competitiveness, in turn, is the prerequisite for successful learning, adaptation and the Europeanization of subnational governments across Europe. Within this framework the lesson drawn for European regional policy is that the main criterion for the evaluation of the success or failure of the Structural Funds programmes should be the degree of synergies and networks creation at the regional and local levels through enhancement of the partnership principle.

From the evidence of European structural policy arise important implications for contemporary integration theory. First, “traditional” theories of regional integration are, to varied degrees, incapable of capturing the complexities of the current state of the art in the integration

process in Europe. In particular, even though neofunctionalism's emphasis on the role of supranational institutions and the 'top-down' process of transformation of loyalties and identities implicitly acknowledges a role for learning on a top-down basis, it is incapable of capturing the dynamics of the system within which the multiplicity of interests has been raised as its main feature. On the other hand, although intergovernmentalism's emphasis on the bargains between member-state governments describes adequately the formalities of the decision-making process in the EU, it overlooks the bottom-up dynamics of the system, within which, at least after the completion of the SEA, the role of the nation-states has, to a significant extent, been replaced by the role of the market and civil society (Paraskevopoulos, 1998c).

Second, for the contemporary debate among the neo-institutionalist approaches to the integration process the evidence from structural policy underlines the limitations of the rational-choice neo-institutionalist approach and the assumptions of methodological individualism upon which it is based. The attempt to introduce rationality-based actors' preferences as the only explanatory variable for the selection of specific formal institutional arrangements at the EU level neglects the role played by historical institutional evolution and the norms of institutional behaviour in determining actors' preferences and explaining institutional change within the EU. In a similar vein historical institutionalism's pure path-dependence logic and the deterministic interpretations of history, although involving a substantial amount of evolution that the learning process would imply, are incapable of capturing the bottom-up dynamics within the system.

Third, the notion of learning initiated by this thesis, challenging the traditional domination of Western culture by the rationality of both markets and hierarchies, introduces civic engagement and strong civil society as intrinsic elements of the Western culture, alternatives to both markets and hierarchies. In that respect this thesis emphasizes the role of social capital (norms) in the formulation of actors' preferences (Paraskevopoulos, 1998c). Additionally, it

opens up the debate on the impact of “learning and socialization processes” (J. Checkel, 1998:9) on integration in Europe through modes of interaction, construction of collective identities and thus the formulation of actors’ preferences.

Finally, the challenge of this thesis to the methodological individualism-based and rational choice-oriented approaches to European integration is consistent with the emerging literature in the field of international relations, which stresses the role of communication and knowledge in the processes of institution-building in the modern world set within the framework of ‘epistemic communities’ (P. Haas, 1992).

BIBLIOGRAPHY

- Aglietta, M (1979) A Theory of Capitalist Regulation: the US Experience, London: New Left Books.
- Aldrich, Howard and D. A. Whetten (1981) 'Organization-sets, action-sets, and networks: making the most of simplicity', in P.C.Nystrom and W.H.Starback (eds) Handbook of Organizational Design: Vol. 1: Adapting organizations to their environments, pp.385-408, Oxford: Oxford University Press.
- Amin, Ash (1994) 'Post-Fordism: Models, Fantasies and Fantoms of Transition' in A.Amin (ed) Post-Fordism: A Reader, Oxford: Blackwell.
- Amin, A and A. Malmberg (1994) 'Competing Structural and Institutional Influences on the Geography of Production in Europe' in A. Amin (ed) Post-Fordism: A Reader, pp.227-248, Oxford: Blackwell.
- Amin, A and N. Thrift (1994) 'Living in the global', in A. Amin and N.Thrift (eds) Globalisation, Institutions and Regional Development in Europe, pp.1-22, Oxford: Oxford University Press.
- Amin, A and J. Tomaney (1995a) 'The Regional Dilemma in a Neo-Liberal Europe', European Urban and Regional Studies, Vol. 2, No 2, pp.171-188.
- Amin, Ash and J. Tomaney (1995b) 'A Framework for Cohesion', in A. Amin and J. Tomaney (eds) Behind the Myth of the European Union: Prospects for Cohesion, London, Routledge.
- Anderson, J. J (1990) 'Skeptical Reflections on a Europe of Regions: Britain, Germany, and the ERDF', Journal of Public Policy, Vol. 10, No 4, pp. 417-447.
- Anderson, J. J (1995) 'The State of the (European) Union: From the Single Market to Maastricht, from Singular Events to General Theories', World Politics, Vol. 47, pp.441-65.
- Andrikopoulou, E, Getimis P and Kafkalas, G (1988) [I Rithmisi tou Chorou stin Elada: apo tin kentriki diikisi ston korporatismo] 'Spatial regulation in Greece: from central administration to corporatism?', in G. Kafousis, N. Konsolas, N. Petralias, M. Lambrinidis and Th. Pakos (eds), Festschrift for Sakis Karagiorgas, Regional Development Institute (RDI), Athens.
- Andrikopoulou, Eleni (1992) 'Whither regional policy? Local development and the state in Greece', in M. Dunford and G. Kafkalas (eds) Cities and Regions in the New Europe: the global-local interplay and spatial development strategy, London: Belhaven Press.
- Apter, D (1987) Rethinking Development: modernization, dependency and post-modern politics, London: Sage.

- Armstrong, H (1989) 'Community Regional Policy', in J. Lodge (ed) The European Community and the Challenge of the Future, London: Pinter.
- Athanasiou, L, Kavadias, P., Katichianou, D., Tonikidou, P (1995) [Diaperiferiaki Analisi ke politiki:vasika stichia kata peiferia ke nomo], Interregional Analysis: basic data per region and prefecture, Athens: KEPE (Greek Centre of Economic Research).
- Axelrod, Robert (1984) The Evolution of Cooperation, New York: Basic Books.
- Axelrod, Robert (1997) The Complexity of Cooperation: Agent-Based Models of Competition and Collaboration, Princeton: Princeton University Press.
- Banfield, E.C (1958) The Moral Basis of a Backward Society, Glencoe: The Free Press.
- Barro, R. J. and X. Sala-i-Martin (1991) Convergence across states and regions, Brookings Papers on Economic Activity, no 1 April.
- Bates, Robert H (1988) 'Contra Contractarianism: Some Reflections on the New Institutionalism' Politics and Society Vol.16, No 2-3, pp. 387-401.
- Benington, John and Janet Harvey (1994) 'Spheres or Tiers? The significance of transnational local authority networks', Local Government Policy Making, Vol. 20, No 5, pp. 21-30.
- Bennet, Robert J. and Guenter Krebs (1994) 'Local Economic Development Partnerships: An Analysis of Policy Networks in EC-LEDA Local Employment Development Strategies', Regional Studies, Vol.28, No 2, pp.119-140.
- Bennet, Robert J., Wicks Peter and McCoshan, Andrew (1994) Local Empowerment and Business Services, London: UCL Press.
- Berkowitz, Stephen D (1982) An Introduction to Structural Analysis: The Network Approach to Social Research, Toronto: Butterworths.
- Bianchi, Giuliano (1993) 'The IMPs: A Missed Opportunity? An Appraisal of the Design and Implementation of the Integrated Mediterranean Programmes' in R. Leonardi (ed) The Regions and the European Community: The Regional Response to the Single Market in the Underdeveloped Areas, pp.47-70, London: Frank Cass.
- Borgatti, S. P, M. G. Everett, and L. C. Freeman (1992) UCINET IV Version 1.00, Columbia: Analytic Technologies.
- Boyer, Robert (1988) 'Technical Change and the theory of Regulation', in G. Dosi, C. Freeman, R. Nelson, G. Silverberg, and L. Soete (eds) Technical Change and Economic Theory, pp.67-94, London: Pinter Publishers.
- Boyer, Robert (1990) New Directions in Management Practices and Work Organisation: General Principles and National Trajectories, Paris:OECD.

- Bulmer, Simon (1994) 'The Governance of the European Union: A New Institutional Approach', Journal of Public Policy, Vol. 13, No 4, pp.351-380.
- Burt, Ronald S (1982) Toward a Structural Theory of Action: Network Models of Social Structure, New York: Academic.
- Burt, Ronald S (1993) 'The Social Structure of Competition', in R. Swedberg (ed.) Explorations in Economic Sociology, pp.65-103, New York: Russell Sage Foundation.
- Camagni, R (1991) 'Regional deindustrialisation and revitalisation processes in Italy', in L.Rodwin and H.Sazanami (eds), Industrial Change and Regional Economic Transformation: The Experience of Western Europe, pp.137-167, London: Harper Collins.
- Campbell, J. K (1964) Honour, Family and Patronage: A Study of Institutions and Moral Values in a Greek Mountain Community, London: Oxford University Press.
- Cappellin, Riccardo (1992) 'Theories of local endogenous development and international co-operation', in M.Tykkylaeinen (ed.), Development Issues and Strategies in the New Europe, pp.1-19, Aldershot: Avebury.
- Checkel, Jeffrey T (1998) 'Social Construction, Institutional Analysis and the Study of European Integration', paper presented at the 26th ECPR-Joint Sessions of Workshops, University of Warwick, 23-28 March.
- Cheshire, Paul, R. Camagni, Jean-Paul de Gaudemar & Juan R. Cuadrado Roura (1991) '1957 to 1992: moving toward a Europe of regions and regional policy' in Lloyd Rodwin and Hidehiko Sazanami (eds) Industrial Change and Regional Economic Transformation: The experience of Western Europe, pp.268-300, London: HarperCollinsAcademic.
- Christofilopoulou, Paraskevi (1990) Decentralization in Post-Authoritarian Greece, Unpub. Ph.D Thesis, LSE.
- Clogg, Richard (1979) A Short History of Modern Greece, Cambridge: Cambridge University Press.
- Coleman, James S (1988) 'Social Capital in the Creation of Human Capital', American Journal of Sociology, Vol.94, Supplement, pp.95-120.
- Coleman, James S (1990) Foundations of Social Theory, chs. 8, 12, Cambridge MA: Belknap Press of Harvard University Press.
- Cooke, Philip (1996) 'Policy Networks, Innovation Networks and Regional Policy: A review of the Literature and an Example from South Wales', in H. Heinelt and Randall Smith (eds), Policy Networks and European Structural Funds, Aldershot: Avebury.

Croxford, G.J, Wise, M, and Chalkley, B.S. (1987) 'The Reform of the European Regional Development Fund: A Preliminary Assessment', Journal of Common Market Studies, Vol.26, No 1, pp.25-37.

Diamandouros, Nikiforos (1994) Cultural Dualism and Political Change in Postauthoritarian Greece, Estudio/Working Paper 1994/50, Madrid: Juan March Institute.

DiMaggio, Paul and Walter Powell (1991) 'Introduction', in Powel and DiMaggio (eds), The New Institutionalism in Organizational Analysis, Chicago: University of Chicago Press.

Dogan Mattei and Pelassy, Dominique (1990) How to Compare Nations: Strategies in Comparative Politics, 2nd edition, N. Jersey: Chatham House.

Dowding, Keith M (1991) Rational Choice and Political Power, Aldershot: Edward Elgar.

Dowding Keith (1994a) 'The Compatibility of Behaviouralism, Rational Choice and "New Institutionalism"', Journal of Theoretical Politics, Vol. 6, No 1, pp.105-117.

Dowding, Keith M (1994b) Policy Networks: Don't Stretch a Good Idea Too Far, paper presented to the Policy Communities/Policy Networks Workshop of the PSA conference, University of Swansea, 29-31 March.

Dowding, Keith (1996) Power, Buckingham: Open University Press.

Dunford M and G. Kafkalas (1992) 'The global-local interplay, corporate geographies and spatial development strategies in Europe', in M. Dunford and G. Kafkalas (eds), Cities and Regions in the New Europe: the global-local interplay and spatial development strategies, London: Belhaven Press.

Dunleavy, Patrick (1991) Democracy, Bureaucracy and Public Choice: Economic Explanations in Political Science, London: Harvester Wheatsheaf.

Evans, Peter (1996a) 'Introduction: Development Strategies across the Public-Private Divide', World Development, Vol. 24, No 6, pp.1033-1037.

Evans, Peter (1996b) 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', World Development, Vol. 24, No 6, pp.1119-1132.

Fellmeth, Aaron Xavier (1996) 'Social Capital in the United States and Taiwan: Trust or Rule of Law?', Development Policy Review, Vol. 14, pp.151-171.

Filias, Vassilis (1974) [Koinonia kai Exousia stin Ellada: I Notha Astikopoiisi 1800-64], Society and Power in Greece: the Spurious Civil Class-Formation 1800-1864, Athens: Makryonitis

Finas, K (1981) [To Emporio tis Dodecanisou], The Trade in Dodecanese, Epimelitirio Dodecanisou, Dodecanese Chamber: Rhodes.

- Finnemore, Martha (1996) 'Norms, culture, and the world politics: insights from sociology's institutionalism', International Organization, Vol. 50, No 2, pp.325-47.
- Flogaitis, S (1987) [To Elliniko Dioikitiko Systema], The Greek Administrative System, Athens: Sakkoulas.
- Fox, Jonathan (1996) 'How Does Civil Society Thicken? The Political Construction of Social Capital in Rural Mexico', World Development, Vol. 24, No 6, pp.1089-1103.
- Gambetta Diego (1988) 'Can We Trust Trust?' in D. Gambetta (ed.) Trust: Making and Breaking Cooperative Relations, pp. 213-238, Oxford: Blackwell.
- Garmise, Shari, O (1995a) Institutional Networks and Industrial Restructuring: Local Initiatives toward the Textile Industry in Nottingham and Prato, Unpublished Ph.D Thesis, LSE.
- Garmise, Shari O (1995b) 'Economic development strategies in Emilia-Romagna', in Martin Rhodes (ed) The regions and the new Europe: Patterns in core and periphery development, Manchester: Manchester University Press.
- Garofoli, Gioacchino (1992) 'Endogenous development and Southern Europe: an introduction', in G. Garofoli (ed.) Endogenous Development and Southern Europe, pp.1-13, Aldershot: Avebury.
- Garrett, Geoffrey and George Tsebelis (1996) 'An institutional critique of intergovernmentalism', International Organization, Vol. 50, No 2, pp.269-99.
- Getimis, P (1989) [Anaptyxiaka themata ke topikis rithmisis: i periptosi tis Dodecanisou], 'Development issues and local regulation: the case of the Dodecanese prefecture', in K. Psychopedis and P. Getimis (eds) [Rithmisi Topikon Problimatou], Regulation of Local Problems, Athens: Foundation for Mediterranean Studies.
- Giddens Antony (1984) The Constitution of Society, Cambridge, Polity Press.
- Goldberg, Ellis (1996) 'Thinking About How Democracy Works' Politics and Society, Vol.24, No 1, pp.7-18.
- Goldsmith, Mike (1993) 'The Europeanization of Local Government', Urban Studies, Vol.30, Nos 4/5, pp. 683-699.
- Grabher, Gernot (1993) 'The weakness of strong ties: The lock-in of regional development in the Ruhr area', in G. Grabher (ed) The embedded firm: On the socioeconomics of industrial networks, pp. 255-277, London: Routledge.
- Granovetter, Mark (1973) 'The Strength of Weak Ties', American Journal of Sociology, Vol.78, No.6, pp.1360-1380.

- Granovetter, Mark (1985) 'Economic Action and Social Structure: The Problem of Embeddedness', American Journal of Sociology, Vol. 91, No 3, pp.481-510.
- Granovetter, Mark (1993) 'The Nature of Economic Relationships', in R Swedberg (ed) Explorations in Economic Sociology , pp. 3-41 NY: Russell Sage Foundation.
- Green Donald P. and Ian Shapiro (1994) Pathologies of Rational Choice Theory: A Critique of Applications in Political Science, New Haven: Yale University Press.
- Grote, Jurgen R (1997) Policy Networks in the South of the South, paper presented at the 25th ECPR Joint Sessions of Workshops, Bern, Switzerland, 28 February to 4 March 1997.
- Haas, Peter M. (1992) 'Introduction: epistemic communities and international policy coordination', International Organization, (Special Issue), Vol. 46, No 1, pp.1-35.
- Hadjimichalis, Costis (1987) Uneven Development and Regionalism: State, Territory and Class in Southern Europe , London: Groom Helm.
- Hadjimichalis, Costis (1994) 'The Fringes of Europe and EU Integration: A View from the South', European Urban and Regional Studies, Vol. 1, No 1, pp. 19-29.
- Hall, Peter A. (1993) 'Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain', Comparative Politics, Vol. 25, pp.275-96.
- Hall, Peter A. and Rosemary C. R.Taylor (1996) Political Science and the Three New Institutionalisms', Political Studies, Vol. 44, pp.936-57.
- Hamilton, I (1986)(ed) Industrialization in Developing and Peripheral Regions, London: Groom Helm.
- Harvie, Christopher (1994) The Rise of Regional Europe, London: Routledge.
- Heller, Patrick (1996) 'Social Capital as a Product of Class Mobilization and State Intervention: Industrial Workers in Kerala, India', World Development, Vol. 24, No 6, pp. 1055-1071.
- Hirst, P., J. Zeitlin (1992) 'Flexible Specialisation versus Post-Fordism: Theory, Evidence, and Policy Implications' in M.Storper and A.J.Scott (eds.) Pathways to Industrialisation and Regional Development, pp.70-115, London: Routledge.
- Hoffmann, S (1966) 'Obstinate or obsolete? The Fate of the Nation-State and the Case of Western Europe', Daedalus, No.95, pp.862-915.
- Holland, S (1976) Capital Against Regions, London: Macmillan.
- Holland, S (1980) Uncommon Market: Capital, Class and Power in the European Community, New York: St. Martin's Press.

- Hooghe, Liesbet and Michael Keating (1994) 'The politics of European Union regional policy', Journal of European Public Policy, Vol. 1, No 3, pp.367-393.
- Hooghe, Liesbet (1995) 'Subnational Mobilization in the European Union' West European Politics, Vol. 18, No 3, pp. 175-198.
- Hooghe, Liesbet (1996) 'Building a Europe with the Regions: the Changing Role of the European Commission', in L. Hooghe (ed) Cohesion Policy and European Integration: Building Multi-Level Governance, pp.89-126, Oxford: Oxford University Press.
- Hooghe, Liesbet and Gary Marks (1997) The Making of a Polity: The Struggle over European Integration, paper presented at the 25th ECPR-Joint Sessions, University of Bern, February.
- Inglehart, R (1988) 'The Renaissance of Political Culture', American Political Science Review, Vol. 82, No 4, pp. 1203-1230.
- Ioakimidis, P.C (1996) 'EU Cohesion Policy in Greece: The Tension Between Bureaucratic Centralism and Regionalism', in Liesbet Hooghe (ed) Cohesion Policy and European Integration: Building Multi-Level Governance, pp. 342-363, Oxford: Oxford University Press.
- Jeffery, Charlie (1995) 'Whither the Committee of the Regions? Reflections on the Committee's Opinion on the Revision of the Treaty on European Union', Regional and Federal Studies, Vol. 1, No 2, pp. 247-257.
- Jeffery, Charlie (1997) Sub-National Authorities and European Integration: Moving Beyond the Nation-State?, paper presented at the Fifth Biennial International Conference, European Community Studies Association, May 29-June 1 1997, Seattle, USA.
- Jenkins-Smith Hank C. and Paul A. Sabatier (1993) The Dynamics of Policy-Oriented Learning, in Paul A. Sabatier and Hank C. Jenkins-Smith (eds) Policy Change and Learning: An Advocacy Coalition Approach, pp.41-56, Boulder: Westview Press.
- Jessop, Bob (1994) 'Post-Fordism and the State', in A. Amin (ed) Post-Fordism: A Reader, pp. 251-279, Oxford: Blackwell.
- John, Peter (1994) 'What is the European function?', Local Government Policy Making, Vol. 20, No 5, pp. 11-13.
- Kardasis, V. A (1987) [Syros: Sto Stavrodromi tis Anatoliki Mesogiou], Syros: Crossroads of Eastern Mediterranean (1832-1857), Athens: Cultural Foundation of National Bank of Greece.
- Kassim, Hussein (1994) 'Policy Networks, Networks and European Union Policy Making: A Sceptical View', West European Politics, Vol. 17, No 4, pp.15-27.

Kazakos, P (1991) [I Ellada anamesa se Prosarmogi ke Perithoriopiisi], Greece between Adjustment and Marginalization, Athens: Diatton.

Keating, Michael (1996) The Invention of Regions: Political Restructuring and Territorial Government in the Western Europe, paper presented at the ECPR Joint Sessions of Workshops, Oslo, 29 March to 3 April.

Kenis, Patrick and Volker Schneider (1991) 'Policy Networks and Policy Analysis: Scrutinizing a New Analytical Toolbox', in Bernd Marin and Renate Mayntz (ed) Policy Networks: empirical evidence and theoretical considerations, Colorado: Westview Press.

Keohane, Robert O and Stanley Hoffmann (1991) 'Institutional Change in Europe in the 1980s' in Robert O. Keohane and Stanley Hoffmann (eds) The New European Community: Decisionmaking and Institutional Change, pp.1-39, Oxford: Westview Press.

Klausen, K and Goldsmith M. (1997) 'Conclusion: Local Government and the European Union', in M. Goldsmith, K Klausen (eds) European Integration and Local Government, Cheltenham: Edward Elgar.

Knoke, David (1990) Political Networks: The Structural Perspective, Cambridge MA: Cambridge University Press.

Knoke, D and J.H.Kuklinski (1982) Network Analysis Beverly Hills: Sage Publications.

Kohler-Koch, Beate (1996) 'Catching up with change: the transformation of governance in the European Union', Journal of European Public Policy, Vol. 3, No 3, pp.359-80.

Konsolas, N (1985) [Peripheriaki Ikonomiki Politiki: Geniki Theorisi], Regional Economic Policy: (I) An Overview, Athens: Papazisis.

Konsolas, N (1992) 'EEC regional policy and the Integrated Mediterranean Programmes', in Markku Tykkylainen (ed), Development Issues and Strategies in the New Europe, Aldershot: Avebury.

Konsolas, N, Papadaskalopoulos, A, Ranos, K, Sidiropoulos, E (1993) Regional Prospects in Greece: A GREMI-EEC Research Project-National Report, Athens: Regional Development Institute (RDI).

Kontogiorgis, G (1982) [Koinoniki Dynamiki ke Politiki Autodioikisi: Oi Ellinikes Koinotites tis Tourkokratias], Social Dynamics and Political Self-Government: the Greek Communes under Turkish Occupation, Athens: Nea Synora.

Kontogiorgis, G (1985) [Politiko Systema ke Politiki], Political System and Politics, Athens: Polytypo.

Krugman, Paul R. and A.J.Venables (1990) 'Integration and the competitiveness of peripheral industry', in C. Bliss and J.B de Makedo (eds) Unity with diversity in the European economy: the Community's Southern frontier, pp.56-75, Cambridge: Cambridge University Press.

Leonardi, R. and Garmise, S (1993) 'Sub-National Elites and the European Community', in R. Leonardi (ed), The Regions and the European Community: the Regional Response to the Single Market in the Underdeveloped Areas, pp. 247-274, London: Frank Cass.

Leonardi, Robert (1995a) Convergence, Cohesion and Integration in the European Union, London: Macmillan Press.

Leonardi, Robert (1995b) 'Regional Development in Italy: Social Capital and the Mezzogiorno', Oxford Review of Economic Policy, Vol. 11, Nr.2, pp.165-179.

Levi, Margaret (1996) 'Social and Unsocial Capital: A Review Essay of Robert Putnam's *Making Democracy Work*' Politics and Society, Vol. 24, No 1, pp.45-55.

Lipietz, Alain (1987) Mirages and Miracles: The Crises of Global Fordism, Norfolk: Verso.

Logothetis, M (1983) [I Ikonomia tis Dodecanisou kata ta eti 1981-82], The Economy of the Dodecanese in 1981-82, [Epimelitirio Dodecanisou], Dodecanese Chamber: Rhodes.

Lorenz, Edward H (1992) 'Trust, Community and Cooperation: Toward a theory of industrial districts', in M. Storper and A.J.Scott (eds.) Pathways to Industrialisation and Regional Development, pp.195-204, London: Routledge.

Loughlin, J. (1996) 'Representing Regions in Europe: The Committee of the Regions', Regional and Federal Studies, Vol.6 No 2, pp. 147-165.

Lundvall, Bengt, A (ed) (1992) National Systems of Innovation: Towards a Theory of Innovation and Interactive Learning, London: Pinter.

Lyberaki Antigone (1993) 'Greece-EC Comparative Economic Performance: Convergence or Divergence?' in Harry J. Psomiades and Stavros B. Thomadakis (eds) Greece, the New Europe, and the Changing International Order, pp.179-216, Pella: New York.

Lyrintzis, Christos (1993) 'PASOK in Power: From "Change" to Disenchantment', in Richard Clogg (ed), Greece, 1981-89: The Populist Decade, pp. 26-46, London: Macmillan.

March, James and Johan Olsen (1989) Rediscovering Institutions: The Organizational Basis of Politics, New York: Free Press.

Marin Bernd (1990) 'Introduction', in Bernd Marin (ed), Governance and generalized exchange: self-organizing policy networks in action, pp. 13-25, Frankfurt: Campus Verlag.

- Marin Bernd and Renate Mayntz (1991) 'Introduction: Studying Policy Networks', in Bernd Marin and Renate Mayntz (eds), Policy Networks: empirical evidence and theoretical considerations, Frankfurt: Campus Verlag.
- Marks, G (1992) 'Structural Policy in the European Community', in A. Sbragia (ed), Euro-politics, Institutions and Policy-making in the 'New' European Community, pp. 191-224, Washington D. C: The Brookings Institution.
- Marks, G (1993) 'Structural Policy and Multilevel Governance in the EC', in A.Cafruny & Glenda Rosenthal (eds), The State of the European Community: The Maastricht debates and Beyond, Vol.2, pp. 391-410, London: Longman.
- Marks, Gary (1996) 'Exploring and Explaining Variation in EU Cohesion Policy', in Liesbet Hooghe (ed), Cohesion Policy and European Integration: Building Multi-Level Governance, pp. 367-422, Oxford: Oxford University Press.
- Marks, Gary, Nielsen Francois, Ray Leonard and Salk Jane (1996a) 'Competencies, Cracks and Conflicts: Regional Mobilization in the European Union', in Gary Marks, Fritz W. Scharpf, Philippe Schmitter and Wolfgang Streeck (eds), Governance in the European Union, pp. 40-63, London: Sage Publications.
- Marks Gary, Liesbet Hooghe, Kermit Blank (1996b) 'European Integration from the 1980s: State-Centric v. Multi-level Governance' Journal of Common Market Studies, Vol. 34, No 3, pp.341-78.
- Mavrogordatos, George (1988) [Metaxy Pytiokampti kai Prokrousti: Oi Ergodotikes Organoseis sti Synchroni Ellada], Between Pityokamptes and Prokroustes: Employers' Organizations in Contemporary Greece, Athens: Odysseas.
- Mavrogordatos, George (1993), 'Civil Society under Populism', in Richard Clogg (ed) Greece, 1981-89: The Populist Decade, pp. 47-64, London: Macmillan.
- Mazey, Sonia and Jeremy Richardson (1993) 'Introduction: Transference of Power, Decision Rules, and Rules of the Game', in Sonia Mazey and Jeremy Richardson (eds) Lobbying in the European Community, pp. 3-26, Oxford: Oxford University Press.
- Metcalfe, Les (1981) 'Designing precarious partnerships', in P. C. Nystrom and W. H. Starbuck (eds) Handbook of Organizational Design: Vol.1: Adapting organizations to their environments, pp.503-530, Oxford: Oxford University Press.
- Mitsos, Achilleas (1995) The Community's Redistributive and Development Role in the post-Maastricht era, mimeo.
- Moe, Terry M (1990) 'Political Institutions: The Neglected Side of the Story', Journal of Law, Economics, and Organization, Vol. 6, Special Issue, pp.213-53.

Molle, W and Cappellin, R (eds) (1988) Regional Impact of Community Policies in Europe, Avebury: Aldershot.

Moravcsik, A (1991) 'Negotiating the Single European Act' in Robert O. Keohane and Stanley Hoffmann (eds) The New European Community: Decisionmaking and Institutional Change, pp. 41-84, Oxford: Westview Press.

Moravcsik, A (1993) 'Preferences and power in the European Community: a liberal intergovernmentalist approach' Journal of Common Market Studies, Vol. 31, No 4, pp. 473-524.

Morgan Kevin (1992) 'Innovating by networking: new models of corporate and regional development, in M. Dunford and G. Kafkalas (eds), Cities and regions in the new Europe: the global-local interplay and spatial development strategies, London, Belhaven Press.

Mouzelis, Nicos P (1978) Modern Greece: Facets of Underdevelopment, London: Macmillan.

Mouzelis, Nicos P (1986) Politics in the Semi-Periphery: Early Parliamentarism and Late Industrialisation in the Balkans and Latin America, London: Macmillan.

Mouzelis, Nicos P (1995) 'Greece in the Twenty-first Century: Institutions and Political Culture', in Dimitri Conostas and Theofanis G. Stavrou (eds), Greece Prepares for the Twenty-first Century, pp. 17-34, Washington, D.C: Johns Hopkins University Press & Woodrow Wilson Center Press.

Myrdal, Gunnar (1957) Economic Theory and Under-developed Regions, London: Duckworth.

Nanetti, Raffaella Y (1990) 'The Community's Structural Funds and the Search for a European Regional Policy', paper presented at the annual meeting of the American Political Science Association, August 30-September 2, San Francisco.

Nanetti Raffaella Y (1996) 'EU Cohesion and Territorial Restructuring in the Member States', in Liesbet Hooghe (ed) Cohesion Policy and European Integration: Building Multi-Level Governance, pp.59-88, Oxford: Oxford University Press.

North, Douglass C (1990) Institutions, Institutional Change and Economic Performance, Cambridge: Cambridge University Press.

Olson, Mancur (1971) The Logic of Collective Action: Public Goods and the Theory of Groups, Cambridge MA: Harvard University Press.

Olson, Mancur (1982) The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities, New Haven, Conn: Yale University Press.

Oppenheim A.N (1996) Questionnaire Design, Interviewing and Attitude Measurement, London: Pinter.

- Ostrom, Elinor (1986) 'An agenda for the study of institutions', Public Choice, 48, pp.3-25.
- Ostrom, Elinor (1990) Governing the Commons: The evolution of institutions for collective action Cambridge, MA: Cambridge University Press.
- Ostrom, Elinor (1992) 'Community and the Endogenous Solution of Commons Problems', Journal of Theoretical Politics, 4 (3), pp.343-51.
- Ostrom, Elinor (1995a) 'Self-organization and Social Capital', Industrial and Corporate Change, Vol. 4, No 1, pp.131-159.
- Ostrom, Elinor (1995b) 'Constituting Social Capital and Collective Action', in Robert Keohane and Elinor Ostrom (eds.) Local Commons and Global Interdependence: Heterogeneity and Cooperation in Two Domains, pp.125-160, London: Sage Publications.
- Ostrom, Elinor (1996) 'Crossing the Great Divide: Coproduction, Synergy and Development', World Development, Vol. 24, No 6, pp.1073-1087.
- Ostrom Elinor (1998) 'A Behavioral Approach to the Rational Choice Theory of Collective Action', American Political Science Review, Vol. 92, No 1, pp.1-22.
- Papageorgiou Fouli and Verney Susannah (1993) 'Regional Planning and the Integrated Mediterranean Programmes in Greece', in R. Leonardi (ed) The Regions and the European Community: The Regional Response to the Single Market in the Underdeveloped Areas, pp. 139-161, London: Frank Cass.
- Paraskevopoulos, C.J (1988) Diaperipheriaki Diarthrosi ton Kladon tis Metapoiisis stin Ellada (1963-84) kai i Epidrasi tou Thesmikou Plaisiou Periphereiakis Anaptyxis [Interregional Structure of the Manufacturing Branches in Greece (1963-84) and the Impact of the Institutional Framework of Regional Development], MPhil. Thesis, Athens: RDI.
- Paraskevopoulos, C.J (1997) 'Social Capital and Learning Institutional Networks: making sense of subsidiarity in European regional policy', TOPOS Review of Urban and Regional Studies, Summer, pp. 3-29 (in Greek).
- Paraskevopoulos, C.J (1998a) 'Social Capital and the Public/Private Divide in Greek Regions', West European Politics, Vol. 21, No 2, pp.154-177.
- Paraskevopoulos, C.J (1998b) 'Social Capital, Institutional Learning and European Regional Policy: evidence from Greece', Regional and Federal Studies, Vol. 8, No 3 (forthcoming, Autumn).
- Paraskevopoulos, C.J (1998c) Institutional Learning and Adaptation: Redefining the "Limits" of the Integration Process in Europe with Evidence from Structural Policy, paper presented to the 26th ECPR-Joint Sessions Workshop on 'Institutional Analyses of European Integration', University of Warwick, 23-28 March.

- Parri, Leonardo (1989) 'Territorial Political Exchange in Federal and Unitary Countries', West European Politics, Vol.12, No 3, pp.197-215.
- Peterson, John (1995) 'Policy Networks and European Union Policy Making: A Reply to Kassim', West European Politics, Vol. 18, No 2, pp.389-407.
- Petropoulos, John (1968) Politics and Statecraft in the Kingdom of Greece 1833-1843, Princeton: Princeton University Press.
- Pierson, Paul (1996) 'The Path to European Integration: A Historical Institutional Analysis', Comparative Political Studies, Vol. 29, No 2, pp.123-63.
- Pierson, Paul (1997) Increasing Returns, Path Dependence and the Study of Politics, Jean Monnet Chair Papers, 44, Badia Fiesolana: European University Institute (The Robert Schuman Centre).
- Piore, M.J., C. Sabel (1984) The Second Industrial Divide: Possibilities for Prosperity, New York: Basic Books.
- Piore, M.J (1992) 'Technological Trajectories and the Classical Revival in Economics', in M. Storper and A.J.Scott (eds.) Pathways to Industrialisation and Regional Development, pp.157-170, London: Routledge.
- Polanyi, Karl (1944) The Great Transformation: The Political and Economic Origins of Our Time, Boston: Beacon Press.
- Pollack, Mark, A (1995) 'Regional Actors in an Intergovernmental Play: The Making and Implementation of EC Structural Policy', in Carolyn Rhodes and Sonia Mazey (eds) The State of European Union, Vol.3: Building a European Polity?, pp.361-390, Boulder, Colo: Lynne Rienner Publishers.
- Pollack, Mark A (1996) 'The New Institutionalism and EC Governance; The Promise and Limits of Institutional Analysis', Governance, Vol. 9, No 4, pp.429-58.
- Pollack, Mark A. (1997) 'Delegation, agency, and agenda setting in the European Community', International Organization, Vol. 51, No 1, pp.99-134.
- Powell, Walter,W (1990) 'Neither market nor hierarchy: network forms of organization', in Research in Organizational Behaviour, 12, pp.295-336.
- Psychopedis, Kosmas and Getimis Panayotis (1989) [Rythmisi Topikon Provlimatou], Regulation of Local Problems, Athens: Foundation for Mediterranean Studies.
- Putnam, Robert D with R. Leonardi and R.Y.Nanetti (1993) Making Democracy Work: Civic Traditions in Modern Italy, Princeton: Princeton University Press.

Putnam, Robert D (1995a) 'Bowling Alone: America's Declining Social Capital', Journal of Democracy, Vol. 6, No 1, pp.65-78.

Putnam, Robert D (1995b) 'Tuning In, Tuning Out: The Strange Disappearance of Social Capital in America', Political Science and Politics, Vol. 28, No 4, pp. 664-683.

Rhodes, Martin (1995) 'Conclusion: the viability of regional strategies' in Martin Rhodes (ed) The regions and the new Europe: Patterns in core and periphery development, Manchester: Manchester University Press.

Rhodes, R.A.W & David Marsh (1992) 'New directions in the study of policy networks', European Journal of Political Research: 21, pp.181-205.

Rhodes, R.A.W, Ian Bache, and Stephen George (1996) 'Policy Networks and Policy-Making in the European Union: A Critical Appraisal', in Liesbet Hooghe (ed), Cohesion Policy and European Integration: Building Multi-Level Governance, pp. 367-387, Oxford: Oxford University Press.

Richardson, Jeremy (1996) Actor Based Models of National and EU Policy-Making, discussion paper, No 103, Department of Government, University of Essex, April.

Robson, P (1987) The Economics of International Integration, London: Allen and Unwin.

Rokkan, S and D.W.Urwin (1983) Economy, Territory, Identity: Politics of West European Peripheries, London: Sage.

Sabatier, Paul A (1993) 'Policy Change over a Decade or More', in Paul A. Sabatier and Hank C. Jenkins-Smith (eds) Policy Change and Learning: An Advocacy Coalition Approach, pp.13-39, Boulder: Westview Press.

Sabel, Charles F (1993a) 'Constitutional Ordering in Historical Context' in Fritz Scharpf (ed.), Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions pp.65-123, Frankfurt/Main: Campus Verlag.

Sabel, Charles F (1993b) 'Studied Trust: Building New Forms of Cooperation in a Volatile Economy', in R. Swedberg (ed.) Explorations in Economic Sociology, pp. 104-144, N.Y: Russell Sage Foundation.

Sabel, Charles F (1994a) 'Flexible Specialisation and the Re-emergence of Regional Economies', in Ash Amin (ed.) Post-Fordism: A Reader, pp.101-156, Oxford: Blackwell.

Sabel, Charles F (1994b) 'Learning by Monitoring: The Institutions of Economic Development', in N.J.Smelser and Richard Swedberg (eds) The Handbook of Economic Sociology, Princeton: Princeton University Press.

Sabetti, Filippo (1996), 'Path Dependency and Civic Culture: Some Lessons From Italy About Interpreting Social Experiments' Politics and Society, Vol. 24, No 1, pp.19-44.

- Scharpf, Fritz W (1989) 'Decision Rules, Decision Styles and Policy Choices', Journal of Theoretical Politics, 1 (2), pp. 149-176.
- Scharpf, Fritz, W (1991) 'Games Real Actors Could Play: The Challenge of Complexity', Journal of Theoretical Politics, Vol. 3, No 3, pp.277-304.
- Scharpf, Fritz W. (1993)'Coordination in Hierarchies and Networks', in Fritz Scharpf(ed.), Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions, pp.125-165, Frankfurt/Main: Campus Verlag.
- Scharpf, Fritz, W (1994) Community and Autonomy: Multilevel Policy-Making in the European Union, Working Paper, RSC, No 94/1, Florence: EUI.
- Schmidt, Susanne K (1996) 'Sterile Debates and Dubious Generalizations: European Integration Theory Tested by Telecommunications and Electricity', Journal of Public Policy, Vol.16, No (3), pp.233-71.
- Schmitter, Philippe C (1986) 'An Introduction to Southern European Transitions from Authoritarian Rule: Italy, Greece, Portugal, Spain, and Turkey', in Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead (eds), Transitions from Authoritarian Rule: Southern Europe, London: The Johns Hopkins University Press.
- Schmitter Philippe C (1991) The European Community as an Emergent and Novel Form of Political Domination, Working paper 26, Centre for Advanced Study in the Social Sciences, Madrid: Juan March Institute.
- Schmitter, Philippe C (1995) 'Organized Interests and Democratic Consolidation in Southern Europe', in Richard Gunther, P. Nikiforos Diamandouros, and Hans-Jurgen Puhle (eds), The Politics of Democratic Consolidation: Southern Europe in Comparative Perspective, London: The Johns Hopkins University Press.
- Schmitter, Philippe C (1996) Is It Really Possible to Democratize the Euro-Polity?, paper presented at the 24th ECPR Joint Sessions of Workshops, Oslo, 29 March to 3 April.
- Schneider, Gerald and Lars-Erik Cederman (1994) 'The change of tide in political cooperation: a limited information model of European integration', International Organization, Vol. 48, No 4, pp.633-62.
- Scott, A., J. Peterson, D. Millar, (1994) 'Subsidiarity: A "Europe of the Regions" v. the British Constitution?', Journal of Common Market Studies, Vol.32, No1, pp.47-67.
- Scott, John (1994) Social Network Analysis: A Handbook, London: Sage Publications.
- Shepsle, Kenneth A (1989) 'Studying Institutions: Some Lessons from the Rational Choice Approach', Journal of Theoretical Politics, 1 (2), pp.131-147.

Singleton, Sara and Michael Taylor (1992) 'Common Property, Collective Action and Community', Journal of Theoretical Politics,4 (3), pp.309-324.

Siphnaeou Evridiki (1996) [Lesbos: Ikonomiki ke Kinoniki Istoría (1840-1912)], Lesbos: Economic and Social History (1840-1912), Athens: Trochalia.

Stokowski, Patricia A (1994) Leisure in Society: A Network Structural Perspective, London: Mansell Publishing Limited.

Storper, Michael (1995) 'The Resurgence of Regional Economies, Ten Years Later: The Region as a Nexus of Untraded Interdependencies', European Urban and Regional Studies, Vol. 2, Nr 3, pp.191-221.

Streeck, Wolfgang and Schmitter, P.C (1991) 'From National Corporatism to Transnational Pluralism: Organised Interests in the Single European Market', Politics and Society, Vol. 19, No.2, pp.133-164.

Tarrow, Sidney (1974) Partisanship and Political Exchange in French and Italian Politics: A Contribution to the Typology of Party Systems, Sage Professional Papers in Contemporary Political Sociology, Series No 06-004, London: Sage Publications.

Tarrow, S (1977) Between Center and Periphery: Grassroots Politicians in Italy and France, New Haven: Yale University Press.

Tarrow, Sidney (1996) 'Making Social Science Work Across Space and Time: A Critical Reflection on Robert Putnam's *Making Democracy Work*', American Political Science Review, Vol. 90, No 2, pp. 389-397.

Tatsos, N (1987) [Forologiki Apokentrosi: To Forologiko Systema tis Topikis Autodioikisis stin Ellada], Decentralization of Taxation: the Tax System of Local Government in Greece, Athens: Elliniki Eteria Topikis Anaptyxis kai Autodioikisis (EETAA), Greek Agency for Local Development and Self-Government.

Tatsos, N (1988) [Oi Kratikes Epichorigisis pros tin Topiki Autodioikisi], State Grants to Local Government, Athens: EETAA.

Tatsos, N (1989) [I Forologia ton Akiniton os Meso Chrimatodotisis tis Topikis Autodioikisis], The Taxation of Immovable Property as a Means of Financing Local Government, Athens: EETAA.

Taylor, Paul (1991) 'The European Community and the state: assumptions, theories and propositions' Review of International Studies, Vol. 17, pp.109-125.

Taylor, Paul (1993) International Organisation in the Modern World: the Regional and the Global process, sec. 2, London: Pinter.

Teague Paul (1995) 'Europe of the Regions and the Future of National Systems of Industrial Relations', in A. Amin and J. Tomaney (eds) Behind the Myth of the European Union: Prospects for Cohesion, London, Routledge.

Thelen Kathleen and Sven Steinmo (1992) 'Historical institutionalism in comparative politics', in Sven Steinmo, Kathleen Thelen and Frank Longstreth (eds) Structuring politics: Historical institutionalism in comparative analysis, Cambridge: Cambridge University Press, pp.1-32.

Theodori-Markogiannaki E (1986) [Vasika Stichia kata Nomo ke Periferia], Basic Data per Prefecture and Region, Athens: KEPE.

Tsoukalas, Constantine (1986) [Kratos, Kinonia ke Ergasia stin Metapolemiki Elada], The State, Society and Labour in Postwar Greece, Athens: Themelio.

Tsoukalas, Constantine (1995) 'Free Riders in Wonderland; or Of Greeks in Greece' in Dimitri Conostas and Theofanis G. Stavrou (eds), Greece Prepares for the Twenty-first Century, pp. 191-219, Washington, D. C: Johns Hopkins University Press & Woodrow Wilson Center Press.

Tsoukalis, Loukas (1993) The New European Economy: The Politics and Economics of Integration, Oxford: Oxford University Press.

Tsoukalis, Loukas (1998) The European Agenda: Issues of Globalization, Equity and Legitimacy, Jean Monnet Chair Papers, 49, Badia Fiesolana: European University Institute (The Robert Schuman Centre).

Verney Susannah and Papageorgiou Fouli (1993) 'Prefecture Councils in Greece: Decentralization in the European Community Context' in R. Leonardi (ed) The Regions and the European Community: The Regional Response to the Single Market in the Underdeveloped Areas, pp. 109-138, London: Frank Cass.

Watts, Ronald L. (1981) 'Federalism, Regionalism, and Political Integration', in D.M.Cameron (ed.) Regionalism and Supranationalism: Challenges and Alternatives to the Nation -State in Canada and Europe, pp.3-19, Montreal, Institute for Research on Public Policy.

Whiteley, Paul, F (1997) Economic Growth and Social Capital, paper presented at the 25th ECPR-Joint Sessions of Workshops, University of Bern, Switzerland, 28th February to 4th March, 1997.

Williamson, O.E.(1975) Markets and Hierarchies: Analysis and Antitrust Implications, New York: Free Press.

Williamson, Oliver E. (1995) 'Hierarchies, Markets and Power in the Economy: An Economic Perspective', Industrial and Corporate Change, Vol. 4, No 1, pp.21-49.

Windhoff-Heritier Adrienne (1991) 'Institutions, Interests and Political Choice', in Roland M. Czada and Adrienne Windhoff-Heritier (eds), Political choice: institutions, rules, and the limits of rationality, pp. 27-52, Frankfurt: Campus Verlag&Westview Press.

Windhoff-Heritier Adrienne (1993) 'Policy Network Analysis: A Tool for Comparative Political Research', in Hans Keman (ed.) Comparative politics: New directions in theory and method, pp. 143-160, Amsterdam: VU University Press.

Yin, Robert K (1994) Case Study Research: Design and Methods, Second Edition, London: Sage.

NEWSPAPERS (GREECE)

[To Vima], (Athens), various years.

[I Eleftherotypia], (Athens), various years.

[Aeolika Nea], Aeolian News (Lesbos), various years.

[Dimokratiki], Democratic (Chios), various years.

[I Proodos], The Progress (Chios), various years.

[Kini Gnomi], Public Opinion (Syros), various years.

[I Rodiaki], The Rhodian (Rhodes), various years.

[Proodos], Progress (Rhodes), various years.

NEWSPAPERS (UK)

Financial Times, various years.

The Guardian, various years.

OFFICIAL DOCUMENTS (EUROPEAN UNION)

Commission of the European Communities (CEC) (1987) Third Periodic Report on the Social and Economic Situation of the Regions of the Community, Luxembourg, Office for Official Publications of the European Communities.

- CEC (1990a) Community Support Framework 1989-93 for the development and structural adjustment of the regions whose development is lagging behind (Objective 1) GREECE, Luxembourg: Office for Official Publications of the European Communities
- CEC (1990b) European Regional Development Fund. Fourteenth Annual Report (1988), Luxembourg: Office for Official Publications of the European Communities.
- CEC (1991) Guide to the Community Initiatives, Luxembourg: Office for Official Publications of the European Communities.
- CEC (1992a) The Community's Structural Interventions: Statistical Bulletin/No2, Brussels: Directorate-General for the Coordination of Structural Policies (XXII), April.
- CEC (1992b) The Community's Structural Interventions: Statistical Bulletin/No4, Brussels: Directorate-General for the Coordination of Structural Policies (XXII), December.
- CEC (1992c) Reform of the Structural Funds: A Tool to Promote Economic and Social Cohesion, Luxembourg: Office for Official Publications of the European Communities.
- CEC (1992d) (Apofasi tis Epitropis peri Egriseos tou PEP Voreiou Aigaiou) Commission's Decision on the Approval of the 1989-93 MOP for Northern Aegean Region, Brussels.
- CEC (1993) Community Structural Funds 1994-99: Regulations and commentary, Luxembourg, Office for Official Publications of the European Communities.
- CEC (1994a) Competitiveness and cohesion: trends in the regions, Fifth Periodic Report on the Social and Economic Situation and Development of the Regions in the Community, Luxembourg: Office for Official Publications of the European Communities.
- CEC (1994b) Guide to the Community Initiatives 1994-99, Luxembourg: Office for Official Publications of the European Communities.
- CEC (1995) Evaluation of the Community Support Frameworks for the Objective 1 Regions in the Period 1989-1993: Synthesis Report, prepared by Price Waterhouse.
- CEC (1997) Agenda 2000. For a stronger and wider Union, Supplement 5/97, Luxembourg: Office for Official Publications of the European Communities.
- DG XVI (1992) Action Plan for the Improvement of Inter-fund Synergy in Regional Multi-fund Operational Programmes and IMPs in Greece, Urban and Regional Development and Policy (URDP), Athens.
- EUROSTAT (1993) TOURISM 1991, Annual Statistics, Luxembourg: Office for Official Publications of the European Communities.
- EUROSTAT, REGIO codebook and data bank, EUROSTAT, Luxembourg, various years.

EUROSTAT, 'Regional Statistical Yearbook', EUROSTAT, Luxembourg, various years.

Treaties Establishing the European Communities (1987), Luxembourg, Office for Official Publications of the European Communities.

The Unseen Treaty: Treaty on European Unity, (1992) Maastricht.

OFFICIAL DOCUMENTS (GREECE)

AIGAIO Ltd. (1995) [Teliki Ekthesi Symvoulou Diachirisis P.E.P N. Aigaiou 1989-93], Final Report of the Project Manager of the Southern Aegean MOP 1989-93, Ermoupolis, Syros.

HELMICO S.A & Tsekouras Ltd (1994) [*ex-ante* Axiologisi of the PEP Notiou Aigaiou 1994-99], ex-ante Evaluation of the Southern Aegean Regional Operational Programme (ROP) 1994-99, Athens.

Ministry of the Aegean (1996) [Programma Eidikon Metron Nison Aigaiou], Special Measures Programme for the Aegean Islands, Athens.

Ministry of the Interior, Public Administration and Decentralization, [Apotelesmata Ethnikon ke Nomarchiakon Eklogon], National and Prefectural Elections' Results, various years.

Ministry of the Interior, Public Administration and Decentralization, (1996), [Deltio statistikon stichion prosopikou tou dimosiou tomea; apografi 31.12.94], Statistical Bulletin of Public Sector Personnel; census of 31.12.94, Athens.

Ministry of National Economy (1992) [Tropopiisi Epitropis Parakolouthisis gia to PEP Voriou Aigaiou 1989-93], Modification of the Monitoring Committee for the first Northern Aegean MOP 1989-93, Athens.

Ministry of National Economy (1993a) [Axiologisi tou Periferiakou Epichirisiakou Programatos (PEP) Notiou Aigaiou 1989-93] Evaluation of the Southern Aegean Islands Regional Operational Programme 1989-1993, Tsekouras Ltd: Athens.

Ministry of National Economy (1993b), [Axiologisi tou Periferiakou Epichirisiakou Programatos (PEP) Voriou Aigaiou 1989-93] Evaluation of Northern Aegean Islands Regional Operational Programme (ROP) 1989-1993, Ecotechnica: Athens-Mytilene.

Ministry of National Economy (1994a) [Axiologisi Mesogiakou Olokliromenou Programmatos -MOP- Aigaiou], Evaluation of the Integrated Mediterranean Programme -IMP- for the Aegean, Athens: S.P.E.E.D Ltd.

Ministry of National Economy (1994b) [Koinotiko Plaisio Stirixis 1994-99, PEP Notiou Aigaiou: Ek ton Proteron Axiologisi] Community Support Framework (CSF) 1994-99, Southern Aegean MOP: ex-ante Evaluation, Athens: S.P.E.E.D Ltd.

Ministry of National Economy (1995) [Tropopiisi Epitropis Parakolouthisis gia to PEP Voreiou Aigaiou 1994-99] Modification of the Monitoring Committees for the 2nd MOP for the Northern Aegean, Athens.

National Statistical Service of Greece (NSSG), [Ethniki Statistiki Ypiresia tis Ellados-ESYE], [Apografes Plithismou, Katastimaton, Apascholis], Population, Firms', Employment censuses, various years.

National Statistical Service of Greece (NSSG), [Ethniki Statistiki Ypiresis tis Ellados-ESYE], [Statistikes Tourismou], Tourism Statistics, various years.

National Statistical Service of Greece (NSSG), [Ethniki Statistiki Ypiresia tis Ellados-ESYE], [Ehtniki-Periferiaki Logariasmi], National-Regional Accounts, various years.

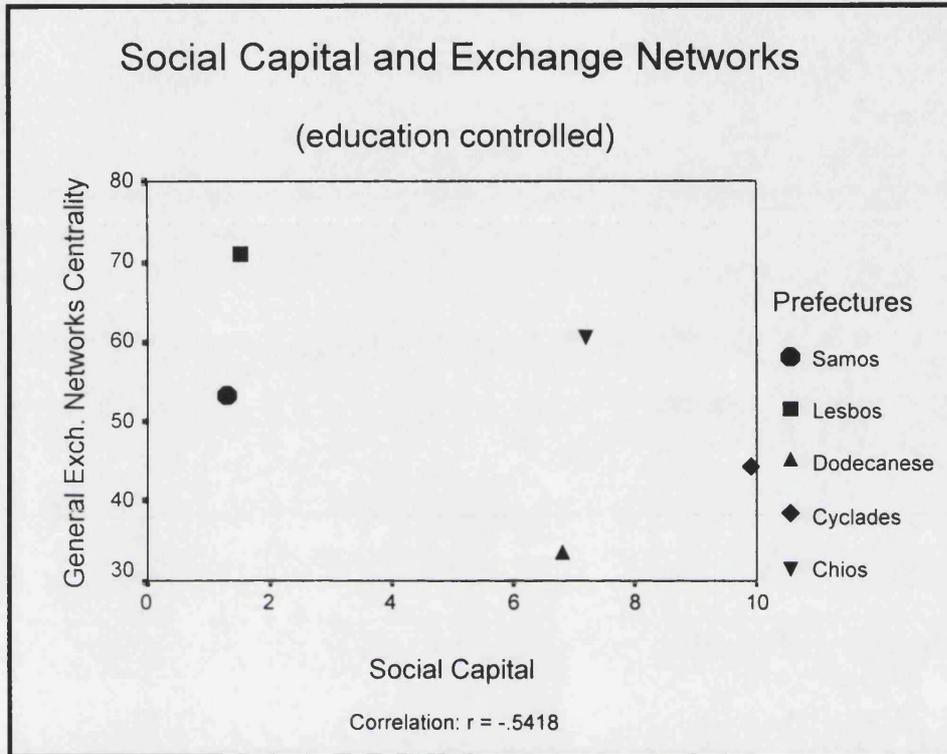
Northern Aegean Regional Secretariat (1994) [Perilipsi Praktikon tis 1ns Synedriasis tis Epitropis Parakolouthisis tou PEP 1994-99] Minutes of the First Meeting of the Monitoring Committee for the 1994-99 MOP, Mytilene.

Rhodes Hotel Owners Association (1991) 40 Years 1950-1990, Rhodes.

APPENDICES

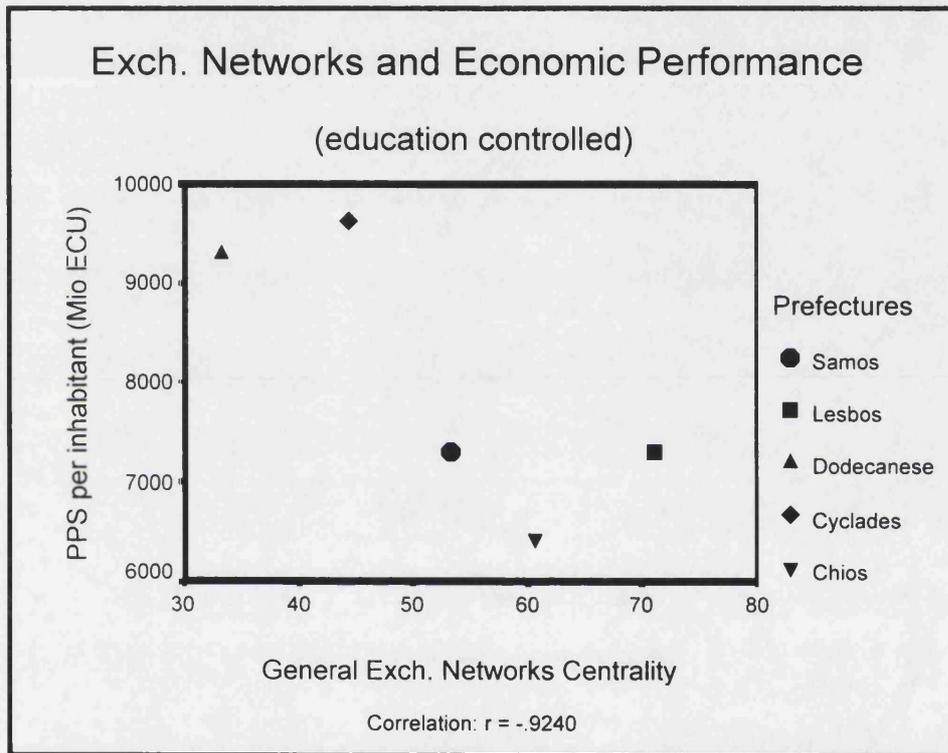
A. DESCRIPTIVE GRAPHS*

GRAPH A.1

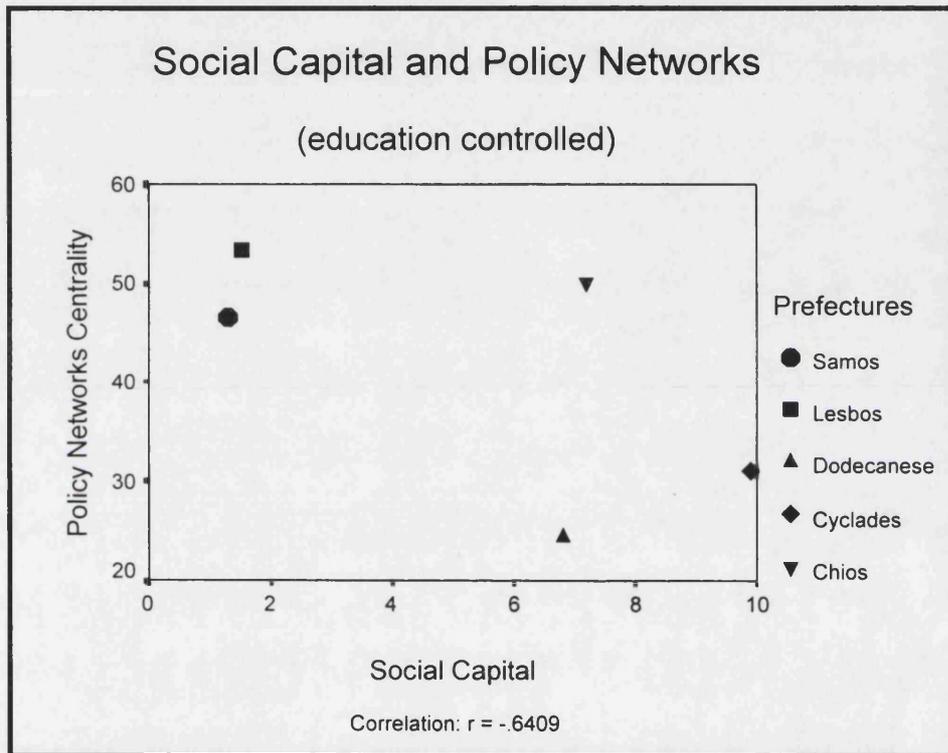


*It should be noted that these graphs derive from correlations among the variables. However, because of the small number of cases, they are statistically insignificant and hence they are presented as descriptive graphs.

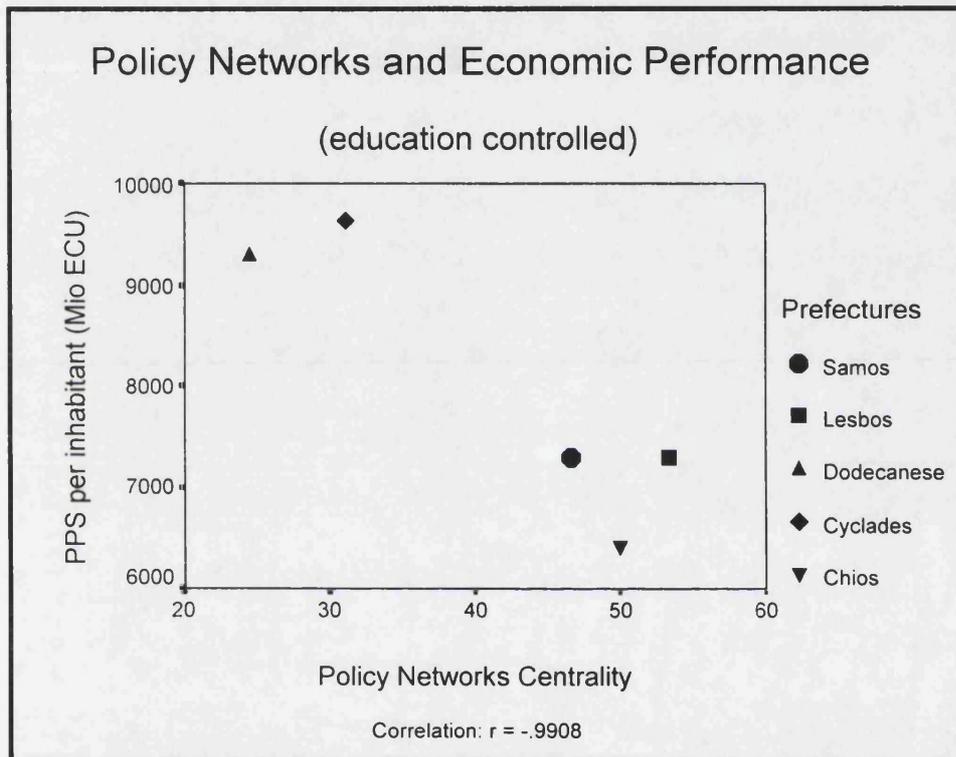
GRAPH A.2



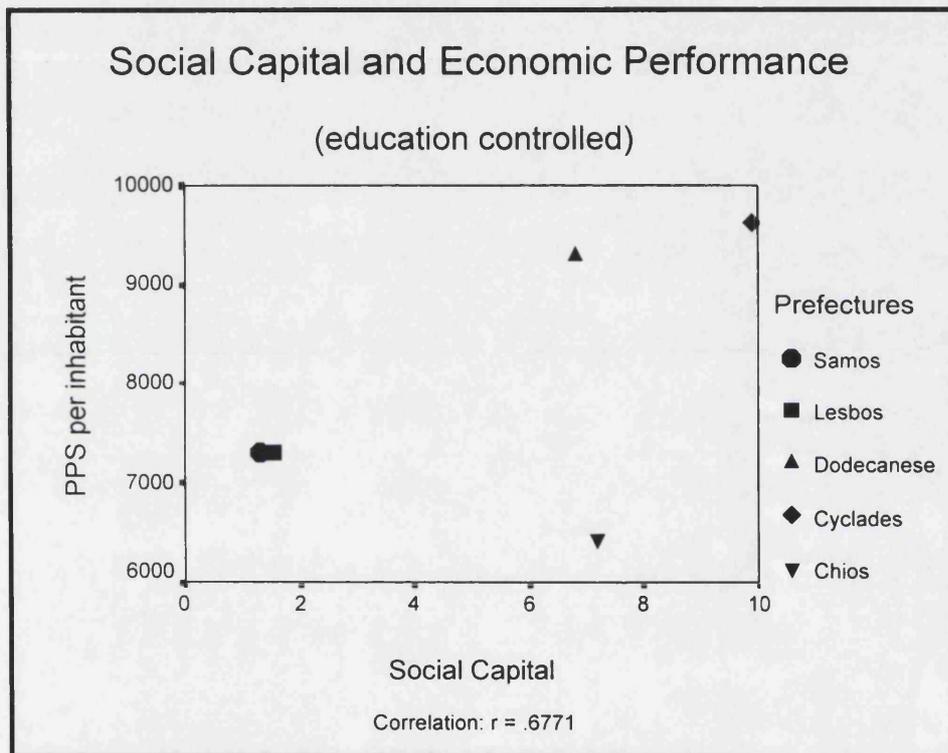
GRAPH A.3



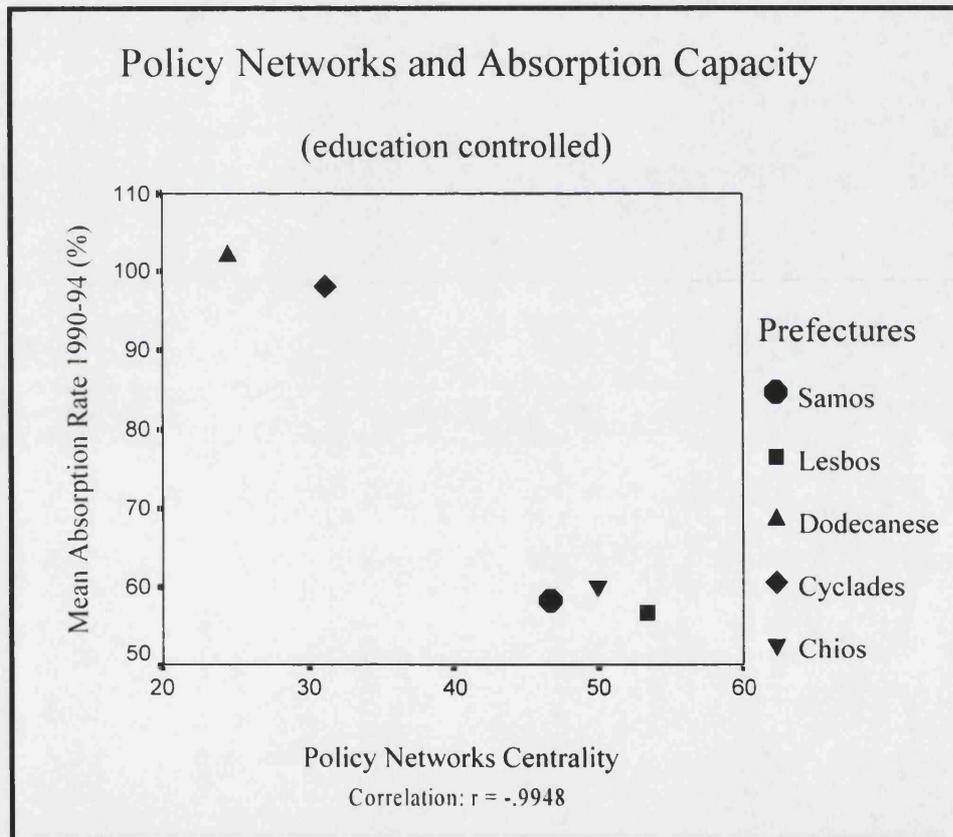
GRAPH A.4



GRAPH A.5



GRAPH A.6



B. QUESTIONNAIRES

LONDON SCHOOL OF ECONOMICS
Department of Government
IMPLEMENTATION OF EUROPEAN REGIONAL POLICY STUDY
Interview Schedule
Associations

Interview No. _____

Objective: I am interested in studying the role partnerships play in the process by which European Regional Policy (CSF 1989-93) is planned and implemented. You and your organization have been identified as significant actors in this process. I would like to talk with you about local development initiatives and the role you have played in the implementation of European regional policy (CSF 1989-93). Since interviews are being carried out in two regions (Southern and Northern Aegean islands) with a variety of different organizations, I will follow an interview schedule to guarantee I cover all topics in a quick and efficient manner.

PART I: GOALS, PURPOSES AND INTERESTS

A. I would like to start by asking you a few general questions about your organization.

1. How would you describe the main activities and functions of your organization?

2. When was your organization established?

3. What is the membership in your organization?

4. How many people does your organization employ? (nationally, regionally, and locally)

5. How many offices do you have in Cyclades and Dodecanese to serve your members?

6. What services do you offer your members?

7. Does your organization receive any financial support from the City or Prefecture Councils?

8. Does your organization have any commercial contracts with the City or Prefecture Councils of your region? _____

9. Are there any City or Prefecture Councillors on your Board of Directors? If yes, please specify name and Committee. _____

PART II: LOCAL INITIATIVES

A.1. Are you participant in any regional/local initiative undertaken by the City or Prefecture Councils or other Regional Authorities? For each initiative, please specify how you participated and if you were instrumental in gaining the participation of others.

2. Are there any other initiatives undertaken by actors other than the local government organizations of your region, in which you have participated? Please, specify.

B. In general, do you feel that you have some degree of influence on the policy process? _____ How much?

- _____ a good deal
- _____ some
- _____ very little
- _____ none

C. In general, why do you participate in local initiatives? What results do you hope to achieve?

D.1 In general, how would you assess your relationship with the:

City Council _____

Prefecture Council-Prefect _____

Regional Secretariat (Regional secretary) _____

2. Do you have regular contact with the City Council? _____

Which Departments? _____

a) How often?

- _____ weekly
- _____ monthly
- _____ every few months

b) What form does that contact take?

- _____ formal meetings: specify _____
- _____ informal settings such as lunch
- _____ phone contacts
- _____ social events
- _____ letters/correspondence

c) Taking into account all the contacts with the City Council, what percentage of the total time do you meet

with councillors? _____ %

with officers? _____ %

3. Do you have regular contact with the Prefecture Council (Prefect)? _____

Which Departments? _____

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings, such as lunch

_____ phone contacts

_____ social events

_____ letters/correspondence

c) Taking into account all the contacts with the Prefecture Council, what percentage of the total time do you meet

with councillors? _____ %

with officers? _____ %

4. Do you have regular contact with the Regional Secretariat? _____

Which Departments? _____

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings such as lunch

_____ phone contacts

_____ social events

_____ letters/correspondence
c) Taking into account all the contacts with the Regional Secretariat, what percentage of the total time do you meet
with councillors? _____ %
with officers? _____ %

PART III: REGIONAL NETWORKS

A.1 I am going to give you a list of all associations and organizations that have had an involvement in local development initiatives and in the implementation of European Regional Policy. Could you tell me which groups you regularly have contact with and undertake joint projects with?

Business Associations

- _____ 1. Cyclades Chamber _____
- _____ 2. Dodecanese Chamber _____
- _____ 3. Dodecanese Hotel Owners Associations _____
- _____ 4. Cyclades Hotel Owners Associations _____
- _____ 5. Other, specify _____

Training Organizations

- _____ 6. Rhodes High School for Tourist Training _____
- _____ 7. Other, specify _____

Trade Unions

- _____ 8. Cyclades Farmers' Association _____
- _____ 9. Dodecanese Farmers' Association _____
- _____ 10. Cyclades Local Association of Municipalities and Communes _____
- _____ 11. Dodecanese Local Association of Municipalities and Communes _____

_____ 12. Other, specify _____

Education Institutions

_____ 13. University of the Aegean _____

Public/Private Organizations

_____ 14. Cyclades Development Agency _____

_____ 15. Dodecanese Development Agency _____

_____ 16. Other, specify _____

Private Sector

_____ 17. Private Agro/Tourist Enterprises, specify _____

_____ 18. Consultants, specify _____

_____ 19. Banks, specify _____

_____ 20. Others, specify _____

Voluntary Associations

_____ 21. Dodecanese Society of Persons with Special Needs _____

_____ 22. Syros Blood Donors Association _____

_____ 23. Kos Ecological Society _____

_____ 24. Rhodes Society for the Conservation of the Architectural Heritage _____

_____ 25. Rhodes Society for the Conservation of the Environment _____

_____ 26. Dodecanese Cultural Society "Avra" _____

_____ 27. Other, specify _____

Others

28. Specify _____

2. Are you or any one in your organization a member or on the board of Directors or Advisory Committee of any of the above associations? Which ones? _____

3. Do any of those organizations or their leadership hold membership or have representatives on your organization's board of directors or advisory committee? _____

4. Of all these associations, which do you feel stand out as especially influential in the planning, implementation and monitoring processes of regional/local development projects and especially those financed by EU Structural Funds? _____

PART IV: INTERREGIONAL COOPERATION

A. 1. I will give you a list of all associations and organizations that have had some involvement in development initiatives in the Northern Aegean Islands region. Could you tell me which groups you regularly have contact with, undertake joint projects with, and participated jointly in Programmes or Initiatives of European regional policy (IMP, CSF 1989-93)?

Business Associations

1. Mytilene Chamber _____

2. Chios Chamber _____

3. Lesbos Hotel Owners _____

4. Chios Hotel Owners _____

5. Other, specify _____

Training Organizations

6. Specify _____

Trade Unions

7. Lesbos Farmers' Association _____

8. Chios Farmers' Association _____

9. Chios Mastic Growers' Association _____

10. Samos Wine Makers' Association _____

11. Other, specify _____

Education Institutions

12. University of the Aegean _____

Public/Private Partnership Organizations

13. Lesbos Local Development Agency (LLDA) _____

14. Mytilene Municipal Development Agency (MDA) _____

15. Aeoliki Municipal Development Agency _____

16. Other, specify _____

Private Sector

17. Private Agro/Tourist Enterprises, specify _____

18. Consultants, specify _____

19. Banks, specify _____

20. Other, specify _____

Voluntary Associations

21. Mytilene Progressive Society "Theophilos" _____

22. Samos Ecological Society _____

_____ 23. Samos Movement for the Ecology and the Environment _____

_____ 24. Chios Ecological and Environmental Society _____

_____ 25. Lesbos (Agiassos) Library _____

_____ 26. Lesbos and Aeolic Studies Society _____

Other

_____ 27. Specify _____

2. Are you or any one in your organization a member or on the board of Directors or Advisory Committee of any of the above associations? _____

3. Do any of these organizations or their leadership hold membership or have representatives on your organization's board of Directors or Advisory committees? _____

4. Of all these organizations, which do you feel stand out as especially influential in the formulation and implementation of development strategies in NAI region? _____

PART V: CENTRAL GOVERNMENT

A.1. Do you have regular contacts with any of the central government departments? Which ones?

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings such as lunch; specify _____

_____ phone contacts

_____ social events
_____ letters/correspondence

c) What percentage of that time concerns issues of importance to regional policy (national or European)? _____%

2. Has the central government been generally supportive of local initiatives towards development?

3. Do you think your organization is an active participant in the planning and implementation of the national and European regional development policy? If yes, how? _____

PART VI: SOCIAL CAPITAL

1. State and civil society.

1.1. In general, how do you assess the impact of social capital (trust, networks, norm of reciprocity) on the level of local institutional capacity and the way in which local development strategies are planned and implemented? _____

- a) Indispensable
- b) Necessary
- c) Not so important

1.2. How important is the role of the state in regions' capacity to adapt to the changing global environment and gain access to more EU funds? _____

Scale as above

1.3. In comparison with the role of the state, how important do you assess the presence of a strong civil society and dense networks of civic engagement at the local level for the achievement of the above mentioned goals? _____

Scale as above

2. Citizens' participation.

2.1. Based on your experience in this region, what is your evaluation of the degree to which citizens are active participants in voluntary associations and organizations? _____

- a) satisfactory
- b) more or less satisfactory
- c) non satisfactory

2.2. Based on your experience in this region, what is your estimation of the degree to which citizens are involved in the planning and implementation processes of regional development programmes?

Scale as above

3. Trust.

3.1. Based on your experience in this region, what is your estimation of the degree to which one can trust the elected politicians? _____

- a) One can certainly trust
- b) One may trust, but there are some exceptions
- c) One cannot trust even if there are some exceptions
- d) Of course, one cannot trust

3.2. Based on your experience, what is your estimation of the degree to which one can trust the elected local and regional authorities in your region? _____

Scale as above

4. In comparison with other regions (i.e. Southern Aegean), what, in your opinion, would better describe politics in this region: "honesty" or "corruption"? _____

5. Some people say that you usually can trust people. Others say that you must be very wary in relations with people. Which is your view? _____

6. What is your estimation of the amount of power wielded by each of the following groups in the political life of this region?

6.1. National Party Leaders _____

- a) Great influence
- b) Considerable influence
- c) A certain amount of influence
- d) Little influence
- e) No influence

6.2. Local Party Leaders _____

Scale as above

6.3. Prefecture Councillors _____

Scale as above

6.4. Press/Media _____

Scale as above

6.5. Government ministers _____

Scale as above

6.6. Local authority managers in the region _____
Scale as above

6.7. Local private actors _____
Scale as above

6.8. Trade unions _____
Scale as above

6.9. Agricultural organizations _____
Scale as above

7. Please indicate the extent to which you agree or disagree with the following statements

7.1. In this region, people, generally obey the laws (traffic code, urban planning regulations) only if they are not contradict their individual interests _____

- a) Agree completely
- b) More or less agree
- c) More or less disagree
- d) Disagree completely

7.2. In social and economic affairs today technical considerations have greater weight than political ones _____
Scale as above

7.3. Normally in politics one can trust others _____
Scale as above

7.4. Generally in political controversies one should avoid extreme positions because the proper solution usually lies in the middle _____
Scale as above

7.5. In spite of the development of recent years the social structure of this region has remained unchanged _____
Scale as above

7.6. The compromise between political opponents is dangerous because that normally leads to the betrayal of one's own side _____
Scale as above

7.7. Basically in this region no one is much concerned with what happens to his neighbour _____
Scale as above

7.8. At the regional level there are no great differences of opinion on the principal problems

Scale as above

7.9. All citizens should participate actively in the collective life of his/her community _____

Scale as above

7.10. He, who asserts that he is motivated by the public good rather than by his private interest is a liar or a fool _____

Scale as above

7.11. One's primary responsibility is towards one's own family or towards oneself, not towards the whole community _____

Scale as above

8. From your experience, how often crucial issues for your region are settled by compromise between different approaches _____

- a) Very often
- b) Often
- c) Not so often
- d) Seldom

9. With regard to each of the following aspects of the operation of Regional Government in this region, are you: very satisfied, somewhat satisfied, not much satisfied, or not at all satisfied?

9.1. Planning capacity _____

- a) Very satisfied
- b) Somewhat satisfied
- c) Somewhat dissatisfied
- d) Very dissatisfied

9.2. Utilization of EU funds _____

Scale as above

9.3. Time taken to implement decisions _____

Scale as above

9.4. Co-operation with local authorities _____

Scale as above

9.5. Utilization of University/research capacity of the region _____

Scale as above

9.6. Co-operation with central government _____

Scale as above

9.7. Citizens' participation in the decision-making _____

Scale as above

10. What is your assessment of this region's economic and social condition? For each of the following sectors please indicate your evaluation.

10.1. Port system _____

- a) Adequate
- b) Somewhat adequate
- c) Inadequate

10.2. Air service _____

Scale as above

10.3. Road network _____

Scale as above

10.4. Social service network _____

Scale as above

10.5. Health service _____

Scale as above

10.6. Higher education _____

Scale as above

10.7. Training _____

Scale as above

10.8. Agricultural restructuring _____

Scale as above

10.9. Restructuring of SMEs _____

Scale as above

10.10. Utilization of historical/environmental resources _____

Scale as above

PART VII: EUROPEAN REGIONAL POLICY

A.1. Have you been involved in the planning or implementation processes of any programmes of financed by the Structural Funds? Specify project and type of involvement _____

2. Have you participated in the meetings of the IMP or the CSFs Monitoring Committees?

If yes, how often?

- a) In all meetings
- b) In few meetings
- c) In one meeting

3. I will give you a list of EU Programmes and Initiatives. Could you please tell me if you participated in any of these programmes or programme bids, how you participated, who asked you to participate, and if you asked any other organization to participate.

_____ 1. VALOREN _____

_____ 2. REGEN-INTERREG _____

_____ 3. LEADER _____

_____ 4. EUROFORM _____

_____ 5. ENVIREG _____

_____ 6. RECHAR _____

_____ 7. STAR-TELEMATIQUE _____

_____ 8. PRISMA _____

9. EUROPARTENARIAT _____

10. RECITE _____

11. NOW _____

12. Regional Operational Programme (ROP) of the CSFs _____

13. Other programmes supported by any of the Structural Funds, specify _____

B.1. Are you active participant in any European organization or network?

_____ a) Committee of Regions

_____ b) Networks of inter-regional/transregional co-operation

_____ c) Office in Brussels

_____ d) Other, specify _____

2. Have you used your own European links or the contacts of any other organization of your region to support your attempts to win EU funding? If yes, how? _____

3. Have you asked any of the other organizations of your region to participate in the setting up of an office in Brussels? Specify _____

4. How important are the European links? What advantage do they bring? Are they becoming more important? _____

PART VIII: CONCLUDING REMARKS

A. What have been the overall effects of European regional policy (IMP, CSF) in relation to the development prospects of your region? To what degree do they meet the local needs? _____

B. What are the major obstacles for the exploitation of the opportunities European regional policy presents for the development of your region? _____

C. What still needs to be done? _____

LONDON SCHOOL OF ECONOMICS
Department of Government
IMPLEMENTATION OF EUROPEAN REGIONAL POLICY STUDY
Interview Schedule
Public Authorities

Interview No. _____

Objective: I am interested in studying the role partnerships play in the formulation of regional development strategies in general, and in the process by which European Regional Policy (CSF 1989-93) is planned and implemented. You and your organization have been identified as significant actors in this process. I would like to talk with you about local development initiatives and the role you have taken in the implementation of European regional policy (CSF 1989-93). Since interviews are being carried out in two regions (Southern and Northern Aegean islands) with a variety of different organizations, I will follow an interview schedule to guarantee I cover all topics in a quick and efficient manner.

PART I: GOALS, PURPOSES, AND INTERESTS

A. I would like to start by asking you a few general questions about your department.

1. How would you describe the main activities and functions of your department?

2. How many people does your department employ? _____

3. Taking into account all the economic development initiatives you pursue, what percentage of your activity is devoted to the EU programmes and initiatives? _____%

4. What goals do you seek to achieve by exploiting the opportunities European regional policy provides?

5. What type of opposition do you face in the pursuance of your development strategy?

PART II: REGIONAL NETWORKS

A.1. I am going to give you a list of all associations and organizations that have been involved in the planning and implementation process of regional development projects. Could you tell me which organization(s) have you regularly contact with, consult with both generally and specifically, were involved in the main development programmes and why were they chosen?

Business Associations

- _____ 1. Mytilene Chamber _____
- _____ 2. Chios Chamber _____
- _____ 3. Lesbos Hotel Owners _____
- _____ 4. Chios Hotel Owners _____
- _____ 5. Other, specify _____

Training Organizations

- _____ 6. Specify _____

Trade Unions

- _____ 7. Lesbos Farmers' Association _____
- _____ 8. Chios Farmers' Association _____
- _____ 9. Chios Mastic Growers' Association _____
- _____ 10. Samos Wine Makers' Association _____

____ 11. Other, specify _____

Education Institutions

____ 12. University of the Aegean _____

Public/Private Partnership Organizations

____ 13. Lesbos Local Development Agency (LLDA) _____

____ 14. Mytilene Municipal Development Agency (MDA) _____

____ 15. Aeoliki Municipal Development Agency _____

____ 16. Other, specify _____

Private Sector

____ 17. Private Agro/Tourist Enterprises, specify _____

____ 18. Consultants, specify _____

____ 19. Banks, specify _____

____ 20. Other, specify _____

Voluntary Associations

____ 21. Mytilene Progressive Society "Theophilos" _____

____ 22. Samos Ecological Society _____

____ 23. Samos Movement for the Ecology and the Environment _____

____ 24. Chios Ecological and Environmental Society _____

____ 25. Lesbos (Agiassos) Library _____

____ 26. Lesbos and Aeolic Studies Society _____

Other

____ 27. Specify _____

2. Are you or any one on the Council (City, Prefecture) a member or on the board of Directors or Advisory Committee of any of the above associations? Which ones? _____

3. Are there any members of the above organizations, who participate in your Council or Department? _____

4. Of all these associations, which do you feel stand out as especially influential in the planning, implementation and monitoring processes of regional/local development projects and especially those financed by the Structural Funds? _____

B.1. How do you assess your relationship with the other public actors of your region both generally and in the particular field of regional development policy? _____

2. Which other public actors (Councils etc) of your region do you have regular contacts with?

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings such as lunch

_____ phone contacts

_____ social events

_____ letters/correspondence

c) Taking into account all the contacts with the other public actors in your region, what percentage of the total time do you meet

with councillors? _____%

with officers? _____%

PART III: INTERREGIONAL COOPERATION

A.1. How do you assess your relationship with the public actors (City, Prefectural, Regional Councils) of the Southern Aegean region, both generally and in the particular field of European regional policy? _____

2. Which Councils/Departments of the SAI region do you have regular contact with? _____

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings such as lunch

_____ phone contacts

_____ social events
_____ letters/correspondence

c) Taking into account all the contacts with the SAI Councils, what percentage of the total time do you meet

with councillors? _____%

with officers? _____%

B.1. Are there any projects of the Aegean islands IMP, or of the ROPs (1st&2nd CSF), or Community Initiative, in which you have participated jointly with any public actors of the SAI region? If yes, specify project and actors. _____

PART IV: INTERGOVERNMENTAL RELATIONS

A.1. Do you have regular and routine contacts with any of the central government departments?

Which ones? _____

a) How often?

_____ weekly

_____ monthly

_____ every few months

b) What form does that contact take?

_____ formal meetings: specify _____

_____ informal settings such as lunch; specify _____

_____ phone contacts

_____ social events

_____ letters/correspondence

c) What percentage of that time concerns issues of importance to the implementation of European regional policy ? _____ %

2. Has the central government been generally supportive of local initiatives towards development?

3. Do you think your organization is an active participant in the planning and implementation of the national and European regional policy? If yes, how? _____

PART V: SOCIAL CAPITAL

1. State and civil society.

1.1. In general, how do you assess the impact of social capital (trust, networks, norm of reciprocity) on the level of local institutional capacity and the way in which local development strategies are planned and implemented? _____

- a) Indispensable
- b) Necessary
- c) Not so important

1.2. How important is the role of the state in regions' capacity to adapt to the changing global environment and gain access to more EU funds? _____

Scale as above

1.3. In comparison with the role of the state, how important do you assess the presence of a strong civil society and dense networks of civic engagement at the local level for the achievement of the above mentioned goals? _____

Scale as above

2. Citizens' participation.

2.1. Based on your experience in this region, what is your evaluation of the degree to which citizens

are active participants in voluntary associations and organizations? _____

- a) satisfactory
- b) more or less satisfactory
- c) non satisfactory

2.2. Based on your experience in this region, what is your estimation of the degree to which citizens are involved in the planning and implementation processes of regional development programmes?

Scale as above

3. Trust.

3.1. Based on your experience in this region, what is your estimation of the degree to which one can trust the elected politicians? _____

- a) One can certainly trust
- b) One may trust, but there are some exceptions
- c) One cannot trust even if there are some exceptions
- d) Of course, one cannot trust

3.2. Based on your experience, what is your estimation of the degree to which one can trust the elected local and regional authorities in your region? _____

Scale as above

4. In comparison with other regions (i.e. Southern Aegean), what, in your opinion, would better describe politics in this region: "honesty" or "corruption"? _____

5. Some people say that you usually can trust people. Others say that you must be very wary in relations with people. Which is your view? _____

6. What is your estimation of the amount of power wielded by each of the following groups in the political life of this region?

6.1. National Party Leaders _____

- a) Great influence
- b) Considerable influence
- c) A certain amount of influence
- d) Little influence
- e) No influence

6.2. Local Party Leaders _____

Scale as above

6.3. Prefecture Councillors _____

Scale as above

6.4. Press/Media _____
Scale as above

6.5. Government ministers _____
Scale as above

6.6. Local authority managers in the region _____
Scale as above

6.7. Local private actors _____
Scale as above

6.8. Trade unions _____
Scale as above

6.9. Agricultural organizations _____
Scale as above

7. Please indicate the extent to which you agree or disagree with the following statements

7.1. In this region, people, generally obey the laws (traffic code, urban planning regulations) only if they are not contradict their individual interests _____

- a) Agree completely
- b) More or less agree
- c) More or less disagree
- d) Disagree completely

7.2. In social and economic affairs today technical considerations have greater weight than political ones _____
Scale as above

7.3. Normally in politics one can trust others _____
Scale as above

7.4. Generally in political controversies one should avoid extreme positions because the proper solution usually lies in the middle _____
Scale as above

7.5. In spite of the development of recent years the social structure of this region has remained unchanged _____
Scale as above

7.6. The compromise between political opponents is dangerous because that normally leads to the betrayal of one's own side _____
Scale as above

7.7. Basically in this region no one is much concerned with what happens to his neighbour

Scale as above

7.8. At the regional level there are no great differences of opinion on the principal problems

Scale as above

7.9. All citizens should participate actively in the collective life of his/her community _____

Scale as above

7.10. He, who asserts that he is motivated by the public good rather than by his private interest is a liar or a fool _____

Scale as above

7.11. One's primary responsibility is towards one's own family or towards oneself, not towards the whole community _____

Scale as above

8. From your experience, how often crucial issues for your region are settled by compromise between different approaches _____

- a) Very often
- b) Often
- c) Not so often
- d) Seldom

9. With regard to each of the following aspects of the operation of Regional Government in this region, are you: very satisfied, somewhat satisfied, not much satisfied, or not at all satisfied?

9.1. Planning capacity _____

- a) Very satisfied
- b) Somewhat satisfied
- c) Somewhat dissatisfied
- d) Very dissatisfied

9.2. Utilization of EU funds _____

Scale as above

9.3. Time taken to implement decisions _____

Scale as above

9.4. Co-operation with local authorities _____

Scale as above

9.5. Utilization of University/research capacity of the region _____

Scale as above

9.6. Co-operation with central government _____

Scale as above

9.7. Citizens' participation in the decision-making _____

Scale as above

10. What is your assessment of this region's economic and social condition? For each of the following sectors please indicate your evaluation.

10.1. Port system _____

- a) Adequate
- b) Somewhat adequate
- c) Inadequate

10.2. Air service _____

Scale as above

10.3. Road network _____

Scale as above

10.4. Social service network _____

Scale as above

10.5. Health service _____

Scale as above

10.6. Higher education _____

Scale as above

10.7. Training _____

Scale as above

10.8. Agricultural restructuring _____

Scale as above

10.9. Restructuring of SMEs _____

Scale as above

10.10. Utilization of historical/environmental resources _____

Scale as above

PART VI: EUROPEAN REGIONAL POLICY

A. Have you been involved in the planning or implementation processes of any programmes of the IMP or CSF financed by the Structural Funds? Specify project and type of involvement _____

2. Have you participated in the meetings of the Monitoring Committees of the IMP and the CSFs?

If yes, how often?

- a) In all meetings
- b) In few meetings
- c) In one meeting

3. I will give you a list of EU Programmes and Initiatives.

a) Which of these Programmes/Initiatives have you received financial support from? Which did you bid for unsuccessfully?

b) For each Programme, could you tell me which organizations supported your bid or participated in the policy implementation, how they participated (managerially, financially or information/advice), how their participation was gained, and why were they chosen?

_____ 1. VALOREN _____

_____ 2. REGEN-INTERREG _____

_____ 3. LEADER _____

_____ 4. EUROFORM _____

_____ 5. ENVIREG _____

6. RECHAR _____

7. STAR-TELEMATIQUE _____

8. PRISMA _____

9. EUROPARTENARIAT _____

10. RECITE _____

11. NOW _____

12. Regional Operational Programme (ROP) of the CSFs _____

13. Other programmes supported by any of the Structural Funds, specify _____

B.1. Are you active participant in any European organization or network?

_____ a) Committee of Regions

_____ b) Networks of inter-regional/transregional co-operation

_____ c) Office in Brussels

_____ d) Other, specify _____

2. Have you used your own European links or the contacts of any other organization of your region to support your attempts to win EU funding? If yes, how? _____

3. Have you asked any of the other organizations of your region to participate in the setting up of

an office in Brussels? Specify _____

4. How important are the European links? What advantage do they bring? Are they becoming more important? _____

PART VII: CONCLUDING REMARKS

A. What have been the overall effects of European regional policy (IMP, CSF) in relation to the development prospects of your region? To what degree do they meet the local needs? _____

B. What are the major obstacles for the exploitation of the opportunities European regional policy presents for the development of your region? _____

C. What still needs to be done? _____
