

Analyzing the EU impact on Greek environmental policy: between external pressure and domestic peculiarities

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Abstract: The purpose of this paper is twofold. It evaluates the EU impact on Greek environmental policy and the domestic response to external pressure and aims to shed light on the fundamental problems of Greece that keep this country lagging behind. Problematic implementation and poor performance constitute systemic characteristics of Greece. Government's unwillingness has been classified by many studies as the main factor for implementation deficit. What happens though when government is willing to comply with EU obligations? By examining the actual implementation of the 2001/77/EC Directive on the promotion of electricity from renewable energy sources (RES), it will be shown that political will does make little sense. This paper argues that effective implementation is not simply a matter of political will but of institutional and administrative capacity as well as of social acceptability.

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Introduction

Although environmental protection was recognized by the Constitution of 1975ⁱ (Article 24), there was ‘no specific legal and institutional means until the mid – 1980s’ (Giannakourou 2004:52). Since Greece’s environmental policy had been only weakly developed before 1986, the high adaptational pressure should have brought about important changes at the domestic levelⁱⁱ. However, policy or institutional ‘misfit’ is a necessary but not sufficient condition for domestic change (Borzel and Risse 2003:58). It is widely accepted that domestic factors play a significant role for change. Those factors – actors or institutions – are ‘activated in the implementation phase’ and ‘follow their own logic’ (Kazakos 1999:388).

The process of formal and practical implementation is a critical step towards Europeanizationⁱⁱⁱ of national environmental policy. To evaluate the response of domestic factors to external constraints, this qualitative based study focuses on the later stages of implementation (enforcement and application). While Greek authorities did not incorporate any Directive during the first 5 years of EU membership, progress has been made since the 1990s. Consequently, it is more useful to examine how imported formal rules and policies operate and their interaction with informal practices.

The environmental developments at EU level had a positive impact on Greece. EU membership has been ‘a major stimulus to environmental policy’ (Pridham *et al.* 1995:246). The obligations stemming from EU legislation and funding are the main causes for the establishment of new environmental structures and policies (Pridham 1996; Kazakos 1999). Greece has made progress even in sectors that were considered taboos—such as Physical Planning. However, its response to the Europeanization process remains reactive, fragmented, and half-hearted. Greek authorities tend to focus on the letter rather than the spirit of law.

The remainder of this paper is as follows. The first section explores the main factors responsible for non – compliance and suggests a framework for analysis. The next section presents RES barriers in Greece. Section three examines the case of South Euboea. The last one concludes.

Implementation deficit in the Greek case: a framework for analysis

Greece has been classified as a ‘laggard’ country on environmental issues (Sbragia 1996) and therefore lacking capacity to ‘upload national policies to the EU level in order to minimize the costs of adaptation’ (Borzel 2005:164). The bigger the ‘misfit’

between EU and national policy, the higher the adaptational costs for implementation and the lower the willingness of governments to comply (ibid). Nevertheless, compatibility is neither a necessary nor a sufficient condition for compliance.

For example, while successive Greek governments have shown political will to develop RES, Greece's performance is moderate^{iv}. Other domestic pathologies are responsible for delays. Studies on southern Europe have emphasized the interaction between domestic informal practices and European formal rules (Aguilar – Fernandez 2003; Spanou 1998). Regarding the implementation deficit in Greece some scholars have stressed the importance of structural problems such as bureaucratic lethargy, corruption, a centralized but fragmented administrative system (Pridham 1996), 'a low degree of insitutionalization' (Spanou 1998: 475) and a failure for effective co-ordination which is more of a matter of personalities than institutional mechanisms (Makridimitris and Passas 1993).

Administrative deficiencies play an important role for non-compliance. 'Fragmentation of, and confusion about, responsibilities may be a distinct source for administrative failure' (Kazakos 1999:376), which in many cases lead to inter-ministerial conflicts.

Other crucial explanatory factors derive from political culture. A weak civil society (Diamandouros 1994), a low level of trust, and a restricted social capital^v are reasons that can explain Greece's lag. Social capital depends on social norms^{vi}, trust, and social networks that can lead to collective action (Putnam 1993). High level of trust can eliminate free-riding behaviours (Coleman 1990). Jones et al. have shown the influence of social capital on environmental issues, where 'successful implementation depends on the acceptance of the policy by the citizens' (2009:598). Therefore, the effective implementation relates to high stocks of social capital^{vii}.

The above elements derive from and depend on institutions^{viii}. As Acemoglu and Robinson argue 'aspects such as the extent to which people trust each other or are able to cooperate, are important but they are mostly an outcome of institutions, not an independent cause' (2012:57). The lack of necessary institutions or an ill-designed institutional framework may lead to inertia. Thus, institutions define trust and social capital. This study argues that establishment of reliable institutions is the key for Greece to restore its credibility and increase the stock of social capital and trust.

The main RES barriers in Greece

To attain the Kyoto Protocol target and guarantee energy security, the EU has taken initiatives to promote the principles of sustainable development and ecological modernization. The best way to meet these principles is through the RES

development. More precisely, EU has developed “bidding” legislation and member states have to comply. Apart from its direct pressure through coercion, it has also exercised indirect influence on Greece to become a pilot even by “*affecting European Investment Bank to finance RES projects*”^{ix}”.

EU decisions have served as a guide for Greek judges and legislators. As the latter tried to transpose EU law, they had to face many conflicting issues that demanding regulatory interventions. This led to complicated legislation. In this legislative abyss, any new laws thwarted the last ones^x. “*Multi-legislation was the main reason for the delayed RSE deployment, as the rules of the game were not clear and the regulatory framework was constantly changing*”^{xi}. For instance, “*2 years ago government encouraged photovoltaics’ deployment and market has rocked. And now they increase retroactive tax from 28% to 42%*” (Papadellis). In this typical case, the State violates its own rules while lack of trust is perpetuated.

The political will was not enough to overcome administrative barriers and institutional lag, such as the absence of a Cadastre and until recently, of Physical Planning^{xii}. The lack of institutional tools triggers conflicts and reactions. As Papadellis mentions, “*we have many times tried to start a project and there have been citizens who took us to court as they claimed that they were the owners of this land. So we were obliged to wait until the case has become final. The lack of a National Cadastre, that defines who owns which piece of land, is the largest obstacle for investors*”.

Moreover, lack of co-ordination and inter-ministerial conflicts constitute critical factors for delays or cancellations. For example, “*while the Ministry of Environment (YPEKA) had decided to allow the deployment of photovoltaics in 1% of high productivity land, the Ministry of Agriculture decided to forbid RES in specific areas. The situation is much worse in the phase of actual implementation, during which the decisions are not fully supported by an effective administration. Especially the department of Archeology is an actor of inertia*” (Papadellis).

Local acceptability is of crucial importance for RES deployment. Many licensed projects are cancelled because of strong reactions. “*The projects cannot move on without social consent*”^{xiii}. Greece seems to suffer from a ‘NIMBY Syndrome’, “*as everyone is in favor of RES, but a few want them in their own hometown*” (Papadellis).

According to Chaidarlis, “*the main factor that determines the stand of communities towards RES is the existence or absence of land use conflicts*”.

The case of South Euboea: it could be a win-win situation

South Euboea is among Greece's largest wind power producing regions. Initially, RES project development in the region came across no reactions from the local community and deployment has been rapid.

As Chaidarlis argues *“public acceptance results from the absence of land use conflicts as wind farm development was not causing any substantial problems for other actions to evolve. Moreover, wind power stations did not have any significant environmental impact because no large, established national parks, RAMSAR sites etc. existed in the area”*.

Furthermore, financial incentives have played a key role in accepting such projects. As Mayor of Karystos says *“alternative energy production meant substantial profit because local governments would cash in on a 3% tax on energy production as compensation for development actions. Moreover, new jobs were created for local population^{xiv}”*.

Geographic proximity to the region of Attica has been a key asset in selecting Karystos. Fewer resources are necessary for infrastructure projects (power grid) and electric power transmission losses are kept to a minimum.

In view of the above favourable factors, the Greek government has included Karystos in Priority Regions for Wind Energy through a special RES-related land use plan. RES coverage rate may not exceed 8% of the municipality's area. However, subject to city council's consent, this may go up to 30%.

From 1995 to 2009, 8 wind energy companies have taken up business in the region with wind turbines in operation totalling 219. RES planning allows for a fivefold increase in wind farms evidenced in the number of installation licenses issued by Regulatory Authority for Energy (RAE). Mayor of Karystos suggests that *“when implementation reaches an end, Karystos will account for 50% of the country's total wind power capacity”*.

Nevertheless, major trouble and strong reaction took up in the region in early 2009. As a result, installation works have been lagging behind over the past 4 years. Reactions stem from the land property issue that lies in the absence of a National Cadastre and has its grass roots at the time when Euboea became part of Greece. To gain better understanding of the issue, one should examine the region's property rights regime history.

Ottoman administration had a complicated system in place for property rights; it would withhold bare ownership of the property while land exploitation (tasarruf) could be granted to individuals by means of official concession titles (tapi). It was just after the Greek War of Independence that Greece had to face the major issue of public vs. private land property. The Greek State was established by virtue of the London Protocol (02/03/1830); the State would now be responsible for managing real property rights of liberated regions.

To settle disputes and controversies over property rights, Greece took the following decisions based on the 1830 London Protocol:

- 1) Uncultivated land belonged to the Ottoman state and remained with it even if concession titles (tapi) had been previously issued;
- 2) Individuals could claim land ownership only if able to provide proof of their cultivating land.

Hence, uncultivated lands have been appropriated by the Greek State as a prize of war.

Yet Euboea remained under Ottoman rule even after the London Protocol and, rather than liberated, the territory was granted to Greece by virtue of the 1832 Treaty of Constantinople. Ottoman citizens kept the fields they owned and were granted with the right to sell them.

For the most part, the area of Euboea was then transferred by means of title deeds to individuals, while successive property transfers by acquisition or inheritance have been taxed by the State since 1885. These title deeds were not challenged by anyone and therefore holders have never deemed necessary to seek for judicial recognition of ownership.

Problems arose with ratification of Law 3468/2006. RAE licensing for RE projects would require among others for stakeholders to secure the right of use for the installation land site. Such a right could be obtained by lease or acquisition of land. Certain stakeholders have appealed to competent local forest authorities to designate such land as woodland and challenge the respective title deeds.

Claimant owners, supported by the Municipality, have been in litigation with the Forest Authority ever since, bringing thus RE projects to a halt. The local government has submitted a written statement to YPEKA calling for amendment of Article 62 of Law 998/1979 (Forest Code) to include the region, thus waiving the presumption of ownership for the Greek state. The Municipality of Karystos has stated in a unanimous resolution that no RE installation shall be performed until the Property Issue has been resolved.

Conclusion

It has been argued that government's willingness is not enough for effective implementation. Administrative and institutional capacity along with social reactions

can explain Greece's environmental policy lag. The Greek State has repeatedly violated its own rules. As a result, low-level trust has been perpetuated.

Although the case of Euboea could be win-win, the institutional legacy of Ottoman Empire and Greece's inertia to resolve the Property Issue have led to a standstill. Due to citizens' reactions in the subject matter, the local authorities do not allow further RES deployment.

Greece should put forward a generous state and institutional reform. Institutions and actors' credibility is crucial factor for increasing the stock of social capital.

Notes

ⁱ The first substantive step was taken by the establishment of Framework Law 1650/1986.

ⁱⁱ According to 'goodness of fit' hypothesis, Europeanization matters only if there is a 'misfit' in policies between European and national level (Borzel 1999; Cowles *et al.* 2001).

ⁱⁱⁱ In this study, Europeanization is being conceptualized as the domestic adaptation to pressures stemming directly or indirectly from EU (Featherstone and Radaelli 2003:7).

^{iv} According to the European Commission, Greece (13,1%) was far below the target of 20,1% in 2010 (COM 2011, available at http://ec.europa.eu/energy/renewables/reports/2011_en.htm). However, in its latest report it recognizes that Greece has made progress in removing the administrative barriers (COM 2013:8, 175 Final).

^v Social capital refers to informal norm that promotes co-operation between individuals. Fukuyama perceives trust, networks, and civil society, as epiphenomenal of social capital (2001:7).

^{vi} Social norms define what is wrong and right in a society (Anderson 2006).

^{vii} However, some scholars have stressed its negative implications (Rodriguez and Pascual 2004) such as clientelistic networks, usurpation of public goods in favor of small groups, and so on.

^{viii} According to North's definition, 'institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction' (1990:3).

^{ix} Interview with Mr. Ch. Malandrakis-CEO, Quest Energy.

^x See, among others, the latest ones 3468/2006, 3734/2009, 3851/2010, 4093/2012.

^{xi} Interview with Mr. N. Papadellis-Supply Manager, Silcio.

^{xii} Greece established a special RES-related Physical Planning in 2008 (Common Ministerial Order – KYA 49828/3 December 2008).

^{xiii} Interview with Mr. Gakis-Quest Energy and Dr Chaidarlis-legal adviser to the Municipality of Karystos.

^{xiv} Interview with Mr. Manolis-Mayor of Karystos.

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The CSR Public Policy in European Union and Greece.

Key words: CSR, public policy, sustainable development, EU, Greece, SMEs.

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Abstract

Since the first definition for business social responsibility in 1953 by Howard Bowen, the Corporate Social Responsibility has improved significantly its position in public policy design towards sustainable development. Important CSR initiatives have been held globally and locally for and by business sector. The CSR policy debate is taking place in European Union in parallel with the sustainable development policy evolution since the Brundtland report (1987) but more explicitly after the Green Paper in 2001. The EU policy conceptualization for CSR incorporates significant aspects of its institutional tradition, welfare state, environmental modernization and governance. These issues affect the CSR public policy formulation in EU and member states (ex. Greece) in several CSR public policy fields such as the small-medium sized enterprises.

1. Introduction

After the Brundtland Report in 1987 and the definition of Sustainable Development (SD) a fruitful policy era began for Corporate Social Responsibility (CSR) and the business role in society and environment (WCED, 1987; UNEP, 2002). Both concepts became popular in European Union (EU) policy agenda since 90s and the beginning of 21st century but also in some Multinational Enterprises (MNEs); an essential SD step due to their social and economic power (Sherer and Palazzo, 2008). Thus, during '90s some MNEs have stressed their attention to their social role and their externalities to society and environment via the development of self-regulated mechanisms or SD initiatives (ex. World Business Council for Sustainable Development, CSR Europe) (WBCSD, 2002; Beaver, 2005; Banerjee, 2008; Hopkins, 2003). Moreover, on EU policy level Corporate Social Responsibility (CSR) became the path of business sector contribution to SD after 2001, including Small-Middle Enterprises sector (SMEs) (Commission, 2001a; 2002).

Although CSR became popular in businesses, society, media and policy sector in 90s and 21st century, it's not a new concept. The businesses' social responsibility has been appeared since 19th century through some “enlightened” corporations (Carroll, 2008). The years after and especially after the end of the First and the Second World War significant institutional changes took place in USA and Europe. That time Howard Bowen, who is also called CSR father, approached this issue (1953) through the Social Responsibility of the Businessman (Carroll, 2008; Mele, 2008). The years after, CSR concept has been defined numerous of times and it is already consisted of thirty seven definitions according to Dahlsrud (2008). Moreover, the Pyramid of CSR, the Triple Bottom Line or the Corporate Social Performance are some of the most popular approaches in CSR conceptualization (Carroll, 1991; 2008; Mele, 2008; Wood, 2010; Elkington, 2004), including also the sceptical ones such as Friedman's (Friedman; 1970). Hence, CSR concept has been approached and conceptualized already through significant perspectives and depicts crucial institutional issues, socioeconomic and environmental concerns towards SD in EU (Albareda et al., 2007; 2009; Aaronson and Reeves, 2002; Matten and Moon, 2008; Fox et al., 2002). The EU is a dynamic CSR promoter domestically and internationally and it has formulated the European CSR approach twice within a decade (2001-2011) by linking it with its SD strategy, international competitiveness and welfare perspectives (Commission, 2001a; 2001b; 2002; 2011). These facts also appeared on member states and picture the European institutional tradition in welfare state, environmental modernization and corporate governance settings (Matten and Moon.2008; Albareda et al, 2007; 2009; Aaronson and Reeves, 2002; Gjolberg, 2009).

II. The EU CSR approach and its public policy orientation

The business responsibility and the creation of synergies towards sustainability appeared via the call of the Commission President Jacque Delor in 1993. This decade (90s), EU essential participation in the formulation of businesses' international codes of conducts (OECD guidelines, UN Global Compact, ILO Tripartite Declaration) have introduced explicit CSR in EU domestic policy agenda (Lisbon Council-2000, Strategy for SD -2001) (Commission, 2001a; 2001b; 2006; 2011). In 2001 via the EU Green Paper the first European definition for CSR was appeared (“... *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*”) (Commission, 2001a, p.6). The EU highlighted the voluntary nature of CSR but also acknowledged that the term is more applicable to larger corporations than SMEs, although the latter were included too. Moreover, the CSR

voluntary nature was not perceived as a substitute to regulation or legislation (Commission, 2001a) and the CSR was not an isolated business case issue.

In 2002, EU via the Communication of CSR: A business contribution to sustainable development (Commission, 2002), EU have linked the CSR public policy with SD objectives in a more explicit way (Commission, 2001b; 2005; 2009b). This paper adjusted further that some European business might have already developed CSR, because of the Europe's institutional impacts on businesses' operations (Commission, 2002). Another issue which was posed was the need for special attention to SMEs (Commission, 2002) because they are not little big business (Tilley, 1999) and unfortunately the solutions one size fits all are not so viable on them (EC, 2011). This policy evolution was accelerated further in 2006 through the goal of making Europe a pole of CSR excellence (Commission, 2006). This policy step was quite optimistic and based on the overall goal of implementing partnerships for growth, jobs' generation, social cohesion, environmental and economic sustainability (Commission, 2006). The pole of excellence ambition focused on the encouragement of existing CSR initiatives and Multistakeholder Forum (ex. CSR Alliance), which pictured the vivid debate about the European CSR approach (Commission, 2006). Moreover, priority areas were identified such as the awareness improvement, the SMEs or member states cooperation. The latter was quite crucial for CSR public policy knowledge transfer, due to the fact that CSR seems to be affected locally by governance contexts, institutional tradition and cultural factors (Commission, 2006; Gjolberg, 2009; Albareda et al., 2007; Matten and Moon, 2008).

The following years CSR public policy was incorporated further in SD strategy review (2009b) and the Europe 2020 strategy for smart sustainable and inclusive growth (Commission, 2009b; 2010). These facts in combination with the negative outcomes of the contemporary financial crisis were the main driver of the renewed European CSR Strategy 2011-2014 in 2011, which approached both the business case of CSR and its socio-political dimension (Commission, 2011). Moreover, a new definition has been introduced, which defined CSR as *“the responsibility of enterprises for their impacts on society”* (Commission, 2011, p.6). This new definition underlined further the prerequisite of businesses' responsibility to society through the respect to regulations, legislation and collective agreements (Commission, 2011). The renewed strategy underlined also the public sector's significance and this paper objective was to be the CSR handbook in EU public policy formulation on the topics of best practises' dissemination, SMEs etc. The latter is a challenging public policy task and requires a more efficient approach towards SMEs characteristics. Thus the feedback by the Economic Commission committee about

the need for more concrete and well-designed public policies for SMEs is essential (EESC, 2012).

Despite the fact that EU is an international CSR advocate, only 15 out of 27 member states promote actively the CSR (Commission, 2011; EC.2011). This fact in a meta-analysis stage underlines further the existing pluralism in EU policy approaches, which is mainly affected by the member states governance contexts and their institutional tradition (EC, 2007a; 2011; Albareda et al., 2007, Gjolberg, 2009; Aaronson and Reeves, 2004). These facts have indicated different public policy models in EU (Albareda et al., 2007; 2009) but also different types of CSR government roles (mandate, facilitate, partnering, endorsing) (Fox et al., 2002; Albareda et al., 2007; EC, 2007a; 2011). More specifically, the Commission's reports (2007a, 2011) for CSR public policies in EU and member states are mapping significantly this pluralism by categorizing them in policy tools and fields. These CSR policy tools are the legal, the economic, the informational, the partnering and the hybrid (EC, 2011). Additionally, the CSR public policy fields are eight: the CSR policy frameworks (member states action plans), the supply chain management, the CSR reporting, the climate change, the Social Responsible Investments, the education, the public procurement and the SMEs (EC, 2011). The SMEs is the CSR policy field in which this paper and presentation will focus on more extensively.

III. The CSR public policy for the EU Small-Medium Enterprises.

Since 2001, the SMEs potential contribution to SD was approached in parallel with the CSR evolution in EU policy agenda. This policy interest about SMEs contribution to SD is explained by their significant socioeconomic role, environmental potentials and quantity. Moreover, it is essential to take into consideration the European definition for SMEs in order to understand their socioeconomic impact (EC, 2005; Commission, 2009a). According to the definition SMEs are perceived as enterprises because of their engagement with economic activities but also because of their legal form and their division in three main categories the medium, the small and the micro (EC, 2005; Commission, 2009a). The definition is attached approximately to 23 million of businesses in EU, the 98-99% of the whole business sector (Commission, 2009a; EC.2011; EC.EI, 2011; Jenkins, 2006). Moreover, the SMEs are an important employment generator (\approx 75 million jobs) (EC, 2011), the 2/3 of total European private employment and approximately the 80% of new jobs' generation in EU from 2006 to 2011 (EC.EI, 2011). Thus, SMEs are the backbone of the EU economy (EC, 2011; Russo and Tencati, 2009; Jenkins, 2006) but also an heterogeneous business group because of their size and sectors.

The SMEs in combination with the characteristics above have a significant impact on environment too; an issue which is mainly characterized by the managers-owners low awareness about SMEs impact or sustainable alternatives (Commission, 2007). Although it is difficult to approach this impact in detail, the SMEs contribute significantly to pollution and affect negatively the environment, especially the local one, where their operations and their production process is taking place (Commission, 2007). Thus, their awareness improvement about their environmental impact, regulation and management systems is crucial and they have been approached through public policies (informational policy tools) in EU and many other member states (ex. Denmark, UK, Italy etc) (EC, 2007a; 2011).

The EU since 2001 has stressed the SMEs importance in the European CSR public policy framework but also in the renewed CSR strategy 2011-2014, especially on terminology issue. Thus, EU since 2003 in order to approach SMEs more effectively set up the term responsible entrepreneurship in its presentation about CSR good practises (EC, 2003; EC, 2011; Lepoutre and Heene, 2006; Murillo and Lozano, 2006). In 2007 the EU through the report “Opportunity and Responsibility” underlined the potentials and possible pathways of SMEs engagement to CSR (EC, 2007b) and the same year the Environmental Compliance Assistance Programme (Small Clean and Competitive) focussed on SMEs’ environmental modernization (Commission, 2007). Furthermore, EU develop several CSR policies and projects in order to improve their awareness such as the European responsible entrepreneurship bulletin (2007), the Responsible Care, the Mainstreaming CSR project among SMEs (2006-2008), the EMAS Easy Methodology etc (EC, 2011).

Significant policy steps have been developed also in member states domestic policy for SMEs and CSR-SD framework, through public policy tools were mentioned above (ex.legal) according to EU categorization (EC, 2011). The Denmark is a CSR example in public policy informational instruments via the People and Profit project (2005-2007) or the [Ideas Compass](#), a policy initiative website for best practice dissemination (EC, 2011). In Italy (Tuscany) a significant informational initiative is occurred called [Fabbrica Etica](#) (2001) and hybrid instruments through [Istituto Guglielmo Tagliacarne](#) (EC, 2011). In Germany significant informational and economical instruments for SMEs has been developed since 1995 (Environmental Pact-[Umweltpakt](#)) in Bavaria, the “Special Fund for Energy Efficiency in SMEs” (2008), the Mikrokreditfonds Deutschland ([COPIE](#), [Mikrokreditfonds](#)) for women-social entrepreneurship and the synergy with the [KfW Bank](#) for green investments loans (EC, 2011). In France through Grenelle Law CSR labeling initiatives were appeared (ISO, EMAS) and informational tools (ex. [Travailler mieux](#)) (EC, 2007a; 2011).

The Greece compared to the above member states is not so active in explicit CSR and

belongs to the Agora public policy model, which mainly exists in Mediterranean region (Albareda et al, 2007). In 2007 a CSR complementary legal tool, based on the philanthropic dimension, was appeared via the law 3525/2007 for sponsorship to cultural activities from business sector, which incorporated further economic incentives and dissemination tools (ex. awards) (HR, 2007). Moreover, through the 4th EU Structural Funds programme (2007-2014) and during the crisis and austerity policy measures in Greece, significant economy tools have been developed for SMEs engagement with CSR such as the *Green Entrepreneurship*, the *Green Infrastructure* and the *Green Tourism* funded programmes (Source: Antagonistikotita). Other economic tool was the *Innovative Entrepreneurship* programme and the policy orientation towards social and women entrepreneurship ([Antagonistikotita 2](#)). In conclusion, a hybrid policy tool because of its combined features is the lifelong learning programme for entrepreneurs (ex. CSR-SD seminars) and employees (ex. skills improvement) (ex. [OAED-LAEK](#), [KEK-GSVEE](#)).

Conclusion

An essential issue for CSR public policy design about SMEs in EU, member states and Greece is that SMEs should not be approached on formulation and implementation stage as synonymous to large corporations in their organizational features, managerial characteristics (ex. owner-manager) (Spence, 2007; Spence et al., 2003; Spence and Perrini, 2010, Jenkins, 2006). These characteristics are crucial and affect their approach towards CSR (EC, 2011; Murillo and Lozano, 2006), which is not always perceived in the same way as large enterprises (EC, 2011; Murillo and Lozano, 2006; Spence and Lozano, 2000). This occurs because CSR concept has been created mainly for large enterprises (EC, 2011; Perini et al., 2007, Russo and Tencati, 2009; Russo and Perini, 2010; Murillo and Lozano, 2006) and the word itself is not always familiar to SMEs' operations (Spence et al., 2003; Tilley, 1999; Russo and Tencati, 2009). Furthermore, the SMEs are not little big firms (Tilley, 1999) and their social responsibility is not always a linear and easy-going identification process.

Despite their significance in Greece and EU, SMEs as policy topic have to deal with optimistic and even sometimes unrealistic CSR expectations considering their operational obstacles (ex. cost, administrative context) (Spence et al., 2003; Lepoutre and Heene, 2006). Thus, knowledge transfer among large corporations or public sector with SMEs is essential (Murillo and Lozano, 2006; Commission, 2011; 2006; Jenkins, 2006; Lepoutre and Heene, 2006). Moreover, SMEs due to their socioeconomic characteristics are well established institutions in local communities and might have already developed an implicit

social responsibility approach (silent CSR) (EC, 2011; Russo and Perini, 2010; Spence and Lozano, 2000; Spence et al., 2003; Spence, 2007; Jenkins, 2006). Hence, the development of SME CSR terminology is an essential step, which has been initiated in EU in 2003, but requires more effective steps and research on CSR potentials or tools (Spence et al., 2003; Spence, 2007; Spence and Perini, 2010; Spence and Lozano, 2000). In conclusion, these special characteristics are essential for policy formulation in order a more strategic manner to be implemented with permanent characteristics in EU, member states and Greece (EC, 2011).

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Title: Veto Players and Corruption in the EU

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Abstract: The Veto Players' theoretical framework has been introduced the latest years as a proposed methodology for the analysis and comparison of political systems regarding their ability to produce and promote policy reforms. In this paper, focus is given on shedding some light on the correlation among the number and the characteristics of veto players and the levels of corruption. The study is targeted at the European Union countries, while specific analysis is provided for Greece due to the high levels of corruption and the recent fiscal crisis. A theoretical framework is presented where several hypotheses are formulated, while their validity is examined through an empirical analysis based on a wide set of data from various international data sources. According to the analysis results, it can be claimed that the veto players' characteristics play a significant role towards the fight against corruption.

Introduction

The concept of veto players has been used the last decade in order to explain several features of the policy making and implementation process in different political systems. The theoretical framework was initially introduced by Tsebelis (Tsebelis, 1995) as a proposed methodology for the analysis and comparison of political systems regarding their ability to produce and promote policy reforms. Based on the proposed framework, it is feasible the formation of advanced estimates of the effect of a decision making process. Key variable in the description of the theoretical framework is the capacity to perform changes and reforms, the absence of which is defined as policy stability (Tsebelis, 1995).

In the current study, focus is given on the correlation between the veto players and the capability for tackling phenomena of corruption. The motivation for the study was given by the need to better explain the causes of corruption given the significant impact it has on indicators of economic development and proper functioning of a state, as well as by the fact that already published studies are ending up with controversial conclusions (Andrews & Montinola, 2004; Brown, 2011; Pellegrini & Gerlagh, 2008; Yadav, 2011). Towards this direction, we tried to take advantage of the existence of several databases nowadays that allow the realization of more detailed and reliable studies (Treisman, 2007). Focus is given on the European Union (EU) taking into account individual enlargements and Croatia as a candidate country, while a special section is devoted to Greece given the recent fiscal crisis combined with pronounced signs of corruption.

The results lead to useful conclusions on the basis that there exist significant interactions between the examined variables. It can be argued that the number of veto players, in conjunction with their exact siting, impact significantly on indicators addressing corruption phenomena.

Veto Players and Corruption in the EU

Theoretical Model

The study is based on the description of a theoretical model that aims to analyse the relationships among the veto players, phenomena of corruption and economic growth indicators. The effects due to the economic situation of a country are not addressed in this study, however, are part of the general theoretical model for future investigation. The general correlations among political institutions, corruption and economic growth are depicted in Figure 1. The relationship among these concepts seems to be complex and in some cases leads to 'cyclical' effects.

The theoretical framework is based on the description of the following hypotheses:

Hypothesis 1: Increasing the number of veto players leads to reduced corruption: the existence of multiple veto players permits the advanced control among each other and makes more difficult the achievement of consensus in the decision-making process.

Hypothesis 2: Given the number of veto players, less ideological distance between them leads to an increase in corruption: the existence of large ideological distance may lead to better control of the government by the opposition parties and, thus, to reduction of corruption.

Hypothesis 3: The increase in corruption leads to further increase of the policy stability and reduction of the political stability: increasing corruption introduces further restrictions on the decision-making process as specific interests have to be served, and therefore reduces the potentiality for reforms and increase the policy stability. This stability, in turn, may lead to political instability and ultimately to an increase in corruption (cyclical effects) since the government officials are trying to secure short-term benefits.

Hypothesis 4: Political systems based on parliamentary democracy exhibit less corruption to presidential political systems: in parliamentary systems, the power is usually more concentrated compared to presidential systems that in conjunction with the control exerted among existing veto players may lead to better and more effective governance including the fight against corruption. On the other hand, supporters of presidential systems claim that through the presence of an increased number of interest groups, they lead to a fragmented political system with dispersed decision-making capabilities among multiple actors, making more likely the avoidance of corruption since many players have to cooperate (Gerring & Thacker, 2004).

Hypothesis 5: Systems with many veto players have a greater chance of having an independent judiciary, which in turn reduces the phenomena of corruption: the existence of many veto players requires an independent judiciary that will not defend the interests of certain players. In case that the judiciary has veto power, it is counted as a veto player leading to reduction in the phenomena of corruption.

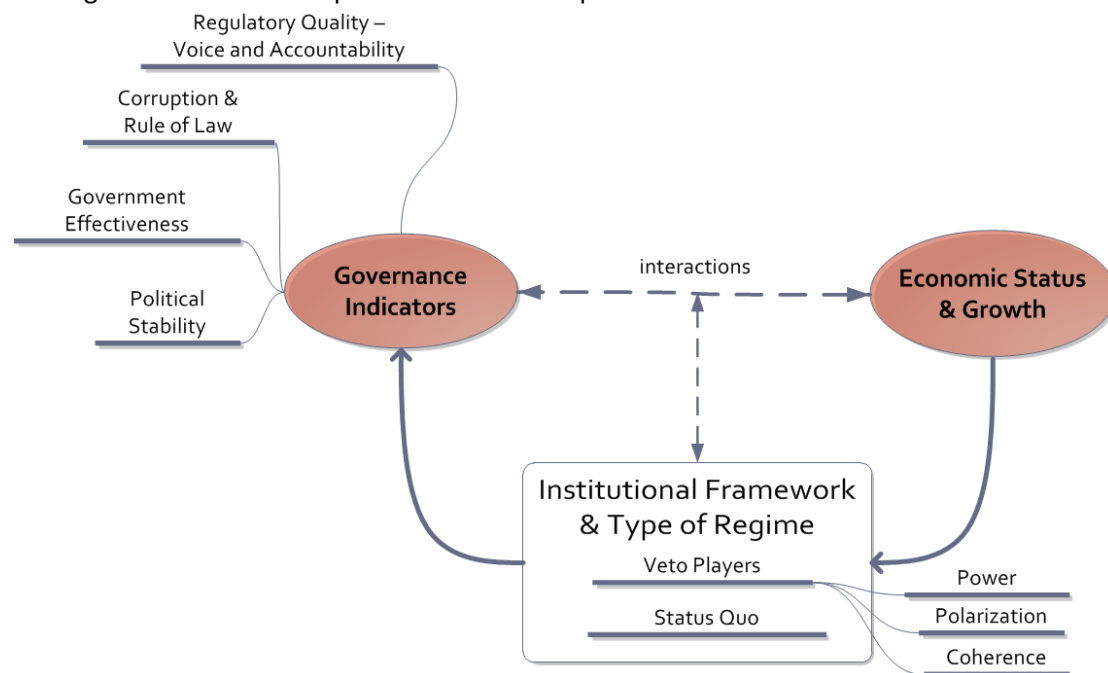


Figure 1. Political institutions, corruption and economic growth

Empirical Study

The analysis focuses on the evolution of corruption indicators in EU countries from 1995 to 2011, taking into account individual enlargements and Croatia as a candidate country. The dataset created is based on integration of data used in international and widely used databases. Specifically, veto players data is collected from the “Database of Political Institutions (DPI)” and “Parties, Institutions and Preferences (PIP)” databases, while corruption data is based on the “Corruption Perception Index (CPI)” published by Transparency International and annual reports from the “International Country Risk Guide – ICRG”. Governance indicators are based on the “World Governance Indicators – WGI” published by the World Bank and data for judiciary is based on the “Political Constraints Index (POLCON)” database. To enhance the reliability of the study and the conclusions reached, the examined cases are analysed based on multiple data sets created from different databases. Regarding the variation of the CPI index and the number of veto players among the EU countries, the average values of these variables for the period 1995-2010 are presented in Figure 2, where significant differences are noticed.

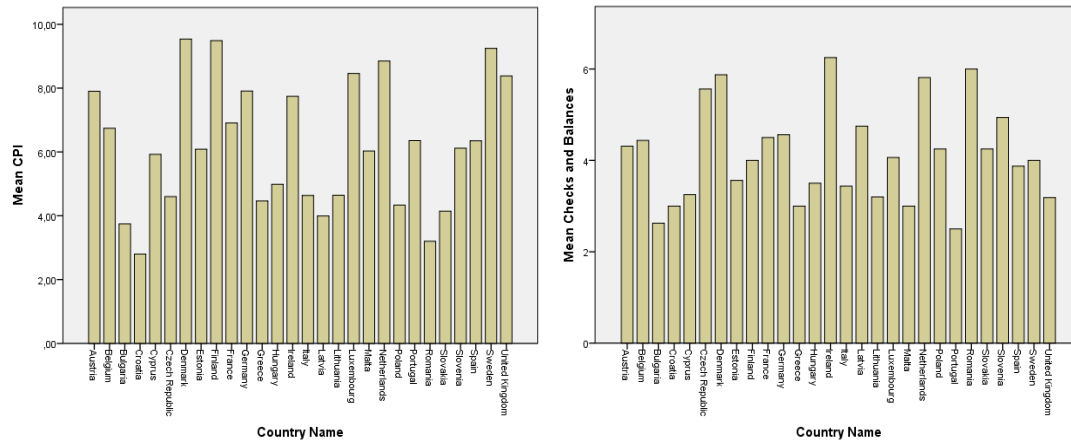


Figure 2. Average values for CPI and number of Veto Players

Table 1: Regression analysis results

Model (independent variables) / Regression analysis results	Number of Veto Players (checks)	Polarization (polariz)	Political System (0: presidential, 1: assembly-elected presidential, 2: parliamentary)	Grouping based on the year of accession to the EU (grouping)	Political Stability	Constant	Adjusted R ²	N
Model 1 (checks)	0,514	-	-	-	-	4,202	0,091	402
Model 2 (checks & polariz)	0,335	0,786	-	-	-	4,193	0,201	357
Model 3 (political system & polariz)	-	0,861	1,192	-	-	3,349	0,280	402
Model 4 (checks, polariz & political system)	0,261	0,710	1.147	-	-	2,520	0,297	402
Model 5 (checks & grouping)	0,382	-	-	-2,857	-	8,761	0,540	402
Model 6 (checks, polariz & grouping)	0,311	0,505	-	-2,715	-	8,246	0,568	402
Model 7 (political stability)	-	-	-	-	2,855	3,989	0,364	315

The results of the multiple regression analysis, having as dependent variable the indicators of corruption and as independent variables various veto player characteristics, are presented in Table 1. All the results are statistically significant (p-value less than 0,05), while between the examined variables there are no collinearity phenomena.

Quantitative and Qualitative Analysis

Based on the analysis results, it can be claimed that the basic hypotheses of the theoretical model are confirmed. The results of the models 1-4, as shown in Table 1, confirm the hypotheses 1, 2 and 4, according to which increasing the number of veto players as well as their polarization leads to reduction of corruption, while anti-corruption indicators improve as we shift from presidential to parliamentary systems. It is important to note that the Adjusted-R_{square} value is improving significantly through the addition of the polarization variable in the analysis in model 2 (Adjusted-R_{square}=0,201) as well as the political system variable in model 4 (Adjusted-R_{square}=0,297). This increase is translated into better capacity

for prediction of the perception of corruption through the knowledge of the independent variables in a specific country. It can be therefore argued that the structure of the political system, the decision-making process and the parties that are taking part on it, have a major influence on the level of corruption. Based on the results, it can be also assumed that parliamentary systems with many veto players is a promising combination towards the fight against corruption, since they allow the existence of advanced control mechanisms combined with a greater concentration of power within the government, strengthening in this way the development or maintenance of good quality governance features.

Having examined the correlations among the indicators for tackling corruption and the characteristics of veto players, the analysis focuses on further governance features. Based on the results of model 7, it appears that increased political stability results in improved indicators for tackling corruption (Adjusted- $R_{\text{square}}=0,364$) that is in agreement with the theoretical framework (hypothesis 3).

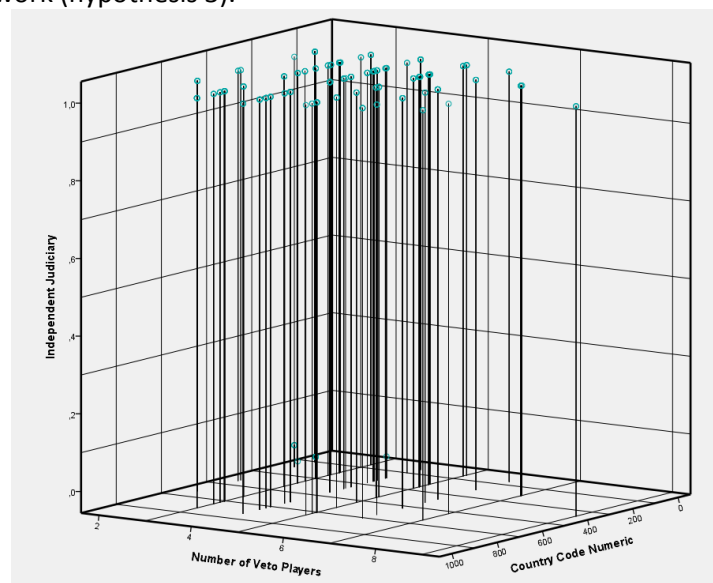


Figure 3. Existence of independent judiciary

Regarding the impact on corruption due to the existence of an independent judiciary, it is shown that in the absence of it, the mean number of veto players is 2,8 while in the opposite case 4,2 (Figure 3). The results are in agreement with what is supported in the hypothesis 5 of the theoretical model.

Considering the initial conclusions of the study, we are trying to further explain the phenomena of corruption taking into account the accession time of countries into the EU. The trigger for considering this variable is that - based on existing bibliography (Pellegrini & Gerlagh, 2008; Gerring & Thacker, 2004) - there is a significant positive correlation between the years of existence of a well-functioning democracy and indicators for tackling corruption. Thus, we separate countries into two groups: those that were Member States of the EU of 15 and those that joined the EU later, considering that in the first case exists longer well-functioning democracy.

Based on the regression analysis results (model 5), the above-mentioned assumption is confirmed while there is an important improvement in the predictability level (Adjusted- $R_{\text{square}}=0,540$) that can be probably explained by taking into account the great influence on corruption of the uptime of democracy in a country, as well as the positive influence from the EU membership and the alignment of the legislation of each country with the EU guidelines. Regarding the CPI index (Figure 4), there is a significant difference in the average value between the two groups (7,53 for the countries of the EU-15 and 4,56 for the rest). By

adding in the regression analysis the polarization as an independent variable (model 6), there is a minor improvement in the predictability level (Adjusted-R_{square}=0,568).

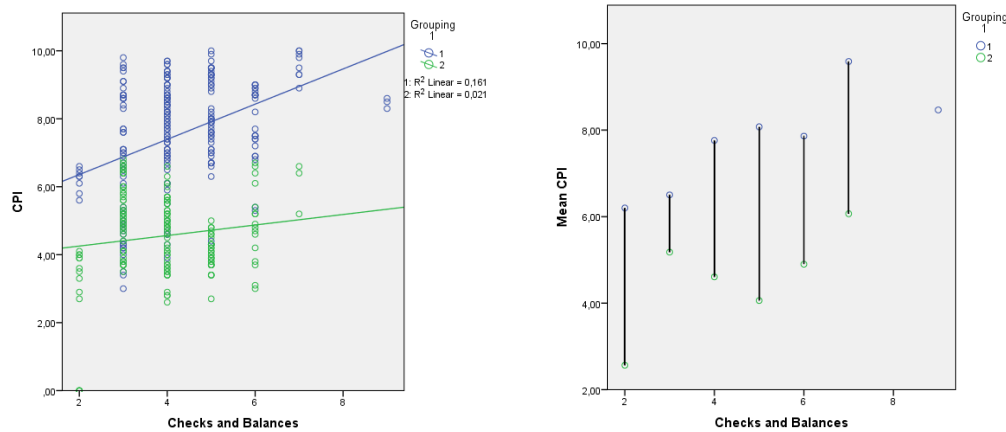


Figure 4. Correlation between CPI and number of Veto Players (1: countries in the EU of 15, 2: countries that joined later)

What about Greece?

Given the results of the empirical study on the EU countries, focus is given on analyzing veto players and their effects on temporal phenomena of corruption in Greece. These phenomena are very strong the latest years, which are reflected in the country's ranking in the annual reports of Transparency International (94th place among 180 countries in 2012).

But whether corruption is linked to the structure of the political system in the country? In Greece, the executive power seems to be much more robust and outperforms the other two powers, given the existence of one-party governments with complete agenda-setting power and control of the parliamentary group of the ruling party. Furthermore, the long stay or the continuous rotation of certain parties in power, combined with the creation and continuous feedback of a clientelist state strengthens the ties with the existing stakeholders, allowing the cultivation of phenomena of corruption. Regarding the judiciary, the Council of State can be considered as a veto player. However, the power that the government has on the definition of the Presidents of the Supreme Courts, combined with the complexity of the legal framework that often allows alternative interpretations of the law, reduce its veto power.

Particular interest presents the current situation in Greece with the participation of three parties in government and the great influence in decision-making by the International Monetary Fund, the European Central Bank and the EU. It can be claimed that there exist four veto players (the three parties of the coalition government and troika as a regulator of the implementation of many policies). Decisions concerning the three veto players involved in the coalition are taken based on a majority agreement that requires at least two veto players. Decision-making by consensus is not always feasible, making necessary reciprocal or unilateral concessions to promote reforms. It can be argued that the increase in the number of veto players has resulted in improving the control of the governors as a whole as well as in reduction at the phenomena of corruption.

Taking into account the above-mentioned data, it is a rather common acceptance that major changes are required in order to combat corruption. The clear separation of powers by introducing institutional counterweights that will increase the number of veto players and in parallel will facilitate the deployment of advanced control mechanisms is necessary through the upcoming constitutional review. Furthermore, the role of the parliament has to be upgraded, which must be transformed into a real legislative body. The electoral law must

allow proportional representation of the parties in the Greek parliament while increasing the likelihood of having more veto players. Additionally, the immunity of the members of the parliament has to be reduced by limiting the possibility of phenomena of arbitrariness, by strengthening their independence and the possibility of deviation from the "strict" party line. Finally, the legislation has to be simplified in order not to allow different interpretations.

Conclusions and Open Issues

Summarizing the conclusions drawn from the empirical study, it appears that the characteristics of veto players can explain partially the capacity to fight corruption. These characteristics affect the overall decision-making process and the possibility of creating strong bonds between certain players that ultimately may lead to greater corruption. Increasing the number of veto players and their polarization level has positive effects on the fight against corruption. Furthermore, parliamentary political systems seem to present better anti-corruption capacity in comparison with presidential ones. However, these features make sense to study given the establishment of democracy, as the years of normal operation play a key role in the ability to cope with corruption phenomena. This finding is confirmed by the results obtained by the separation of the EU members into two groups according to their time of accession in the EU.

For the analysis part that is focused on Greece, it can be argued that the existing structure of the political system favours the cultivation of corruption, mainly due to the great power of the executive and its control upon the legislature and the judiciary. The introduction of further veto players in the political system is required that will act as institutional counterweights in the battle to combat corruption.

Regarding the extension of the study, the integration of indicators related to the economic status of each country, as well as of further veto player characteristics (e.g. agenda-setting power, party discipline), will facilitate the extraction of safer conclusions and the better explanation of the presented interactions in the theoretical framework.

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