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## **Geographies of (in)justice and the (in)effectiveness of place-based policies in Greece**

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### **Abstract**

*This paper investigates the policy context of spatial injustice in Greece. Given the polarized character of the economy and the centralized character of the public sector, the paper examines whether place-based policies that attempt to strengthen the local level and mobilize local assets would be better able to deliver a fair and equitable distribution of socially valued resources and opportunities in space. In this context, the paper presents and discusses the findings of four case studies and four policy-driven actions related to the design and implementation of a post-lignite local strategy, the establishment of a credible innovation strategy in a metropolitan area, the development of social economy in a lagging region and the upscaling of local government in a medium-sized city. The case studies investigate the conditioning factors that encourage or obstruct the local level to implement effective place-based policies that can contribute to spatial justice. On this basis, the paper evaluates the capability of the current policy and institutional setting to generate spatial justice and provides policy recommendations that will empower the local level in confronting socio-economic challenges and unbalanced spatial growth.*

**Key words:** *spatial justice, place-based policy, inequalities*

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## 1. Introduction

The European economic space is shaped by forces and processes that decisively affect the prospects of regions for growth and development. A number of papers and reports (OECD, 2019; Iammarino et al., 2017; CEC, 2013) show that over the last two decades spatial inequalities have been increasing. In most countries, the spatial patterns of growth have favored the metropolis, while the less advanced regions typically experience a weaker performance and are unable to close the development gap with the national average. Available evidence indicates that regional growth in Europe is shaped by agglomeration economies, place and geography, integration dynamics, structure, as well as EU and national policies (Petrakos et al. 2011).

Persistent imbalances at all levels of spatial aggregation have raised the question of spatial justice, which involves equal access to services and a fair distribution of resources over space. Spatial justice is related to both processes (income distribution mechanisms) and outcomes (level of imbalances) prevailing in different territories and has become a central policy challenge (Soja, 2009). Although it draws its roots from the normative concept of equity and social justice, the spatial relevance of justice has become a refreshing ingredient of the urban and regional disparities literature (Heynen et al. 2018).

At the same time, an important shift appears to take place in the EU Cohesion Policy, as it gradually moves away from a conventional spatially neutral and towards a new place-based policy approach (Barca, 2009). The new approach, fertilized also from the 'smart specialization' literature (Foray, 2015), places an emphasis on the development of knowledge and innovation opportunities that will build upon a region's existing advantages and capabilities (Barca *et al.*, 2012). The focus in the new approach is the local and regional networks of actors working together to create and capture value through innovation and the successful generation of new knowledge within regional technological and policy domains (Giuliani, 2007).

The recent economic crisis has increased the development gap between the advanced North-West and the less advanced South-East, where differences in income and employment figures have increased (CEC, 2017, 2018). Greece has a central place in this picture, as the country has experienced during the last decade a deep economic crisis that wiped out a quarter of its GDP and over one million employment position, as a result of profound European and domestic market and policy failures (Petrakos, 2014).

In this economic and policy setting, a number of compelling questions arise for the spatial organization of the Greek economy. They relate to the level and type of spatial inequalities, the mix and spatial footprint of development policy, as well as the spatial organization of the State. As the economy is faced with a new threat, the pandemic, that is, a second crisis in one decade, development policy has the enormous task to restore a sustainable growth path for the regions.

The paper is organized as follows: Section 2 attempts a discussion and a synthesis of existing bodies of literature on spatial inequality, spatial justice, development policy and endogenous approaches to growth. Section 3 presents and evaluates the spatial characteristics of the Greek economy and the spatial footprint of Greek development policies. Section 4 examines whether place-based policies attempting to strengthen the local level and mobilize local assets can deliver results. Finally, section 5 evaluates the capability of the current policy and institutional setting to generate spatial justice and provides policy recommendations dealing with the challenges and unbalanced spatial growth.

## **2. Spatial justice and place-based policies: discussion and research questions**

Deep and increasing territorial inequalities have raised the normative question of justice over the allocation of valued resources, income, and opportunities in space (Smith, 1994; Soja, 2009), fairness and participation in decision making (Rawls, 1999) and legitimacy for different forms of power (Madanipour *et al.*, 2017). The discussion in social sciences around justice and inequalities, has shown the importance of the geography, setting the ground for the formation of the basic principles of spatial justice (Heynen *et al.* 2018), which may be conceptualized within distributional or relational paradigms. A distributional approach highlights the distribution of outcomes across discrete and bounded territories, while a relational approach focuses directly on the processes the cause unjust geographies at multiple scales (Soja, 2009). According to Madanipour *et al.* (2017), spatial justice indicates equity in social space, integrating five dimensions of justice: social (households and social groups), procedural (just processes), distributive (equal distribution), spatial (within and between territories) and temporal (within and between generations).

Although the spatial justice literature is mostly based on the normative concepts of fairness and equality, positive economics concepts, such as growth and efficiency, have also been used in connected strands of literature to support a better balance of incomes and resources in space. Parts of the regional development, cohesion or convergence literature and the more recent 'smart specialization' and 'endogenous' or 'place-based' approaches to development policy are evolving around a central idea that policies aiming to reduce spatial inequalities have also a positive impact on national growth (Barca *et al.*, 2012). Inequalities are not only unjust, but they are also inefficient either because they do not allow for the utilization of idle resources in lagging regions, or because they trigger unbalancing immigration, which depopulates the places of origin and congests the places of destination, or because they give rise to political discontent, populism or separatism movements (Rodriguez-Pose, 2017) with negative long-term implications for national/EU unity.

Despite common elements, spatial justice and place-based approaches do not stem from a common theoretical context. Place-based strategies derive from the theoretical school of 'endogenous development' that place emphasis on locally available resources, especially knowledge, innovation and learning, flexible systems of industrial organization, local clustering of activities and global networking and a strong support from local institutions (Asheim, 1996; Pike et al, 2016). Successful places in this development paradigm are characterized by a 'territorial capital' that includes non-economic factors, like 'trust', 'institutional thickness' and a 'cooperative culture' that coexists with market competition (Cooke and Morgan 1998; Amin and Thrift 2005).

The 'endogenous school' appears in the literature with a fresh and challenging position vis-à-vis the state-led and often space-blind development policies that face difficulties to reduce spatial inequalities, and a promising new bottom-up approach to policy. However, this line of thought has raised some skepticism. It is argued that the territory-based approach to development lacks a wider perspective and does not necessarily aim to reduce spatial imbalances, as the focus of policy is the local level. In that sense, it ignores the uneven relations among successful and unsuccessful places and the question of uneven development (Hadjimichalis (2019).

In addition, it does not take into account broader processes and constraints arising from the power and class structure of local societies, inter-regional flows or globalization, as success in a number of places may not be only the result of local socio-cultural characteristics and policies, but also their position in the national and international networks of production and exchange (Hadjimichalis, 2006; Hadjimichalis and Hudson, 2007).

Although the balance between exogenous and endogenous drivers of development may not fully justify the reliance of the fate of localities in their own hands, the place-based approach has made an important contribution in the development policy debate, as it has provided a refreshing framework for mobilizing local resources and a challenge to re-think state-level policies.

In fact, top-down and bottom-up policies need to find a working balance that will ensure efficiency in utilizing public resources, broad participation and tangible results, measured by growth and convergence at the local and regional level. The real question in this discussion is not about the importance of the State, but about the balance and mix of policies: what level of government designs and implements what policies, with what resources and what multi-level procedures.

Neither the mix, nor the balance of policies among levels or government should be considered as given over time. On the one hand, the redistributive character depends on the intensity and the broader drivers of inequality, while, on the other hand, a shift may have to take place from 'hard' to 'soft' infrastructure and from projects to knowledge-intensive investment. Although the overall allocation of resources must

favour the weaker territories, multi-level governance choices and balances must ensure that local knowledge is used effectively in designing and implementing policies that are place-specific.

The discussion on development policy can be better understood in the broader context of spatial justice, which is richer than that of regional convergence or cohesion context, as it allows for the evaluation of policy outcomes, such as local/regional growth and convergence, as well as policy processes, such as the legitimation, governance and territorial levels of policy design and implementation.

A synthesis appears possible where the allocation of development policy to administrative levels, its fiscal strength and structural mix will not be a priori determined on theoretical grounds, but it will be decided with due consideration to the level and type of spatial inequalities, the broader drivers of growth and decline at the national or international level and will be evaluated with respect to tangible spatial justice results in terms of procedural and distributive outcomes.

In this setting, a number of research questions arise about the main elements of spatial injustice in Greece and the extent to which they are related to spatial imbalances in income and welfare or include also procedural imbalances. A first question is whether the current set of development policy has been able to deal with spatial injustice and whether place-based policies have been able to mobilize local resources and generate endogenous growth. A related question is whether the existing structure of the multi-level governance system supports or impedes the effectiveness of policy at the local level and the extent to which inefficiency is related to local weaknesses or to obstacles arising from the central level.

Dealing with spatial imbalances requires a policy context that will allow for an allocation and utilization of existing resources that would meet both the equity and efficiency goals. In that sense, the spatial justice context can be seen as an appropriate ground to test whether place-based approaches utilizing the 'territorial capital' of different places have been able to promote balanced growth (distributive justice) and a more active participation in designing and implementing policies (procedural justice).

The methodology of the paper is to critically discuss spatial injustice in Greece by examining the intensity of spatial inequality, as well as the composition, balance and efficiency of regional development policy at the national and local level. Centrally delivered development policies are examined for their redistributive capacity and their effectiveness to promote regional convergence. They are also examined for their capacity to deploy an inclusive governance system that mobilizes locally idle resources. Endogenous, or place-based development policies are examined for their capacity to utilize the territorial capital of different places and promote local restructuring and local growth. The analysis combines regional statistics, available literature and recent case-studies in order to critically discuss and evaluate levels and drivers of spatial inequality and the interplay of policy responses at the national and regional level.

### **3. Spatial injustice in Greece**

The spatial organization of the Greek economy raises a number of questions of positive and normative nature. A critical issue is the level and evolution of inequalities in the spatial allocation of activities, as well as the prospects of the lagging regions to generate income and employment. Efficiency and equity issues are closely connected here, to the extent that policy options and responses, as well as the spatial organization of the State produce sustainable and inclusive growth.

#### **3.1 Spatial inequalities**

The analysis of the regional structure of the Greek economy reveals serious and persisting imbalances in terms of GDP per capita, population and welfare. The Greek economic space is dominated by the presence of the metropolitan area of Athens, which is part of the Attica Region, but functionally extends beyond that, embracing clusters of significant industrial activity located a short distance beyond its regional borders, in the neighboring regions (Petraikos and Psycharis, 2016a).

Table 1, which provides the most recent information for the Greek NUTS II regions, shows that the level of development of the country has declined dramatically from nearly 80% of the EU average a decade ago, to 59%, due to the financial crisis, which has transformed Greece from a rapidly converging country in the 1990s and the early 2000s, to a dramatically diverging one during the last decade.

It also shows that Greece has maintained during the crisis significant spatial inequalities. The Attica metropolitan region, which concentrates 36% of the population and 48% of the national GDP (more than 50% if one counts also satellite industrial establishments in the surrounding regions), has a GDP per capita that is 136% of the national average and almost twice as high the figure of the weakest region. It is also one of the largest and most densely populated cities in Europe with 990 inhabitants per sq. km, a figure that is 12 times higher than the national average. It has almost doubled its population, experiencing strong migration inflows in the post-war period that drained the peripheral regions from human resources and contributed to a strong and lasting growth, but also to the environmental and social problems of the metropolis.

Central Macedonia in the north, which includes Thessaloniki, the second metropolitan region of Greece, has a significantly lower GDP per capita, equal to 77% of the national average. Besides Attica, the regions with relatively higher GDP per capita are the island regions of South Aegean, Ionian and Crete, the region of Central Greece, hosting the satellite industrial areas of Attica and the energy supplying region of Western Macedonia. The regions with the lower GDP per capita are the border regions of Eastern Macedonia and Thrace and Epirus. Most of the lagging regions have a GDP per capita that is below 50% of the EU average.

Similar type of inequality exists in terms of the innovative capacity of the regions, measured by the Regional Innovation (RIS) index. Attica has the highest value, which is around 75% of the EU average, followed by three regions with a significant science base (Crete, Central Macedonia and Western Greece), but most other regions have low or very low values, which are about half the EU average. The characteristic difference between the RIS index and GDP per capita is that the island regions that appear with relatively high GDP per capita because of mass tourism (South Aegean and Ionian) have the lowest figures in terms of innovative performance.

The Regional Competitiveness Index (RCI), which is ‘...a measure of the ability of regions to offer an attractive and sustainable environment for firms and residents to live and work’ (EC, 2019), shows that regional inequalities in terms of competitiveness are significantly higher, as the figure of Attica is more than 2 times that of Central Macedonia (in the second highest figure) and about 4 times the figure of Crete, Epirus and Thessaly that follow. The gap with the remaining of the regions is even higher. Overall, the Greek regions have a very poor relative ranking in this index. Attica is in the 180<sup>th</sup> place (among 268 NUTSII regions), while the other regions are very close to the bottom of the ranking (EC, 2019).

A general pattern appears where the larger part of the border zone, the central and the western part of Greece is characterized by low levels of development, while Attica and some of the islands are characterized by a higher level of development. Innovation and competitiveness indices reveal a pattern of even higher inequalities, where Attica has a more dominant position. The arising pattern, which is the outcome of long historical, political and economic processes (Petrakos and Psycharis, 2016a), depicts to a certain extent differences in the productive structure of the regions.

The metropolitan region of Athens has a productive structure that combines scale, externalities, variety and openness and a mix of tradable and sheltered activities that have allowed it to maintain its dominant position in the economy (Petrakos and Psycharis, 2016b). The islands have developed a strong specialization in tourism, which is based on domestic and (mostly) international demand. Some of them are top international destinations, but have developed a relatively monoculture economy with limited local/regional value chains, while a few (especially Crete) have managed to connect tourism to the food and agricultural sector. On the other hand, most of the mainland regions face a number of constraints in their performance related to limited variety in their productive base, accessibility, scale and quality in production, missing infrastructure and services as well as difficulties to compete in the European markets (Petrakos et al., 2012, Petrakos and Psycharis, 2016b).



Table 1. Regional indicators of Greece, NUTSII level

Region	Population (2018)	Density (2018)	GDP regional share (2016)	GDP per capita (2016)		RIS, 2017 EU=102.5	RCI 2016 Value in the 0-100 scale and rank
				GR =100	EU = 100		
<b>Greece</b>	<b>10741165</b>	<b>81.4</b>	<b>100.0</b>	<b>100.0</b>	<b>59.2</b>		<b>23.53</b>
Attica	3,756,453	986.5	47.5	135.6	80.3	76.9	44.97 (180)
Central Macedonia	1,875,996	98.0	13.7	78.6	46.6	67.3	20.29 (239)
Thessaly	722,065	51.4	5.2	77.3	45.8	59.2	11.16 (252)
Western Greece	659,470	58.1	4.6	73.6	43.6	64.8	6.53 (262)
Crete	633,506	76.0	4.9	84.3	49.9	71.4	12.93 (250)
East Macedonia - Thrace	601,175	42.5	3.9	69.8	41.3	53.4	5.67 (265)
Peloponnese	576,749	37.2	4.5	82.9	49.1	48.0	8.84 (258)
Central Greece	555,623	35.7	4.6	89.9	53.2	53.8	10.48 (254)
South Aegean	340,870	64.5	3.4	108.5	64.2	48.5	7.93 (259)
Epirus	334,337	36.3	2.2	72.0	42.6	54.3	11.64 (251)
Western Macedonia	269,222	28.5	2.2	87.7	51.9	62.9	6.05 (263)
North Aegean	211,137	55.0	1.4	74.9	44.3	54.6	0 (268)
Ionian Islands	204,562	88.7	1.8	92.7	54.9	42.9	10.15 (256)

Sources: ELSTAT (2018), Eurostat (2018), RCI (2019)

The available evidence indicates that spatial inequalities are greater when measured in terms of more composite indices of competitiveness and welfare or at lower levels of aggregation (OECD, 2020; EC, 2019; Petrakos and Psycharis, 2016a). Intra-regional inequalities are also significant (Artelaris and Petrakos, 2016), as rural and mountainous or remote areas have a significantly lower performance than regional urban centers. Therefore, the general pattern of spatial imbalances in Greece includes a dominant core-periphery component (Athens versus the regions), a south-north component (the islands versus the border regions), an east-west component (the main national transport corridor versus the mountainous range of Pindos) as well as an urban-rural component at the regional level. These divides comprise at various levels of aggregation a map of significant inequality that is driven by market dynamics, but also by policy choices (Psycharis et al., 2020; Petrakos and Psycharis, 2016a).

### 3.2 Development policies

During the last decade or so, significant reforms have also taken place in public administration in Greece. The most prominent were the 'Kapodistrias' and 'Kalikratis' programs that have increased the scale of the municipalities through the merging of small communities into larger local administrative units and have provided self-government at the regional level (Kalimeri, 2018).

Despite these reforms, public administration remains highly centralized and the level of local autonomy in Greece is one of the lowest in Europe (EC, 2015). Regional development policy is mainly the responsibility of the Central Government that controls

the National Budget and the Public Investment Program. At the regional level the responsibility of policy belongs to the Regional Councils, while at the local level to City Councils. However, fiscal autonomy and jurisdiction are limited at the local and regional levels of administration (OECD, 2020).

The most significant source of funding for regional development has been the EU Structural Funds. Since the late 1980s, it is estimated that more than 80 billion of EU contribution and 30 billion of national contribution in six consecutive Framework Programs have supported these policies.

The use and allocation of development funds is mostly controlled by the Central Government in the case of Public Investment Program, while a share of about 30% of Structural Funds are planned and implemented by Regional Authorities. Local Authorities are eligible to apply for funding, but they do not have any control on planning, thematic allocations or implementation procedures. In the Programming Period 2014-20 a number of sub-programs with a clearer place-based orientation were introduced in the Regional Operational Programs, such as the Community Led Local Development (CLLD), Sustainable Urban Development (SUD) and Integrated Territorial Investment (ITI) programs. Although this line of locally based action is considered innovative and will be maintained also in the next Programming Period 2021-27, they it has faced significant difficulties and delays in their implementation (Ministry of Development and Investment, 2020).

Although development policy has clearly a positive impact on the Greek economy and society, it is not equally clear whether it has managed to reduce regional disparities. Judging from the evolution of spatial inequalities over the last 30 years, this does not seem to be the case, as its impact depends on planning, allocation of resources, implementation, as well as the institutional context of policy (Lolos, 2009; Sotiriou and Tsiapa, 2015; Psycharis et al, 2020).

A number of constraints and deficiencies have been reported that affect the effectiveness of development policy in Greece. First of all, the whole process is highly bureaucratic, causing serious delays in public investment and a low multiplier effect of the funds. Delays arise from cumbersome policy design processes, the complexity of the allocated responsibilities among line ministries, the bottlenecks in the supporting information systems, the complexity of the legal framework and the delays in the judicial system, the delays in issuing environmental and archaeological permits, the procurement system, the capacity of beneficiaries and more. Despite many efforts to simplify, development policy remains overloaded with time/effort consuming procedures, checks and requirements that have little to do with the essence, the quality and the impact of programs or actions (Petrakos, 2014; OECD, 2020).

Second, the whole setting of design and delivery of development policy is highly centralized, with about 75% of the Public Investment Program being controlled by the Central Government (Petrakos and Psycharis, 2016a). Greece is an outlier in the EU

with respect to the allocation resources among the three levels of administration and has a long way to go in order to meet the 'place-based' approach that is promoted by the EC and implemented by most countries. A recent policy report identifies the need for significant reforms related to the decentralization of public administration, greater subnational fiscal autonomy and a better multi-level governance system (OECD, 2020).

Third, regional convergence has never been a clearly declared priority of the development policy. The regional allocation of Public Investment Funds does not seem to support the convergence goal (Petraikos and Psycharis, 2016a), while policy priorities like infrastructure, or entrepreneurship are mostly horizontal. At the same time, the large-scale emblematic projects in Athens (Airport, Ring Road, Metro, Hellinikon Regeneration Project, etc.) rarely have an equal match in the periphery. This record is partly due to the absence of a well-defined territorial development strategy (OECD, 2020), mainstreaming regional, urban and rural development goals with economy-wide policies and creating a national nexus of horizontal and place-based policies with a long-term perspective.

## **4. Place-based case-studies**

The discussion on inequality and policy efficiency is complemented by empirical research in four case studies<sup>1</sup> investigating spatial justice at the level of 'locality'. In each case, a policy-driven action initiated either by a governmental body, or by local communities is examined, with an emphasis on the local experience. Summary information regarding the territorial and socio-economic context of four case studies is provided in Table 2.

The first case study, addresses a restructuring policy in a coal-dependent locality in the region of Western Macedonia, under an urgent need to design and implement a post-lignite strategy. The region has a modest level of development (88% of national average) and has also experienced a modest impact from the crisis, but this is due to the resilience provided by the state-controlled lignite-based energy sector, which dominates the economy and which has been announced by the government to cease its operation by 2023.

The second case study, addresses the policy-driven action of the establishment of the Alexander Innovation Zone in the Metropolitan Area of Thessaloniki, an area with a significant industrial and science base, which has experienced a substantial firm relocation to cross-the-border tax shelters during the crisis and demonstrates low innovative performance, despite significant scale and quality related advantages.

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<sup>1</sup> The case studies are based on field visits, interviews with key stakeholders, informal discussions with locals and a focus group meeting, aiming to explore spaces of injustice, narratives, hidden interests, and expectations.

Table 2. The territorial and socio-economic context of case study regions

	WESTERN MACEDONIA	THESSALONIKI	VOLOS	KARDITSA
The locality	<i>A coal-dependent locality</i>	<i>A metropolitan area</i>	<i>A medium sized city</i>	<i>A rural region</i>
Administrative Level	<i>Regional Administration</i>	<i>Metropolitan Administration</i>	<i>Municipal Administration</i>	<i>Sub-regional Administration</i>
The policy-driven action	<i>A Special Development Program funded by Public Power Company and launched by the Ministry of Energy and Environment in 1996</i>	<i>The establishment of the 'Alexander Innovation Zone' in the Metropolitan area of Thessaloniki</i>	<i>The administrative reform 'Kallikratis' that merged small municipal units to larger ones in terms of population and jurisdiction.</i>	<i>The Social Economy Ecosystem - a network of 41 local collective organizations</i>
Major Spatial Justice Challenge	<i>A just transition towards a climate-neutral development paradigm and a significant restructuring of the productive base</i>	<i>Improve innovation in an area with significant potential but weak innovative performance</i>	<i>Deal with industrial decline, decaying urban infrastructure and increasing demand for social services.</i>	<i>Deal with low income, high unemployment brain drain and high dependence on agriculture</i>
Population dynamics 2001-11 2011-18	+0.04% -5.8%	+5.0% -3.0%	+3.0%* -1.8%*	-4.0% -8.1%
GDP growth 2010-18	-20.4%	-19.8%	-15.8%*	-17.2%
GDP per cap 2017 (%) EU average (%) National average	48% 87%	48% 86%	43%* 77%*	34% 60%

Source: ELSTAT (2018)

\* data represent the prefectural level

The next case study is in Karditsa, a small, predominantly rural, locality at the center of Greece, with very low GDP per capita and very high unemployment. The policy driven action is the establishment by local stakeholders of a network of local collective or social enterprises in an effort to benefit from externalities and capture value from existing local resources.

The last case study is in the city of Volos, a port, once with a strong industrial base, that is now facing significant challenges, such as de-industrialization, unemployment,

decaying infrastructure and increasing need for social services. The city implements for a decade an important state-induced institutional reform that has merged 9 smaller municipalities to a larger one in an effort to benefit from scale effects in the provision of basic services and improve the efficiency of the local government.

#### **4.1 The Post Mining Regional Strategy in Western Macedonia**

Since the 1960s, the region of Western Macedonia has a mono-industry economic structure, mainly due to the economic reliance on lignite mining and the associated power plants (20% of the national net installed capacity). The coal-based economy contributes to more than 34% of the Gross Added Value of the Region, while more than 22,500 direct and indirect jobs are in the coal value-chain, indicating a significant multiplier effect in the local labor market (ANKO, 2015). However, the operation of the coal-based energy plants is not sustainable for environmental (high emissions) and cost (emission tariffs) related considerations. Recently, the government announced the closure of most plants by 2023 and the complete phase out lignite by 2028, making the long-standing challenge of restructuring a very urgent one<sup>2</sup>.

The policy-driven action under review is the Special Development Program (hereinafter SDP) of Western Macedonia, which is focused on the coal-intensive sub-regional units of Kozani and Florina. The SDP was introduced by Ministerial Decree in 1997, as a response to long-standing demands of the region to deal with environmental and structural problems, but also in compliance with EU legislation on industrial emissions (Directive 2010/75/EU). Although it started as a top-down initiative, the SDP action has left significant room for place-based policies.

The logic behind the SPD was to prepare the local economy for a dramatic shift in its production base and lead the way for the development of a new economic model that would be based on existing or new local advantages that needed to be identified and supported through a concise set of policies and actions.

SPD has been funded for more than 20 years through a levy of 0.5% on the turnover of the Public Power Corporation (PPC), based upon the energy production in the locality. Until today, more than 300 million euros have been allocated to Western Macedonia, half of the budget going to the Regional Administration and the other half to the Municipalities located near the energy plants. These funds have supported a number of projects related to infrastructure, entrepreneurship, environment, quality of life, capacity building, culture and tourism that might not be possible to implement without this additional funding source.

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<sup>2</sup> The 'Just Transition Mechanism' recently launched by the EU (EC, 2020), in parallel with the National Plan for Energy and Climate (NPEC, 2019) indicate the importance of the problems faced by the region.

Although it started as an initiative of central government, SPD includes a mix of top-down and bottom-up elements and a strong place-based component, since planning and implementation has been the responsibility of regional and municipal administrations.

The main goal of the action was to pave the way for a 'paradigm shift in the productive model' of the region away from coal. The evidence suggests, however, that during the last 20 years, the transition towards a post-lignite era has never been a priority of the local policy agenda. On the contrary, at the political level, the pressure applied to the central government by the local stakeholders has been mostly towards the direction of postponing transition and preserving, in one way or another, the existing production model. As a result, most of the projects supported by SDP were small and scattered, with no critical size and clear development imprint to the path towards just transition, while the environment has never been a central issue in the design of the programs (Petrakos et al., 2019).

It is clear that local actors missed the opportunity to use the SDP funds in order to support a new development strategy and prepare for the harsh period of transition. One explanation is related to the chronic underfunding of local authorities by Central Government in Greece (EC, 2015). This made the implementation of a transition strategy look like an impossible mission and as a result increased the temptation to use SDP funds for more urgent local needs. Another explanation suggests that the main difficulty related to a proper use of funds has been the long period required for a consensus-based design and implementation of a new development strategy that would exceed by far the local political cycle. This combined with a chronic lack of leadership able to create and share a new vision and collectively mobilize local actors, led to a short-term political perspective anchored to political cycles and localism that did not allow SDP to meet its goals.

However, it is important to acknowledge that the performance of the local actors is highly affected by the limited control they have on most aspects of development policy. Eventually, the highly centralized character of the public sector in Greece does not leave enough room for autonomous local action (Blondel, 2020; OECD, 2020), as most public investment funding and decision-making mechanisms are controlled by the central government and the whole setting of policy implementation discourages local initiatives as it is bureaucratic and 'distant'.

## ***4.2 The Alexander Innovation Zone of Thessaloniki***

The metropolitan area of Thessaloniki faces significant growth and restructuring challenges. Despite its relative size (population circa 800.000 residents) and the presence of significant academic and research institutes and an organized industrial area, Thessaloniki is behind the national average in terms of GDP per capita, faces

significant unemployment problems and has a low innovation and competitiveness index compared to European standards (EC, 2019). The 'paradox' of demonstrating a moderate innovative performance in an area of great innovation potential (Georgiou et al. 2012), suggests that the local actors have not been able to capitalize on metropolitan assets and formulate a commonly accepted innovation strategy (Topaloglou, 2020).

The Alexander Innovation Zone (hereafter, Zone), institutionalized by the central government in 2006, aims to establish a 'connecting channel' among the academic, research and business communities, empowering their interaction and fostering innovation and a permanent cooperation platform. In principle, the 'Zone' would shape a place-based and innovation-oriented agenda and identify and help innovative ideas to transform into commercial activities adding value to the market (Topaloglou, 2020).

The 'Zone' is supervised by the central government, which appoints its board of directors, typically consisting of representatives of local stakeholders. This institutional setting allows the central state to intervene directly or indirectly in the decision making of the Zone, reproducing a dependency relationship which has clear spatial manifestations (Madanipour, 2011).

As a result, the Zone endeavor represents a top-down public intervention, with limited room for a more territorial approach. The legislative framework of the Zone has proved to be complex, putting the initiative under the rigorous umbrella of public accounting that has led to serious over-regulation that does not allow the Zone to establish an efficient mechanism in the local innovation ecosystem. These top-down arrangements reproduce at the local level the complexity of the centralized administrative model and a dependence culture that is responsible to a large extent for the prevailing patterns of spatial injustice (Petrakos et al, 2019).

Overall, in these 15 years of operation the Zone has not been able to play the role of 'connecting channel' that will encourage business-research networks and facilitate innovative actions. In addition to top-down obstacles, the evidence shows that a number of local disabling factors are also in motion, including the lack of visionary leadership, lack of a collaborative culture among local stakeholders and short-term political agendas. Although the central level has imposed serious restrictions, undermining to some extent the effectiveness of the policy tool, it is the local level that eventually did not succeed to take advantage of this (even dim) opportunity to mobilize its own resources towards a more connected and innovative environment.

Clearly, a different multi-level governance model with a better balance of powers between the central and local level would support more effectively place-based innovation policies. As in the case of Western Macedonia, top-down over-regulation and control eventually discourage locally available creative forces. However, unlike Western Macedonia, Thessaloniki is well endowed with the right assets and resources that would make the delivery of an innovation strategy a relatively more feasible goal, even under

an unfavorable governance setting. This raises the question whether the local actors can change the prevailing 'dependence culture' and undertake a greater share of collective responsibility in developing an innovative ecosystem in their city.

### **4.3 The social economy ecosystem in Karditsa**

The regional unit of Karditsa is located in the central part of the Greek mainland, but in a distance from the main transport and development axes. Being a predominantly rural region, the area displays unemployment above the regional and national average, whereas in terms of GDP per capita it ranks 55<sup>th</sup> among the 57 sub-regional units in Greece. In this setting, the challenges of the locality are the low level of development, high unemployment, brain-drain and high dependence on agriculture (Petrakos et al, 2019). On the other hand, the region has a potential for innovation in the agro-food industry and in agro-tourism.

The policy-driven action of the Ecosystem of Collaboration (hereafter, Ecosystem), promotes a long-term cooperation strategy in a locality dominated by small scale production and firms that cannot operate efficiently without the support of local networks (Petrakos et al., 1991). The Local Development Agency (ANKA) played a catalytic role in bringing all the key-stakeholders jointly under a common vision. The Ecosystem operates as a classic bottom-up initiative that has been established in order to generate synergies, enrich the local value chains, incubate new economic activities, craft helix networks of collaboration and promote an inclusive development strategy (Petrakos et al, 2019).

Today, the Ecosystem is inspired by the rules and values of the Social Economy and consists of 41 stakeholders including business, cooperatives, advisors and financial intermediaries. These stakeholders act as multipliers, enriching the knowledge base and capacity of the other local entrepreneurs (Rhodes et al, 2008). This long-term strategy produced many collective actions, involving more than 16 thousand local residents, which represents almost 25% of the local population aged 20-69. In 2016, the turnover of the Ecosystem was around 65 million euros (6% of local GDP), reaching one of the highest shares of Social Economy in Greece (EC, 2019a).

One of the first actions of the Ecosystem was the creation of an 'incubator', aiming to host and support innovative initiatives, as collective entrepreneurship is an important ingredient of local development and spatial justice (Rhodes et al, 2008). Other actions include the establishment of Women's Cooperatives, a number of 'Local Quality Agreements' for alternative types of tourism in the mountainous areas, as well as the design and implementation of many LEADER and LIFE projects.

Another emblematic initiative has been the establishment of a Credit Cooperative in 1994, which has nowadays grown into the Cooperative Bank of Karditsa with 9,000 members, playing a significant role in the local economy. The Bank is successfully



connected with the local household and business community (10% of the local market) through deposits and loans. Noticeably, during the crisis, it has shown an impressive growth, being one of few banks that did not have to go through the recapitalization process and the only bank that doubled lending to businesses, farms and households, exhibiting remarkable resilience compared to commercial ones (Coccorese and Shaffer, 2018; Petrakos et al, 2019).

The Ecosystem has supported the creation of three business networks in the sectors of Food and Beverages, Building Materials and Tourism as well as an energy cooperative, aiming to enhance competitiveness, innovation and growth at the local level. This strategy managed to create promising local entrepreneurial activities and to reduce the dependence of the local economy on the agricultural sector. A number of new firms that emerged during the crisis with unique local products (super-foods, stevia) have managed to establish themselves in the national market (Petrakos et al, 2019).

The above evidence confirms that the development initiatives of the Ecosystem have been associated with a high degree of procedural and distributive justice and have achieved impressive results, based on the values of wide participation, access to opportunities and a fair distribution of resources (Lemus and Barkin, 2013). It should be noted, however, that despite the significant contribution to the cooperative economy, the impact of the Ecosystem in the real economy remains modest. Besides typical suspicion of the effectiveness of such initiatives at the local level, the main disabling factors arise from the shallow economic base of the region that is lacking diversity and does not allow for stronger results.

#### **4.4 Scaling up local governance in Volos**

The last case study is in Volos, which is a port city in central Greece and the 6<sup>th</sup> largest city of the country with a population of about 150.000 inhabitants. During the 20<sup>th</sup> century the city developed gradually a strong industrial character with large manufacturing firms locating in the area. From the 1980s and onwards a wave of de-industrialization has hit the city, eliminating a significant part of its economic base (Petrakos, 2005). Although the city still hosts significant industrial activity compared to other similar areas in the country and specific place-related advantages (port, airport, near a transport hub, tourism), it has not been able to deal with the challenges of industrial decline, structural change, unemployment, decaying urban infrastructure and increasing demand for social services.

In 2010 an important institutional reform (Law 3852/10, called 'Kallikratis') changed the map of local government in Greece and produced larger municipalities in terms of area, population and jurisdictions. The number of municipalities decreased from 1.034 to 325. The reform intended to eliminate fragmentation and improve the efficiency of the local government through the creation of stronger local administrations, benefiting from scale

effects in the provision of services. The law was voted in the Parliament amidst significant resistance and arguments claiming that it will reduce representation and democratic control (Kalimeri, 2018).

This reform has expanded significantly the limits and the jurisdiction of the new Municipality of Volos (that now includes 9 former smaller municipalities) raising the question whether this has helped the city to better deal with the challenges it faces and provide better services to its citizen and at the same time include former smaller municipalities in the decision making process. Although the municipality of Volos has now a wider range of responsibilities in terms of services, funding is still provided and controlled by the government<sup>3</sup> and the resources and the degrees of freedom in decision making are still limited (OECD, 2018).

The reform was implemented in 2011, but the question whether it has managed to meet its policy goals is still under discussion. Merging previously scattered administrative functions, providing a full scale of services in remote or rural areas that have been administratively merged with the urban area and solving issues of internal cohesion and representation are some of the issues of concern. Unfortunately, the reform started at the beginning of the economic crisis in 2010 and was implemented in an environment of fiscal austerity, which deprived local administrations from significant public resources (Kalimeri, 2018).

With all its shortcomings in implementing a unification process that faced significant resistance at the local level over issues of identity, trust (the neighboring areas) and dominance (from the 'others'), the reform seems to have a positive record to show. It clearly supports distributive and procedural spatial justice when the reference level is the city and the major challenges to be met are the imbalance of control and resources between the central and the local government. If, however, the reference level is the small community that was a former municipality and is also a relatively remote place within the new city boundaries, the experience of Volos shows that the reform has not been equally successful and receives more criticism. In many cases, local residents have claimed that a number of open issues exist in the representation and participation of smaller localities and that alternative and more decentralized structures could have been designed to increase bottom-up representation and participation, without risking the overall efficiency of the system (Petrakos et al, 2019).

## 5. Conclusions

This paper provides an account of regional inequalities in Greece and evaluates the capability of the current policy and institutional setting to generate spatial justice and reduce imbalances. It appears that a mix of (stronger) market dynamics and (weaker)

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<sup>3</sup> Almost 65% of local revenues in Greece are grants and subsidies provided by the State.

policy responses at the national and regional level have resulted to significant regional inequalities over the last three decades. The development policies that have been deployed in the same period appear to have had a questionable regional focus and a limited efficiency, since the delivery mechanisms remained highly centralized, bureaucratic and to a large extent space-blind, lacking a clear redistributive component.

In this territorial setting and policy context, the paper has discussed the results of four case studies examining whether local actions and bottom-up initiatives can have a significant footprint and improve spatial justice. The results of these initiatives have been weak or modest, raising a number of questions about the fortune of similar local efforts under the current policy regime.

Local initiatives require a multi-governance environment that allows for some local control over decision-making processes and financial means. On the other hand, they also require leadership, a long-term plan, wide participation and consensus of local stakeholders, a capacity of local actors to implement the plan and deliver results and a scale and intensity of actions that will be matching the scale and intensity of the problems confronted.

These enabling factors are mostly absent in our case studies. In the case of Western Macedonia and Thessaloniki, although a more favorable multi-governance setting and a more balanced allocation of financial and administrative powers would make a positive difference, it was the weaknesses in terms of capacity, leadership, participation and consensus of local policy making that did not eventually allow for the actions to have some impact. Although many decisions would require approval and perhaps support from the central government, local actors had some room over the last one or two decades to develop (and perhaps start implementing) a plan that would prepare Western Macedonia for the post-lignite period or boost the innovative capacity of Thessaloniki. Bottom-up responses to significant challenges in the two areas have left a weak footprint due to central control on the one hand and lack of local capacities, consensus and leadership on the other.

The case of the Karditsa ecosystem is different for two reasons. On the one hand, this is a purely bottom-up initiative, as the central government is totally absent. Second, all required conditions stated above are in place. Leadership is provided by the local Development Agency (although in a discrete way) and the local actors have done remarkable progress in securing wide participation and consensus and a long-term plan for the development of the Ecosystem. Results are clearly positive, but the strength and scope of local action is relative limited and unable to deal with the magnitude of spatial justice challenges faced by the region.

The case of Volos is also different. It shows that the scaling-up reform in urban governance, despite financial austerity and central control of funding, appears to have a positive footprint. Although it is more a top-down reform and less a place-based action,

the evidence indicates that local actors perceive this reform as a better ground for place-based policies that will utilize local resources in a more efficient way to deal with current challenges. It was unfortunate that the reform that merged local administrations in Greece coincided with the financial crisis and the drastic reduction of public spending that did not allow for capacity building policies at the local level to be implemented.

Overall, the evidence suggests that excessive central control on local policy making is ineffective and restricts the scope and success of place-based actions. Although the role of the central government will continue to be very important, development policies need a higher degree of local autonomy in design, financing and implementation in order to deliver results.

Central government can have a positive impact by institutionally empowering the local, as in the case of the 'Kallikratis' reform that increased the scale and jurisdiction of local government. It can also have a long-term impact by designing an effective top-down development policy with a clear redistributive character and a choice of policy instruments that are aligned better to local and regional needs. The later will have a decisive impact on localities and regions with weaker economic bases (like Karditsa) that need stronger top-down policies to match their bottom-up initiatives.

However, even if power balances change, a lot of time, efforts and resources will be needed in order to build local capacities and remove or restrict the 'dependence culture' that has been embedded in local administrations for decades. Leadership and vision will develop sooner or later among local stakeholders, when enough room for place-based actions that can deliver results has been made.

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