

Public Sector Reforms in Greece: Uncertain Outcome of 2010 Reforms

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This paper deals with the last three decades of public sector reforms in Greece, explaining their the progress – from the limited reforms of the 1980s, intensive reforms between 1990 and 2009, and new reforms of the entire public sector that were launched in 2010 in response to the economic crisis. Various reform measures are mentioned, but the focus is put on the Greek privatization policy, the three big reforms of regional and local government and planned reform of the civil service. In 2010, Greece faced a severe economic crisis and in order to overcome it new reforms have been initiated. This paper deals with the question whether these new, comprehensive, reforms will be able to change the main long lasting negative characteristics of the Greek public sector, such as high centralization, over-staffing and low efficiency of the civil service and high level of corruption.

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1. Introduction

Greece is known to be a cradle of the western civilisation. However, after the famous ancient period, Greek influence and importance have faded away. What has happened with the homeland of democracy? Greece, which used to be an example of perfect state organisation, is now almost quite the opposite. In all discussions about modern public administration, Greek public administration, as well as its entire public sector, is usually mentioned in a negative context.

Greece has had a tumultuous history. It has survived periods of occupation, authoritarian regimes, as well as military regimes. In 1974 the today's democratic Third Republic was created and in 1981 Greece joined the EU. It has experienced periods of intense prosperity, as well as periods of crisis. The Greek public sector has been built under these circumstances.

Greece began the reform of its public sector after the EU accession. Some reform efforts were made in the 1950s and 1960s, but the rise of military junta¹ practically aborted all the success of these reforms. That is why this paper will concentrate on the new, modern, reforms of the Greek public sector initiated after the EU accession.

The paper will deal with three decades of public sector reforms in Greece, subdivided into three periods. The first period lasted from 1980 to 1990, and although some reforms were carried out at that time, their results were rather limited. The second period comprises the years 1991–2010 and this is the time of intense reforms. It can be further subdivided into two parts: the years 1991–2000 when, due to bad economic situation and internal budget pressure as well as external pressures from the EU, Greece actually started with real reforms; and the period 2001–2009 in which Greece was economically stable and the reforms become more intensive and visi-

¹ In 1967 a coup d'état took place in Greece and the military junta took over the control of the state, with King George II leaving. The period 1967–1974 was a real dictatorship, characterized by authoritarian brutality, imprisonment of liberal and left wing politicians and intellectuals (Petmezas, 2007: 40). Military regime finally collapsed in 1974, after provoking the Turkish invasion of Cyprus, and the today's Greek Third Republic began.

ble. Finally, the third period started in 2010 after Greece had faced a breakdown of its economic system and severe economic crisis, the worst in many decades. In order to edge out of the crisis Greece launched new, comprehensive and urgent reforms of its entire public sector.

Although many reform measures will be mentioned in explaining the progress of the reforms in Greece, the paper will concentrate mainly on the Greek privatization policy, changes (or immutability) of the civil service and the reforms of local and regional self-government.

Despite the three decades of reforms, the main negative characteristics of the Greek public sector have remained untouched. Today it can still be said that Greece is a highly centralized state, with overstuffed, but inefficient public administration, governed by the practices of clientelism and corruption.

The key issue discussed in the paper is whether the new reforms initiated in 2010 can be successful and finally change the negative characteristics of the Greek public sector. Although it is too early for a full answer, it seems that these new reforms, if properly implemented, can push Greece into the right direction and alter its public sector.

2. Methodology and findings

Methodologically, the paper uses the historical institutional approach to display the reform course in Greece and thus makes possible certain conclusions about the outcomes of the new reforms in Greece, as well as some conclusions about public administration/sector reforms.²

Historical institutional approach is used for explaining the progress of public sector reforms in Greece from the beginning of the 1980s to the present day. It is clear that Greece conducted some public sector reforms in the 1950s and 1960s and after the restoration of democracy in 1974, but this paper will deal only with modern reforms launched in the 1980s. The reasons for choosing the 1980s as a starting period for this research are twofold: firstly, in 1981, Greece joined the EU and the process of

² Reforms are said to be substantial institutional innovations in public administration that happen periodically (Koprić and Marčetić, 2000: 39). Change in the public sector is the rule rather than the exception, but it is not smooth, continuous and incremental (Peters, 1996, in Goldfinch, 2009: 1). Usually, periods of intense reforms are followed by periods of relative stability (Goldfinch, 2009: 1).

Europeanization³ started to influence the country. Secondly, the 1980s are also the period when many EU countries began to reform their public sectors under the influence of the new and powerful New Public Management doctrine (NPM),⁴ so it is interesting to see how Greece reacted to these external reform incentives.

Historical institutional approach used for the explanation of three decades of reform in Greece is an appropriate tool for extracting some of the main characteristics of the Greek public sector. Why the historical approach? Because if we are aware only of the present situation in a country, it is impossible to make general conclusions about the main characteristics of that country's public sector. It can only be said what the present situation is and what the present characteristics are, but that does not necessarily mean that this situation and its characteristics were also true in the past. However, if the historical approach is used, it is possible to see the development of a country's public sector and to point out the main characteristics that have remained constant throughout the entire period. These characteristics, which have survived various reform attempts, show the real situation of a country's public sector and help to predict what effects might the new reform measures have.

Applying this approach to the Greek case will make it possible to recognise the main characteristics of the Greek public sector, past and present.

³ Europeanization process is usually referred to as the influence that the process of European integration has on the public administrations of member states. The talk about Europeanization process and its influence on the member states became intensive in the 1990s thanks to the strengthening of European integration and the development of European sector policies (monetary, social, etc.). The process of Europeanization is supposed to lead to convergence and harmonization of institutions in the member states and to influence the member state's policies and their harmonization. However, the Europeanization process does not lead to complete harmonization of member states' policies and institutions because of different ways in which a single state implements individual EU policy (Musa, 2006: 148–149).

⁴ Since the beginning of the 1980s, NPM has been an influential administrative doctrine under whose influence many countries have started to reform their public administrations. NPM advocates the submission of state administration and public sector organizations to market principles and adoption of measures and values from private sector management into the functioning of the public sector. NPM is characterized by the orientation toward economic values (efficiency, economy and effectiveness) (Koprić, 2009: 6). For doctrinal components of NPM see Hood, 1991. However, since the 1990s many negative consequences of NPM have been noticed (muddled lines of political accountability, poor contacts with the public, corruption, etc.) (Koprić, 2009: 7) and it is slowly being substituted by the new doctrine of Good Governance that advocates for both efficient administration and an administration that has democratic political legitimacy.

Such an approach has shown that Greece was and, despite all the reform measures, still is a highly centralized country completely controlled by the central government departments in Athens, with highly overstuffed and inefficient civil service, governed by clientelism and corruption.

After enumerating the main characteristic of the Greek public sector, the paper deals with the question whether the new crisis, and all the reform measures Greece has to undertake to overcome it, will be able to change the main negative characteristics of its public sector. Since these characteristics have survived for many decades, it is safe to say that the new reforms will be successful if they manage to alter them. If these characteristics do not change, the new reforms are not very likely to succeed.

Finally, the Greek example enables us to make some general conclusions about how to assess the success or failure of public sector reforms in general. Shortly, reforms are successful if they, during a certain period, succeed in improving the negative characteristic of a country's public sector.

3. Public Sector Reforms in Greece

Greece is a southeast European country,⁵ situated on the tip of the Balkan Peninsula at the crossroads of Europe and Asia.⁶ Because of its geographical position, it would be logical to think that Greek organization of the state and public sector is very similar to its neighbours, ex socialist countries. However, this is not so. Since the creation of the modern Greek state in 1830, the French model of state inspired Greece and the country started to create its institutions modelling them on the French example.⁷

⁵ With its surface of 131,960 km³ and 11.3 million inhabitants, it is a medium size European country. Greece is a parliamentary republic, headed by the indirectly elected President. The unicameral parliament consisting of 300 Members of Parliament exercises legislative power. Greece is a multiparty system, but since 1974 there have been two main political parties, the right wing party Nea Demokratia (ND) and the left wing party Panhellenic Socialist Movement (PASOK) that alternate in the formation of the Government. After the 2009 elections, PASOK has won the majority of seats in Parliament (160) and has created its government (www.primeminister.gov.gr/english/government/).

⁶ In 2009 Greek GDP per capita was \$29,663 (data.worldbank.org/country/greece) and this corresponded to 93 per cent of average GDP in the EU. This would set Greece among the affluent European countries, but at the beginning of 2010 Greece faced severe economic problems, with its budget deficit reaching 13.6 per cent (Papadakis, 2010: 13).

⁷ According to Spanou: »Modern Greek state was created in 1830 and this newly created state was organized along the lines of the Napoleonic model. In terms of formal struc-

That is why it is said that Greece belongs to the cluster of Napoleonic states.⁸ Yet, because of different socio-political and cultural environment, the French model has never been properly implemented and the institutions created on the French example have never achieved the same efficiency and prestige as they have in France (Spanou, 2008, in Ongaro, 2009: 12). However, nowadays Greece is moving away from the French model.

When speaking about public sector reforms in the last thirty years it can be said that real reforms were initiated in the 1990s. However, in order to get a better picture of the public sector and attempts to reform it, this paper has distinguished between three reform periods. The first one encompasses the 1980s when first attempts of reform appeared, mostly due to the EU accession. However, these reform efforts were rather limited and did not make substantive changes. The second period is the time when the reforms actually started to be implemented, from the beginning of the 1990s until 2010. This period is divided into two parts: in the years 1991–2000 Greece was in financial difficulties and many reforms were initiated in order to reduce the budget deficit as well as to respond to the process of Europeanization requiring many changes. Between 2001 and 2009 Greece was apparently economically stable and more intense and visible reforms were carried out. However, the three decades of reforms proved unsuccessful since in 2010 Greece faced the breakdown of its economic system. The starting year of the third reform period is 2010 – it is a period of extensive and all embracing reforms of the Greek public sector – whose results are still to be seen.

3.1. The First Reform Period 1980–1990

The Greek public sector expanded profoundly from 1950 until 1974. In this period, Greece had one of the fastest average GDP growth rate in

tures, this included (a) a system of administrative law, involving the strong distinctiveness between public and private sector; (b) a centralized administrative apparatus and a career civil service; and (c) a de-concentrated departmental administration under the authority of the prefect as the representative of the centre. Further, the central role of the state in integrating society and the emphasis on law, formality and uniformity typical of the Napoleonic tradition have equally been and parcel of the approach to state organization.« (Spanou, 2008, in Ongaro 2009: 12).

⁸ Napoleonic states are those that have modelled their public administration and public sector in accordance with the French model. These are France, Italy, Spain, Portugal and Greece.

the world (OECD, 2001: 19). It must be said that the main reasons for this fast expansion were state interventions in the economy and state-led development strategy. The results of such state policy were the emergence of corporatism, clientelism and extensive collaboration of state with powerful private companies. The state started to take over new tasks and consequently, the entire public sector augmented. The civil service was highly politicized and many appointments were made according to the political criteria.

Breakdown of the authoritarian military junta coincided with the first oil crisis and with economic decline of Greece. In fact, after 1974, the annual output growth averaged 2 per cent, inflation averaged 18 per cent and the external deficit as a share of GDP doubled (OECD, 2001: 21). These negative economic indicators did not have any influence on the continued expansion of the Greek public sector. As a proof, it is enough to say that government's share in GDP amounted to 40 per cent at the beginning of the 1980s; while in 1990 it was 60 per cent (Hlepas, 2003: 222).

During the 1980s, Greece attempted to modernise its public sector, but in reality, very little was done. The main reason for these limited reforms was external – the process of Europeanization.

Some steps were taken in order to reduce corruption and patronage in the civil service. Automatic, seniority-based promotions were introduced and salary differences between the ranks in the civil service were suppressed (the future will show that doing so eliminated the incentives for good performance) (OECD, 2001: 22). Strong labour unions were created at the time, thus augmenting the wages and their share in total public expenditure. The 1980s were the period when many countries started to apply numerous measures promoted by the new administrative doctrine of NPM and started to modernise their public administrations. Nevertheless, Greece was a latecomer to this reform process.

3.2. The Second Reform Period 1991–2010

3.2.1. 1991–2000 Period

The reforms of the Greek public sector began slowly in the 1990s. The incentives for these reforms were twofold: internal (budgetary pressure), as well as external (the Europeanization process). In fact, at the end of the 1980s, the EU started with its policy of liberalisation and privatisation

of services of general interest.⁹ As Greece was a latecomer to the reform process, it began to adopt these policies in the 1990s. In addition, Greece started to receive many resources from EU funds¹⁰ and the preparations for European monetary union were in progress.

In those years, the first big changes in the Greek public sector started to happen. Firstly, liberalisation began in several product markets. The liberalization of capital market progressed rapidly. The banking sector was freed from the constraints imposed upon commercial banks by the state (Spanou, 2007: 115). All the political parties agreed on the need to retrench and restructure the public sector. As a result, state interventions in the economy were reduced and the policy of privatisation was launched. Public companies were transformed into joint stock companies and they started to do business according to the principles of the private sector. In addition, some public-owned non-profit companies were liquidated.

This is also the period of a major change in local government. In 1994, prefectures, which had served as de-concentrated administrative units of the state for more than 100 years, became second tier units of local self-government with directly elected prefects and 13 regions were transformed into the new de-concentrated state units. In 1997, first tier local units (municipalities and communes) were reformed and their number was reduced from 5 825 to 1 033.

The government tried to improve the quality of public services and simplify the administrative procedure. In order to do so, in 1998 a government programme »Quality for Citizens« was introduced. Its purpose was the introduction of quality methods in the entire public sector and the simplification of administrative procedures (Valatsou and Kyvelou, 2004: 1). However, this programme did not achieve any substantial success (Philippidou et al., 2004: 323).

⁹ The EU in its documents does not use the term public service, but the new term services of general interest. Services of general interest are further subdivided into services of general economic interest and non economic services (see Koprić, Musa, Đulabić, 2008: 653–658 and Đulabić, 2006: 339–340).

¹⁰ In 1993, the EU created a new fund, the Cohesion Fund, designed for the countries whose GDP is smaller than 90 per cent of the EU average GDP. When created, this fund was used by Greece, Spain, Portugal and Ireland and it was meant to stimulate the country as a whole, and not just specific regions (Đulabić, 2007: 123).

In order to quicken and make administrative justice¹¹ more efficient, a new Code of Administrative Procedure was adopted in 1999.¹² This Code regulates administrative procedure in terms of time limits and deadlines for deciding on citizens' cases. There is also the obligation of the civil servants to explain delays in resolving citizens' request. The code specifies the procedure for accession to administrative documents, defines the rules governing contracts between the private sector and public administration, and establishes requirements on how to access administrative appeal instruments (OECD, 2001: 140). However, the new Code did not resolve the real Greek problem – weak and inefficient implementation of the adopted legislation.

To prove the government's commitment to public administration reform, the National Council for Administrative reform was the establishment in 2000.¹³

Intensive liberalisation, privatisation and EU funds paved the way to economic recovery of the Greek state. In fact, in 1996–2000, Greek GDP started to grow above the EU average and there was a decrease of inflation and public debt (OECD, 2001: 25).

3.2.2. 2001–2009 Period

The initiated reforms continued into the new millennium. In 2001, a new programme, called *Politeia* was prepared. This was a national operational programme for public administration reform in Greece. Its main goals were the improvement of the quality of administrative services through the promotion of structural reforms concerning the organization, processes and activities of public administration, as well as assuring the facilitation of citizens' participation. This programme was clearly inspired by the NPM (Philippidou et al., 2004: 329). The creation of one-stop shops,

¹¹ Administrative justice in Greece is provided through administrative courts and the Council of State as the superior administrative court. Although this system has been in force for quite some time, its efficiency is low. It has been estimated that it takes three to five years for an appeal to reach the Council of State (OECD, 2001: 152).

¹² The Code was revised in 2004 (Spanou, 2007: 113).

¹³ The role of this Council is to discuss administrative reform proposals and to establish consensus on administrative policies (Spanou, 2007: 110). The Council consists of the representatives of social and financial institutions, labour unions, scientific institutions and the Parliament (OECD, 2001: 150). It is chaired by the Minister of Interior, Decentralisation and E-government.

»Citizen Service Centres« (KEP),¹⁴ must be mentioned as the main success of the *Politeia* programme (Philippidou, 2009: 9).

At the same time, the government initiated another programme involving e-government, the *Syzeufksis* programme, that sought to introduce a technological network that would connect public sector groups (ministries, local government units and public organisations) and thus accelerate the provision of services to citizens (Introna et al., 2010: 16–17).¹⁵

Since corruption and ineffectiveness are the major problems of the Greek public administration,¹⁶ special inspection bodies have been created, namely the Administrative Inspectorate, Financial Inspectorate and Financial Crime Confrontation Body. Their task is to undertake regular and *ad hoc* inspections to ensure sound, efficient and transparent administration (Spanou, 2007: 114).

It has been said that since the beginning of the 1990s Greece has liberalised many markets.¹⁷ The newly liberalized markets clearly needed some regulatory authority. To respond to this request many independent regulatory authorities have been created, such as the National Commission for Telecommunication and Postal Service, the Energy Regulatory Agency, the Competition Commission, etc. (Spanou, 2007: 116).

In 2001, Greece amended its Constitution. An important novelty in the Constitution was the regulation and constitutional guarantee of independence for five independent administrative agencies: National Council for Radio and Television, the Ombudsman, the Data Protection Authority, Confidentiality of Communication Authority and the Supreme Council for Civil Personnel Selection. These agencies are not part of the admini-

¹⁴ KEP functions as a one-stop-shop in a sense that every citizen can place his/her request for specific public service (for example, passport renewal, birth certificate, driving licence) to KEP. KEP then sends this request to the proper state administrative body and when the request is processed (for example new passport) KEP passes it to the citizen. KEP acts as a mail carrier, enabling citizens to place all requests in one place and receive all the processed documents on a single place (Introna et al., 2010: 16).

¹⁵ The importance that E-government has to the present Greek government can be seen in the fact that in 2007, the name of Ministry of Interior was changed and it was renamed the Ministry of Interior, Decentralization and E-government.

¹⁶ According to Transparency International Corruption Perception Index, in 2010 Greece was the most corrupted member of the EU, ranking 78th out of 178 countries (TI, 2010: 3). Political parties are perceived to be the most corrupted institution in Greece, followed by the media and the civil servants (TI, 2010a: 43).

¹⁷ Liberalisation has most strongly affected utility services such as transport, energy, communication (OECD, 2001: 136).

strative arm of the state and are not subject to supervision of ministers (Eleftheriadis, 2005: 324).¹⁸

For now, these independent agencies have achieved different success. On the one hand, the independence of the National Council for Radio and Television has been reduced by the actions of the minister. On the other hand, the institution of Ombudsman has achieved a great success¹⁹ since the Ombudsman has established his office as a major player in the accountability of public authorities and his/her annual reports point to many defects in Greek public administration (Eleftheriadis, 2005: 324).

3.3. The Third Reform Period – 2010 Reforms

The positive economic situation that marked the beginning of the new millennium did not last very long and Greek economic situation started to aggravate again. The growing public debt and continuous indebtedness of the state, joined by the world economic crisis, led to the breakdown of Greek state finances in 2010. In fact, at the beginning of 2010 Greek budget deficit reached 13.6 per cent (Papadakis, 2010: 13).²⁰ In order to save Greece, in 2010 the EU and the IMF granted Greece €110 billion loan.²¹ However, in order to be able to return these loans and restore its economy, Greece will have to take some rather unpopular steps and deeply reform its entire public sector.

The government has to cut public servant allowances, freeze recruitment in 2010 and recruit only one for every five civil servants retiring thereaf-

¹⁸ To secure this independence, the Constitution defines that the personnel of these agencies shall be appointed by a decision of an all party Parliamentary Committee requiring at least four-fifths majority. The composition of this Committee and the required majority for the appointment are meant to guarantee that the appointments will be non-partisan (Eleftheriadis, 2005: 324).

¹⁹ The institution of Ombudsman was first established in 1998. The role of Ombudsman is to act as a mediator between citizens and public administration and to investigate individual administrative actions or omissions or material actions taken by the government departments or public services that infringe upon the personal rights or violate the legal interests of individuals or legal entities (www.synigoros.gr/en).

²⁰ Greek GDP started to fall and in 2010 real GDP growth rate was -4.2 per cent. It is expected that GDP growth rate will also be negative in 2011 and it will start to grow only in 2012 (epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020).

²¹ For details see www.imf.org/external/np/exr/faq/greecefaqs.htm#q17

ter. The comprehensive reforms of healthcare and pension system (raising the retirement age) are in progress, as well as the tax reform (increase of some taxes and the battle against tax evasion) and the increase of VAT (EC, 2010).

The government has adopted a new programme for the reform of local self-government, drastically changing the administrative division of the country, with the reduction of the number of municipalities from 1034 to 325, the elimination of prefectures, the transformation of regions into new local self-government units and the creation of directorates general as new de-concentrated state units.

At the same time, an extensive privatization programme is being implemented. In addition, Greece is trying to simplify its administrative procedure, which is still heavily burdensome by international comparison (OECD, 2009: 68).²² Right now, the country's task is to reduce administrative burdens by 25 per cent by 2013 (OECD, 2001: 68). In June 2010 a new act regulating the start-up of new businesses was adopted (MoF, 2010: 30).

One of the reasons that caused the breakdown of Greek financial system was the concealment of the real economical situation, done by the responsible bodies. To correct this situation and to enable the European Commission to have reliable data, a major step was taken to ensure the reliability and transparency of the Greek statistical system. In fact, in 2010, a new independent authority, the Hellenic Statistical Authority, was created as an independent authority subject to the control of Greek Parliament (MoF, 2010: 11).²³

Some of these measures have provoked violent protests, but it is yet to be seen what will actually happen and in what way these measures will affect and change the Greek public sector.

²² According to the World Bank Report Doing Business, Greece has the least business-friendly environment in Europe regarding starting or closing the business (OECD, 2009: 68, WB, 2010: 4). Greek rank on Easy to do business scale is 109. As far as European countries are concerned, only Bosnia and Herzegovina, Russia and Ukraine have achieved worse results, taking 110th, 123rd and 145th place respectively (WB, 2010: 4). For example, a total of 19 days and 15 procedures are necessary to start a business in Greece, compared to one day and one procedure in Denmark (WB, 2010a: 8). For overcoming this problem, Greece has established a High Level Working Group with the task to monitor and make recommendations on possible measures for reducing administrative burdens.

²³ For details, see www.statistics.gr/portal/page/portal/ESYE/PAGE-presentation.

4. Examples of Some Reforms Measures

4.1. Privatization Policy

In Greece, the privatization in public administration and in the entire public sector became popular and advocated from 1990 onwards. From the 1950s until 1990, Greece had continuously expanded the public sector and the state share in the economy by nationalizing or creating a multiplicity of public enterprises.²⁴ This period was also characterised by intense state interventions in the economy. With the economic decline of the country in the late 1970s and early 1980s, many state enterprises started experiencing financial difficulties.²⁵

There are two main reasons for the Greek adoption of privatization policy. The first one was an internal reason, the budgetary pressure and the need to recover the state finances and to acquire new funds without raising taxes. The second, and perhaps a more powerful reason, was external – the process of Europeanization, with the EU promoting and claiming for market liberalisation and privatisation. In this way, the dominant doctrine of the NPM, propagated by the EU and other international institutions, started to take root in Greece. Unlike in Great Britain, ideology did not play an important role in Greek privatization. The initial steps in privatisation were made by the conservative government, so privatization could be seen as a part of their neo-liberal ideology: However, it was continued by the following socialist government and so we cannot speak of ideology as an incentive for privatization (Pagoulatos, 2005: 360–363).

Greek privatization story begins in 1990, with the Nea Demokratia party and its conservative government.²⁶ Between 1990 and 1993, apart from

²⁴ In 1983, 19 out of top 50 industrial concerns in Greece were controlled either directly or indirectly by the state.

²⁵ In 1983, the Industrial Reconstruction Organisation (IRO) was created with the task to restructure the ailing enterprises. The number of enterprises under IRO grew rapidly from the initial 44 companies. The declared intention of the Industrial Reconstruction Organisation was to privatize the reconstructed enterprises, but all privatization intentions were frozen until 1990 (Pagoulatos, 2005: 359).

²⁶ In 1990, the government established the Interministerial Privatization Committee (IPC), which comprised the ministers of Finance, Economy and Industry. The task of this Committee was to coordinate the privatization, set the agenda of the companies to be privatized and the time schedule for privatization. It must be noted that the chairman of the Committee was the Minister of Industry and he had the major role in coordinating and deciding which companies would be privatized. In the majority of European countries, that

some real privatizations, the process of privatization encompassed numerous ailing companies, many of which were subsequently liquidated because the government adopted the approach that it was better to liquidate the company than to try its reconstruction first. The major opposition party, PASOK, claimed privatization to be the open selling of national wealth and so it was stopped.²⁷ The period 1990–1993 was a real failure. Much was said, some privatizations and liquidations were done, but the results were poor and the opposition, especially after the liquidation of companies, was strong.

In 1993, the PASOK socialist government came into power. Because of bad experience from the previous three years, the period 1993–1996 was characterised by a relative stalemate of privatization. In this period, the term »privatization« was not used by the government because of its unpopularity.²⁸ In addition, the government decided to restructure public companies before their privatization. Therefore, the process progressed very slowly.

In 1996, the privatization finally continued. Greek privatization was characterized by the selling of shares of the state companies, but in majority of cases by the government's preserving a minority share necessary to maintain influence on the management of the company. Privatization took off significantly after 1998.²⁹ The revenues coming from the process placed Greece on the top of the EU-25 in terms of total privatization

role was assigned to the Minister of Finance (Pagoulatos, 2001: 129–130). In 2002, the Law was changed and the Minister of Finance became the chairperson of the Committee (www.privatizationbarometer.net/atlas.php?id=13&mn=PM). Also, in 1991, the Privatization Act (modelled after Argentinean privatization law and taking into account the British experience) was enacted (Pagoulatos, 2001: 130).

²⁷ However, in this period there were also intergovernmental problems regarding privatization. The government was called the »federation of departments« because some ministers had different views on privatization and whenever a company under privatization belonged to the jurisdiction of a sceptical minister, the IPC faced the problem of the refusal of minister's apparatus to cooperate (Pagoulatos, 2001: 140–141).

²⁸ In fact, the government used the term »*metohopoiese*« meaning the partial privatization via selling minority shares (Pagoulatos, 2005: 365).

²⁹ In 1998, the revenue from privatization amounted to 1.76 million EUR, in 2000 to 535 million EUR, 2.33 million EUR in 2002 (Pagoulatos, 2005: 360). Some of the most important privatisations were the privatisation of Greek telecommunication company (OTE), that began in 1996 and in 2001 it was the first company controlled the private capital, and the privatisation of Emporiki Bank in 2006.

proceeds (Pagoulatos, 2005: 360).³⁰ Although the privatization was extensive, the state managed to preserve a significant share in the economy.

In 2010, privatization again became a top story in Greece. In order to be able to cut its budget deficit and return the loans received from the EU and the IMF, Greece is preparing an extensive privatization programme. According to the Ministry of Finance, in the next three years Greece will privatize 49 per cent of the state-owned railway company Hellenic Railways Organization, privatize state holdings in several casinos, sell 39 per cent share in the Greek Post Office, and dispose of shares in a variety of state-owned services, including the waterworks companies of its two major cities. In addition, the government is restructuring Greece's natural-gas monopoly to prepare it for privatization.³¹

Privatization in Greece has passed its development path: from initial privatization euphoria and its failure (1990–1993), stagnation (1993–1996) to its implementation (1996–2009). Although Greece has privatized a major part of the state-owned companies, the resources received from the sales of state property have not been used in the right way (for example, for servicing the deficit). Furthermore, by conserving shares in the privatized companies, the state still remains present in the economy. A characteristic of Greek privatisation, whose purpose should have been to decrease the role of the state, has in fact made the state stronger and has augmented corruption in the public sector. Moreover, there is tight relationship between the state (the political party in power) and major entrepreneurs benefiting from the privatization.³² According to an illustrative quotation, »corruption gained momentum as privatization did not prevent the economy from being even more statenourished; the state enterprises have been privatized but the entrepreneurs have been nationalized« (Lambropoulou et al., 2008: 32).

³⁰ Between 1991 and 2006 Greece conducted 61 transactions worth over US\$20 billion of privatization revenues (www.privatizationbarometer.net/atlas.php?id=13&mn=PM).

³¹ For further information see online.wsj.com/article/SB10001424052748703561604575282232817724548.html

³² In 2008, 65 per cent of 20 largest Greek enterprises were controlled by a few wealthy families, 30 per cent were state-controlled and only 5 per cent were held by a wide range of shareholders (Lambropoulou et al., 2008: 33). This is a clear proof that privatization has not led to substantial attenuation of the state role in the economy. We can even say that Greek economy is run by a few entrepreneurs connected with political parties in power.

In 2010 Greece launched an extensive programme of privatization. The purpose of this programme is to provide necessary funds for the state budget. Besides providing the funds, the goal is to terminate the existing relationships between politicians and entrepreneurs. The privatization must be freed from the criteria of political patronage in choosing the buyer. If the government conducts future privatizations transparently and actually withdraws from interventions in the economy, this programme can help diminish the existing level of corruption.

4.2. The Civil Service

The Greek civil service is organised along the lines of a career system.³³ Civil servants have permanent tenure, which is protected by the Constitution³⁴ and they have the obligation of political neutrality (Spanou, 2007: 111). The law regulating the civil service is the Code of Civil Servants. This Code was last revised in 2007, but it is basically the amended Code from 1951.³⁵

It must be emphasised that, until the early 1980s, appointments in the public sector were most frequently made according to the political patronage criteria and the skills of appointed servants were not really an issue. The result was a rather ineffective service (OECD, 2002: 67). The problem is that many of these »patronage appointed« servants are still in service and that the practice of preferential recruitment has not ceased to exist.

First changes in the Greek civil service began in 1983, when the National Centre for Public Administration, comprising National School of Public Administration, National School of Local Government and Training Institute, was created.³⁶

The purpose of the National School of Public Administration is to provide pre-entry training for future civil servants.³⁷ Greece wanted to create an

³³ For career system see Marčetić, 2007: 188.

³⁴ Article 103 of the Greek Constitution, 1975, 1986, 2001, as revised by the parliamentary resolution of May 27th 2008 of the 8th Revisionary Parliament. www.hellenicparliament.gr/UserFiles/f3c70a23-7696-49db-9148-f24dce6a27c8/001-156%20aggliko.pdf

³⁵ Code of Civil Servants, Official Gazette of the Hellenic Republic Issue No A/19/09.02.1999. Law 2683/1999. www.oecd.org/dataoecd/61/14/35526160.pdf

³⁶ www.ekdd.gr/ekdda/index.php

³⁷ This School offers 18-month courses, after the completion of which graduates are steered into the normal career pattern, but benefit from some initial acceleration of their career (Spanou, 2007: 113).

equivalent of the French ENA (Ecole nationale d'administration). However, the results have shown that this aim has not been achieved yet. The main objections against the School stress that there is no practical work or learning by doing, that the programme is mainly focused on the law, that the graduates are not capable of satisfactory performance in all the branches of public administration but are strictly specialized, which reduces their mobility, and, finally, that there is no strategic placement of the graduates (Vernardakis, 1994).

The National School of Local Government was created with the purpose of providing pre-entry training for local and prefectural servants. The National Centre for Public Administration also provides in-service training in its Training Institute established in 1991. The training is obligatory for all the newly recruited civil servants, while all the other servants have an opportunity to participate in various courses provided by the Institute.

In order to ensure the improvement and effectiveness of the civil service and particularly to ensure the respect of the principles of equal participation opportunities, meritocracy, objectivity, social solidarity, transparency and publicity in the recruitment of servants,³⁸ a Supreme Council for Civil Personnel Selection (ASEP) was created in 1994. The main purpose of this independent authority is to oversee the recruitment process in order to ensure the respect of the mentioned principles.³⁹

Greek civil servants are promoted to immediately following rank if they have completed the required time of service at the present rank and meet the material qualifications for the higher rank (UNPAN, 2004: 12). This is a clear career system where civil servants' performance is not an issue. In its 2002 *Economic Survey*, the OECD stated that lack of performance measurement reduced the incentives for amplifying the productivity and efficiency of civil servants' work (OECD, 2002: 67). Greece has been trying to improve this field. For example, the introduction of obligatory interview with the servants aspiring to become department heads in public administration has been introduced (OECD, 2009: 67). These interviews aspire to be the necessary means of ensuring that unit actually possess the knowledge required for the position. Needless to say, this is not enough.

³⁸ Principles stated in Article 12 of the Code of Civil Servants.

³⁹ The main powers of ASEP are to choose the permanent staff of the wider public sector; to control the lawfulness of recruitment procedures followed by the agencies of the wider public sector and to identify the cases of illegal recruitment, through ASEP's Councillors-Inspectors who act as investigating officers. S. www.asep.gr/asep/site/home/customEnglishVersion.csp

An immense overstaffing is one of the main problems of the Greek public sector. According to an efficiency analysis (OECD, 2009: 67), Greece could achieve the same efficiency of its public administration by employing just 73 per cent of all the input it currently uses. The problem of overstaffing is so evident that in Greece today there is no accurate information on the number of servants and employees on the public payroll. It is generally thought that about 800,000 employees belong to the whole public sector (Argyriades, 2010: 6).

Logically, such a large number of public and civil servants led to the creation of strong labour unions, which have been blocking any attempt to improve and reform the civil and public service for years, fearful of the reduction of their privileges. Moreover, since the public sector employs so many voters, it is very difficult for the political parties to fight against the pressure coming from the unions.

According to the 2010 reforms, Greece will have to cut the number of civil servants, to recruit only one servant for five people leaving the service, to freeze or reduce their salaries and to reform the pension system. This has provoked intense protests from the unions, especially from the civil servants' union (Civil Servant Confederation – ADEDY).⁴⁰ Doubtlessly, the government's determination to resist the pressures coming from the unions will be decisive for the success or failure of the reforms.

Apart from overstaffing, the Greek civil service has another problem. Many Greek authors emphasize that the mobility of servants is rather limited. It is very likely that one civil servant will spend his/her entire career in a single ministry. Mobility needs to be increased since redeployment of civil servants to the functions where they are needed is essential for achieving a more efficient allocation of resources (OECD, 2009: 67). In addition, there is no interministerial corps, although many specialists think that it would enhance flexibility and work against compartmentalisation (Spanou, 2007: 112). Amendments to the Code of 2007 tried to increase the mobility of servants.⁴¹ However, they seem to be too limited to provoke any substantial change and stimulate mobility.

⁴⁰ The latest protests organised by ADEDY were held in March 2011 against the government austerity measures. <http://www.athensnews.gr/portal/9/39451>

⁴¹ For example, one of the means to increase mobility is the obligation to announce all the posts that need to be filled on the website of the Ministry of the Interior in advance, so that any civil servant wishing to be transferred can submit his/her application, provided that he/she has the required qualifications for the new post (s. www.eurofound.europa.eu/eiro/2006/06/articles/gr0606049i.htm).

It is also said that in Greece, there is no linkage between the servants' productivity and their salary, which discourages their greater commitment. Although this has been repeated numerous times, nothing has been done so far. To be able to implement this measure, the concrete description of civil servants' tasks and rational planning of their work must be done as soon as possible (Ladi, 2008: 26).

Lack of performance measurement, lack of systematic and concrete descriptions of servants' tasks and non-existence of servants' mobility are a consequence of political clientelism. Needless to say, it is much easier to recruit politically eligible civil servants and to keep them on the state salary if these features do not exist. Although the Greek government is eager to show that the level of clientelism in its public administration and public services has diminished, there is evidence to the contrary. The number of servants grows with each approaching election. Although they are employed for a fixed term, lack of job description – where civil servants' tasks would be enumerated together with the number of people required for their performance – causes these temporary jobs to simply turn into permanent positions.

Apart from clientelism, another term often associated with the Greek public sector is corruption. In order to try to increase the accountability of the civil service, in 2002 a special inspectorate, Civil Service Internal Inspectors, was created (Eleftheriadis, 2005: 328). Since, according to Transparency International, Greek civil service is among the most corrupted institutions in the country (TI, 2010a: 43), it is obvious that this new institution has by no means contributed to the reduction of corruption.

It must be said that the civil service is perhaps the most visibly inefficient sector in Greece. It is characterised by a high level of corruption and clientelism and low level of productivity. The main reason for this has already been mentioned: a long tradition of civil servants' recruitment according to their political eligibility and evident lack of knowledge, skills and other prerequisites for the service. In addition, the civil service has been used as a tool for reducing unemployment with successive governments recruiting too many servants in order to diminish unemployment rates. This combination has led to overstaffing, inefficiency, corruption and low reputation of the entire civil service, but also to the creation of strong unions that passionately protect their rights.

Although civil service is very attractive because of its job security, what is most alarming is the fact that despite its high overstaffing, the civil service is not capable of attracting high quality staff (Argyriades, 2010: 6). Lack

of educated and well-trained civil servants is the main reason for low performance of the entire public sector.

Greece is trying with various means to amend this situation. In general, civil service reforms take the most time to become visible. The implementation of the 2010 reform will be crucial for the development of the Greek public sector. If Greece simply reduces the number of civil servants and their salaries, without creating the necessary preconditions for attracting educated staff, this reform will only lead to further corruption practices and it will not improve the efficiency of public administration, which should be the top priority of the Greek government.

4.3. Regional and Local Government

4.3.1. *Regional and Local Government in Greece until 2011*

Whilst the changes of the central state administration have been gradual, all the novelties in local and regional government happened at once, with just one legislative act that structurally changed the administrative shape of Greece. When talking about local and regional self-government, it is obvious that big institutional changes have been taking place in the last 15 years, especially in 2011. Without going into a detailed explanation of historic development of the Greek local self-government,⁴² it is enough to say that in 1912, after an extensive reform, the system of local self-government was set up with municipalities (*demoi*)⁴³ and communes (*konoitites*)⁴⁴ as the only local self-government units. The initial number of these units was 2,272. However, it increased over the years and in 1997 Greece had 5,825 local units (5,382 communes and 441 municipalities). It must be said that local units were small (85 per cent of them had less than 1,000 inhabitants), with limited powers and insufficient financial resources. Nevertheless, these units had directly elected majors, which gave them strong political influence (Manojlović, 2010: 4). The country

⁴² For detail evolution of local administration in Greece, s. Lalelis, 2002.

⁴³ Municipalities were local units created in urban areas with more than 5,000 inhabitants.

⁴⁴ Communities were local units created in rural areas, with the population of at least 300 inhabitants. The settlement with fewer than 300 inhabitants could receive the status of a commune if it had an elementary school and half of the inhabitants requested it to be established as commune (Spyropoulos and Fortsakis, 2009: 161).

was further divided into prefectures (*nomarchia*), which were de-concentrated units of the central state headed by a prefect, appointed by the government. The number of prefectures grew to 54. Such administrative division of the country continued until 1994.

Although some attempts to reform the system of local self-government were made in the 1980s,⁴⁵ the first substantial change in administrative division of the country happened in 1994 when prefectures were transformed into a second tier of local government (Hlepas, 2010: 51).⁴⁶ Although it would be logical to expect that this new institution would decentralize a highly centralized county, this has not happened. In fact, with the transformation of prefectures into self-government units, their jurisdiction has diminished. All the tasks performed by the prefectures on behalf of the central state have been transferred to the jurisdiction of regions (see *infra*) and the jurisdiction of prefectures remained rather limited. It must be noted that from the moment of their transformation into local self-government units, prefectures have been economically dependent on the central state. In fact, 97 per cent of total revenues of the prefectures come from the state aid (Hlepas, 2010: 63). Therefore, prefectures' jurisdiction and resources are quite limited. Nevertheless, the prefects are elected directly, which gives them (and their units) strong political legitimacy. The combination of politically strong prefects and no real resources has led to unscrupulous clientelistic practices, with prefects trying to somehow strengthen their position. According to the annual report of the Greek Ombudsman, the majority of citizens' applications have been made on behalf of prefectural administration (Hlepas, 2003: 231). The evolution of Greek prefectures is an example of how local political representation degenerates with limited funds and jurisdiction (Hlepas, 2010: 53).

The reform of prefectures was just an introduction to local self-government reform. In 1997, Greece had 5,825 local units with average population of 1,600 (Hlepas, 2007: 123). It is quite obvious that these local units did not have enough resources to perform any considerable tasks. The fact

⁴⁵ For example, in 1984 the government encouraged (through grants and other incentives) the free-willing amalgamations of smaller units and pushed for stronger inter-municipal cooperation. The results were poor, only 367 local units merged into 108 units and the inter-municipal cooperation did not live up to expectations (Hlepas, 2011: 69–70).

⁴⁶ The territory of new self-government prefectures coincided with the territory of the former (state administration) prefectures. Three new prefectures were compound of more than one old prefecture and that is why they were called the expanded prefectures. Each of these three prefectures was divided into prefectural districts (CoE, 2001: 7).

that in 1995 the entire municipal spending accounted for only 5.6 per cent of total public expenditures (Congress, 2002) confirms that Greece was one of most centralized countries in Europe.

In 1997, Greek government enacted the »Capodistrias Programme«. The purpose of this Programme was mandatory amalgamation of local units in order to reduce their number and to create stronger municipalities that would be able to cope with new tasks, promote local development and offer modern social services to citizens (Hlepas, 2010: 55). The government's intent was to reduce the number of municipalities to no more than 500 and to eliminate communes as special local units. After a public debate and various pressures, it was finally decided to reduce the number of local units to 900 municipalities and 133 communes.

It is clear that this reform⁴⁷ was influenced by the other EU countries and the internal efficiency prerogatives (Hlepas, 2010: 58, Hlepas, 2011: 75). Greece wanted to create stronger municipalities that would be able to perform a variety of tasks efficiently. However, has the Capodistrias Programme really helped Greece to overcome its centralistic tradition and to embrace the way toward the creation of modern, decentralized, local units?

There are two main facts that must be considered before giving a clear answer. Firstly, if we talk about decentralization, we need to establish which tasks are performed by local units. If we compare the tasks performed by the Greek local units before and after the Capodistrias Programme, it is obvious that the jurisdiction of local units has been widened. However, when compared to the other EU countries, the jurisdiction of Greek local units is rather limited and most of the tasks important for citizens' everyday life are in the hands of central government.⁴⁸ The real status of decentralization is perhaps most visible if the sub-national sector expenditures and their share in the entire GDP are considered. The higher the percentage, the more decentralized the country. In 2009, in Denmark,

⁴⁷ For example, during the public debate about the Programme, the Prime Minister stated that Greece has to take as role models European states with approximately the same population, particularly Belgium and the Netherlands, which have 600 and 800 local units respectively (Kapsi, 2000: 14).

⁴⁸ Greek local units spend 40.2 per cent of their revenues for the provision of general services, 0 per cent for the provision of health service and 11 per cent for the provision of social protection. The only European state spending more resources on the provision of general services is Cyprus. An average EU local unit spends just 13.9 per cent of its resources on the provision of general services (DEXIA/CEMR, 2009: 7).

as the most decentralized country in Europe, the local government share in GDP was 33.3 per cent. The EU countries had an average of 15.9 per cent share. In 2009, the share of Greek local government in GDP was only 2.7 per cent (DEXIA/CEMR, 2009: 6).⁴⁹

These two facts are sufficient to answer the initial question without great doubts: the Capodistrias Programme did not to decentralization and Greece remained the most centralized country in Europe.

Accession to the EU led to further vertical differentiation of the Greek administrative system and to the establishment of regions.

After the EU accession in 1982, Greece became eligible for the use of EU funds. It began slowly, but it expanded after 1985. In fact, in 1985 the European Council set up the Integrated Mediterranean Programmes. The object of these programmes was the improvement of socio-economic structures of the Mediterranean regions, especially those of Greece (Evans, 1999: 67). These programmes placed particular emphasis on comprehensive, multi-annual planning approach and the inclusion of local and regional authorities in this process (Bauer, 2001: 31). In order to respond to these requirements, Greece was divided into six regions, but the division was purely administrative and limited in institutional terms since these »regions« acted as monitoring committees required to oversee the Integrated Mediterranean Programmes (Bache, 2007: 5).

In 1986, Greece created 13 NUTS II⁵⁰ regions. These regions were a necessary precondition for eligibility for EU funds.⁵¹ The regions were gover-

⁴⁹ The only countries with lower share of local government in GDP are Cyprus and Malta (DEXIA/CEMR, 2009: 6).

⁵⁰ The NUTS classification is a hierarchical system for dividing up the economic territory of the EU for the purpose of: collection, development and harmonisation of EU regional statistics; socio-economic analyses of the regions and framing of EU regional policies (epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction). NUTS II regions are the one having between 800,000 and 3 mil. inhabitants (art. 3 of EC Regulation No 1059/2003 on the establishment of a common classification of territorial units for statistics – NUTS).

⁵¹ The EU stimulates the formation of regions in all the member states, since in that way it tries to alleviate the differences in economic and social situation of different parts in member states. In addition, many EU funds are given only to regions, and not to the central state. With the stimulation of a region, the EU tries to enhance the multilevel governance and seeks an equal partner in the regions. So, the creation of regions is seen by the EU as a means to stimulate decentralization.

ned by Secretary General of the Region, appointed by the government.⁵² In the first years after their creation, regions had no real powers and acted just as a tool to attract EU funds. In 1994, as the prefectures became self-government units, de-concentrated state tasks were transferred to the regional level, with regions assuming the role that prefectures had had until then.

Considering the composition and jurisdiction of Greek regions, it is clear that until 2011 they were deconcentrated central state units, completely controlled by the government and no decentralization, or any sort of reduction of control exercised by the state can be spoken of. Greece introduced the institutions required by the EU, but their implementation was adapted to the Greek political reality. Formally, Greece had »European« regions, but regional policy was still conducted by the central state.

4.3.2. *»Kallikrates programme« – the reform of local and regional government of 2011*

Just like in all other fields, 2010 was also the year of considerable reforms of local and regional self-government. The necessity to reduce public spending, highly advocated by the EU and the IMF, led to a new reform of local self-government. This reform had been discussed about for a while, but until the financial crisis, there were no real incentives for its adoption.

This new reform is called the »Kallikrates Programme«. As opposed to the reform of 1994 and the »Capodistrias Programme«, it deals with all the levels of government below the central state and it changes the existing administrative division of the country completely.

According to the Kallikrates law,⁵³ as of 1st January 2011,⁵⁴ the administrative division of Greece is completely different. Starting from the lowest level, 1 034⁵⁵ local units have been reduced to only 325 municipalities.⁵⁶

⁵² Every region had its regional council, but this council lacked democratic legitimacy, since its members were not elected, but it consisted of the representatives of local units and prefectures belonging to that region and the representatives of various chambers and employees.

⁵³ This Law was adopted at the end of May 2010 with law number 3852/2010.

⁵⁴ Elections for the bodies of new local units were held in November 2010.

⁵⁵ In the period 1997–2010 one new commune was created.

⁵⁶ That means that Greece ceased to have two types of first level local units. As of 2011, the remaining 134 »historical« communes that survived the »Capodistrias Programme«, have been merged with municipalities.

Prefectures, as second tier of local self-government have ceased to exist and the role of second-tier local units has been assumed by the 13 regions. The regions have directly elected governors and regional councils. Nevertheless, a new level of government, above the regions has been created. Seven directorates general have been created. Directorates general are not local self-government units but they exercise the role regions used to have: they are de-concentrated units of state with a Secretary General appointed by the central state and consultative, non-elective, council.

The main reason for the reform is clear: reducing the costs that highly centralized local government produces. Another widely advocated aim of this reform is the adjustment of the Greek administrative structure to European reality (MoF, 2010: 12) and the throwing off of the mantle of the EU's most centralized state (Perrakis, 2010: 1).

Greece is expected to generate €1.5 billion savings from this reform (MoF, 2010: 13). The merging of local units, as well as the abolition of prefectures, will reduce the number of employees. The government is expecting to reduce the number of local employees by 50 per cent, from 50,000 to 25,000⁵⁷ (MoF, 2010: 12).

Apart from the changes in the structure of local self-government, this reform brings other significant changes. Local elections will no longer be held every four years, but every five years so they could be held simultaneously with the elections for European Parliament. Furthermore, by merging the municipalities, the number of local enterprises⁵⁸ will be reduced from 6,000 to approximately 2,000. There will be stricter control of loans taken by local units, and the expenses of municipalities and regions, as well as their enterprises, will be under the supervision of the Court of Au-

⁵⁷ In 2009, there were 16,582 elected representatives in Greece receiving 30-90 Euro compensation for every meeting of the local assembly. There were also 900 majors and 134 presidents of the communes, receiving 18,900 – 67,000 Euro salary per year (Rea, 2009: 6, 8). Just the reduction of these elected position and their expenses can generate savings to local units.

⁵⁸ Since the early 1980s, local units started to create their local enterprises. The state strongly stimulated this activity with various incentives and tax exemptions. However, what is very important is the fact that local enterprises could hire personnel without taking into account the strict limitation imposed on the public sector. Also, regulation allowed municipalities to assign public work directly to their enterprises. The entire regulation of local enterprise finally led to organisational fragmentation and diffusion of political responsibility. The new Municipal Code of 2006 tried to change and better regulate the regime of local enterprises. (Hlepas, 2007: 123–124)

ditors⁵⁹ (Perrakis, 2010: 2). These innovations have the task to control the spending and indebteding of local units. In order to increase the accountability of local government toward citizens and to make local decision-making process transparent, every decision made by local government has to be published on the Internet. The reform will also make local government more accessible to citizens, since 1,200 new Municipal Citizen Service Centres (one-stop shops) will be created, enabling even the inhabitants of the most distant parts of large municipalities to have e-access to all local services (Perrakis, 2010: 2). In order to try to combat the corruption at the local level, an »Ombudsman of the Citizens and Enterprises« will be established in every region (Perrakis, 2010: 2).⁶⁰

This reform is expected to create bigger and stronger municipalities that will be able to exercise new competences. In addition, since the prefectures have been abolished, there will be no conflict of jurisdiction between municipalities and regions, since the regions will be authorised to exercise even the competences of the biggest municipalities.⁶¹

At first glance, this looks like a real reform, with great decentralizing potential. Perhaps it really is so. However, there are two facts that cause doubt whether this reform will actually lead to decentralization.

First, there is the problem of finances. If the municipalities do not receive new funding all the reform will be pointless. There is no point in giving local units new competences if they do not have enough resources to exercise them. During the election campaign, many candidates expressed their worries about local financial capacities.⁶²

⁵⁹ Greece has three supreme courts: Areios Pagos as the Supreme Court in civil and criminal cases, Council of State as the supreme administrative court and the Auditor Court that has jurisdiction »over cases arising from pension grants and from the audit of accounts in general. It has jurisdiction also in cases related to liability of civil servants, military officers and local government agencies employees and in disputes for any loss through fraud or negligence, of the state or the above agencies and corporate bodies« (Tassopoulos, 2007: 134).

⁶⁰ For further innovations introduced by the Kallikrates programme, see Hlepas, 2011: 84.

⁶¹ Regarding this reform, a Greek representative in the European Parliament asked the European Commission whether the creation of seven directorates general affected the NUTS II classification. The answer given by the European Commission was that this reform had no effects on NUTS II classification. It means that self-governing regions remain responsible for the distribution of EU funds (www.europarl.europa.eu/sides/getDoc.do?type=WQ&reference=E-2010-4465&language=EN).

⁶² For example, in an interview, a candidate for the position of mayor expressed his worries about the financial possibilities of new municipalities, see www.athensnews.gr/issue/13410/23590.

Second, there is the problem of the creation of seven directorates general. The thing that would most certainly show that Greek government has the intention to decentralize the state would be to transfer all the tasks the regions used to exercise on behalf of the state until 2011 into regions' own jurisdiction. The creation of directorates general shows that the state is not ready to cease its power. During the public consultations on the »Kallikrates Programme« there were critics saying that the 13 regions with directly elected governors will divide the state into the territory of 13 »little prime ministers«. ⁶³ Many critics also expressed their opposition to direct elections of the governors, fearing they would become too strong and not easily governed by the central state.

The introduction of directorates general has the purpose to allow the state to retain great part of its powers and to diminish the power of directly elected governors. However, if properly used, the introduction of directorates general does not have to be an obstacle to decentralization. Proper use means limited powers granted to directorates general and fiscal decentralization of the regions and municipalities. It will soon be possible to assess whether Greece has embraced the path towards decentralization or whether the suspicions have been well founded and real decentralization has failed. ⁶⁴

5. Can the Pressure of the Economic Crisis and New Reforms Change the Characteristics of the Greek Public Sector?

Looking at the reforms undertaken in the last thirty years, the main negative characteristics of the Greek public sector, such as centralization, corruption, clientelism and state interventions into the economy, can be singled out. It is interesting to try to establish whether the new reforms, launched in 2010 and scheduled to last at least until 2014, will be able to change these main negative characteristics, and whether they will be able to change the whole Greek administrative tradition. If they succeed in al-

⁶³ www.athensnews.gr/issue/13373/20966

⁶⁴ As said by Hlepas: »... the final outcome of this new, overall, thorough and ambitious reform process is an open game, given the acute fiscal crisis and the question of consensus building« (Hlepas, 2011: 85).

tering (or at least improving) the negative characteristics, the new reforms will be successful.

First, let us examine the motives for the comprehensive 2010 reforms since they are crucial for assessing the reforms' future success or failure. The motives are dual: on the one hand, there are external incentives to reform coming from the EU and the IMF who are urging Greece to take drastic reform measures, mostly oriented towards the cutting of all the costs and expenditures, in order to restore the economic stability and the stability of the common currency (EURO). Logically, Greece has to obey these requests since it must return the loans. Therefore, one of the motives is the fulfilment of external requests. The other motive is an internal one, and that is the, at least formal, desire of Greek government to use these reforms as a means of finally establishing a transparent, accountable and decentralized state.

These two motives have been confirmed. Nevertheless, the internal counter pressures coming from the labour unions have to be taken into account, too. It is true that the majority of citizens support the government, but will it be so even after persistent protests organized by the unions? The unions have been an obstacle to many prior reform attempts; the civil service is the institution where improvement is the least visible. Needless to say, the unions will oppose to the new reforms too – they will cut many privileges civil servants have, and the loss of privileges is hard to accept.

The Greek government can be sure of one thing. If they persist with the reforms despite all the protests, the reforms have a potential to succeed. Nevertheless, if they give in, even slightly, to unions' requests, the reforms will fail.

Can new reforms change the main characteristics of the Greek public sector?

1. For a long time, Greece had been an *authoritarian and highly centralized state, governed by clientelistic practices and a high level of corruption*. Although modern democratic state was established in 1974, the authoritarian culture has remained. This is particularly visible in central-local relations. Every decision has to be made by the central state and there is a great fear of the strengthening of local units. Local units have always been seen as a danger to central state and every attempt to decentralize the state is usually cut in its roots. The EU accession in 1981 stimulated the local self-government reform since the majority of EU countries had undertaken various territorial reforms in order to increase the degree of decentralization.⁶⁵ Greece

⁶⁵ For territorial reforms in the EU countries see Ivanišević, 2010: 39–85.

responded to this influence in its own way. In the 1990s, prefectures were transformed into local self-government units, the number of first-tier local units was reduced, but their responsibilities and especially their financial capacities remained unchanged, leaving Greece as the most centralized member of the EU. Clientelism is visible in local elections, since without the support of one of the two big parties it is impossible to win the position of major in big municipalities. Furthermore, central government has always been more inclined to help local units with »friendly« local majors and ignore local needs expressed by the opponents (Hlepas, 2010: 45).

With the new reform, the »Kallikrates Programme«, Greece is trying to improve and to embrace the path toward decentralization. Will it really be so? Can this reform change the long tradition of centralization? One thing is certain, and that is the fact that this reform will reduce operational costs produced by the local government, and that is what the EU and IMF want from Greece. Directly elected regional governors will increase citizens' participation in local affairs. In addition, the responsibilities of local units will increase. As already said, the problem is the creation of seven new directorates general. If the government is really pushing for decentralization, why have directorates general been created? The most plausible answer to this question is that the central state is afraid of strong regional governors and by the introduction of directorates general, it will try to preserve a major share of competences and to diminish the role of the regions. If this is really so, the new institutional structure of local and regional self-government will not lead to any decentralization. Nevertheless, if the responsibilities of directorates general turn out to be rather restricted and in no way limiting to the jurisdiction of regions and if the government allows real fiscal and financial decentralization of the new units, then this reform has a real power to push Greece toward decentralization. In addition, by doing so, Greece will have majors and governors with enough resources and responsibilities, and as a consequence, they will be less inclined to develop practices of clientelism and corruption.

2. Greece is also characterized by highly *overstaffed but inefficient public administration*. Its civil service has been seen a safe harbour to all the servants and as a means of reducing the high unemployment levels. Non-existence of a real merit system, as well as the political criteria in the recruitment, have led to complete lack of attractiveness of the civil service to high quality staff (Argyriades, 2010: 6) and as a consequence to *lack of experts*.

One of the main measures Greece has to take is the reduction of the number of people paid by the state.⁶⁶ It is sure that this measure will actually be carried out since it can reduce a great deal of budget expenses. However, the reduction of the number of civil servants together with the reduction of salaries in the whole sector will certainly not enhance the attractiveness of the civil service, and without qualified staff, the efficiency of public administration will not grow. The problem is that in all the action plans created to save Greek finances, the civil service is mentioned just as a field where much money can be saved. Improvement of the civil service and its performance is not mentioned.

The possible prospects of the Greek civil service are the reduction in the number of employees, with the preservation of the present vision of the civil service as a secure work place, but also as a work place where personal competences and good performance are not properly rewarded, since Greece has no performance measurement and the salaries, as well as the promotions, are not connected with performance. If this vision does not change, lay offs mixed with cuts in salaries will simply lead to further corruption and low efficiency. Nevertheless, if Greece introduces salaries based on impartial and competent performance measurements and promotion system based on performance, its civil service will become attractive to young, highly educated people. With highly educated and trained staff, there is a possibility to improve the efficiency of public administration.

3. For long period, Greece was characterized by *state interventions in the economy*. Greece nationalized a lot companies and created a variety of state enterprises. The real privatization began in the late 1990s, but the government has always tried to conserve its share in the privatized enterprises. Future plans speak about extensive privatization. This privatization can take two paths. It is possible that the state will sell the state propriety to politically loyal entrepreneurs. In this way, the role of the state will not change. It will continue to govern the economy. However, if the privatization is conducted transparently and the political criteria are not taken into account when choosing the buyer, the state could be actually withdrawing from the economy and adopting the role of the regulatory authority, leaving the economy to the market principle of fair competition. This could certainly enhance the productivity of privatized enterprises and also diminish the corruption level, since the state would not be connected with private entrepreneurs.

⁶⁶ In 2009, the wage and pension bill amounted to around three-quarters of total primary expenditures (EC, 2010a: 15).

4. Greece was a *latecomer in all the reform processes*. In the 1980s when the NPM doctrine was dominant and western European states started to reduce their states, to decrease their public spending and to introduce managerial practices, Greece continued to expand its public spending. Greece started to implement measures advocated by the NPM only in the late 1990s, at the time when west European countries began to experience the negative consequences of this doctrine.

None of the undertaken reforms could break the *inertia of the Greek public sector*. Greece conducted some pretty extensive reforms (especially in the field of public sector organization: privatization, e-government, local self-government reform), but the main characteristics and the main problems of the Greek public sector remained unchanged. This suggests that the reforms were conducted because of the process of Europeanization, but without real knowledge of what ought to be achieved with them, and without general consensus that they were necessary. They proved to be »exterior reforms« in which new institutions were created and former existing institutions transformed, but the performance of the entire public sector remained untouched. »Interior reforms« that comprise the change of administrative culture, as well as the change in the way public sector operates, were not conducted.

The 2010 reforms are different at least in the fact that everybody in Greece knows that the reforms are necessary (although not everybody agrees on the measures that have to be taken)⁶⁷ and the country has a clear idea of what needs to be achieved with the reforms (for now the main goal is the reduction of budget deficit). The problem with new reforms is that they have not been prepared only by the Greek government, but have resulted from the influence and demands of Greek creditors, the EU and the IMF. It is questionable whether the reforms prepared in a hurry and because of the economic pressure of foreign institutions can respond to the needs of the Greek state.

However, these reforms have finally broken the Greek inertia, as the government is implementing thorough and extensive reforms, this time with a clear idea of their results.⁶⁸

⁶⁷ According to one survey, 49 per cent of citizens understand and agree with the undertaken measures and largely trusts the Prime Minister (Papadakis, 2010: 19, 21).

⁶⁸ Some authors (s. Papadakis, 2010: 7) even wonder if the economic crisis and the reforms undertaken to overcome the crisis are Greece's last opportunity to break the inertia and finally change something in its public administration.

Therefore, the economic crisis in Greece can have two possible scenarios. The first is that Greece will implement the measures required by the EU and the IMF, but it will »Hellenize« them during the implementation, which means it will adapt them to the present characteristics of its public sector and they will not have a long lasting effect. They will reduce the public spending, but the main problems, especially centralization, corruption and clientelism will remain. In this scenario, the characteristics of Greek public administration will again remain untouched and as a consequence, the reforms will fail.

The second scenario: if the government insists on permanent implementation of all the measures and does not succumb to pressures coming from labour unions in particular,⁶⁹ it is possible that the Greek public sector will start to prosper and to alter its main (negative) characteristics.

If the government allows financial decentralization and limits the responsibilities of directorates general, the new institutional organization of local and regional self-government may lead to real decentralization. Local units with enough power, tasks and resources will be less inclined to implement former clientelistic practices and the level of corruption will drop. The reduction in number of public servants together with the creation of proper conditions for the employment of highly qualified personnel can make public administration more efficient. Transparent conduct of privatization can diminish the level of corruption.

In this scenario, the economic crisis will turn out to be a good thing, since it has pushed the reforms and helped to improve the entire Greek public sector.

Several years will pass before it is possible to determine which of the two scenarios has happened.

After considering all the reforms undertaken in Greece and discussing the two possible outcomes of the 2010 reforms, certain general conclusions about public sector reforms can be made. The methodological approach used to estimate the outcome of the 2010 reforms allows us to set the criteria for estimating the success or failure of public sector reforms in general.

⁶⁹ Many authors say that the resistance and opposition to reform measures are one of the key requirements to call any measure a reform (see in Koprić and Marčetić, 2000: 39). If there is no opposition, the measure is not intended to change anything. Since in Greece in 2010 and beginning of 2011 there were strikes in which more than 100,000 people marched against the reform measures, the condition to have opposition is satisfied.

The criteria are the following: before starting the reforms, it has to be clear which characteristics ought to be altered. These are the characteristics that have remained unchanged for a long period, despite previous reform attempts. After having determined the main characteristics that have to be changed with the reform, the time necessary for the reform to start producing first results must be set. With the characteristics to be changed and the appropriate timetable, it is easy to assess whether the reform is successful. If the main characteristics start to change or at least start to improve, the reform can be considered as successful, if not, it has failed.

6. Conclusion

The paper has shown the three decades of public sector reforms in Greece, characterized by great inertia of the Greek public sector and rather limited results. At the beginning of the 1980s, Greece was a centralized, »Athens-centric-state« (Hlepas, 2011: 68), highly corrupted, and governed by clientelistic practices. This is still true. However, in 2010, due to one of the worst economic crisis in Greek history, the country launched all embracing reforms of its public sector. The result of these reforms is still unclear, but according to present information, they have a real potential to be successful. If properly implemented, they can start to alter the main negative characteristics of the Greek public sector. However, these reforms can easily turn out to be just »cosmetic« reparation of the present problems, without deeper impact on the public sector. As in any other reform, the decisive factor will probably be the reform capacity of the Greek state. Until now, the reform capacity of the Greek public sector has been rather limited because of the strong opposition from the labour unions and government's inability to oppose them. The government has to take into account that much of the reforms' success rests on the reform of the civil service and of the pension system, which is an extremely hard thing to do since the opposition is strong. This certainly diminishes the reform capacity and makes the reform more difficult, but not impossible.

The ongoing reforms of the entire public sector in Greece, and especially the result they will produce are interesting not only to Greece, but also to other European countries. First of all, these reforms are interesting to the cluster of Napoleonic states. All the states belonging to this cluster (except for the role model France) are now in a precarious economic situ-

ation.⁷⁰ Since Greece and these countries have similar characteristics of their public administrations and public sectors, certain reform measures that have proved successful in Greece could also be successful in other countries of the circle. Nevertheless, if some measures lead to negative results in Greece, the best thing for the Napoleonic countries is to avoid taking that measure, since it will most probably turn out to be unsuccessful. The Greek example could show which measures should be undertaken and which measures should be avoided.

Why are these very countries in economic difficulties? Has the organization of their public administrations influenced the economic crises? Of course, it has. However, why is not the role model, France, experiencing such economic difficulties? Perhaps the transferred institutions do not work in the same way in the country of origin and in the receipt country, where they are adapted to the new circumstances and especially to a new culture.⁷¹

The outcome of Greek reform is interesting for the former socialist countries as well. Although these countries and Greece do not belong to the same cluster, certain main characteristics of their public administrations are pretty similar (high level of corruption, inefficient public administration, centralization). Therefore, it is much more useful for these countries to learn from the Greek example than to try to imitate any model coming from a western country they have nothing in common with.

Not only Greek, but also foreign experts and decision makers should be interested in the development and outcome of the Greek reforms, since they can learn a lot from this (positive or negative) experience.

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⁷⁰ In fact, the pejorative acronym PIIGS was created. It is used to display the difficult economic situation (characterized by high budgetary debt) of Portugal, Ireland, Italy, Greece and Spain. Ireland is the only country in this group that does not belong to the cluster of Napoleonic states.

⁷¹ In this respect, there is the theory on legal irritants. According to Teubner, when certain legal institution is transferred from one system to another it acts like an irritant – it triggers a whole series of new and unexpected events, reconstructing the external meaning of the transferred institution as well as the internal context in which it is transferred (Teubner, 1998: 12).

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PUBLIC SECTOR REFORMS IN GREECE: UNCERTAIN OUTCOME OF 2010 REFORMS

Summary

The paper deals with public sector reforms in Greece. The reforms are divided into three periods; the first are the 1980s when only limited reform measures were undertaken, with no or limited results. Real reforms were initiated in the second reform period ranging from the beginning of the 1990s until 2010. At the time, Greece implemented various reform measures: it conducted extensive privatization, made attempts to increase the accountability and transparency of its public sector, there were attempts to simplify administrative procedures, and there was the introduction of one-stop shops. Furthermore, in the 1990s, local and regional self-government was drastically reformed. The paper concentrates mainly on the explanation of the Greek privatization policy, the limited reforms of the civil service and all the changes in the local self-government. Despite the reforms, in 2010, Greece faced an economic break down and in order to cope with this crisis new reform measures of the entire public sector were initiated. The pending question is whether these new reforms will manage to change the main characteristics of the Greek public sector – a high level of centralization and corruption, overstaffed but inefficient public administration and great inertia in implementation of all the reform measures. The result is still unclear, but so far, there are two possible scenarios. According to the first one, Greece will »Hellenize« these new reform measures, adapt them to the present characteristics of its public sector and the long lasting effect of the reform will fail. According to the second scenario, if the Greek government implements the measures correctly and without excitation, the reforms can push Greece into the right direction and help it overcome some major longstanding problems.

Key words: public sector reforms – Greece, privatization, civil service, local and regional self-government

REFORMA JAVNOG SEKTORA U GRČKOJ: NEIZVJESTAN ISHOD REFORMI ZAPOČETIH 2010. GODINE

Sažetak

Rad se bavi reformama javnog sektora u Grčkoj. Reforme su podijeljene u tri razdoblja. Prvo razdoblje obuhvaća 1980-e kad su poduzete tek ograničene reformske mjere, koje su dale ograničene ili nekakve rezultate. Prave su reforme pokrenute u drugom reformskom razdoblju, od početka 1990-ih do 2010. Grčka je tada počela primjenjivati raznolike reformske mjere – provedena je obuhvatna privatizacija, pokušalo se povećati odgovornost i transparentnost javnog sektora, nastojalo se pojednostavniti upravne postupke te uvesti jedinstvena upravna mjesta. Također, regionalna i lokalna samouprava drastično je reformirana tijekom 1990-ih. Rad je prije svega usredotočen na objašnjavanje grčke privatizacijske politike, ograničenih reformi službeničkog zakonodavstva i svih promjena u lokalnoj samoupravi. Unatoč reformama, Grčka se 2010. suočila s gospodarskim slomom pa su uvedene nove reformske mjere u cijelom javnom sektoru kako bi se suprotstavilo krizi. U radu se pokušava odgovoriti na pitanje hoće li nove reforme moći promijeniti glavne značajke grčkog javnog sektora – visok stupanj centralizacije i korupcije, neučinkovitu javnu upravu s previše zaposlenih i veliku inerciju u primjeni svih reformskih mjera. Rezultati promjena još su nejasni, no za sada postoje dva moguća ishoda. Prema prvom, Grčka će »helenizirati« nove mjere, prilagodivši ih sadašnjim značajkama svojega javnog sektora pa će dugoročni učinci reformi izostati. Prema drugom, ako grčka vlada reformske mjere primijeni korektno i bez velikih uzbuđenja, one bi mogle uputiti Grčku u pravom smjeru i pomoći da se prevladaju neki od velikih i dugotrajnih problema.

Ključne riječi: reforme javnog sektora – Grčka, privatizacija, državna služba, lokalna i regionalna samouprava