

Executive summary

Some reform measures have been established over the last decade, but these have been poorly communicated and implemented

When assessing Greece's current reform needs and efforts, it is important to look back at the reforms already undertaken. The economic and social strategy followed by Greek governments has been largely focused on European integration. Prior to its entry into the European Monetary Union (EMU) on 1 January 2001, Greece had to make significant progress in macroeconomic management, to bring down its underlying rate of inflation and to keep its public deficits under control. Major structural reforms were also introduced during the 1990s in various parts of the public sector. Market liberalisation advanced, market regulation was assigned to independent bodies, and only a few state monopolies remained.

Several important measures were also taken to tackle chronic problems of the central administration itself, including HR measures (civil service recruitment process), the establishment of a Greek ombudsman, and the reform and rationalisation of the regional and local administrations (the so-called Kallikratis reform). A number of necessary actions have been agreed in order to reduce the costs of civil service employment and pensions, and to better control budget expenditures and commitments.

Two important initiatives are underway to enhance public consultation and improve the transparency of public decisions. The "Open Government" project requires that draft regulations are made available online on a central government website for public consultation. The online publication of all decisions, including financial, from the central government, local government and public administration bodies, is also mandatory, and decisions are not applicable until this requirement is fulfilled.

The government has taken steps to sharpen the focus of ministries on their strategic functions, with the devolution of public service provision to decentralised services and local government. The creation of citizens' one-stop shops (KEPs) has been an important achievement in this regard. This means, positively, that the central administration now has very few executive functions and is largely focused on policy.

On the whole, these achievements are not well-known. This means that public perceptions of the administration and its capacity for change remain rooted in the negative past. At the same time, implementation of reforms have been a major weakness.

Reforms of the central administration have fallen a long way short of securing a strong, coherent strategy and momentum for effective public governance

In several core areas, structural reforms fell short of addressing public governance issues. Basic functions of the government such as tax collection or budgeting were not operating properly. Many ambitious reforms were not appropriately implemented.¹ The apparent inability of successive Greek governments to implement measures that were enacted can be traced back to important weaknesses, which were allowed to persist in the functioning of the public administration. In particular, Greece's central administration was plagued with inefficient structures, inadequate access to information and lack of co-ordination. Such problems had become a hallmark of the Greek government system long before the financial crisis, with considerable costs for the Greek economy and society.

Despite these shortcomings, Greece was allowed to join the EMU in 2001 and reaped substantial benefits from this accession, not least very favourable conditions on international financial markets.

At the turn of the new century, the declared aim of the Greek Government was to build on its achievements in order to develop a "social state". Although there was, in principle, unprecedented convergence between the main political parties on the country's reform agenda (Featherstone and Papadimitriou, 2008), in practice the EMU's favourable economic and financial conditions became opportunities to expand the state's umbrella without showing too much concern for its inefficiencies.

The result is a public governance agenda in sore need of renewed momentum and of a clear and complete strategic vision, to be rolled out without further delay.

This matters, because a strong central administration is an essential prerequisite for the success of all public policy reforms in Greece

The central administration is fundamental to the supervision, steering and management of the public sector as a whole. Figure 0.1 shows the key role played by ministries, which are formally responsible for the supervision of all other entities of the public sector. Annex C provides details on the nature of the links between ministries and other public entities, and illustrates this with the case of the Ministry of Education and Religious Affairs and its thousands of supervised entities.

The conclusions of this report, as well as a number of other studies² of the Greek public sector, indicate that in many cases, these supervision and control functions are not effectively fulfilled and further, that shortcomings and inefficiencies in the functioning of the central administration tend to spread over to the whole of the public sector.

Figure 0.1. Supervision of the ministries over the other entities of the public sector



Despite efforts at reform, the Centre of Government only has limited capacity to set strategic directions and priorities, to steer and co-ordinate developments in line ministries, and to ensure that policies are effectively implemented

The mandate and leverage of the Centre of Government remain ill-defined, limited, and fragmented, even after efforts at reform. This is reflected in weak capacities for setting strategic policy directions and priorities which will be followed through by the rest of the central administration, and in ineffective budgetary management.

Recent initiatives are not clearly inscribed within a coherent and joined up framework which would truly enable the Greek Centre of Government to function effectively, and not least in support of the urgent reforms which are needed. For now, it is not clear how existing and new entities of the Centre of Government will work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication. Fundamentally, **there is no obvious ownership of the reform agenda** either with specific entities at the Centre of Government, or shared by these entities. **The capacity to co-ordinate with key ministries is also weak.**

The central administration as a whole lacks the practical tools, culture and ability to initiate, monitor and implement coherent policies

A major finding of this report is that monitoring, co-ordination and information-sharing mechanisms are extremely weak throughout the central administration, which makes it very difficult for individual ministries to supervise and control public sector entities effectively.

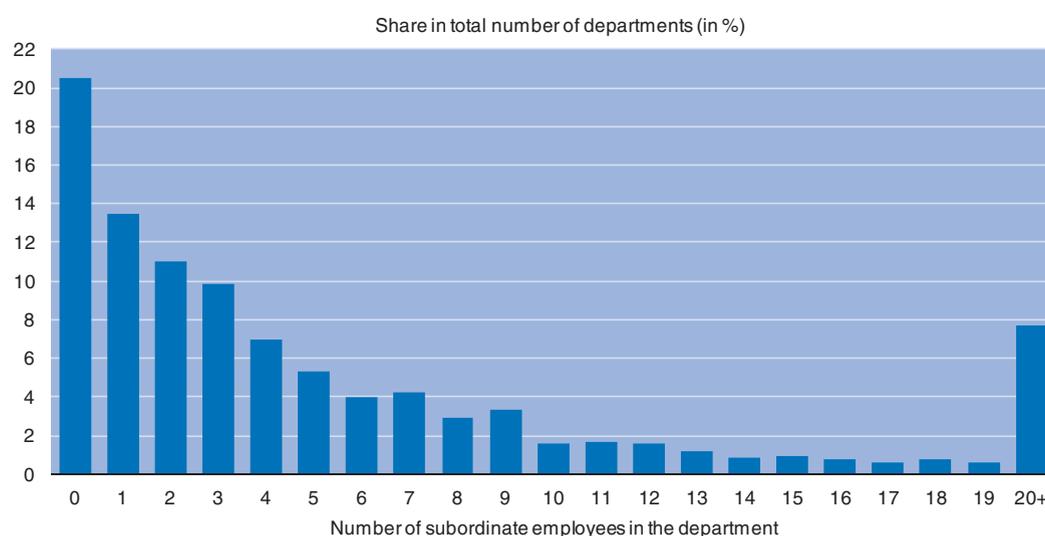
The central administration lacks the management, oversight and co-ordination structures to support effective implementation and long-term management of policy measures, including structural reforms to support sustained economic growth. This is a fundamental obstacle upon which many reforms have already stumbled.

The prevailing culture and procedures in the central administration encourage a ministry-based silo vision of governance, leaving little room or inclination for co-operation across and even within ministries. The administrative culture is largely focused on the fulfilment of formal competencies as set out in the law.

Co-ordination within ministries is very weak. Ministries are affected by organisational sprawl. Each of them has, on average, 439 internal structures.

The bulk of the existing departments do not have the critical size to be efficient; the number of persons in managerial positions is inefficiently large compared to the number of employees under their supervision (see Figure 0.2). Broadly speaking, this shows that one in five departments do not have any employees apart from the head of department; and less than 1 in 10 have over 20 employees.

Figure 0.2. Distribution of the number of departments according to their staffing



Source: Ministry of Administrative Reform and E-Governance.

As a result, administrative work is fragmented and compartmentalised within ministries. Ministries are not able to prioritise their competences and are handicapped by co-ordination problems. In cases where co-ordination does happen, it is *ad hoc*, based on personal initiative and knowledge, and not supported by structures.

The implementation of policies and reforms is especially weak. The public sector at large is affected by the inadequate capacity of ministries to carry reforms into the implementation stage.

Examples of weaknesses in the implementation of ambitious reforms abound, particularly when they require co-ordination among different parts of the public administration. The health care reform of the 1980s was unanimously hailed as a major step in the modernisation of the country's health system, but some of its most important elements were never implemented. An important 2003 law on civil protection was never properly implemented. This weakness of implementation has also affected reforms aimed at strengthening the central administration itself, notably the introduction of regulatory impact assessments in 2006 and the 2004 law on performance management.

Not surprisingly, the major achievements of the central administration in recent years are projects which escaped both the prevailing culture and existing structures: the successful organisation of the 2004 Olympic Games, or the preparation of important strategic plans such as the National Strategic Reference Framework 2007-13.

Ineffective governance and failures to reform are linked to excessive legal formalism

All the areas covered by this review – from HR management to budget processes – reflect a massive issue of “legal formalism” which stands in the way of effective and efficient governance.

This undermines the productivity and efficiency of the central administration, raises its costs, and also undermines the effectiveness of central government services for businesses and citizens.

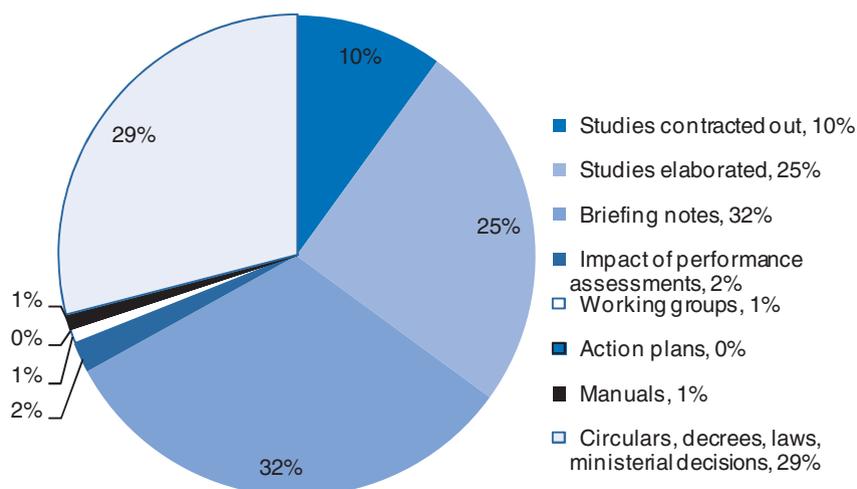
Legal formalism has generated a culture and legal framework which provides no incentives for initiative on the part of civil servants, discourages any policy actions which are not accompanied by a legal text, privileges the observance (and development) of administrative processes rather than attention to the policy substance of civil service work, and slows down the work of the administration.

Figure 0.3 shows that policy implementation, assessment and co-ordination represents a strikingly low share of the output of Greek ministries, which essentially consists in preparing (through studies and notes) and producing regulations.

Legal formalism is partly the by-product of a legal system based on civil law, which traditionally emphasises the need for a comprehensive and detailed structure of laws and regulations to cover all issues. However, the corrective action taken in some other OECD member countries with a similar tradition, to secure clarity in legal texts, to update the codes³ which structure this type of legal system, and to periodically clean up the law by removing redundant texts and by consolidating others, is undeveloped or even absent in Greece.

Legal formalism also reflects the excessive use of internal administrative processes to frame the work of the administration, so that more attention is paid to these processes than to underlying policy work. This is an issue for some other OECD member countries, but in the Greek case, legal formalism has been carried so far that it covers, for example, HR policies and the career of civil servants. This has generated a framework which is both very detailed and very inflexible. As a consequence among many others, the mobility of personnel across ministries is seriously compromised.

Figure 0.3. Output of general directorates in 2010

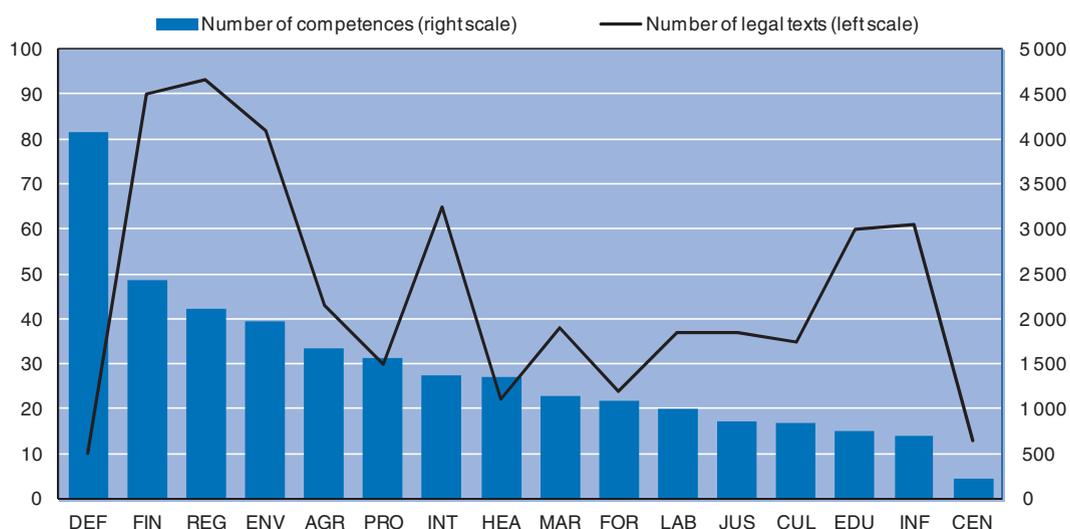


Note: This figure covers the output of the general directorates with executive competencies, and thus excludes the output of general directorates with support competencies.

Source: Ministry of Administrative Reform and E-Governance.

Another example concerns the competencies of the state. These are defined at a very detailed level by the law. It is virtually impossible to take a significant policy or administrative decision, at any level of government, if it does not fall within the scope of a legally provided competency (Figure 0.4). For example, incoming ministers cannot (without great difficulty) rationalise and adapt the structure of their ministries.

Figure 0.4. Number of competencies and of reference legal texts by ministry in 2011



Note: The complete names of the ministries are provided in Annex B.

Source: Ministry of Administrative Reform and E-Governance.

Some of these legal and administrative provisions were originally established to protect the administration against political interference and to secure its integrity. However, the system has generated widespread inefficiencies and a lack of co-operation within the central administration, and at best, mixed results in terms of integrity of the public service.

Legal formalism is in part related to the general vision and expectations regarding the functioning of the government and the public sector at large which prevail among the political and administrative personnel. It is often heard that this vision is part of Greece's culture, but recent developments suggest very strongly that it no longer corresponds to society's expectations and desires.

Data management – from collection to collation and analysis – is a major weakness

A crucial shortcoming of public governance in Greece is the lack of factual evidence and data as a basis for policy decisions – including day-to-day administrative management. Processes to collect, collate and analyse data are far from adequate. The administration does not have the habit of keeping records or the ability to extract information from data (where available), nor generally of managing organisational knowledge.

A striking example is the mapping exercise carried out for this report, a significant and largely successful effort to identify and examine the evidence needed to support the case for reform of the central administration. The mapping has revealed that managers find it difficult to produce information, and often rely on *ad hoc* ways and resources. The mapping teams themselves (set up for this report) have had considerable difficulties, in some cases, in gathering the information.

The mapping exercise, successful as it has been, was a project, and the mapping teams are now being disbanded. Data management should not be treated as an *ad hoc* project, and should not be confined to financial data. It now needs to be put on a sustainable, broader, long-term footing, with appropriate institutions, funding, and training at all levels of the administration.

The May 2010 memorandum of understanding between Greece and the Troika places considerable emphasis on the production of reliable data. However, these requirements are generally restricted to revenue and expenditure data. It would be helpful if the Troika MOU referenced the need for an administration with strengthened capacities and competence to support broader data management.

Evidence-based policy making is not yet developed, reflecting the culture of legal formalism, as well as the absence of basic data, and the lack of experience in the use of evidence to build policies

Because of inadequate data collection schemes and the absence of precise data, reform strategies lack a strong evidence base which would justify, support – and quantify – effective and efficient policy decisions. Important reforms of the kind necessary to turn around economic performance and strengthen society need to be anchored in evidence.

The weakness of evidence-based approaches to policy making is one of the seriously negative effects of legal formalism, which disconnects the public administration from the economy and society. The development of laws rests on a largely internal “conversation”

within the government. It is thus carried out without any strong sense of their impact on the real world, or – crucially – of how they will be implemented on the ground.

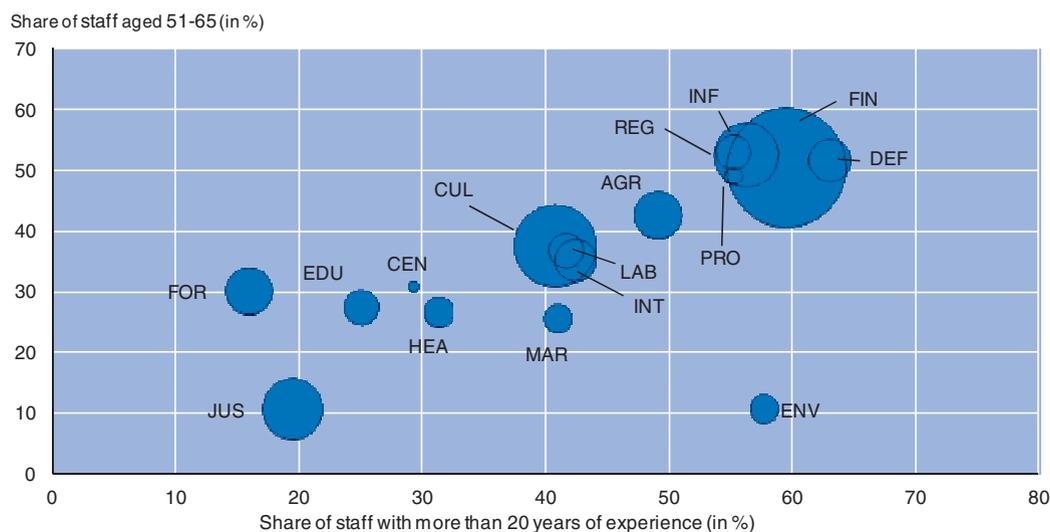
Ex ante impact assessments, whilst now compulsory in principle, are mostly of very poor quality, or not done at all. *Ex post* assessments, which would be instrumental in the monitoring and evaluation of regulatory initiatives, are virtually non-existent.

Despite some reforms, there is as yet no complete and coherent HR strategy, and the link with budget processes needs to be enhanced

Human resource management of the central administration has been traditionally characterised by a lack of strategic vision and near-absence of workforce planning, a short-term focus on stand-alone reforms, and the absence of linkages with other areas of public management. The reform effort in HR has run out of steam.

Years of hiring limitations have not substantially reduced the central government's payroll, but they have led to a considerable demographic shift among central civil servants. Today, Greece has a fairly old and rapidly ageing workforce in its central government by OECD standards. If strict hiring constraints are applied as planned in the coming years, government staffing at central level is bound to shrink very significantly. The management of this transition will be particularly challenging in certain ministries (see Figure 0.5).

Figure 0.5. Age and experience trends in ministries



Note: The size of the bubbles is proportionate to each ministry's staff numbers (central and decentralised services).

Source: Ministry of Administrative Reform and E-Governance.

There are, at the same time, serious impediments to the mobility of employees within the civil service, and poor incentive mechanisms to support individual performance. A very detailed and rigid budgetary process leaves HR and line managers little room for manoeuvre. No linkage is made between the attempts to introduce performance-based management of human resources and performance measurement at the level of structures.

A relatively high (but not unusual for many OECD member countries) ministerial turnover rate undermines the continuity of policy implementation and exacerbates the political dimension of policy decision making, in the absence of a strong and independent senior civil service.

Important links have yet to be made with budget management. One of the major challenges facing the performance budgeting initiative is building the capacity of ministries to accept responsibility and accountability for their budgets.

The combination of these factors – a weak Centre of Government, legal formalism, the absence of basic data, the lack of evidence-based policy making and an undeveloped HR strategy – has created an environment conducive to rent seeking

All economies and societies suffer from rent seeking to a greater or lesser degree. In the Greek context, the framework conditions in the public administration provide especially ample opportunities for rent seeking, in which resources of the public administration (human or other) are appropriated for political, economic or social advantage, without generating any added value. Legal formalism, for example, whilst originally intended to protect the administration against political interference and to secure its integrity, has become excessive to the point that it renders administrative/political processes opaque and complex, providing a screen for individual behaviours that undermine the common good. The emergence of so-called single administrative sectors (sometimes known as special secretariats) around ministers has muddled the political/administrative interface, concentrated decision making in the political domain, and undermined the work of the general secretariats comprised of non-political civil servants, undermining motivation in the civil service. The lack of a complete and coherent HR strategy has also allowed the emergence of personal positions, and special allowances.

Public governance reforms are – to an unusual degree relative to other OECD member countries – interdependent

Public governance reform in Greece has to be designed and conducted in an integrated manner. Measures limited to one area of governance, or approached without a clear roadmap, are unlikely to achieve much. It is difficult to imagine, for instance, that reform in human resource management can succeed without the support of converging and co-ordinated reforms in the overall structure of the government and in its budget procedures.

Such entanglement has two major causes. One is that the dysfunctions of the Greek central administration have built up over decades, and deficiencies in one area have been allowed to spill over to other areas. The other cause is the narrowness of the government's margins for manoeuvre, given financial constraints. This means that a “big bang” approach is probably the only option. It is only through a general restructuring of its administration that the government can create the scope to reallocate resources and modernise structures so that they are “fit for purpose” to implement the reform agenda.

This will require strong commitment at the highest political level and a considerably strengthened Centre of Government, as well as the involvement and support of all concerned parties, both within the government and beyond (local governments, trade unions and other stakeholders, as well as Greece's European partners and the Troika).

An operational roadmap for reform implementation is needed, associated with clear timelines, the systematic monitoring and evaluation of progress, and a strong communication strategy

A complete and coherent roadmap that can quickly be made operational is essential, with clear timeframes for the delivery of component reforms.

The wide-ranging reforms proposed in this report need to be decided, enacted and implemented. This will require firm and consistent high-level political backing, a reform Steering Group at the centre of the Greek Government reporting to the Prime Minister, and a structure responsible at the highest level for inter-ministerial co-ordination to support the Steering Group and to deal with ongoing inter-ministerial co-ordination issues. The Ministry of Administrative Reform and E-Governance has already shown the way with the task force to support the preparation of this OECD report.

Communicating on reforms – what has already been achieved and what is work in progress, what needs to be done, and not least, achievements and results as these emerge – is an important part of the process which should now unfold. A key issue will be the perceptions of stakeholders (both inside and outside the administration) on progress. Unless a broad range of stakeholders and the wider public are made aware of achievements and challenges, and are consulted on future reforms, it will be very difficult to achieve consensus and support for the path ahead. This calls for a proactive, credible, evidence-based communications strategy, steered by the Centre of Government.

Notes

1. Chapter 5 describes several cases of wide-reaching reforms which were adopted by the government in the last decade but not properly implemented: Law 3 013/2003 for civil protection, the 2006 introduction of regulatory impact assessments, or Law 3 230/2004 on performance management.
2. See, in particular, OECD (2009) regarding fiscal relations between the central government and other parts of the general government, OECD (2007) regarding the supervision and regulation of network industries, OECD (2009 and 2005) regarding public health care and OECD (2002) regarding the auditing and control functions of the government.
3. Groups of related laws.

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