



Greece & the €-area: political overview

Greece's development path...

- Greece goes in *booms, busts & rescues*
 - 'Benign' foreign intervention [Right allies; Hellenism].
- Greece in € crisis: part of same pattern??
 - [Recalibrated] leaders humiliated, negative stereotypes.
 - EU rigidity (self-interest); Greek penitence.
- Here: not Qs of *voluntarism* or how *benign* the rescue.
- **But: strategic implications of Greece's structural divergence from EU core/€-zone.**

Greece's structural divergences

- Peripheral economy:
 - Inward-looking; uncompetitive; low inward FDI.
 - Global Competitiveness Index 2018: Greece 87th out of 137.
- Public institutions struggle to deliver
 - Partly dysfunctional public administration
 - Lethargic, cumbersome judiciary
 - Political interference weakens regulatory autonomy.

Institutions... 'Quality of Government' =
state impartiality [perceptions of corruption,
favouritism]

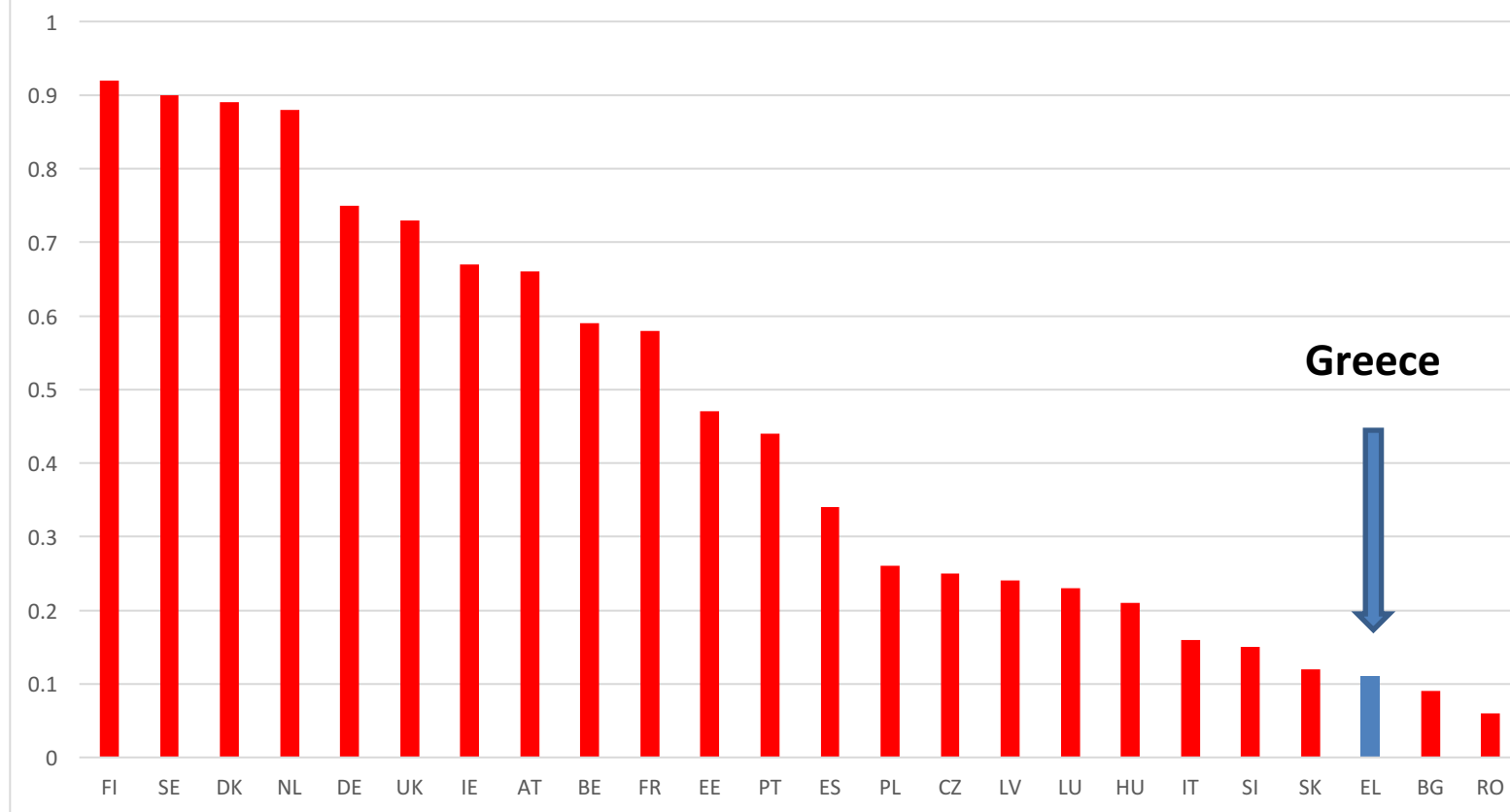
(Rothstein, 2013).



Acemoglu & Robinson [Why nations fail]; J Rawls, B Barry
theories of justice (as impartiality).

& low QoG matters for delivery of public goods...

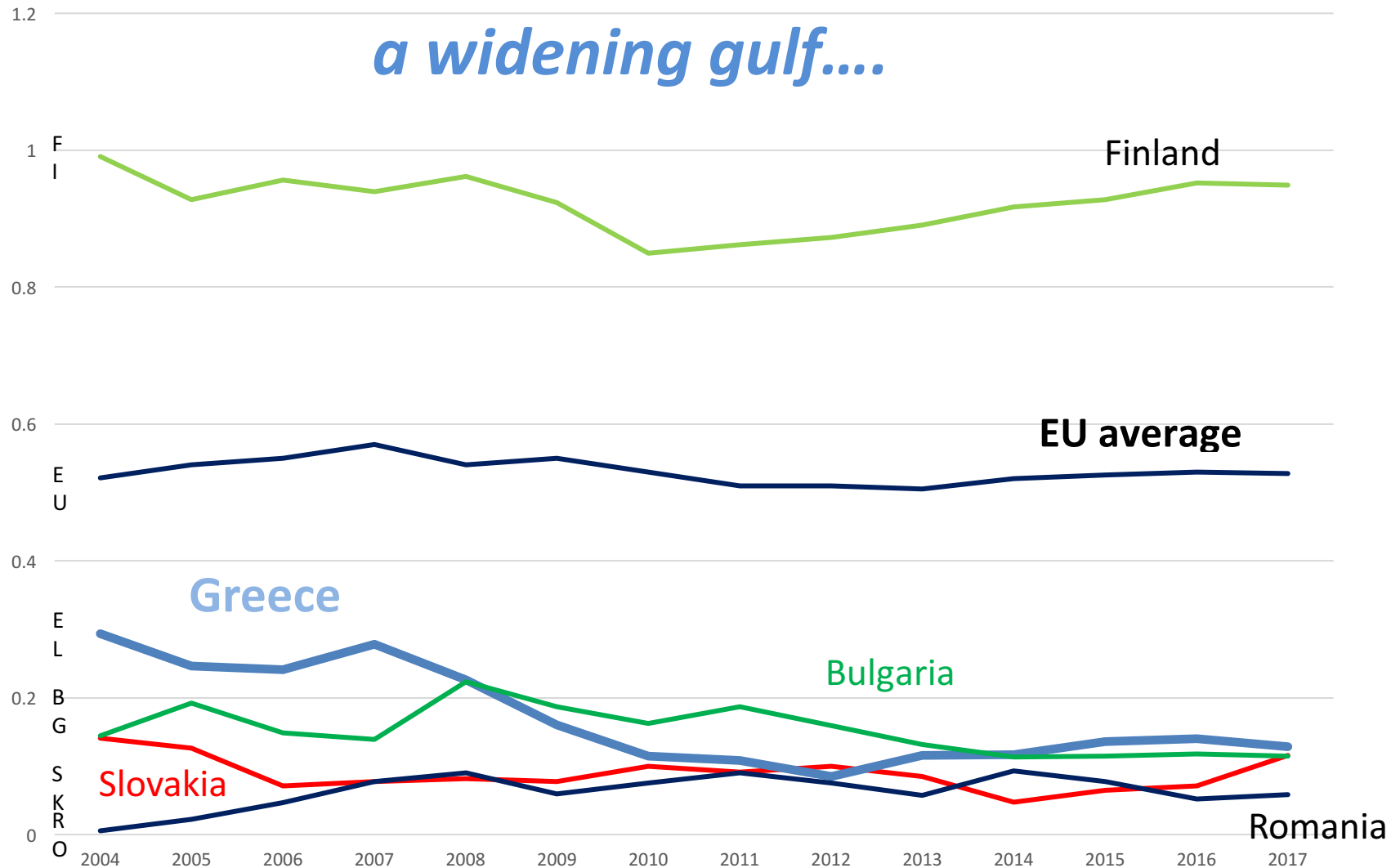
Impartiality Index: mean score 2004-17



*Data for Croatia, Cyprus, Malta, and Luxembourg was not available across all variables.

Impartiality Index here combines World Bank's '**Control of Corruption**' index and World Economic Forum data on '**favouritism**'. Separate data on **public trust in 'public administration'** correlated highly with our Impartiality Index.

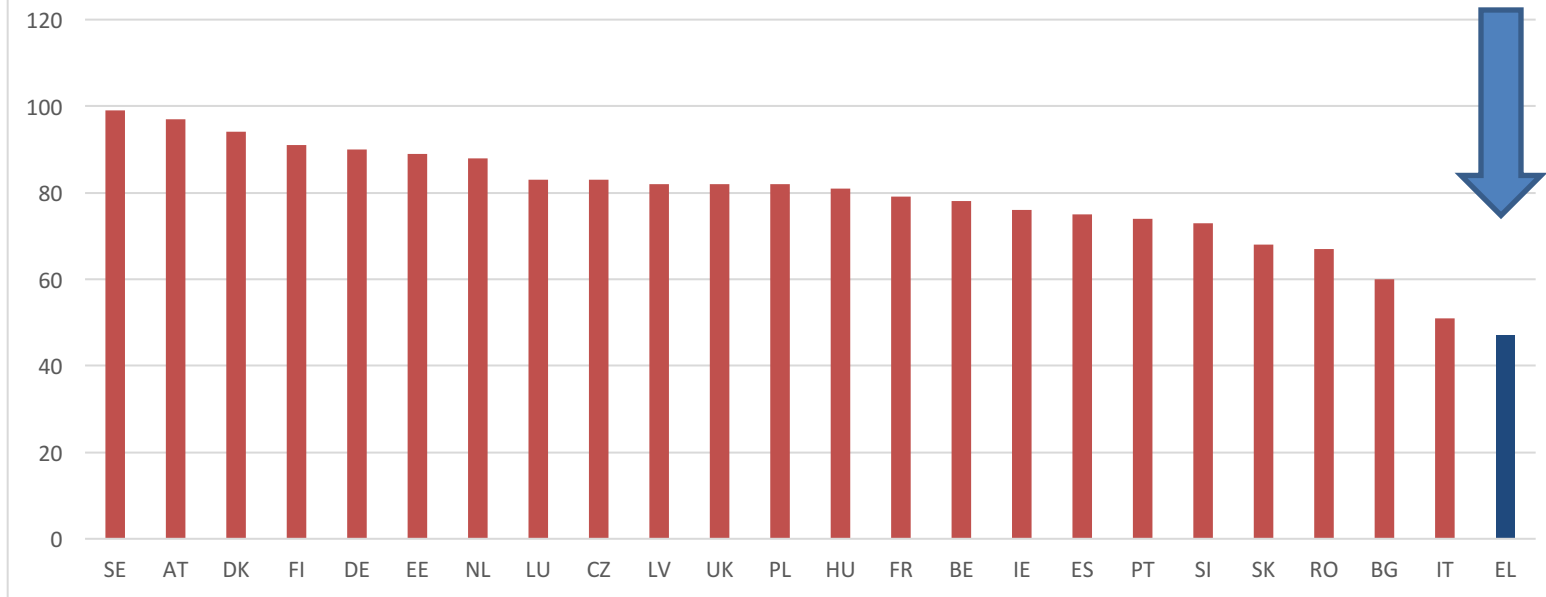
IMPARTIALITY INDEX: TREND 2004-2017



Delivering on EU obligations: Public Procurement Efficiency,

2011-2017

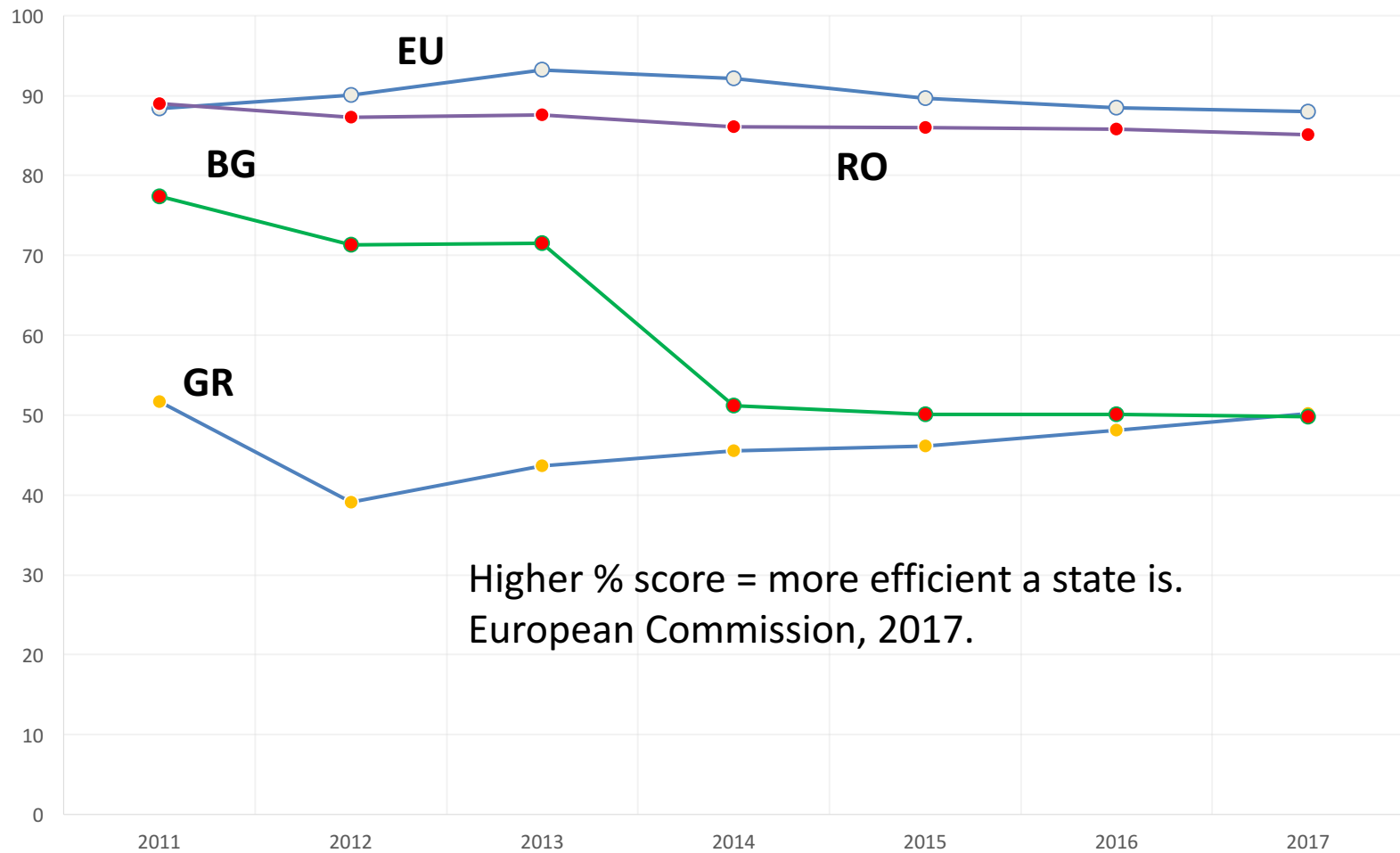
Greece



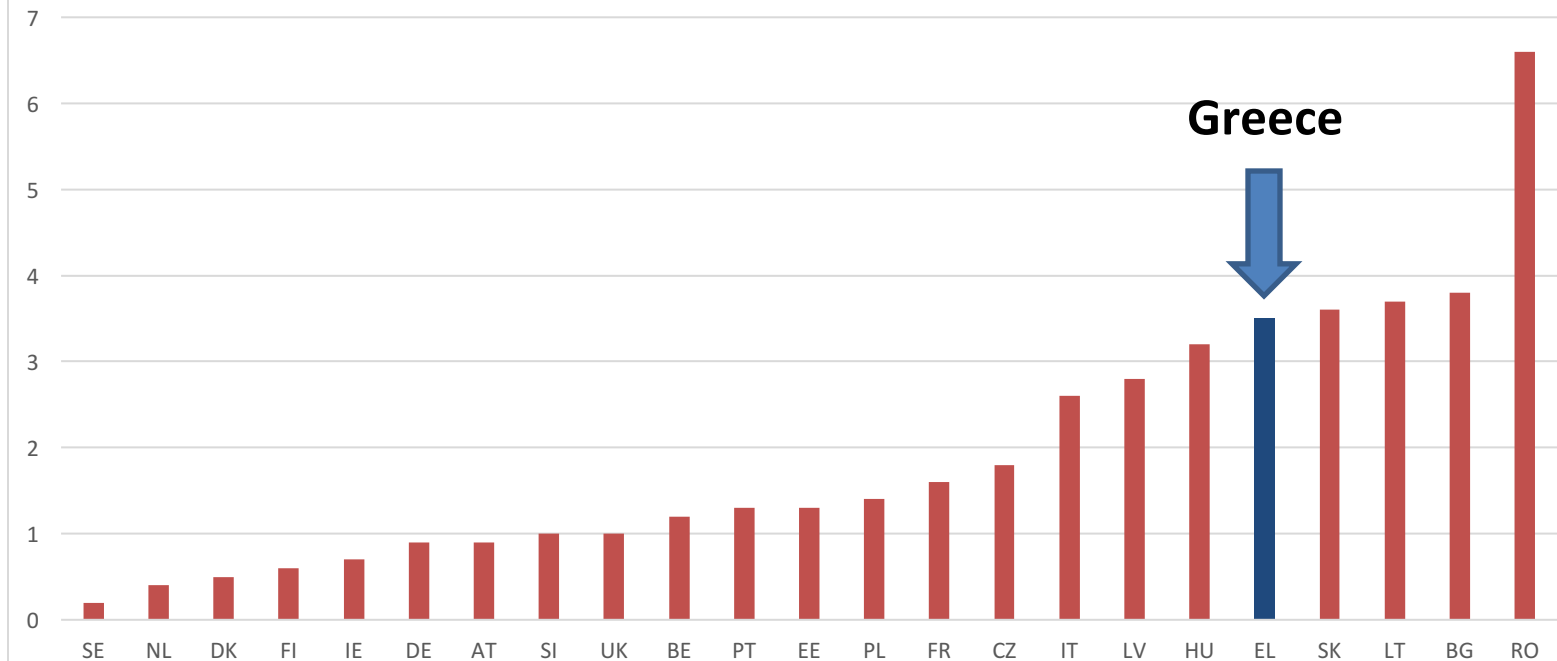
PP Efficiency = EU data measuring the mean decision period, i.e. the time between the deadline for receipt of offers (or requests to participate) and the awarding of the contract [only notices under the open procedure are included, to ensure comparability.]

Public Procurement Efficiency 2011-2017

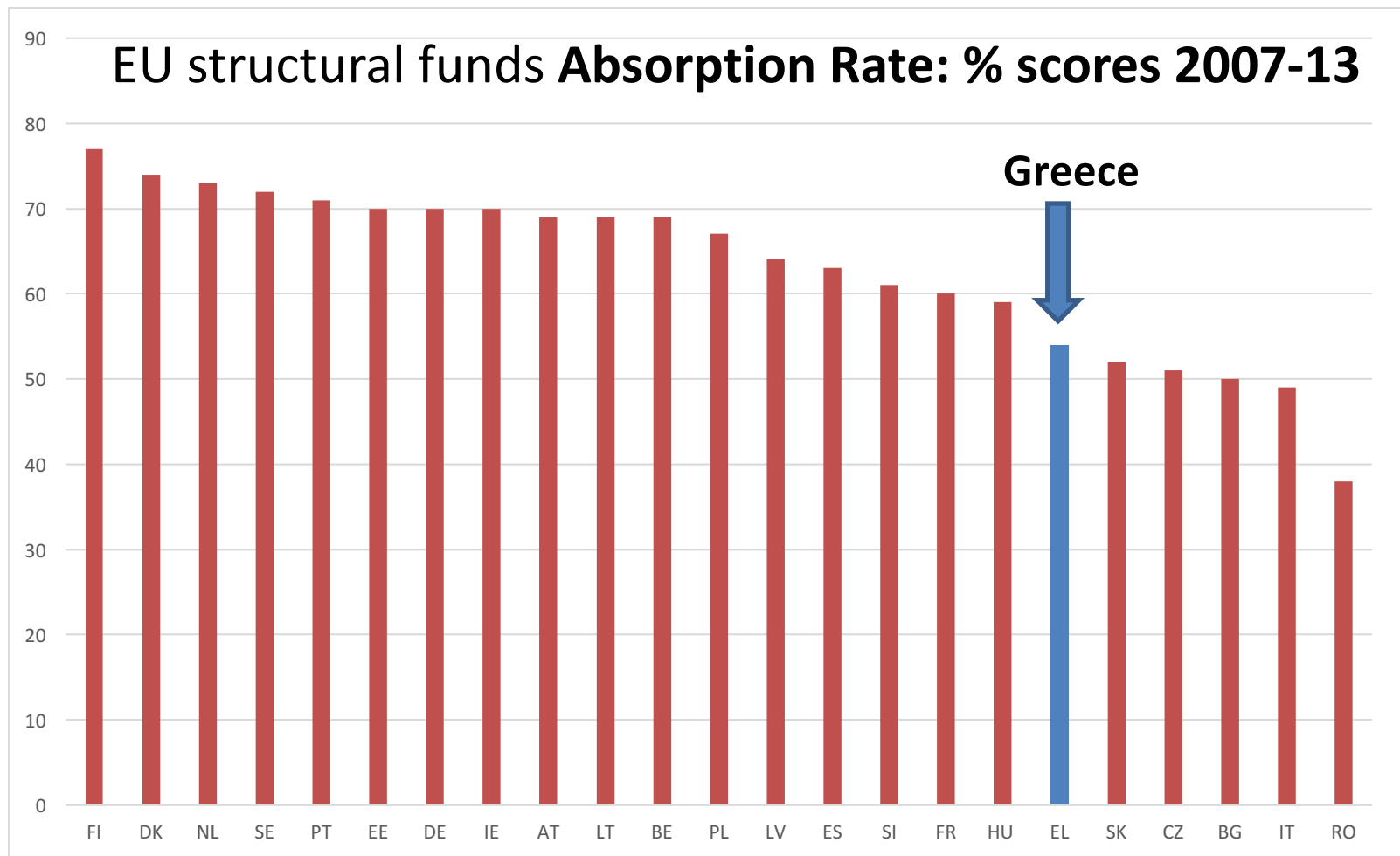
Trend shows Greece still well below EU average, below Romania, Bulgaria.



VAT Gap as % of GDP: mean scores 2004-17



VAT Gap = “the difference between expected VAT revenues and VAT actually collected, (and) provides an estimate of revenue loss due to tax fraud, tax evasion, and tax avoidance, but also due to bankruptcies, financial insolvencies or miscalculations”. EU Commission data, 2017.



Absorption rate = the difference between EU budget (earmarked) commitments per member state and actual payments made. **The % paid to each member state, compared to the available budget, for late budget period only.** (European Commission 2017)

QoG & EU policy delivery

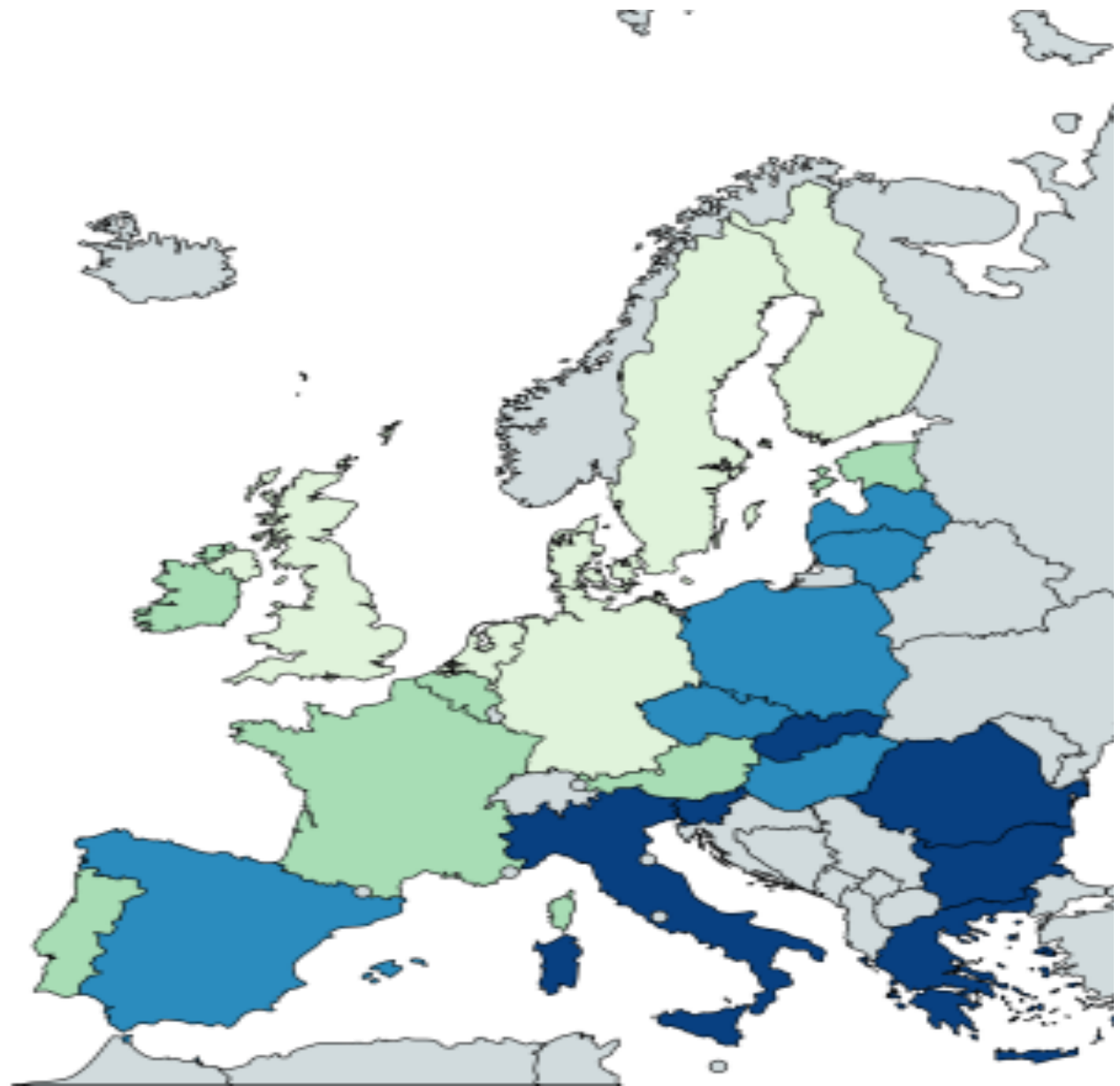
- Across EU, **QoG** (impartiality) matters more to delivery of (EU) policies than **capacity** (resources) of public administration
 - & more than control variables:
 - length of EU membership; domestic political constraints; democratic norms; regulatory burden (statism).
 - Significance: across 1, 5, 10% levels.

Greece's divergence:

- Greece looking more like **SEE/CEE** states than EU core in terms of QoG.
 - **Pattern of EU states with persistently low QoG:** Bulgaria/Romania/Greece/Slovakia/Slovenia/Italy/Hungary.
 - *Not* a S European pattern: ES & P converging with EU core.
 - Greece's QoG divergence from EU may be *increasing*.

Impartiality Index: 2004-17

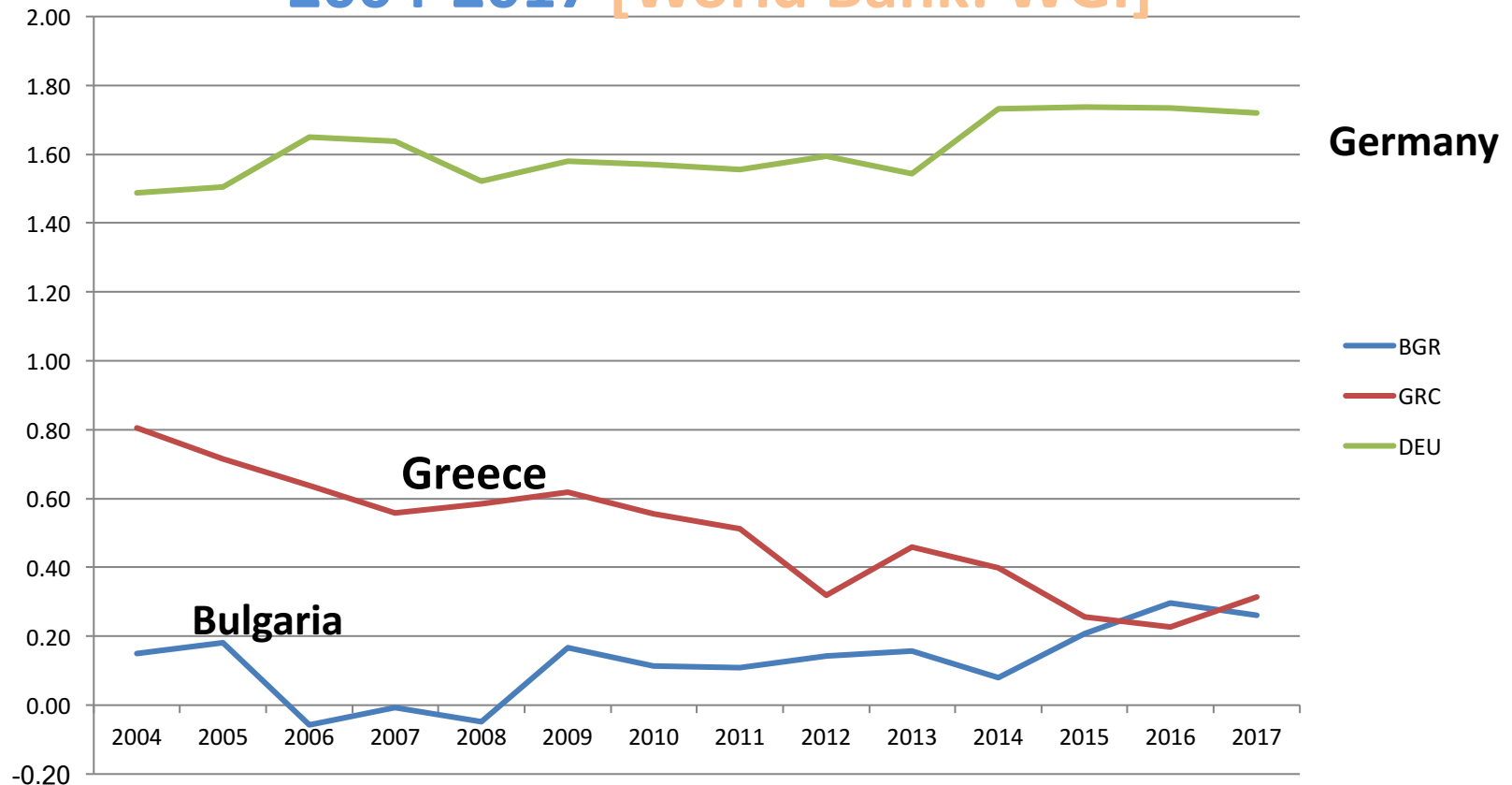
- Least Impartial
- Below average Impartial
- Above average Impartial
- Most Impartial



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QoG: a north-west / south-east challenge for the EU

Perceptions of Government Effectiveness 2004-2017 [World Bank: WGI]



Perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Greek adjustment to core?

- *Structure*: an institutional deficit; overcome long-term
- *Agency*: political *will* for reform uncertain.
 - Resolve of ΣΥΡΙΖΑ; ΝΔ ??
 - public support for EU looks more instrumental.
 - ‘Rescue’ not seen as ‘benign’.
 - Positive image / Trust in EU: Greece much lower than UK.
 - Public trust in **government**: Greeks have *lowest* levels of trust in government; public administration; or local/regional authorities in the EU – by some margin.
 - Nov. 2018: 8 out of 10 ‘tend not to trust’: a problem of *agency*.

2 strategic questions follow:

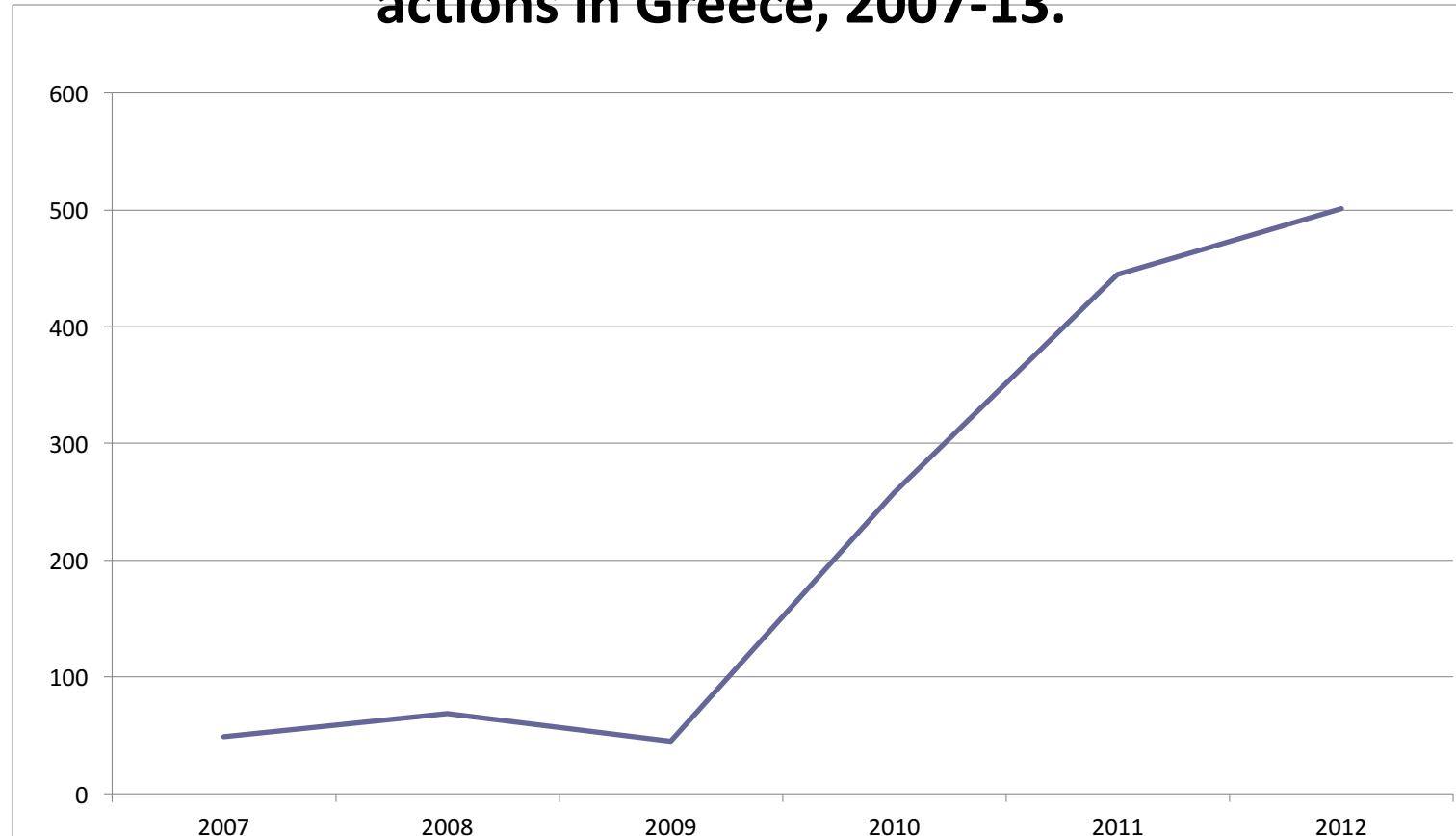
- Can Greece reform *in absence* of external constraint?
- Can Greece be part of a Macron or a German-type agenda of EU deepening?
 - Both assume domestic institutions can *deliver*.
 - Schäuble: funding conditional on convergence?

Conclusion:

€-Zone faces an institutional trap: how to deal with periphery?

Greece faces an institutional & social trap: how to escape low QoG?

Greek Ministry Data - the total number of administrative reform actions in Greece, 2007-13.



Source: data from the website of the **Ministry of Administrative Reform and e-Governance**, Greece.

Here, we have **excluded** personnel and organisational items affecting staff, for example, in the fire and police services, hospitals, schools, and the armed forces and all the accompanying ministerial and joint ministerial decisions. These items are either distant from our focus on the core state administration and/or often concerned with very minor measures.

The external constraint boosted reform:

| Country* | Av. Reform Responsiveness score 0-1 | | | |
|-------------------|-------------------------------------|-------------|--|--|
| | | | | |
| <u>Greece</u> | | 0.81 | | |
| Portugal | | 0.63 | | |
| Estonia | | 0.61 | | |
| Ireland | | 0.61 | | |
| Spain | | 0.55 | | |
| Finland | | 0.45 | | |
| Slovakia | | 0.45 | | |
| Austria | | 0.41 | | |
| Italy | | 0.39 | | |
| France | | 0.33 | | |
| Germany | | 0.26 | | |
| Netherlands | | 0.25 | | |
| Luxembourg | | 0.18 | | |
| Belgium | | 0.17 | | |
| <u>EZ Average</u> | | 0.47 | | |

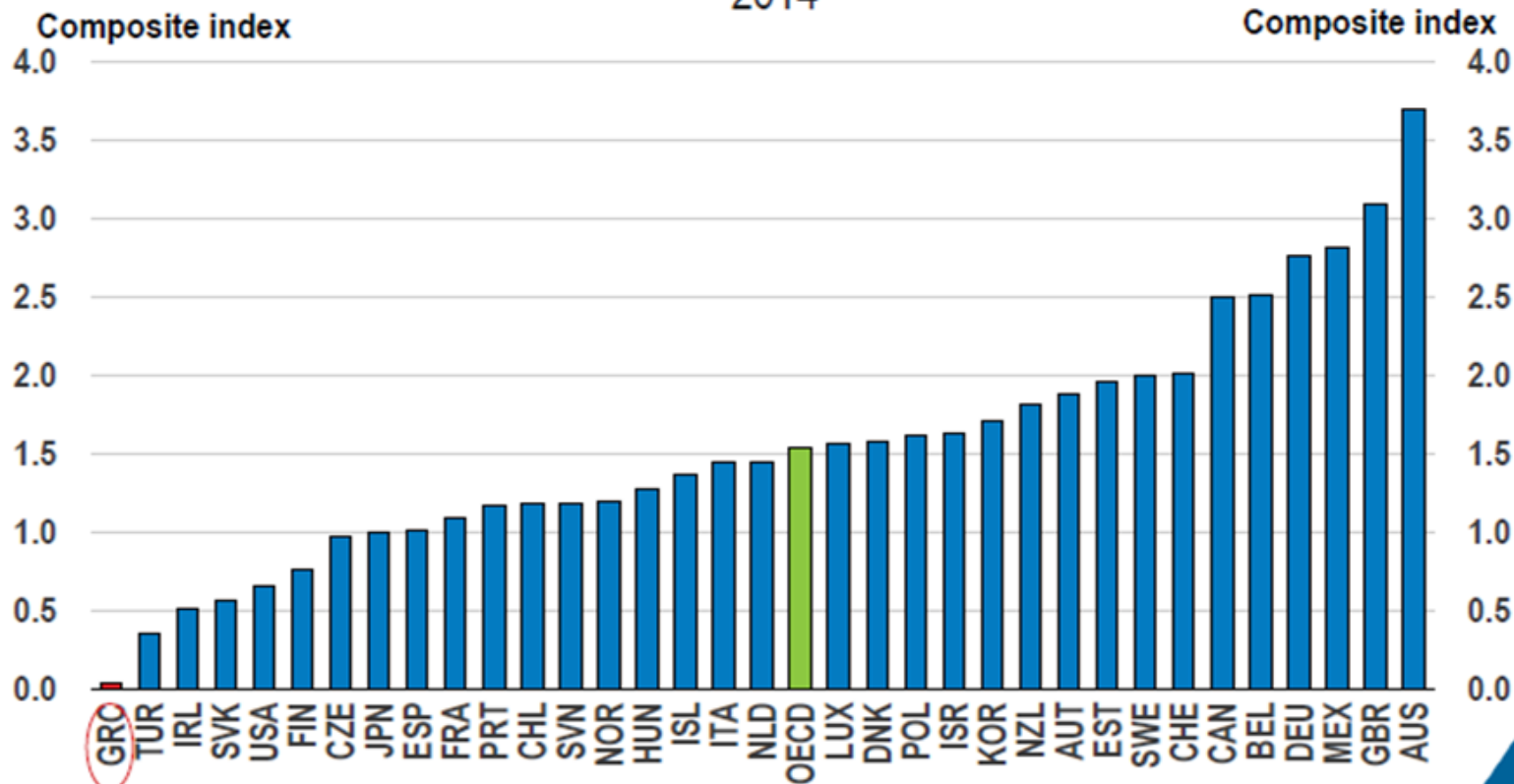
OECD Adjustment Progress Indicator & Reform Responsiveness, 2011-14.



Regulatory impact assessments are underused

Ex-post evaluation of primary laws

2014



Source: OECD (2015), *OECD Regulatory Policy Outlook 2015*.