
Original Article

Austerity politics and administrative reform: The Eurozone crisis and its impact upon Greek public administration

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Abstract Greece was the first European Monetary Union (EMU) country to sign a Memorandum of Economic and Financial Policies (MEFP) with the European Commission (EC) and the European Central Bank (ECB) in order to secure financial assistance and prevent a total collapse of its economy following the severe international economic crisis. The MEFP (2010) and the more detailed Memorandum of Understanding on Specific Economic Policy Conditionality (SEPC) (2010) offered elaborate steps of structural reforms that have affected all public services in Greece. The lack of major results and the stickiness of the 'Greek problem' have made Greece a unique case study for evaluating both the recipe of the international lenders and the domestic capacity for reform. A historical institutionalist approach and the concept of 'policy paradigm' are combined here in order to evaluate what the conditions for a major administrative reform in time of crisis are. The article focuses on the specific attempt to reform public administration during the Papandreou government in order to analyse the importance of both *time* and *type* of change in the success of a major reform programme.

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Introduction

The economic crisis that spread across Europe in 2009 has produced a wave of public policy reforms in most European countries. A combination of factors initially made Ireland, Southern Europe and especially Greece more vulnerable to speculative attacks and thus more affected by the crisis. Greece was the first country to seek financial assistance from the European Union (EU). In March

2010, the leaders of the Eurozone created a financial aid mechanism that involved the participation of the International Monetary Fund (IMF) and Eurozone countries through a set of bilateral agreements. The European Commission (EC), the European Central Bank (ECB) and the IMF were made responsible for overseeing the implementation of the agreement. The Memorandum of Economic and Financial Policies (MEFP) and Specific Economic Policy Conditionality (SEPC) were signed in May 2010. In this context, the Memoranda, as well as their subsequent amendments, clearly required public services reforms. Public administration is still outlined as a key obstacle to recovery and further measures have recently been proposed (OECD, 2011). This article focuses on the period of the MEFP (2010), the SEPC (2010a) and the five-term reviews (EC, 2010a,c,d, 2011a, b, c), which is the first attempt to deal with the crisis and coincides with the reforms that were initiated by the Papandreou government. The main reason for the selection of this period is to keep some distance from the object of the analysis. A number of reforms were initiated by the Papandreou government (October 2009 – November 2011) in order to deal with the Greek sovereign debt crisis, most of them aiming at cost cutting and some of them aiming at more substantial changes. In November 2011, the Papandreou government was forced to resign because of internal party tensions, a general feeling of public disenchantment and pressure from the European counterparts. This article constitutes a first attempt to evaluate the recipe, as well as the impact of these reforms in Greece. Such a discussion is important not only for the EU, which for the first time had to get involved in conditionality programmes with its member-states, but also for the IMF, which has a long experience in reform programmes.

This particular moment in time, apart from its political significance for the EU and its member states, also constitutes a unique opportunity for evaluating well-known public policy theoretical tools and for elaborating them. The dominant governance paradigms across Europe, reliant on high public debts, have been called into question, and reforms are being proposed and adopted at a very fast pace. Historical institutionalism (HI) claims that public policy and administration reforms are more likely to take place at ‘critical junctures’ (Pierson, 2000). Adopting this reasoning, this article argues that indeed change is more likely to occur in Greece, but also in other countries, during the current economic crisis – which can be described as a ‘critical juncture’. Nevertheless, it is argued here that the timing of the reform affects the type of change that takes place. In order to elaborate on the type of the reforms, HI is enriched with sociological institutionalism (SI) elements. In particular, Hall’s (1993) distinction between incremental first- and second-order change and paradigm shift is combined with the concept of critical juncture. A better understanding of *time* and a deeper analysis of *change* is the precise theoretical aim of this article.



The article is organized into four sections. In the first section, the theoretical argument and research design of the article is developed and two theoretical propositions are put forward. The next section outlines Greece's dominant administrative paradigm and its key problems and failures in order to evaluate whether change is currently taking place. The penultimate section moves to a description of the exogenous pressures and the recipe for change offered by the lenders. The final section discusses the current public administration reform process and argues that up to now it mainly consists of first- and second-order change. The article concludes by returning to the propositions of the first section and draws some more general conclusions about public administration reform during periods of crisis.

Theorizing the Timing and Type of Change

HI, more than the other neo-institutionalisms (sociological and rational choice institutionalisms), offers a useful framework for not only understanding the timing of inertia, but also the timing of change (Hay and Wincott, 1998). Its advantage is that it brings politics into the equation in a dynamic way (Thelen, 1999, p. 384). In this instance, this means that although economics seem to lead developments in EU member-states, HI helps us focus on politics in order to better understand why change is promoted in some issues, whereas inertia persists in other types of policy problems. The focus of this article is more on change rather than resilience caused by institutional norms, values and ways of doing things because it attempts to tackle the widely held view by politicians, media, EU officials and public that the economic crisis alone will bring change. The theoretical tools available need to be utilized in order to explore the actual possibility for change. HI acknowledges the importance of time, timing and tempo, and offers a set of concepts such as 'path dependence', 'critical junctures' and 'increasing returns' in order to understand the temporal dimension of change. Levi (1997, p. 28) explains that when a country starts following a path, the cost of changing paths becomes very high and that is why, path dependence occurs. The path dependence concept has developed even further through the idea of increasing returns, which describes the cost of changing paths, the importance of the timing of change and the sequence of paths. According to increasing returns, the cost of remaining in the same path is usually significantly lower than the cost of changing paths (for example, Pierson, 2004). Up to now, and as discussed in more detail in the next section, Greece's recent administrative history seems to perfectly fit the idea of a country that has fallen into path dependence and where increasing returns have not been facilitating change. It is argued that the current economic crisis has changed the increasing returns in relation to administrative change, and the country is in

search of a new equilibrium. This could be a typical example of a critical juncture.

Critical junctures refer to those critical moments, such as the current economic crisis, that may have a lasting impact upon countries. They can take the form of small or bigger events, provided that the timing is right and that their effect is lasting (Pierson, 2000). Pierson (2000) notes that institutions 'lock in' and they are often considered to be the best possible choice. In a way, institutions limit the agents' perspective about alternatives, and as a result, the *status quo* is reinforced. The first aim of this article is to elaborate the concept of critical juncture by using the example of Greece during the current economic crisis. For a critical moment to become a critical juncture and to lead to change, three parameters are expected to play an important role: (i) exogenous forces, (ii) endogenous circumstances and (iii) the result of a particular group or individual coming to power (Bulmer and Burch, 1998). Nevertheless, although it can easily be argued that a critical moment, such as the current economic crisis, is a critical juncture, it is more difficult to establish causality between critical juncture and change at the domestic level (for example, in Greece). In order to proceed, then, an in-depth understanding of change is necessary.

Hall's (1993) work proves to be particularly useful here because his SI approach adds some clarity to the concept. He distinguishes between simple change and radical transformation. He claims that three distinct types of policy change exist: (i) first-order change that refers to instrument-settings change, whereas overall goals and policy instruments remain the same; (ii) second-order change when both policy instruments and their settings change, but policy goals remain the same and (iii) third-order change (or policy paradigm change) occurs rarely, but when it happens is radical and involves a change of the 'framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing' (Hall, 1993, p. 279). The first- and second-order change are incremental, whereas paradigm shift, as Hall (1993) argues, does not necessarily follow first- and second-order change, and it is not incremental in nature. In this article, it is argued that we need to combine the discussion about critical junctures, which sheds light on the timing of change with Hall's deeper understanding of the concept of change in order to explore when a country is more likely to shift paradigm. Our focus is administrative *change* in Greece in the *time* of the economic crisis.

The conditions of a paradigmatic shift that Hall (1993) describes are a good starting point in our discussion of the Greek case, especially when combined with the HI propositions. Hall claims that: first, the change from one paradigm to another is not just the result of a shift in the views of experts, but a much more political process. In other words, it is not only about ideas, but also about interests. Experts usually have conflicting views and some of them will



contribute to the discourse behind the change, but the process itself is political and involves internal and external factors that may empower a new direction over another. Following the historical institutionalist discussion, we could add here that the particular timing affects the direction and the depth of change. By timing, we mean the particular moment in time when the change is taking place. A moment in time has a combination of special characteristics that affect change, such as the political constellations of power, political figures, historical events and so on. Timing affects change whether it is a critical juncture or not. Second, the authority over policy is of particular importance. During a paradigmatic shift, there will be changes ‘in the locus of authority over policy’, which means that the ownership of the policy will change (Hall, 1993, p. 280). In the article, it is shown that the ownership of the policy should be combined with a strong and persuasive new authority in order for the paradigm shift to take place. Third, policy experimentation and policy failure are central in the movement from one paradigm to another. Policy experimentation is different to what is described as first- and second-order change, and refers to convulsive and random change that governments prefer in order to avoid the costs of full reform. It is a common process to introduce reforms aiming to adjust the previous paradigm to a new situation. This type of change is similar to Thelen’s (2003) institutional layering. Such adjustments often lack intellectual and policy coherence, and the result is policy failure. Policy failure and policy experimentation can feed into the process of paradigm shift (Hall, 1993).

In summary, it is proposed that:

- In order to understand administrative reform, two parameters should be analysed and combined: the *time* and the *type* of change.
- For a policy paradigm shift to take place, a critical juncture is a necessary but not a sufficient condition. Policy experimentation and policy failure are equally likely.

In the next sections, these two propositions are further discussed in light of the Greek case. The empirical material presented in the article is the outcome of extensive fieldwork (collection of documents and elite interviews) that took place in Athens between April and November 2011. The timing of the fieldwork has been interesting because it started 1 year after the agreement of the first Memoranda, in the midst of what was described as ‘reform fatigue’ and with international pressure for the reforms escalating. Comparisons with other EMU member states that are in a similar situation are offered when necessary, although this article is primarily an in-depth discussion of the latest public administration reform in Greece, and of the theoretical and empirical lessons that we can draw from it. Reforms are classified as first- (instrument settings), second- (policy instruments and their settings) or third-order changes (understanding of the nature of the problem, policy goals,

instruments and settings), following Hall's (1993) definition. We now turn to the description of the dominant governance paradigm in Greece in order to evaluate whether the reform that is currently taking place could be described as an administrative paradigm shift or whether the changes observed are incremental.

Dominant Administrative Paradigm in Greece

In accordance with the key doctrines of HI, in order to understand change at a particular moment in time, we have to discuss what existed before. In order to evaluate whether paradigm shift is taking place, we need to explore how problems and their solutions were perceived before the crisis. Greece, according to Ongaro (2009), can be categorized, together with France, Italy, Portugal and Spain, as a Napoleonic state, at least as far as the common roots of their public administrations are concerned. They all derive from France. Of course, as Ongaro (2009) explains, the changes introduced in all five countries over the years have been many and substantial. In Greece, the current governance model was established in the 1970s following the country's transition to democracy but also in light of the economic stringency of the period. This transition can be described as a first critical juncture for the Greek public administration. The conservative party of New Democracy (ND) under the leadership of Konstantinos Karamanlis held power until 1981. It is argued that this year was a second critical juncture because Greece became a full member of the European Community. In 1981, the Panhellenic Socialist Movement (PASOK) took office, with Andreas Papandreou initially as the Prime Minister and Costas Simitis as the Prime Minister since 1996. Greece's entry in the EMU in 2001 is the third critical juncture in its recent history.

The first two critical junctures outlined above signified important attempts to change the administrative model in Greece. In the first period, from 1974 to 1981, the main problems that the state perceived as priorities were the consolidation of democracy and the international position of the country. Thus, the democratic institutions of the country were reinforced via legislative and administrative measures, and effort was put into preparing the country for entering the EC. More specifically, the Karamanlis government strengthened the executive and emphasized the importance of having a distinct public administration. The public sector grew via the nationalization of enterprises facing financial problems (for example, Emporiki Bank) and the establishment of new public organizations (for example, Ministry of Town Planning and Environment), (Sotiropoulos, 2007, pp. 109–111). The administrative changes that took place in this period can be described as third-order changes, following Hall's classification.



From 1981 onwards, when Andreas Papandreou took office, the main concern was the growth of GDP, the reduction of unemployment rates and the strengthening of the lower social classes. As a result, new welfare institutions were created and the public sector grew even larger. Some efforts were made towards the training of public servants and decentralization. Pagoulatos (2003) notes that in the 1980s, the state model in place is best described as developmental. Moreover, during this critical juncture, for reasons related to the socialist ideology of PASOK, as well as a result of Greece's adaptation to the *acquis communautaire* and the European Community's cohesion policy and related funding, the administrative changes that took place are best described as paradigmatic.

Nevertheless, PASOK, as well as the ND government, that took office in 1989, were caught between the conflicting aim of necessary changes for the professionalization of public administration and the traditionally parochial use of the state for electoral purposes. Some signs of public administration modernization can be traced after 1996 when the Simitis government (PASOK), in its efforts to join the EMU, reinforced Independent Authorities, such as the Supreme Council for Civil Personnel Selection (ASEP), in 1994 and introduced the Greek Ombudsman in 1997 (Sotiropoulos, 2007, pp. 134–145). Pagoulatos (2003) describes this period as the beginning of the stabilization model. Although the entry of Greece in the EMU in 2001 can be characterized as a third critical juncture, the administrative changes that followed were only incremental. Although the entry in the EMU was a very important shift towards the liberalization of the economy, it cannot be claimed that the way public policy problems and their solutions were perceived radically changed. Quite the opposite, the state continued to grow and with it public debt, equally increased.

Greek public administration has remained hierarchical and centralized through the years as far as its institutions and control mechanisms are concerned. It has been characterized by a low degree of legitimacy, and the administrative system has been dominated by the party in government, which meant that continuity in governance could not be guaranteed (Spanou, 1998). Two of the most common accusations against public administration in Greece have been lack of effectiveness and widespread corruption. Especially at the lowest level of the administration, corruption is considered to be particularly high (Interviews 1–5). Patronage, which is caused by the dominance of the party in rule, has possibly been the most important reason for the failure of Greek public administration. It has been undermining the technical and personnel capacity of public administration by violating the values of meritocracy in the selection and development of personnel but also in public procurement. In a way, patronage in many instances has been the main cause of corruption and of ineffectiveness.

Another aspect of the dominant paradigm in Greece has been legalism and formalism, which is not followed by controls and sanctions for law-breakers.

Quite the opposite, respect for formal rule has been fragmented, and informal practices have habitually violated or ignored formal rules (Spanou, 1996). The large number of often-conflicting regulations has frequently been the result of client–patron relations and of attempts to offer benefits to specific social groups in order to secure re-election (Sotiropoulos, 2007). Similar to the Italian case, the existence of a strong policy community of constitutional and public law experts has further strengthened legalism (Capano, 2003). These experts, not only acting as consultants for all governments in the last 30 years, but also serving as ministers or in other high-rank positions in the administration have by and large been the intellectual elite behind the dominant paradigm.

The current economic crisis that Greece is facing has proven that the cost of state inefficiencies can be very high for both the government and the economy. Two characteristics of the state–economy relationship have been blamed above all for the weakness of the Greek economy. First, tax evasion by individuals – but even more importantly by businesses – has been common. Irregular payments by businesses during tax collection have been widespread, and as a result, significant amounts never entered the treasury. Second, state spending on social protection has been high while the results have been called into question. Public expenditure on social provision has increased over the years, but its coverage has been skewed. Spending on family and unemployment benefits have been low, whereas the cost of pensions has been high (Featherstone and Papadimitriou, 2008, pp. 57–60).

The policy legacy of public administration and the path that has been followed up to now means that the institutions and practices described have ‘locked-in’ and that reform initiatives have been very difficult to implement. Greece has been described as *une société bloqué* (Featherstone, 2005). Processes of Europeanization could have facilitated the emergence of a new administrative paradigm, but the results have been rather poor. The literature on Europeanization and Greece shows that there is a tendency to convergence, but there is still a large number of cases of inertia (Ladi, 2011). Inertia has been observed in policy areas such as pension reform (Featherstone, 2003), administrative reform (Spanou, 2001) and environmental policy change (Ladi, 2007). Examples of all kinds of domestic mediating factors, mainly obstructing the Europeanization of Greek policies, can be found in the literature. The most usual factors are political institutional capacity, policy legacies and policy preferences. Instances of resilience to change can be found in all sectors and normally all three mediating factors seem to be present. For example, the EU cohesion policy had to confront a centralized government, lack of coordination, strong political parties and a lack of political will for change. The result has been that although some institutional changes have been introduced, the regions remained weak and the absorption of structural funds was limited (Paraskevopoulos, 2001; Andreou, 2006). Change can only be observed in



policy objectives, styles and practices that are best classified as first- and second-order change.

In this section, it has been shown that the ‘dominant’ governance paradigm in Greece is best described as a *quasi*-Weberian hierarchical bureaucracy. Following Howlett and Ramesh’s (1998) distinction between ‘dominant’ and ‘hegemonic’ paradigm, it can be argued that hierarchy in Greece is a dominant and not a hegemonic paradigm. A paradigm is described as hegemonic when only one unchallenged model exists that is supported by a closed policy community. In Greece, challenges to hierarchy, both towards more liberal and more social directions, have been present for a long time, supported by different networks, and that is why the term ‘dominant paradigm’ is more accurate. Sabatier and Jenkins-Smith (1993) argue that external factors largely determine which network predominates over the others, and thus which paradigm becomes dominant.

The International Economic Crisis as a Critical Juncture: Recipes for Change

In this section, the current international economic and political situation is described as a critical juncture for Greece. There are two dimensions in the Greek governmental discourse concerning the necessity of the reforms: the global and the European. More specifically, during the Papandreou government, the global dimension and specifically the reaction of the global financial markets was perceived as the reason that almost caused the collapse of the Greek economy. The economic crisis was presented as the absolute push for reform. The European dimension was presented as the solution to the problem via the first MEFP (2010) and SEPC (2010a) (for example, Interview 1). In the rest of the section, it is shown that the international economic crisis is a critical juncture for Greece and that the changes that have been taking place will have a lasting impact on the country. The focus here is on the exogenous pressure and on the recipe for change.

The financial crisis of 2007–2008 has given credence to the supporters of the globalization thesis and its impact upon states (for example, Cerny, 2010). The first wave of the crisis, which was caused by the collapse of the American investment Bank Lehman Brothers, was followed by a second wave that of governments’ budget deficits and their ability to repay them. A number of reasons, including the Greek Prime Minister’s admission that Greek public deficit being much higher than previously calculated (from 3.6 per cent of GDP, it was revised to 12.8 per cent, and in 2010, it was further increased to 13.6 per cent), turned speculators against Greece. Soon, Ireland and Portugal followed, and in November 2011, the pressure on Italy, Spain and Belgium also

intensified. The Eurozone found itself in the most difficult situation since its creation. The severity of the Greek economic crisis became apparent at the end of 2009 when financial ratings agencies downgraded their credit rating for Greece, and the government realized that it was unable to serve its massive debt. This situation meant that at the beginning of 2010 the dominant governance paradigm of Greece was no longer the only concern of the Greek government. The financial markets and the members of the Eurozone started keeping a close eye on what was happening in Greece.

Greece was the first country to seek financial assistance from the EU in April 2010. European leaders promised to take determined and coordinated action to prevent the possibility of a Greek default and to guarantee the stability of the Eurozone. A financial aid mechanism, which involved the participation of the IMF and the Eurozone countries through a set of bilateral agreements, had already been created in anticipation of the Greek request, in March 2010. The EC, the ECB and the IMF (known as the ‘troika’) were made responsible for overseeing the implementation of the agreement. An MEFP and an SEPC was signed in May 2010. Table 1 summarizes the fiscal, financial sector and structural policies put forward in the MEFP and the specific structural reforms agreed in the SEPC. SEPC is much more detailed as far as the structural reforms are concerned, and it is evident that public administration reform is central to the accomplishment of the policy goals prescribed in the MEFP.

Table 1: MEFP policies and SEPC reforms

<i>MEFP economic policies</i>	<i>SEPC structural reforms</i>
<p><i>Fiscal Policies:</i></p> <ol style="list-style-type: none"> 1. Frontloaded multiyear adjustment effort. 2. Declining path for the dept-GDP ratio from 2013 and below 3 per cent reduction of the general government deficit. 3. Significant reduction in the 2010 first quarter deficit (via cuts in the public sector wage bill, in pension outlays and increases in the VAT). 4. Further revenue (taxation) and expenditure (e.g. wages and pensions, government spending and rationalization of public administration and social programmes) measures for 2011. 5. Structural fiscal reforms (pension reform, health sector reform, tax reform, tax administration, public financial management and fiscal framework, debt management framework, fiscal and other public sector reporting of information) 	<p><i>Pensions:</i></p> <ol style="list-style-type: none"> 1. Reform Pension System <p><i>Healthcare:</i></p> <ol style="list-style-type: none"> 1. Healthcare Reform

**Table 1:** (Continued)*MEFP economic policies**SEPC structural reforms**Financial sector policies:*

1. Manage the banks liquidity conditions.
2. Put in place a safety net in order to preserve the sound level of bank equity.
3. Increase resources dedicated to banking supervision.

Structural policies:

1. Modernizing public administration.
2. Strengthening labour markets and income policies.
3. Improving the business environment and bolstering competitive markets.
4. Managing and divesting state enterprises.
5. Improving the absorption of EU and structural cohesion funds.

Public administration reforms:

- Simplify the remuneration system for public sector employees
- Public procurement
- Transparency of public spending decisions
- Local administration reform
- Independent functional review of the central government
- Better regulation

Labour Market and Wages:

- Start discussion with social partners
- Reform Employment Protection Legislation
- Reform minimum wages
- Reform private wage bargaining system to ensure wage modernization
- Increase the flexibility of working hours
- Fight undeclared work
- Review social safety net

Business Environment:

- Facilitate business start ups
- Simplify the licensing of industrial units and reduce the cost of doing business
- Implement the Services Directive
- Open up restricted professions
- Reform road freight transportation
- Competition policy framework
- Railways
- Energy

Promoting Investment and Exports

- Promoting FDI and investment in strategic sectors
- R&D innovation

Structural and Cohesion Funds

- Increase absorption of Structural and Cohesion Funds

Sources: MEFP (2010) and SEPC (2010a)

The most coercive phase of Greece's Europeanization since its entry into the EU in 1981 had just started, although the EU itself was also at a critical juncture with still unpredictable outcomes. This is what Featherstone (2011) described as 'Über Europeanization'. Similar Memoranda were signed with Ireland in December 2010 and with Portugal in May 2011. It is interesting that the Irish Memorandum (SEPC, 2010b) hardly mentions public administration reform, whereas the Portuguese Memorandum (SEPC, 2011) is much less intrusive in the public administration reforms prescribed.

The Greek economy was the first Eurozone economy that found itself under international control by its lenders, who are both European and international. The conditions under which Greece agreed to receive its loans involved clear measures for radical structural reforms that would have a lasting impact upon its administrative system. It can be thus claimed that this critical moment is a critical juncture for Greece and that the exogenous pressure is high. In the next section, the administrative reforms initiated by the Papandreou government, as a result of the Memoranda, are discussed in order to evaluate the type of change that has taken place at this particular moment in time. It is further argued that the nature of the recipe suggested by the lenders was mainly cost-cutting and structural.

Public Administration Reform: Towards a Paradigm Shift?

The Papandreou government's attempt to initiate public administration reform in response to the first Memoranda (MEFP and SEPC) is a very interesting case for showing that radical change does not always take place at critical junctures. In this section, it is explored whether this particular critical juncture has been a sufficient condition for paradigm change. In order to do that, the public administration changes outlined in MEFP (2010), SEPC (2010a) and reviewed by the EC (2001c; 2010c, d; 2011a, b) in five-term reviews are discussed, evaluated and classified as first-, second- and third-order changes. Table 2 offers a summary of the above documents in order to show the initial agreement, the reforms that have been put into place and the reforms that have not been completed, together with the sequence of the changes. It is, moreover, argued that an important part of the reforms are only cost-cutting, which means that they can be classified only as incremental change. Nevertheless, the direction of the reforms agreed is towards a more operational/ result-oriented paradigm (for example, salaries should reflect productivity, better regulation agenda and so on). It is still early to be able to say whether such a paradigmatic shift has indeed started. In the rest of this section, the reforms initiated by the Papandreou government – the majority of which took place in response to the conditionality agreement, but existed also in the PASOK Election Programme

Table 2: Modernize public administration: Reviews and updated MEFP and SEPC

<i>MEFP/SEPC</i>	<i>First review (summer 2010)</i>		<i>Second review (autumn 2010)</i>		<i>Third review (winter 2011)</i>	
	<i>Assessment</i>	<i>Updated MEFP/SEPC</i>	<i>Assessment</i>	<i>Updated MEFP/SEPC</i>	<i>Assessment</i>	<i>Updated MEFP/SEPC</i>
Simplify the remuneration system for public sector employees		<ol style="list-style-type: none"> 1. Launch a simplified remuneration system covering basic wages and allowances 2. Establishment of a Single Payment Authority 	Delayed	<ol style="list-style-type: none"> 1. Complete the establishment of a Single Payment Authority 2. Adopt legislation establishing a simplified remuneration system (for the fifth review) 	Partially observed: draft report on simplified remuneration system	Adopt legislation establishing a simplified remuneration system (for the fifth review)
Public procurement		<ol style="list-style-type: none"> 1. Creation of a central procurement authority, and introduction of e-auctioning 2. Complete transposition of Directive 2007/66/EC and Directive 2009/81 (for the third review) 	Action plan has been agreed with the Commission	<ol style="list-style-type: none"> 1. Provide timetable and details for the development of e-procurement 2. Adopt legislation establishing the Single Public Procurement Authority (SPPA) (for the fourth review) 	Not observed	<ol style="list-style-type: none"> 1. Adopt legislation establishing the SPPA 2. Launch the development of an e-procurement platform
Transparency of public spending decisions	Legislation requiring online publication of all public spending decisions adopted (Cl@rity)					
Local administration reform	Legislation reforming local level administration adopted (Kallikrates)	<ol style="list-style-type: none"> 1. Adopt all necessary legislation and decrees for the full entry into force of Kallikrates 2. Disallow local government to run deficits until 2014 (for the third review) 		<ol style="list-style-type: none"> 1. Adopt all necessary legislation and decrees for the full entry into force of Kallikrates 2. Disallow local government to run deficits until 2014 	Observed	Implemented the recently adopted acts
Independent functional review of the central government		Launch independent functional reviews of central government and of existing social programmes	Partially observed: Technical meetings with the EC, IMF and ECB, and OECD have started	Proceed with two independent functional which will be conducted by the OECD	Delayed due to problems with the contract between Greece and the OECD	Assess the results of the first phase of the independent functional review of central administration and finalise social programmes review (for the fifth review)



Table 2: (Continued)

MEFP/SEPC	First review (summer 2010)		Second review (autumn 2010)		Third review (winter 2011)	
	Assessment	Updated MEFP/SEPC	Assessment	Updated MEFP/SEPC	Assessment	Updated MEFP/SEPC
Better regulation		Adopt legislation and measures needed to implement the Better Regulation Agenda (for the third review)		Adopt legislation and measures needed to implement the Better Regulation agenda (for the fourth review)		Adopt legislation and measures needed to implement the Better Regulation agenda
MEFP/SEPC	Fourth review (spring 2011)			Fifth review (October 2011)		
	Assessment	Updated MEFP/SEPC	Assessment	Updated MEFP/SEPC	Assessment	Updated MEFP/SEPC
Simplify the remuneration system for public sector employees	Partially observed: report and initial government plan submitted	<ol style="list-style-type: none"> Finalise a medium-term staffing plan Implement the simplified remuneration system Publication of monthly data on staff movements (July 2011) 	Partially observed: <ol style="list-style-type: none"> Staffing plan has not been prepared Ongoing process for a simplified remuneration system Some data available 	<ol style="list-style-type: none"> Finalise medium-term staffing plan 15,000 public sector employees in labour reserve (end 2011) 		
Public procurement	Ongoing: draft law on the SPPA prepared	<ol style="list-style-type: none"> Establish and implement the SPPA Launch the e-procurement IT platform (July 2011) 	<ol style="list-style-type: none"> Law 4013/2011 setting up the SPPA adopted Contract for e-procurement signed but implementation is ongoing 	<ol style="list-style-type: none"> Launch e-procurement IT platform (October 2011) Finalise full functioning of the SPPA (end 2011) 		
Transparency of public spending decisions						
Local administration reform	Not observed: the implementation has been monitored but no substantial reduction of cost for 2011 has been achieved					
Independent functional review of the central government		Assess the results of the independent review of central administration and finalise social programmes review (July 2011)	Delayed: the OECD review on central government is available but the results have not been assessed. The social programmes review is ongoing.	<ol style="list-style-type: none"> Prepare action plan for the implementation of policy recommendations deriving from the OECD review Complete social programmes review (end 2011) 		
Better regulation	Ongoing: Better Regulation draft law prepared	Adopt Better Regulation law (July 2011)	Draft law introduced in Parliament	<ol style="list-style-type: none"> Adopt legislation (October 2011) Identify legislation codification and simplification priorities (end 2011) 		

Sources: MEFP (2010), SEPC (2010a, b) and EC (2010c, d, 2011a, b, c)





(PASOK, 2009) – are presented. Their level of implementation up to November 2011, when the government fell, is evaluated:

1. *Public sector employment changes*

The key goals here were to keep recruitment in the public sector very low (one recruit for every five retirements, whereas for 2011, it was one recruit for every 10 retirements) and to cut spending (a minimum 30 per cent cut was applied to public servants salaries) (SEPC, 2010a). Given that the dismissal of public servants is legally and politically very difficult in Greece, in November 2011, the labour reserve idea was adopted for 30,000 public servants in order to further reduce spending. In order to have long-lasting results, it was also agreed to adopt a unified remuneration system that would cover basic wages and allowances of all public sector employees, an idea that already existed in the PASOK programme (PASOK, 2009). In addition, it was agreed that remuneration should reflect tasks and productivity (SEPC, 2010a). In response to that, and after a few delays, a Single Payment Authority was established and the payment of all civil servants' salaries was expected to be centralized under its authority (Law Gazette no. 784, 4/6/10). Full implementation of the unified remuneration system was initially planned for September 2011, but the relevant law was only published at the end of October 2011 (Law Gazette no. 226, 27/10/11). The actual implementation of the law started in January 2012 with the gradual application of the new legislation to different categories of public sector employees. What is significant here is that not much happened towards making wages reflect productivity and tasks, although the time frame was for September 2010 and it had also been included in PASOK Election Programme (PASOK, 2009). As far as the quality of public services is concerned, such an action would have been much more important. Such a reform would signify a move towards private sector practices, which in turn would be a radical change and not just a spending-cut (or first-order) change.

An additional reform announced in response to the agreement for better human resource management in the public sector was that the ASEP was from now on going to be responsible not only for all public sector recruitment, but also for the promotion of public servants. The Explanatory Report (2011) of the Medium-Term Fiscal Strategy 2012–2015 announced a new human resources management system that would allow for the use of personnel according to their knowledge and capabilities. This new system would facilitate personnel mobility between different public sector organizations. However, no such legislation was adopted, and in reality what we saw was a freeze of promotions in order to avoid salary-related costs.

Another change announced by the Papandreou government, which was not part of the conditionality agreement, was that the public sector employees'



penalty legislation would become stricter in order to achieve better accountability. As a result, it was expected that the role of the trade unions would be minimized. No relevant legislation was introduced by the end of the Papandreou government. A draft law was finally sent to Parliament in January 2012. All these changes are mainly cost-cutting and they cannot be described as paradigmatic. Nevertheless, if employment at the public sector was to be no longer conceived as safe and economically advantageous, this could perhaps lead to paradigmatic change in the future. At present, however, such a claim cannot be made about the public employment reforms introduced by the Papandreou government.

2. *Public procurement*

E-procurement for all sectors and levels of government was initially planned for the end of 2010, but the contract for the provision of the electronic platform was only signed in autumn 2011 (EC, 2011c). Nevertheless, the consultation process for the establishment of an independent authority, overseeing public procurement, was finalized in February 2011 (www.open-gov.gr/ypoian/). The draft law was sent to Parliament in February 2011 and was voted in August 2011 (Law Gazette no.204/A, 15/9/11). Interestingly, the independent authority had been already announced in the PASOK programme, but not the electronic platform, which is perceived to be a key tool for tackling corruption in the procurement process (PASOK, 2009).

The reform in the field of public procurement aimed to improve the transparency and accountability of the contracts between the public and the private sector. Although the result was not expected to be a third-order change, it could have been a second-order change because it could reinforce a more just evaluation of public competitions and thus, improve the quality and the economy of public services. It is clear though that the Papandreou government did not manage to carry this reform to its final stage.

3. *Transparency of public spending*

The government early on agreed to ensure transparency of public spending by publishing online all public spending decisions (SEPC, 2010a). Indeed, via the 'Cl@rity' programme, all public entities' decisions would be published online and cannot be implemented unless they are uploaded on the Cl@rity Website (www.diavgeia.gov.gr/en). Progress in this field was acknowledged by the Interim report (EC, 2010b). It is not surprising that the government here moved one step forward from what was prescribed in the Memorandum and made compulsory the online publication of *all* decisions – not only the ones concerned with public spending. Transparency was one of the key promises made in the PASOK Election Programme (2009).

Cl@rity is seen as a reform that has been completed successfully although it cannot be characterized as radical (for example, Interview 2). It is interesting to note that its main aim is to enhance transparency by using new electronic



means. It can be classified as second-order change because the policy instruments have changed but not the goals.

4. *Local administration reform*

The requirement was to adopt legislation reforming local government by June 2010, a reform already announced in the PASOK Election Programme (2009). In fact, as of 1 January 2011 a law started being implemented, incorporating prefectures into regions, thus reducing their number from 76 to 13, and at the same time reducing municipalities from 1034 to 325 and municipal enterprises from 6000 to 1500. The reform has been named 'Kallikratis'. It is expected to lead to 0.5 per cent of GDP budgetary savings by the end of 2015, as well as more efficient provision of public services (<http://kallikratis.yypes.gr/>). Nevertheless, the challenge ahead is huge until the transfer of responsibilities and resources is successfully completed (Interview 2). Moreover, the fourth review (EC, 2011b) showed that no substantial reduction of costs was achieved in 2011.

'Kallikratis' is one of the reforms that started being implemented early on (EC, 2010c), but was not completed during the Papandreou government. It is a second order change because although it does not change the goals of local administration, it reshuffles the responsibilities between local governments and regions.

5. *Review of central government*

The agreement via the Memorandum (SEPC, 2010a) was to carry out an independent review of the organization and functioning of the central administration in order to adopt measures for the rationalization of the use of resources, the organization of public administration and the effectiveness of social programmes. It was soon decided that two separate reviews would be produced by the OECD because of its prior cooperation with the Ministry of the Interior (Interview 4). A review for the central government (overseen by the Ministry of the Interior) and a review for the social programmes (overseen by the Ministry of Labour). After successive delays (EC, 2011c), only the review for the central administration was published by the OECD in November 2011 (OECD, 2011). Soon after the fall of the Papandreou government, in January 2012, many of the suggestions made by the OECD were incorporated in a White Paper on Governance. Not much has been implemented so far (MAREG, 2012).

It is important to note that both the OECD review and the White Paper are simply making proposals about the changes that should take place. Suggestions are not very different or original from what is already been discussed for a long time concerning the necessity of public administration reform (for example, Spanou, 2008). However, the fact remains that no significant change can be observed during the Papandreou government, in central government that is one of the most problematic areas of Greek Public Administration.

6. *Better regulation:*

The aim was to implement the Better Regulation Agenda and to ensure the reduction of administrative burdens on citizens and enterprises. Some aspects of the Better Regulation Agenda, such as consultation and Regulatory Impact Assessment (RIA), already existed in the PASOK programme (2009). After more than a year's delay, a better regulation law was given to public consultation in August 2011, but its voting was not completed during the Papandreou government. The law was finally voted in February 2012 (Law Gazette no.34/A, 23/2/12). It introduced the RIA, and it is in line with the OECD Better Regulation Agenda. During the Papandreou government, no relevant change was observed. Nevertheless, the new law can be described as second-order change because it does introduce new policy instruments for the improvement of regulation.

Apart from the reforms agreed (SEPC, 2010a), a framework law for electronic governance was voted (Law Gazette no.138, 16/6/11), and in the Explanatory Report (2011) of the Intermediate Programme, the completion of the modernized communication system between public organizations was also announced. It was additionally planned to transform Citizens' Service Centers into Unified Service Centers for both citizens and enterprises and to create an Innovation and Documentation Center within the National Centre for Public Administration and Local Government (Explanatory Report, 2011). All of these reforms can be considered as complementary to the SEPC, 2010a, even if they were not part of the specific conditionality agreement. International trends, such as decentralization, e-governance, more flexible human resource management and, above all, a campaign to reduce costs, are evident in SEPC, 2010a whose implementation was attempted by the Papandreou government. If we add to that pension reform, health care reform, the plan to reduce school numbers and universities, as well as public enterprises privatization plans and the 'recovery plan' for the railway sector and public transport, it becomes apparent that a major reform effort with unintended and unanticipated consequences is currently under way. Nevertheless, paradigm shift has not taken place yet. The public administration reforms discussed in this section are either cut-spending or incremental (first- and second-order change). Let us now turn back to our theoretical propositions.

What Went Wrong? Lessons Learned

The discussion of the impact of the economic crisis upon public administration reform in the Greek case gives us the opportunity to venture on a more theoretical discussion by taking into consideration the two propositions



outlined in the section ‘Theorizing the timing and type of change’ of this article. Such a discussion can enlighten our understanding of the direction and the success rate of public administration reforms in other Eurozone countries under the current wave of austerity measures, triggered by the public debt crisis.

In the section ‘Theorizing the timing and type of change’, it was argued that in order to understand administrative reform, two parameters should be analyzed and combined: the time and the type of change. Indeed, the case of Greece shows that the exact time of the reform can either facilitate or delay the intended change. The discussion of critical junctures sheds light on the critical moments in time when change is more likely to occur. Nevertheless, it is significant to note that even if the timing is right, the consolidation of radical change takes time (for example, Pierson, 2004). This means that it is very unlikely to observe radical change in the time space of 1 or 2 years. Furthermore, it is important to evaluate the direction towards which the external pressure for change is aiming at. This takes us to the second dimension, which is the analysis of the type of change that takes place. As it becomes evident from the discussion of the administrative reforms initiated by the Papandreou government, it is more possible to observe governments pushing forward incremental or cost-cutting changes rather than radical change, even when the time is right. Cost-cutting changes are by and large incremental (first- or second-order changes) and not radical because they are trying to quickly reduce cost, but most of the times do not involve changes in the understanding of the problem, the policy goals or the relevant institutions. Radical reforms are often more difficult to implement not only because of the political costs involved, but also because they necessitate a better ‘reform technology’ (see Monastiriotis and Antoniadis, 2009). In the case of Greece, cost-cutting and not structural was the main direction of the reform in order to quickly comply with the international loans’ economic targets. Moreover, institutional resilience and the dominance of a *quasi*-Weberian hierarchical bureaucracy, with all its fallacies, have dominated the recent administrative history of Greece, and it is not a surprise that structural reforms once more were not prioritised. The second proposition outlined in this article attempts to combine these two key dimensions for the understanding of change.

It is argued that for a policy paradigm shift to take place, a critical juncture is a necessary but not a sufficient condition. Policy experimentation and policy failure are equally likely and they can feed into a later paradigm shift over time. Our focus here is at the administrative level and the possibility of a paradigm shift. In this sense, it can be argued that *vis-à-vis* the previous Greek administrative reform phases discussed, only two of them involved a radical change in the understanding of policy problems and their solutions that in turn contributed to a paradigm shift. The first started in 1974 when the consolidation of democracy and the strengthening of the country’s international position was the

lens through which contemporary problems were viewed. Indeed, we can talk about an administrative paradigm shift at this period when new institutions and rules were established and the key institutions of the Greek modern state were consolidated. Joining the EC in 1981 was a second critical juncture for Greece and a paradigm shift can be observed once more. The new government that came to power in 1981 also changed the 'lens-perspective' by focusing on social justice and GDP growth, reinforcing radical administrative changes (for example, the creation of a National Health System), which signified the establishment of a welfare state in Greece. On the other hand, the significant but not radical administrative changes (for example, creation of administrative authorities) that took place after 1993, in light of the EMU participation, were incremental and there was no real change in the 'lens-perspective' through which the problems were seen. Joining the EMU was thus a critical juncture, but no paradigm shift could be observed. The fact that joining the EMU did not lead to a paradigm shift, therefore, means that the exogenous pressures for change were not strong enough, the endogenous circumstances did not favor radical change and no specific opportunity for action was created (see, for example, Featherstone, 2003).

Although it is still early to judge whether the critical juncture of the current economic crisis will lead to an administrative paradigm shift for Greece, an initial evaluation of the administrative reforms pursued by the Papandreou government is perhaps possible. Two key observations can be made: first, the exogenous pressure from the markets and from the first Memoranda (MEFP and SEPC) was strongly pointing to radical administrative reform, although its primary aim was to reduce public sector cost. This means that although radical and more structural reforms were envisaged, the immediate concern was to reduce cost. Whether the reduction of that cost would facilitate, or whether it would indeed be an obstacle to more radical reforms, was often not thought through. This inherent contradiction in the external pressure meant that the expectations were higher than what was possible, with a set of reforms that were mainly aiming at immediate budget savings.

Second, there was a shift at the governmental level in the way the problem was being addressed. The focus was on reducing public debt in order to keep one's place at the European table and sustain the possibility of decent living standards for majority of the population. This means that the necessary conditions for a policy paradigm shift were present. Nevertheless, these conditions did not prove to be sufficient, at least during the Papandreou government. The delays in most of the administrative reforms and the incremental nature of the few reforms that were implemented, in reality, signified policy experimentation in order to avoid harsh governmental decisions and conflict with organized interests. The Papandreou government, following external pressure for immediate budget cuts, did not manage to push forward



more radical and structural reforms. The result in some cases was policy failure, and in other cases inertia.

If we take this finding further, in line with Hall's (1993) argument, it can be claimed that although exogenous and endogenous events are important parameters of a critical juncture, and can either facilitate or obstruct change, the most important condition for a paradigm shift to be concluded is a coherent, strong and persuasive domestic political authority steering the reforms. As far as the Greek case is concerned, a new socialist government was elected in autumn 2009, and it is this government that was in charge of the reform process until November 2011. Giorgos Papandreou brought with him his own national consultants and organized a small group of international experts to help him with the reform process (Kovaios, 2010). There is no evidence that this group of national and international experts actively participated in the drafting of the Memoranda, although Papandreou is renowned for having an open ear to experts' views. It seems more likely that their role was marginal, and they did not influence either the lenders in the design of the reform programme or the government during its implementation. This is in line with the argument of Monastiriotis and Antoniadis (2009, p. 26) that often a lack of engagement with expert knowledge produces experimentation with instruments and settings and a failure for more radical reform.

The policy coherence of the reform was even more difficult to establish. In fact, the government found itself in the difficult position of, while trying to maintain its socialist values and roots, having to push at the same time for huge public spending cuts. Moreover, the government came into power with a discourse about green development and open governance (PASOK, 2009), and found itself in a situation of limited resources, with an agenda of different priorities dictated by its international lenders. The Papandreou government, however, did have an impact in the public administration reforms agreed, and this is obvious when PASOK's Election Programme PASOK, 2009 is compared with (SEPC, 2010a). Nevertheless, not all party-members and MPs accepted the 'ownership' of the programme, mainly because of the social severity of the budget cuts and not because they necessarily disagreed in principle with the administrative reforms. The latter often claimed in the media that the programme was imposed by the EU, and that they were only implementing the reforms because they were forced to. There were even occasions when PASOK MPs did not vote for the reforms (for example, Medium-Term Fiscal Strategy 2012–2015). A split in the party was soon apparent. The large number of simultaneous reforms with multiple intended and unintended consequences were not helpful. Not surprisingly, in November 2011, the Papandreou government was replaced by a government of national unity led by L. Papadimos, after domestic and European pressure.

Conclusions

The financial crisis that started in the United States in 2007–2008 quickly spread across the world; it mutated according to the weaknesses of each country, but definitely had one common characteristic across the globe. It has caused a debate about public spending cuts, efficiency of the state and rationalization of public services. Greece is one of the most interesting cases because although it is a member of the EMU, and possibly because of that, it has found itself in the middle of the European crisis. Its economy came near to collapse and a loan from the IMF and from EMU member-states was the only realistic solution. The loan came attached with Memoranda (MEFP and SEPC) that clearly stipulated public service reforms. In this article, it was argued that Greece is still not moving towards an administrative paradigm shift, and that what we observe is mainly policy experimentation and cost-cutting changes.

The data available up to now allows us to come to some initial but interesting empirical and theoretical conclusions. First, as far as Greece is concerned, it can be claimed that the reforms that have been adopted or planned in the first Memoranda are indeed addressing some of the main flaws of the dominant paradigm, such as lack of effectiveness, corruption and tax evasion. Nevertheless, the pace of reform is slow, delays are observed and an implementation gap can be noticed. The dominant hierarchical paradigm with all its fallacies proves to be persistent, as it has also been the case in the past. Second, the importance of exogenous factors in the reform process and the key role that the EU is playing, in rescuing the Greek economy, allows us to argue that this is the most coercive phase of Greece's Europeanization since its entry in the EC. Taking into consideration the fact that the EU itself has reached a critical juncture, it would be interesting to conduct more research into the relationship between the EU and its member-states because it is expected to produce interesting material not only for Greece, but also for the literature on Europeanization. Third, the key reasons that could halt a paradigm shift process apart from institutional resilience are: (i) unintended and unanticipated consequences because of the large number of simultaneous reforms taking place, (ii) extensive policy failure and policy experimentation, (iii) the 'ownership' of the reform programme and (iv) last, but not least, domestic political authority, if it proves to be less powerful than necessary.

Critical junctures and paradigm shift have proved to be useful concepts for the discussion of Greek public administration reform in light of the current economic crisis. At the same time, the Greek case has allowed us to gain a fresh view of these concepts and to combine them in an interesting way. Linking paradigm shifts with critical junctures and focusing both not only on the time, but also on the type of change, has proved to be fruitful, and additional research will allow us to take the findings of this linkage even further. The



Greek case shows that although the exogenous parameters were a catalyst for the initiation of the reforms, the actual outcome of the process is mainly a domestic issue. The strength of the domestic political authority to steer the paradigm shift and to overcome institutional resilience is possibly the most important factor for a critical juncture to lead to a paradigm shift. The current economic crisis may prove to be an opportunity not only for the countries involved the Eurozone as a whole, but also for the deepening of the study of administrative reform and public policy change.

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Interviews

- Interview with a Consultant of the Vice President of the Hellenic Government, Athens, 1/4/11.
- Interview with the Chair of the National Centre for Public Administration and Local Government (EKDDA), Athens, 2/4/11.
- Interview with the Greek Ombudsman, Athens, 5/4/11.
- Interview with high-ranking official of the Ministry of the Interior, Athens, 7/4/11.
- Interview with the Chair of the Public Servants Trade Union (ADEDY), Athens, 21/4/11.