

# New Forces for Greek State Reform

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The specter of Grexit is again haunting Europe. The bailout program that Greece agreed with its creditors in 2015 is again stalled and the disbursement of the next tranche is once more postponed. The ongoing negotiations focus mainly on economic reforms and the sustainability of Greek debt. Yet the problems of Greece are not only financial but also institutional. The administration and the judiciary necessary for an efficient modern state and a sustainable Eurozone economy are not in place. The length of court proceedings, corruption, insufficient expertise, and the lack of coordination are systemic problems. These institutional deficiencies are so grave that, taken together, they amount to a rule-of-law problem. The European institutions, the IMF, and the Greek government all agree that the law in Greece often lacks steering power and that institutions are too weak.

Already since the beginning of the crisis, the Greek bailout packages recognized this institutional dimension of the crisis. In 2011, the European Commission launched a program of technical assistance coordinated by the Task Force for Greece (TFGR). Assistance took a variety of forms: from support to the Greek authorities by resident experts to studies, reports, and dedicated workshops. Despite its important contribution in some fields, technical assistance did not deliver the expected results, also because the 'implementation of reforms was outside the TFGR's control and subject to a number of external factors,' as a report of the European Court of Auditors found in 2015—which means that the TFGR did not have the power to overcome obstacles from vested interests or organizational deficiencies.

The second strategy to fix Greek institutions was to require Greece to reform its institutions as a condition for receiving assistance. Such institution-reform-conditionality led to many changes in law. It is probably too soon to assess the practical success of these reforms, but there are reasons to be skeptical. Current Greek elites have not offered sufficient evidence of their willingness and ability to reform the state—both for political and organizational reasons. European demands have also not been conducive: reforming the administration and the judiciary is a costly enterprise, which conflicts with the assistance programs' focus on massive cuts in public spending.

We would like to put on the table a more ambitious and far-reaching proposal to use European help to bring new forces as well as the Greek diaspora into the reform process. The Greek institutions need highly qualified personnel that are not committed to the old systems of power but to the cause of reforming the Greek state. Such persons could be recruited with EU help and given key positions, with the corresponding working arrangements. Candidates can be found in Greece and, especially, in the Greek diaspora: the international and European institutions, corporations, banks, hospitals,

and universities have a lot of well-educated and experienced Greek citizens with high ethos who are familiar with the peculiarities of their country and have a passionate interest in its success.

Such a procedure requires a considerable number of persons. The group of newcomers must be big enough to bring about a modernization of the state and to be able to resist conflicts. It is probable that the Greek state should make available up to 500 or even 1000 key positions in central institutions (such as the courts, including court administration, the financial administration, and state enterprises)—if necessary also through early retirement schemes.

Different configurations are conceivable to practically implement this idea. In any case, recruitment should be carried out in accordance with the established competitive procedures of the EU Commission. The appointments, however, need to have the approval of Greek authorities to counter any charge of "foreign domination." The employment status and payment should follow those of EU officials so that such positions are sufficiently attractive. Importantly, there need to be credible safeguards against unlawful pressure as well as trustworthy mechanisms of accountability. The cost of this project, including the costs of potential early retirement schemes, should be covered by a part of the financial-assistance package specifically earmarked for this purpose. In this way, there will be no additional costs for the EU budget or for the Member States. There are several different ways to implement the project, for example within the framework of the "Structural Reform Support Service" set up by the EU Commission in 2015. What is important, however, is that it is not limited to consultation and the organization of workshops and that the new officials are part of the Greek administration, where they can actively co-shape and advance reforms.

We see three important advantages in this proposal. Firstly, it allows focusing the negotiations on institution-building, an item of the agenda that all parties agree is critical. Recent discussions on a potential involvement of the World Bank in Greece, an institution known for its state-building orientation, show that for many actors institution-building needs to receive higher priority. European institutions are in a better position to deliver this task and should not outsource it. Secondly, it takes into consideration the justified concern that simply offering financial incentives for reform might not be as effective. Thirdly, it would help reversing the brain drain that plagues Greece: many of the Greeks that could offer substantial help in reforming their country and have immigrated in great numbers after the crisis would have good reasons to return; they would benefit from the security and independence of the new positions and contribute to realizing the reformist agenda that has remained on the table ever since the Greek struggle for independence began almost two hundred years ago.

The arrangement we suggest has to face numerous challenges, not least a good understanding of the Greek State's mechanics and Greece's true agreement to advance in this way. There are many political and legal challenges that will need to be addressed. However, according to Article 197(1) TFEU, the effective implementation of Union law by the Member States is a matter of common interest, which is why the Greek state

reform is a common European concern. Regulation 472/2013, which governs financial-assistance programs, provides, inter alia, that Member States experiencing insufficient administrative capacity shall seek technical assistance from the Commission.

In classical Greek tragedies, existential crises are sometimes solved by a *deus ex machina*, the unexpected outside intervention of a divine power. This is not to be expected in Greece's present drama. With the help it has to offer from the outside, the EU can, however, activate some of the currently dormant and still unemployed forces of the Greek people.



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All the best, *Max Steinbeis*

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