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ADMINISTRATIVE REFORMS AND THE EUROZONE CRISIS: A COMPARATIVE STUDY OF GREECE AND PORTUGAL

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Abstract

The Eurozone crisis that erupted in late 2009 had a strong impact on the countries of the EU periphery, triggering a range of fiscal and structural adjustments at all levels of government. Greece and Portugal were most affected by the crisis and embarked on fiscal consolidation programmes in exchange for the external financial assistance packages. Public administration was a key reform area where large-scale adjustments needed to be made in a relatively short period of time. This paper seeks to assess the impact of the fiscal adjustment programmes on the Greek and Portuguese public administrations. Drawing on empirical evidence from the period 2009-2016, the effect of the initiated policies is analyzed with reference to quantitative and qualitative indicators. The findings of the comparative study highlight certain similarities and differences in the way that austerity policies affected the domestic administrative systems. The paper also offers some possible explanations for the observed variations in the outcomes and the prospects of the reform programmes.

Keywords

Eurozone Crisis, Adjustment Programmes, Public Administration, Greece, Portugal

1. Introduction

The sovereign debt crisis of the euro area had an asymmetric effect on member states, mostly affecting the countries of the EU periphery, which were forced to embark on austerity policies and fiscal adjustment programmes in exchange for external financial assistance (Teixeira, Silva & Mamede, 2014; Hardiman et al., 2016; Magone, Laffan, & Schweger, 2016). In most cases, the policy mix was decided under a state of emergency and was characterized by an increasing involvement of external actors in shaping the domestic policy agendas (Sapir et al., 2014; Véron, 2016). The loan agreements were agreed upon strict conditionality, which means that the implementation of the reforms was linked to disbursement of the funds.

Public administration was a key-reform area and an integral part of the adjustment programmes. While government reactions to the crisis vary among countries (Peters, 2011), the responses of the peripheral countries share certain similarities. Unlike traditional patterns, managerial or post-NPM reforms (Pollitt, 2016), a clear focus on consolidation measures and the financial performance of the public sector was observed (Kickert, Randma-Liiv & Savi, 2015). Under mounting fiscal pressure, the efficiency and effectiveness of the administrative apparatus have been questioned and several changes were required in most parts of the public sector.

This paper reviews and compares the impact of the adjustment programmes on public administration in Greece and Portugal. The main aim is to explore the similarities and variations in the reform patterns and the outcomes of the implemented policies between the two cases. A key question to be addressed is the impact of the reform programmes on the performance of public administration, both in quantitative and qualitative terms. Based on the findings of the comparative analysis, the paper also investigates certain explanatory factors for the observed variations.

Greece and Portugal provide a good basis for comparison for several reasons. The two countries share certain similar historical, social, political and economic characteristics (Freire, Lisi, Andreadis & Leite Viegas, 2014). In addition, their administrations have been

largely shaped under the influence of a common tradition that emanates from the Napoleonic administrative pattern (Sotiropoulos, 2004; Peters, 2008; Spanou, 2008; Ongaro, 2014). Compared with other EU countries, they were most severely hit by the crisis and were obliged to implement relatively similar programmes of fiscal and structural reforms. Thus, they represent two critical cases of ‘externally imposed conditionality’ (Zahariadis, 2016, p. 465), which worked as a driver for domestic reforms.

The paper is organized as follows: In the first chapter a brief chronology of the reform paths in Greece and Portugal since the mid-1970s is presented. Chapter two provides a detailed account of the measures that were included in the policy programmes of the crisis period. Chapter three draws on existing surveys in order to measure the financial performance of the public sector and the quality of governance during the crisis years. In chapter four the key findings are critically discussed, also pointing out certain explanatory variables. Finally, the concluding chapter sums up the main points of the analysis. The paper focuses on an empirical investigation of the crisis effect on public administration; thus theoretical implications are not comprehensively discussed.

2. Administrative Patterns and Reform Trajectories

Greece and Portugal can be classified in the cluster of the southern European countries that form a distinct administrative paradigm largely emanating from the Napoleonic tradition (Peters, 2008; Spanou, 2008; Ongaro, 2014). Along with the historical, social-political, economic and cultural similarities (Sotiropoulos, 2004; Kickert, 2011), the southern bureaucracies have been characterized by certain similarities in their administrative systems. Some key typical features include the centralized and hierarchical organization of the administrative apparatus, its procedures-focused orientation, the legalistic culture, the political accountability of the bureaucracy, the civil service career-based system and the corporatist relations between the state and society (Sotiropoulos, 2004; Corte-Real, 2008; Kickert, 2011; Ongaro, 2009; Di Mascio & Natalini, 2015). These features often co-exist with certain weaknesses in the administrative practice, namely politicization, party patronage, clientelism, corruption, informal arrangements and low institutional capacity (Sotiropoulos, 2004; Diamandouros et al., 2006).

Along with the common administrative heritage, the Greek and Portuguese states are characterized by similar organizational structures. Both countries have a unitary and decentralized system of government. The Greek public administration has three main levels,

namely central, decentralized and local government. In Portugal, public administration includes direct and indirect state administration, as well as autonomous bodies. The main administrative tiers are further divided into regions, municipalities, communities and other administrative/territorial areas, as illustrated in Table 1.

Table 1: State organization & Administrative Divisions

	LEVELS & STRUCTURE OF PUBLIC ADMINISTRATION	ADMINISTRATIVE DIVISIONS
Greece	Central Administration Decentralised Administrative Units Local Government (Municipalities /Regions)	Decentralized Administrative Units (7) Regions (13) Municipalities (325)
Portugal	Direct State Administration Indirect State Administration Autonomous Administration (Regional/Local/Associations)	Administrative Regions (18) Intermunicipal Communities (21) Municipalities (308) Parishes (3.091) Metropolitan Areas (2) Autonomous Regions (2)

When the Eurozone crisis erupted, administrative reform programmes were already underway in Greece and Portugal. Since the mid-1970s, both countries followed similar reform paths and they were influenced by broader trends such as New Public Management (NPM), Governance and the New Weberian State (NWS). In addition, while public administration per se was not a core EU harmonization area, domestic administrative systems were significantly influenced by the Europeanization process, since accession to the EU.

Reform trajectories correspond to distinct phases and policies. Briefly, modernization has been the core goal of most reform efforts throughout the past three decades, which corresponds to various policy programmes and implementation tools. While there are certain similarities between Greece and Portugal, the timing and the specific content of the reforms partly vary.

Following the democratization phase in the 1970s, Portugal introduced certain managerial and technical tools in the mid-1980s and the 1990s, aiming at public sector modernization and rationalization. However, more concrete reform programmes were initiated in the mid-2000s, which caused notable changes. They were mostly oriented towards governance and NPM-related techniques aiming at reducing the size and the cost of the public sector, rationalizing administration, simplifying procedures, decentralization, better service quality and e-government (Corte-Real, 2008; Magone, 2011). Under the PRACE programme especially, a set of radical steps were taken towards administrative

reform at both central and local government levels that also achieved some savings (Fargeot-Boll, 2012). Due to deteriorating public finances, when the crisis hit Portugal the country had already initiated certain measures for reducing public sector expenditure and for introducing financial discipline (Eichenbaum et al., 2016).

Greece was characterized by a more prolonged democratization phase, which lasted until the late-1980s. During the late-1970s and the 1980s, special emphasis was placed on the restoration of democratic institutions, while the dominant features of the administrative apparatus were defined by a predominantly centralist bureaucratic style and 'heavy state' elements. In the 1980s, administrative reforms were directly linked with the goal of 'democratization' of the (expanding) public sector –and later on with that of 'democratic modernization'- that brought about certain institutional changes (Spanou, 2012, pp. 174-175). A short shift in the political agenda occurred in the early 1990s where a neo-liberal approach to the public sector was initiated; however, no actual implementation was recorded. Notable efforts towards modernization and decentralization are traced to the mid-1990s under the influence of managerial models and the Europeanization process. In 1996 a range of 'economic' and 'managerial' reforms were introduced (Spanou & Sotiropoulos, 2011), aiming at the technical rationalization and modernization of the administrative apparatus. In the next decade, a certain degree of continuity in the agenda of administrative reforms is observed, but the reform momentum appears weaker and the initiated programmes led to piecemeal transformations (Spanou, 2012; Ladi, 2014; Lampropoulou & Oikonomou, 2015).

This brief description of the pre-crisis reform paths is useful for understanding the relative background of the Greek and Portuguese domestic administrative systems as well as their later reaction to the crisis. In both cases the scope and intensity of administrative change were moderate and the reform process progressed at a slow pace. In addition, while models such as NMP, NWS and Governance have had a certain influence on all southern public administrations, they have not brought radical changes to the core aspects of the traditional administrative pattern (Ongaro, 2009; Kickert, 2011; Spanou, 2012).

3. Policy Responses to the Eurozone Crisis

Notwithstanding the particularities of each case, the key reasons for Greece and Portugal's financing problems that led to the request for external assistance share certain similarities (Gonçalves, 2016; Véron, 2016). When the crisis erupted, the fiscal condition in the two countries was characterized by ongoing deficits, rising government debt, external

imbalances and high borrowing. In particular, like other peripheral countries that were hit by the crisis, they recorded prior large current-account deficits (Provopoulos, 2014, p. 2). In Greece, high public sector borrowing and low revenue were aggravating the country's fiscal imbalance and led to the increase in public debt and budget deficit. Portugal was facing similar fiscal imbalances, however of a lower intensity, along with other factors such as low growth and high private sector lending. The crisis effect was further aggravated due to the existing and deeper structural weaknesses of the Economic and Monetary Union (EMU) (Copelovitch, Frieden & Walter, 2016).

The role of public administration in the crisis scenario was mostly related to the size and the cost of the public sector. Thus, a key condition of the subsequent fiscal adjustment programmes was a reduction in public expenditure through downsizing and cost-cutting measures. In Portugal, the government that was elected in June 2011 (PSD, CDS) placed notable emphasis on the goal of cutting the state's 'fat', suggesting that 'sacrifices' should be imposed on the state instead of the citizens as individuals (Caldas, 2012, p. 12). The State Reform programme that was introduced in late 2013 heavily criticized state spending and initiated austerity measures that were even related with Thatcher reforms (Rocha & Zavale, 2015). In a similar way, the Greek public sector has been attacked for being a major source of inefficiency and financial mismanagement, justifying the need for drastic cuts. The subsequent reform programmes were decided under mounting fiscal stress and initiated deep cuts and changes that in some respects were claimed to have intensified the (ongoing) neoliberal agenda (Karamessini, 2012; Laskos & Tsakalotos, 2013).

The response of national governments to the crisis was mainly a reactive one and several revisions and adjustments to the initial plans were deemed necessary as the crisis unfolded. In view of some early warning signs and deteriorating public finances, Greece in early 2010, attempted to act in a proactive way by announcing austerity measures and public sector cutbacks. However, the severity of the crisis was initially underestimated and as fiscal pressure began to mount these measures proved inadequate for reversing its effects. Portugal felt the pressure coming from other peripheral countries, mostly Greece and Ireland, and in late November 2010 initiated a series of measures targeting public sector salaries, recruitments, pensions, allowances, health and investment programs aiming at reducing the operating expenses of the state within broader financial stability initiatives (Lourtie, 2011, p. 22; Caldas, 2012). Yet, the country soon saw the fiscal situation deteriorating and applied for a bailout agreement.

National policies were formed under a state of emergency and the direct influence (and oversight) of supranational institutions. The Economic Adjustment Programmes were the main policy tool for implementing the obligations that were undertaken in exchange for the financial assistance packages. These agreements were officially embedded in Memoranda of Understanding and were negotiated between national governments and the 'Troika', consisting of the European Commission, the European Central Bank and the International Monetary Fund. Since 2010, Greece has undertaken three adjustment programmes for six consecutive years and is still under an external financial assistance programme. The first one was agreed in May 2010 (€72.9 billion), the second in March 2012 (€153.8 billion) and the third in August 2015 (€86 billion). Portugal implemented a single financial assistance programme, which began in May 2011 (€78 billion) and lasted three years, till May 2014.

The content of the Memoranda was a combination of structural adjustments and fiscal contraction measures (Eichenbaum et al., 2016). The policy mix included a list of detailed and mostly front-loaded measures which were decided under the direct involvement of the 'Troika' on the basis of strict conditionality¹. The role of domestic governments in policy formation was weakened and a certain degree of policy transfer (Dolowitz & Marsh, 2000; Evans, 2009; Marsh & Sharman, 2009) occurred from the supranational to the national level. Consequently, especially after the crisis, public sector reform could hardly be considered as an area of 'exclusive national competence' (Ongaro, 2014). The decision-making and implementation processes took place in a top-down manner and at the same time some aspects of the Europeanization process were intensified, for instance as regards the adjustments to the harmonized sectors. External technical assistance was also provided to Greece by the Task Force (TFGR) as well as expertise from other EU countries, such as France and Germany.

Under a state of emergency, external involvement was intensified, while little attention was paid to carrying out public debates prior to the decisions (Zahariadis, 2016, p. 467). Therefore, within the national contexts the adjustment programmes were largely perceived as forced reforms lacking democratic legitimacy. In particular, most of the measures concerning the public sector were initiated in a unilateral way and without substantial social dialog (Rocha & Zavale, 2015; Da Paz, Lima & Abrantes, 2016). In Greece especially, there was much political controversy over the commitments included in

¹ For Greece, the extent and detail of the financial assistance conditionality has increased during the implementation of the adjustment programmes (Sapir et al., 2014, pp. 15-16).

the loan agreements as well as social unrest and protests against the associated austerity measures (Pappas & O'Malley, 2014).

The political agenda for administrative reform was set out in line with the fiscal targets and the external obligations deriving from the fiscal consolidation packages. The adjustment process was primarily driven by fiscal urgency and was focused on short-term savings. Accordingly, the goal of rationalizing state spending acquired increased weight. Public sector modernization has been one of the key priorities of the administrative reform programmes and was linked with rationalization, downsizing and efficiency goals. In both countries the required adjustments were primarily driven by budgetary constraints in order to reduce the cost of the administrative apparatus. In addition, compared with previous reform efforts, they were characterized by greater intensity and were compressed in a strict timeframe.

Table 2 provides a detailed overview of the measures that were initiated under the bailout agreements (MoUs) and the national reform programmes with reference to public administration. The measures are classified in three broad categories covering organizational structures, procedures and the civil service.

Table 2: Fiscal Adjustment & Administrative Reform Programmes

A. ORGANIZATION & STRUCTURES	Greece	Portugal
Reorganization - restructuring of central administration and local government	☑	☑
Downsizing/closing/merging public entities	☑	☑
Municipal mergers and local government reform	☑	-
Restructuring/divestiture/privatization of public companies and state assets	☑	☑

B. PROCEDURES	Greece	Portugal
Public financial management and revenue administration reform	☑	☑
Reducing public expenditure and operational cost	☑	☑
Central financial control and expenditure monitoring (central/regional/local government)	☑	☑
Reducing/Eliminating duplication and overlaps between administrative levels	-	☑
Strengthening e-government tools	☑	☑
Public procurement reform	☑	☑
Procedures simplification	☐	☑

Strengthening state-citizens relations	<input type="checkbox"/>	<input type="checkbox"/>
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C. CIVIL SERVICE/PUBLIC EMPLOYEES	Greece	Portugal
Lay-offs/reduction in the number of public sector employees (tenured/temporary) and fixed replacement rate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Salary cuts	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Wage freeze and suspension/abolition of special allowances and overtime payment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Special mobility, pre-retirement and 'labor reserve' schemes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Increase in working hours and retirement age	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reform of career and promotion systems	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Single/unified salary scale	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reform of the selection and recruitment system for senior administration officers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Part-time employment and unpaid leave of absence	<input checked="" type="checkbox"/>	-
<input checked="" type="checkbox"/> : measures included in the Memoranda and the National Reform Programmes <input type="checkbox"/> : planned/partly initiated measures		
<p style="text-align: right;"><i>Source: European Commission, 2010, 2011, 2014, 2016a, 2016b; Memoranda of Understanding; National Reform Programmes; Legislation</i></p>		

With reference to the structures and the organizational aspects of public administration, the reform programmes initiated major restructuring in all levels of government. Briefly, they included the reorganization of central administration, the closing and merging of public entities, the reduction of units², the reform of local government and, particularly in Greece, a notable decrease in the number of municipalities and local authorities³.

Measures targeting administrative functions and procedures aimed to strengthen the financial management and revenue administration system and improve the operational efficiency of the public sector. Important steps were taken towards the use of ICT tools and E-government, for instance regarding public procurement system, transparency portals⁴ and the citizen service bureaus. In addition, a clear tendency to strengthen the central levels of government and centralize expenditure monitoring was observed. In Portugal, procedures

² In the Greek central administration this was 43,92% (Manitakis, 2013). For Portugal, the Memorandum agreements provided for a 40% reduction in units, 27% in management positions and 15% in municipalities-regions.

³ In Greece the number of municipalities was reduced from 900 to 326 in 2010 (Hellenic Ministry of Interior). In Portugal, the number of parishes was reduced from 4260 to 3092 in 2013 (Nunes Silva, 2017).

⁴ The Di@vgeia Programme in Greece (2010) and the Municipal Transparency Portal in Portugal (2014).

simplification and the goal of limiting overlaps between and across administrative levels were also given special attention.

Civil service has been a major reform area, where a wide range of measures caused notable changes in the status of public sector employees. In particular, changes occurred in the carrier and remuneration system, while new tools have been initiated, such as the special mobility schemes and the procedure for the selection of senior officers⁵. Emphasis was placed on horizontal cost-saving measures including a freeze or reduction of public sector wages and pensions, wage cuts, the abolishment or reduction of benefits, allowances and other bonuses, limited admissions of new employees, an increase in the retirement age, the abolishment of holiday and Christmas bonuses, an increase in the weekly working hours⁶ and drastic budget cuts in all public entities. In Greece, a new unified pay grid has been implemented since 2011, while in Portugal the plan for a new pay grid is still pending.

4. Policy outcomes

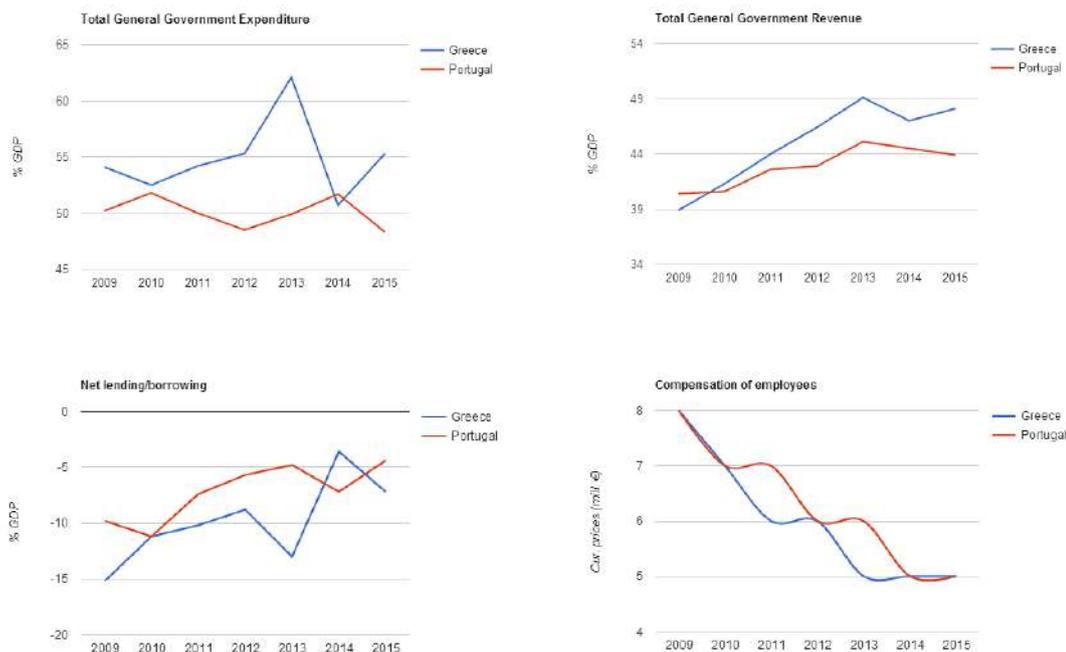
4.1 Financial Performance

The implementation of the Economic Adjustment Programmes had a clear positive effect on the financial indicators of the public sector. As shown in Appendix I, since the beginning of the crisis most indicators recorded improvement. Over the past years, government expenditure has decreased, revenues have increased and government borrowing has notably dropped (% GDP). Cost-cutting measures had a greater effect in the case of Greece, taking into account that since 2009 the country's GDP has experienced a sharp contraction and has declined by 25%⁷. In addition, the cost of the public sector wage bill fell significantly in both countries, both in nominal prices and as a percentage of GDP, along with a notable reduction in the number of public sector employees (Table 3 and Appendix I).

⁵ The Executive Register in Greece (*Εθνικό Μητρώο Επιτελικών Στελεχών Δημόσιας Διοίκησης*) and CRESAP in Portugal (*Comissão de Recrutamento e Selecção para a Administração Pública*).

⁶ In Greece from 37.5 to 40 and in Portugal from 35 to 40.

⁷ At the same time, Greece recorded the largest fiscal adjustment among the Eurozone countries (Pagoulatos, 2013).



Source: Author's elaboration based on Eurostat data

Figure 1: Public Sector Financial Indicators (2009-2015)

Table 3: Public Employment (2009-2015)

	2009	2010	2011	2012	2013	2014	2015
Greece	865.153	796.947	715.686	629.114	599.207	576.856	566.913
Portugal	-	-	727.642	699.829	674.660	656.056	658.459

Source: Hellenic Ministry of Administrative Reform; Boletim Estatístico do Emprego Público

4.2 Quality of Governance

In this section a set of indicators that relate to the quality of governance in Greece and Portugal are drawn from available databases with the aim of assessing the qualitative impact of the crisis. The scores of the World Bank Worldwide Governance Indicators show a notable deterioration in government effectiveness in Greece and a relative improvement in Portugal (Table 4). Regulatory quality has declined in Greece, while Portugal has recorded improvement. The scores of rule of law were negatively affected in Greece and the country's performance recorded a sharp decline during the period of the crisis. On the contrary, Portugal's score has improved since 2010.

Table 4: Governance Scores* (2010-2015)

	2010	2011	2012	2013	2014	2015
Government Effectiveness						
Greece	0.55	0.50	0.32	0.46	0.40	0.25
Portugal	1.02	0.96	1.05	1.24	1.01	1.23
Regulatory Quality						
Greece	0.63	0.49	0.51	0.62	0.34	0.40
Portugal	0.73	0.63	0.82	0.80	0.77	0.94
Rule of Law						
Greece	0.61	0.55	0.40	0.45	0.34	0.24
Portugal	1.04	1.03	1.05	1.04	1.13	1.14
* -2.5 to +2.5						
<i>Source: World Bank Worldwide Governance Indicators</i>						

Drawing on a more specific set of the indicators on the executive capacity of national governments (Bertelsmann Stiftung Sustainable Governance Indicators, Table 5), both countries have recorded on average relative deterioration. Country performance on each indicator ranges on a scale from 1 (lowest) to 10 (highest). Focusing on the variables that relate most to the public administration, the application of Regulatory Impact Assessments (RIA) has recorded some improvement; however, the respective scores indicate that in Greece these instruments are not applied or do not exist and in Portugal they are applied in some cases but a common methodology is missing. Policy implementation, which largely depends on the administrative apparatus as the executive branch of government, has recorded both negative and positive shifts in Greece. In Portugal, the effectiveness of policy implementation has tended to slightly deteriorate over the past years.

Table 5: Governance: Executive Capacity: 2009-2016*

	Greece					Portugal				
	2009	2011	2014	2015	2016	2009	2011	2014	2015	2016
Strategic Capacity	3,0	4,0	5,5	5,0	4,5	6,5	6,0	5,0	5,0	5,0
Interministerial Coordination	5,2	4,7	6,0	5,7	5,0	6,5	6,7	6,8	6,8	7,0
Evidence-based Instruments (RIA)	1,0	2,0	1,3	1,3	1,3	2,3	5,0	1,6	2,7	3,0
Societal Consultation	5,0	5,0	2,0	2,0	3,0	5,0	5,0	4,0	4,0	4,0
Policy Communication	4,0	6,0	2,0	3,0	3,0	9,0	8,0	7,0	5,0	6,0
Implementation	4,0	3,4	4,5	4,6	4,0	6,8	6,5	6,8	6,6	6,4
Adaptability	3,7	4,5	4,5	4,5	4,5	8,0	7,0	7,0	7,0	7,0
AVG	3,70	4,23	3,69	3,73	3,61	6,30	6,31	5,46	5,30	5,49
1 to 10										
<i>Source: Bertelsmann Stiftung Sustainable Governance Indica</i>										

With reference to the efficiency of public administration in enabling the economic activity of private actors and businesses, both countries have recorded some progress since

2010 (Table 6). Yet, inefficient government bureaucracy is still considered as one of the most problematic factors for doing business.

Table 6: *Inefficient Government Bureaucracy* (2010-2016)*

	2010-2011	2012-2013	2014-2015	2016-2017
Greece	27.2	21.0	19.8	15.6
Portugal	20.6	15.2	19.2	15.3

Responses weighted according to a 1-5 ranking of the five most problematic factors for doing business
 Source: World Economic Forum - Global Competitiveness Index

Finally, taking a citizen’s perspective, evidence from the Eurobarometers shows a sharp decline in trust in national governments at the outset of the crisis and in the course of the fiscal adjustment programmes, as illustrated in Table 7. Since 2010, the scores of trust in the Greek government have been extremely low and far below the EU average. Portuguese citizens’ satisfaction with political institutions and public services in key policy areas has recorded a marked decrease during the crisis years (De Sousa, Magalhães, & Amaral 2014); however, recently (2016), citizens’ trust in the government seems to have been restored and reached a notable higher score (33%).

Table 7: *Trust in Government (2009-2016)*

	2009	2010	2011	2012	2013	2014	2015	2016
GREECE	44%	21%	8%	7%	10%	11%	16%	11%
PORTUGAL	32%	19%	24%	22%	15%	17%	15%	33%
EU27/28	29%	28%	24%	27%	23%	29%	27%	27%

Source: EC Eurobarometers 72, 74, 76, 78, 80, 82, 84

Overall, available data indicates that Portugal performs better in most areas that relate to government and public administration, while Greece’s performance, despite certain improvement, still lags behind. Yet the impact of the crisis on the qualitative variables of governance varies and both positive and negative shifts occurred. In the case of Greece, the deterioration of critical indicators relating to the quality of governance is more obvious, while in Portugal the negative effects of the crisis were more limited. However, compared with other (western) European countries, both countries exhibit poor performance and are ranked low in most areas related with the quality of governance and public administration.

5. Discussion

5.1 Policy outcomes

Previous research on the reaction of national governments to financial austerity and the Eurozone crisis suggests that subsequent policy responses often focus on short-term fiscal targets in order to generate direct savings, while little attention has been paid to a systematic restructuring of the administrative apparatus (Bach & Bordogna, 2013; Kickert, Randma-Liiv & Savi, 2015; Pollitt, 2015). This hypothesis is largely verified in the case of Greece and Portugal (Bruneau, Jalali & Colino, 2015; Di Mascio & Natalini, 2015; Featherstone, 2015; Spanou, 2015). Reform programmes were mostly driven by the need for fiscal recovery and the tone was primarily set by cost-cutting and downsizing requirements⁸. Accordingly, public administration was subjected to deep horizontal budget and personnel cuts with a clear fiscal focus. At the same time most entities were restructured and some of them were merged or abolished. Under these circumstances, public administration not only had to absorb the shock of the imposed adjustments but also to respond effectively to the structural requirements of its modernization.

While notable changes occurred, such as the strengthening of financial management, e-government tools and human resources policies (European Commission, 2015, 2016a, 2016b), it is doubtful whether the initiated programmes were reforms in the sense of radical transformations. Certainly, the Greek and Portuguese public sectors became apparently smaller and less costly; however, this does not automatically mean that they are now operating in a more efficient and effective way. Evaluation reports indicate that the initial goals were not fully achieved (Sapir et al., 2014; European Commission, 2016a, 2016b) and a gap between programmatic statements and actual results remains. In addition, the compliance rate varies and in both cases a need for further structural measures is stressed (OECD, 2013; European Commission, 2014, 2016a, 2016b; Bruneau, Jalali, & Colino, 2015; Darvas & Álvaro, 2015; Gonçalves, 2016).

Only recently, a shift from fiscal targets to an improvement in the quality of public administration seems to be gaining ground (European Commission 2016a). However, it should be noted that while certain fiscal criteria have been met, the implemented measures in some cases had a reverse (negative) effect on the efficiency of the public sector and service quality (Eichenbaum et al., 2016, p. 37). For instance, public sector lay-offs led to a

⁸ The titles of the Portuguese administrative reform programmes are a characteristic case of the suggested (re-)prioritization: In April 2011, the Programme for the Restructuring of State Central Administration (PRACE) was replaced by the Plan for the Reduction and Improvement of State Central Administration (PREMAC).

substantial loss of experienced employees and caused problems in the effective delivery of public services (Spanou, 2015; Zahariadis, 2016).

5.2 Explanatory factors

The outcomes of the reforms to some degree could be explained on the basis of inadequate planning. Certain of the initial assumptions regarding the adjustment process and the fiscal targets were over-optimistic and practically unrealistic along with the weak capacity of the administrative systems to carry out the reforms (Sapir et al., 2014; Eichenbaum et al., 2016). In addition, the compatibility of the required adjustments with several country specific features is doubtful. Similarly to previous reform efforts aiming at transferring governance and administrative models from supranational institutions to the domestic reality (Magone, 2014), the specificities of the southern bureaucracies and the administrative culture in Greece and Portugal have not been sufficiently taken into account, especially regarding the involvement of the supranational actors. Other factors underlying the poor results go beyond public administration and relate to the external macroeconomic environment and the domestic economic conditions.

Policy outcomes were also affected by unpredicted factors and legal barriers, while in many cases the initiated measures faced strong resistance that inhibited implementation. For instance, some of the cutbacks targeting civil service, such as the wage cuts in the public sector, were struck down by the Constitutional Court of Portugal. The measures that especially had high political cost of compliance, for example public service lay-offs, in practice damaged the legitimization and the acceptance of the reform programmes without producing substantial gains. Moreover, after completion of the programmes many of these measures were reversed or cancelled, such as the increase in working hours, the requalification scheme and the freeze of wage bill in Portugal (Domnick & Schoenwald, 2016; European Commission, 2016b, p. 22).

From a comparative perspective, additional factors account for the varying effect and outcomes of the adjustment programmes. Greece and Portugal are often contrasted as, respectively, 'failure' and 'success' stories and the adjustment programme of Greece is considered to be the least successful among the peripheral countries (Sapir et al., 2014; Domnick & Schoenwald, 2016). Nonetheless, this hypothesis has not been fully confirmed, either with reference to the adjustment programmes in general (Reis, 2015; Gonçalves, 2016), or regarding administrative reforms in particular. The findings of the analysis indicate that assessment of the outcomes of the adjustment programmes should take into account a range of variables that affect the final results, as explained below.

First, while the policy mix appears similar, the circumstances under which it was implemented are relatively different. Policy outcomes were affected by the ‘financial vulnerability’ of each country (Lodge & Hood, 2012), the depth of recession and the deterioration of the economic situation, which has been undoubtedly more severe in the case of Greece (Gonçalves, 2016; Domnick & Schoenwald, 2016). Another key-difference is the situation of the two countries when the crisis erupted. Regarding the public sector, during the preceding decade Portugal had initiated several cost-cutting measures that had led to some savings, for instance a reduction in the number of and compensation to public sector employees (Lourtie, 2011, p. 14). On the contrary, in Greece no concrete effort had been made in the pre-crisis period to address the poor financial performance of the public sector in spite of the warning signs.

Furthermore, the process of administrative reform was influenced by certain country particularities. Critical variables were the domestic politics and the dynamics of political representation (Freire et al., 2014; Kovras & Loizides 2014; Afonso, Zartaloudis & Papadopoulos, 2015). While governments faced strong resistance against the austerity packages, in Portugal the political conditions during the implementation phase were more favourable than those in Greece. An additional factor that strongly delegitimized the initiated reforms has been the ownership of the reform programmes and the involvement of supra-national actors (Sapir et al., 2014; Featherstone, 2015; Spanou, 2015). The Portuguese government cooperated well with the ‘Troika’ (Sapir et al., 2014, p. 44), while in Greece there has been constant tension in the relationship between the policy-makers and external actors (Featherstone, 2015). In the latter case, the reforms were perceived as an externally imposed obligation, thus the initiated policies were lacking public support.

The outcomes of the adjustment programmes also depend on the varying ‘reform ability’ (Heinemann & Grigoriadis, 2013) and the institutional capacity of each country. The empirical data presented in the previous chapter indicate that governance and administrative capacity indicators have been higher in Portugal, which means that the administrative apparatus was more capable of carrying out the required reforms. Greece records relatively lower performance, and it had more distance to cover, also taking into account the combined effect of the mounting fiscal stress. The observed variations can also be attributed to factors that relate to the particular south European administrative tradition and country-specific cultural patterns (Rocha & Zavale, 2015). In this respect, the prevailing political and administrative culture (Dimitrakopoulos, 2014; Featherstone, 2015), which also accounts for

the long-standing low capacity of the state apparatus in Greece (Spanou & Sotiropoulos, 2011), may provide an additional explanation of the observed variations.

Table 8: *Comparative Findings & Explanatory Factors*

Similarities	Differences	Explanatory factors
Reform Agenda	Reform intensity	Over-optimistic targets
Policy mix	Required adjustment	Reform capacity
External involvement	Programme duration	Different starting points
Conditionality	Outcomes	Macroeconomic environment & domestic economic conditions
		Domestic politics
		Ownership of reforms

6. Conclusions

This paper explored the impact of the Eurozone crisis on public administration in Greece and Portugal. Given the common roots of their administrative tradition and the fact that the peripheral countries were hard-hit by the crisis, these two cases provided a good basis for a comparative study.

Several similarities were traced in the content and design of the Greek and Portuguese adjustment programmes. In both cases the domestic political agendas were shaped under the strong influence of external actors. The tone was set by austerity and contractionary fiscal policies. Administrative reforms were directly included in the Memoranda that were agreed upon strict conditionality. The policy mix was a combination of structural and fiscal measures. The programmes primarily aimed at reducing the cost and enhancing the efficiency of the public sector. Particular emphasis was placed on downsizing and cost-saving measures, affecting the formal structures of public administration, administrative procedures and the civil service. The most affected areas were those that could have a fiscal effect, for instance wage cuts, personnel reductions and budget monitoring.

The impact of the adjustment programmes on public administration was assessed on the basis of quantitative and qualitative indicators. While some targets were met, certain implementation gaps were observed and often the actual results diverged considerably from

the expected ones. On the one hand, the crisis had a direct positive effect on public sector financial performance where most indicators recorded improvement. This largely came as a result of the horizontal cuts. On the other hand, the quantitative effect of the adjustment programmes is not as clear as its fiscal effect. Evidence provided mixed results. As regards the quality of governance, Greece's scores have recorded clear deterioration, while Portugal has exhibited relative improvement. Executive capacity indicators in both countries showed a downward trend in most areas. Citizens' trust in government has declined in the crisis years and, in Greece especially, has remained at a very low level.

Compared with previous reform efforts, the administrative reform programmes of the crisis period were primarily oriented towards downsizing and cost reducing measures. These goals were often given priority at the expense of structural adjustments and quality improvements. While the initiated policies partly reflected a neoliberal agenda, no clear reform pattern⁹ was traced. In this respect, it can be argued that they were primarily technical reforms driven by fiscal urgency. This partly explains the fact that, while financial performance has improved, the quality of public administration was often negatively affected. This negative correlation was particularly intense in the case of Greece that achieved the largest fiscal adjustment but at the same time experienced a sharp deterioration in the quality of governance and administration.

The observed divergences between Greece and Portugal were explained on the basis of various social, political and economic factors that affected policy outcomes. Along with the different starting points and the scale of the required adjustments, implementation conditions diverged considerably between the two countries. Reform prospects also vary. Under present circumstances, Portugal exited the financial assistance programme in May 2014, while Greece is still under a bailout programme with uncertain prospects. Nonetheless, in both cases the shift from the fiscal adjustment phase to that of structural reforms is yet to be seen.

This paper investigated the process of administrative reform in the course of the bailout programmes in Greece and Portugal. However, the long-term impact of the described adjustments on public administration is yet difficult to be estimated. Further research remains to be done on the question of the sustainability of the implemented reforms in the post-adjustment period. In addition, the implications of the Eurozone crisis for public administration could be addressed in more detail from a theoretical point of view. For

⁹ For instance, with reference to NPM and/or NWS models.

instance, an interesting question would be the degree of convergence (or divergence) to a reform pattern, under the pressure of external (fiscal) constraints. The linearity of the pre-crisis and post-crisis reform paths could be explored, as well. This study focused on two cases studies; however, further work should include broader clusters of countries that have been affected by the crisis. Finally, a worthwhile direction for future research would be the comparative assessment of the crisis effect on different administrative systems and particularly between the EU core and periphery countries.

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APPENDIX I

Public Sector Indicators (2009-2015)

	2009	2010	2011	2012	2013	2014	2015	% change		
								2009/2014	2009/2015	
TOTAL GENERAL GOVERNMENT EXPENDITURE (% GDP)										
Greece	54.1	52.5	54.2	55.3	62.1	50.7	55.3	-6.28%	2.22%	
Portugal	50.2	51.8	50.0	48.5	49.9	51.7	48.3	2.99%	-3.78%	
TOTAL GENERAL GOVERNMENT REVENUE (% GDP)										
Greece	38.9	41.3	44.0	46.4	49.1	47.0	48.1	20.82%	23.65%	
Portugal	40.4	40.6	42.6	42.9	45.1	44.5	43.9	10.15%	8.66%	
COMPENSATION OF EMPLOYEES (Q4)										
Greece	% GDP	13.9	12.6	13.2	13.5	12.6	13.1	12.7	-5.7%	-8.6%
	Cur. prices (mill. €)	8,697.7	7,155.3	6,798.7	6,479.0	5,649.4	5,878.2	5,674.7	-32.41%	-34.75%
Portugal	% GDP	17.5	16.7	16.1	14.4	15.2	13.5	13.2	-22.8%	-24.5%
	Cur. prices (mill. €)	8,032.4	7,770.6	7,168.0	6,120.7	6,703.0	5,881.7	5,971.8	-26.78%	-25.66%
NET LENDING/BORROWING (% GDP)										
Greece	-15.2	-11.2	-10.2	-8.8	-13.0	-3.6	-7.2	-76.32%	-52.63%	
Portugal	-9.8	-11.2	-7.4	-5.7	-4.8	-7.2	-4.4	-26.53%	-55.10%	
GDP (market prices)										
Greece	237,534.2	226,031.4	207,028.9	191,203.9	180,389.0	177,559.4	176,022.7	-25.25%	-25.89%	
Portugal	175,448.2	179,929.8	176,166.6	168,398.0	170,269.3	173,446.2	179,376.4	1.14%	2.24%	

Source: Eurostat