

Adam Smith
International



FINAL REPORT

**VC/2014/0002 Preliminary Evaluation of the
Technical Assistance provided to Greece in
2011-2013 in the areas of Tax Administration
and Central Administration Reform**

**Prepared by Alvarez & Marsal Taxand and
Adam Smith International for the
European Commission**

July 2014

Acronyms/Abbreviations

ADETEF Financières	Assistance au Développement des Échanges en Technologies Économiques et Financières
DG	Directorate General
DG EMPL	Directorate General for Employment
DG TAXUD	Directorate General for Taxation and Customs Union
EC	European Commission
EIB	European Investment Bank
END	Experts Nationaux Détachés
ESF	European Social Fund
EMU	European Monetary Union
EU	European Union
GSC	General Secretariat for Co-ordination
GSPR	General Secretariat for Public Revenue
IMF	International Monetary Fund
IMF FAD	International Monetary Fund Fiscal Affairs Department
KPI	Key Performance Indicator
OECD	Organisation for Economic Co-operation and Development
MAREG	Ministry for Administrative Reform and e-Government
MS	Member States
TA	Technical Assistance
TFGR	Task Force for Greece

Table of Contents

Executive Summary	1
1. Overview	1
2. Models of TA Delivery	1
3. Issues	1
4. The Future	2
5. Assessment on the designated criteria: Effectiveness, Efficiency, Relevance, Sustainability.....	2
5.1. Effectiveness	2
5.2. Efficiency	2
5.3. Relevance	2
5.4. Sustainability	2
6. Recommendations	3
6.1. Key recommendations.....	3
6.2. Supplementary recommendations.....	4
Section 1: Introduction and Background.....	6
7. What is the role of the Task Force for Greece?	6
8. What are the working methods of the Task Force?	7
9. Provision of TA in the field of Central Administration Reform.....	8
10. Provision of TA in the field of Tax Administration Reform	8
11. How has Technical Assistance impacted on the reform process in Greece?	9
Section 2: Objectives and Approach of the Preliminary Evaluation	10
12. Overall objectives of the evaluation	10
13. Basis for the evaluation	10
14. Evidence base for the evaluation	11
14.1. Interviews	11
14.2. Surveys	11
14.3. Data on progress of the reforms.....	11
14.4. Data on funding and inputs.....	11
14.5. Other reports and material.....	12
Section 3: Central Administration and Tax Administration in Greece prior to the creation of the Task Force for Greece.....	13
15. Central Administration	13
16. Tax Administration	16
Section 4: Reform progress and the contribution of Technical Assistance	18
17. Reform progress and the contribution of TA.....	18
17.1. Creating impetus for reform.....	18
17.2. Quality of advisors.....	18
17.3. Capacity building	19
17.4. Planning and project management.....	19
17.5. Co-operation between member states	19

18.	Reform progress and the contribution of TA: Central Administration	19
18.1.	Setting up a stable structure for inter-ministerial coordination	20
18.2.	Assessing the structures of public administration (ministries, agencies and public entities) – phase 1 – and implementation of any agreed upon changes – phase 2.....	20
18.3.	Building a two-year strategy and action plan for reform	21
18.4.	Building a more dynamic human resources policy of the public service, to achieve a competence-based administration.....	21
18.5.	Adoption and implementation of the Greek digital strategy and the eGovernment strategy	21
19.	Reform progress and the contribution of TA: Tax Administration	21
19.1.	Governance and Organisation.....	23
19.2.	Debt collection.....	24
19.3.	Tax Audit	25
19.4.	Dispute resolution.....	26
19.5.	Performance monitoring	26
Section 5: Funding Technical Assistance to Greece.....		27
20.	Problems with the funding model utilised in 2011-2013.....	27
21.	New funding arrangements for 2014-2015	28
22.	Level of funding.....	28
23.	Efficiency.....	29
Section 6. Governance and management of Technical Assistance		31
24.	Creation of the Task Force for Greece	31
25.	Leadership and structure.....	31
26.	Relationship between Troika and TA providers	31
27.	Engagement with Greek Authorities	32
28.	Planning.....	32
29.	Communications	33
Section 7. Comparative analysis of the two TA delivery models		34
30.	Relationship and co-operation with the TFGR	34
31.	Link with Troika and parent organisations	35
32.	Expertise.....	35
33.	Experience providing Technical Assistance.....	36
34.	Engaging and mobilising personnel.....	36
Section 8. Modes of Technical Assistance delivery		37
35.	‘Hands-on’ versus ‘high-level’ assistance	37
36.	Long-term versus short-term TA instruments	37
37.	Summary comments on specific delivery instruments	38
Section 9. Views on the future of Technical Assistance		40
38.	Scope of the reform.....	40
39.	Timeframe.....	41
40.	Language.....	41
41.	Role of Member States, International Organisations, and the private sector.....	41
42.	Modes of Technical Assistance	42
43.	Engaging local expertise	42

44.	Communication	43
45.	The future model of delivery: Link to the Economic Adjustment Programme	43
46.	The future model of delivery: leadership and funding	44
47.	Benchmarking and Analytics	45
48.	Provision of Technical Assistance to EU Member States	46
Annex A: Bibliography.....		47
Annex B: General information		49

Executive Summary

1. Overview

Technical Assistance coordinated by the Task Force was a major contributor to the reform programme in Greece in the areas of tax administration and central administration reform in the period 2011-2013. This was acknowledged by a substantial majority of those interviewed for the purposes of this evaluation and to an equal extent in the survey responses.

Most stakeholders felt that without Technical Assistance, co-ordinated or delivered by the Task Force, the reforms undertaken would not have happened.

There are concerns regarding the sustainability of the achieved reforms in the absence of continuing Technical Assistance, partly because many initiatives are still in the early stages of implementation. Therefore, continued delivery and co-ordination of Technical Assistance by the Task Force has a critical role to play in the coming years.

Our overall positive assessment of the impact of Technical Assistance in this period takes into account the fact that this has been a 'fire-fighting' operation, requiring swift action on unfamiliar terrain in a challenging environment.

2. Models of TA Delivery

The specific models used to date for coordination and delivery of TA have been effective but could be improved.

The "co-operation model" used to deliver Technical Assistance in the area of tax administration reform has been effective but the model should be adapted in the future so there is greater clarity around roles of all parties and their respective responsibilities, activities and funding. The European Commission, via the Task Force for Greece, should assume sole responsibility for the leadership and co-ordination of Technical Assistance provision.

These considerations apply equally to the Domain Leader model. This model has also provided a sound platform for the delivery of Technical Assistance. The model however has a potential disadvantage in identifying a single Member State with reform in a particular area, which places constraints on the effective engagement of other Member States and raises concerns around legitimacy and narrow expertise.

Continuity of Technical Assistance is essential if reform is to be sustainable. This does not however necessitate continued use of existing models of delivery. Clear leadership, structure and funding models are required for the future.

3. Issues

Concerns include both strategic and day-to-day management. There has been some lack of clarity with regard to roles and remit, and some weaknesses around governance and co-ordination of Technical Assistance due to sometimes difficult relations between the different partners.

The current funding model lacks clarity, is complex, and is not fit-for-purpose.

The work of the Task Force has been confused with the work of the Troika and there is therefore a need to communicate much more proactively around the work of the Task Force.

4. The Future

Technical Assistance should not only be provided when an EU country is in crisis. It should be a normal activity within the EU.

The European Commission can work with Member States to establish a permanent structure with a dedicated budget to enable co-operation and exchange of expertise between Member States and co-ordinate the provision of Technical Assistance to all member states to enable sharing and adoption of best practice. Exchanging best practice not just in ideas but in implementation of those ideas has been highlighted as important in the feedback received.

5. Assessment on the designated criteria: Effectiveness, Efficiency, Relevance, Sustainability

5.1. Effectiveness

The Task Force for Greece, Member States (notably France in the area of Central Administration reform), and International Organisations (notably the IMF in the area of Tax Administration reform) have been very effective in mobilizing Technical Assistance in a timely manner.

Despite some concerns, Technical Assistance has been effective in supporting significant reform in a limited amount of time. The success of the Technical Assistance provided is even more significant given it was achieved against the backdrop of a charged political environment and significant budget cuts.

The quality of the Technical Assistance providers engaged has generally been high, and they have for the most part managed to forge productive working relationships with their Greek counterparts.

5.2. Efficiency

The cost of providing Technical Assistance to Greece has been low relative to the scale of the task and what has been achieved. While improvements are needed in certain areas, the project team did not uncover any obvious waste.

5.3. Relevance

In the areas of Central Administration and Tax Administration reform, Technical Assistance was delivered in relevant areas and addressed real needs.

Areas of weakness that did not sufficiently benefit from Technical Assistance include effectively addressing “legal formalism” and capacity-building in the Greek public sector.

5.4. Sustainability

Implementation of most reforms is still incomplete, and most of the progress achieved on reforms up to the end of 2013 is likely to prove unsustainable if Technical Assistance were to discontinue.

Ownership of reforms by the Greek Authorities suffered as a result of being primarily driven by the Economic Adjustment Programme, which is largely perceived as having been externally imposed. There is a need to redefine the Task Force’s relationship with the Troika.

The current Technical Assistance delivery arrangements are not sustainable. The governance and funding structure of the TA is not fit-for-purpose for the future, and there is some lack of clarity with regard to roles and mission.

6. Recommendations

6.1. Key recommendations

Governance and co-ordination

KR1. The European Commission, through TFGR, should adopt the overarching leadership and co-ordination role of the Technical Assistance provided to Greece. There should be clear reporting lines from all TA providers to TFGR, to avoid the development of inconsistent approaches by Domain Leaders, International Organisations, and other TA providers.

KR2. The Greek Authorities should work with the TFGR to strengthen the role of GSC as a reciprocal structure within the Greek Administration to identify needs across all areas, co-ordinate requests for Technical Assistance, and help monitor progress.

KR3. The TFGR should evolve into an identifiable EC structure, with a clear mission statement and remit that allows it also to provide effective Technical Assistance outside conditions of extreme distress. The relationship with the Economic Adjustment Programme should be clearly defined and communicated, with a view to building a sustainable platform for the delivery of Technical Assistance in the future.

KR4. Thinking beyond the immediate circumstances of the Greek initiative, the European Commission should establish a permanent structure with a dedicated budget within the Commission to enable co-operation and exchange of expertise, country benchmarks and personnel between member states, and to co-ordinate the provision of Technical Assistance to all member states to enable adoption of best practices. While there should be capability to deliver Technical Assistance to Member States in distress, the main focus should be on enabling continuous improvement in all Member States.

Funding

KR5. The European Commission should put in place a dedicated, streamlined funding system to finance the provision of Technical Assistance to Greece and other Member States. The funding system should be flexible and allow procurement of Technical Assistance from a variety of sources, with a suitable oversight mechanism developed to ensure appropriate disbursement of funds.

KR6. The European Commission should increase the level of available funding.

Reform and Delivery of Technical Assistance

KR7. TFGR should review its procedures for selecting and evaluating personnel/experts and identify areas for improvement. The selection of experts should be informed by the development of a database within the European Commission identifying appropriate experts in each activity area.

KR8. The Greek Authorities should work with the Troika, to assess whether the adopted targets and timescales for reform are sufficiently ambitious yet realistic, also taking into account the experience with TA provided via the TFGR. An overarching plan regarding reform and TA provision should be developed, including a long-term vision and medium-term objectives, covering three to five years ahead.

Communication strategy

KR9. The Greek Authorities should work closely with the TFGR to develop and implement a clear communication plan, with the overarching aim of promoting reform efforts and achievements to Greek public sector workers and the general public. There should also be increased efforts to engage with Member States and communicate the significant progress achieved in Greece.

6.2. Supplementary recommendations

Procurement and recruitment of TA providers

SR1. There should be increased utilisation of competitive tendering to ensure identification of appropriate providers and attainment of value for money.

SR2. To the extent possible, TFGR should ensure continuity in TA providers, including both organisations and personnel. The IMF, Domain Leaders, and other involved Member States have developed an invaluable understanding of the problems facing Greece and effective ways of working in this context.

SR3. TFGR should undertake a concentrated effort to engage more Member States in the provision of Technical Assistance, as well as procure private sector expertise where relevant. In particular, there should be efforts to engage providers active in Greece that can demonstrate a good knowledge of the local environment and an ability to work effectively with the Greek Authorities.

SR4. The European Commission should explore ways in which to further encourage mobility of personnel (e.g. secondments) across Member States' administrations, enabling the adoption of new working methods and approaches outside a Technical Assistance framework.

Funding

SR5. Funding commitments should cover a minimum period of several years into the future, with disbursement of funds based on clear conditions relating to TA performance and progress of the reforms.

SR6. European Commission funding should cover all costs related to the provision of Technical Assistance. This would ensure the effectiveness and sustainability of funding, while minimising the potential for conflicts of interest associated with funding from alternative sources.

Promoting ownership more widely within the Greek Authorities

SR7. Build capacity in the Greek public sector to support sustainability of reforms and promote ownership. Review the requirement to reform the wage grid in a fiscally neutral manner and assess whether it is compatible with attracting and retaining high quality personnel. Implement a performance-related remuneration strategy. Review hiring procedures.

Co-ordination with the Greek Authorities

SR8. In addition to continuing their close co-operation with the political leadership and senior managers, TA providers should seek to engage more closely with middle management and junior employees within the Greek Administration to establish needs and plan delivery of Technical Assistance.

Modes of Technical Assistance delivery

SR9. TA providers should focus more on providing hands-on Technical Assistance, assisting with operations and change management. TA should focus on providing practical advice and comprehensive solutions, including alternative policy and implementation options, which the Greek Authorities can then decide to adopt and implement.

SR10. There should be a shift of resources away from short-term missions and more towards longer-term modes of delivery, including increased use of resident advisors. In cases where it is deemed that Technical Assistance can best be delivered via the use of non-resident experts on short-term visits, TFGR should seek the continuous engagement of the same experts over multiple missions. The use of short-term experts on a limited time basis should be restricted to the provision of highly specific and targeted expertise that cannot be obtained via other means.

SR11. Very short missions (lasting less than a week) should be avoided whenever possible, as they attract disproportionately high costs associated with transport and accommodation.

Areas for TA activity

SR12. The European Commission should undertake a wide-ranging benchmarking exercise across the European Union to identify metrics that can be used to measure performance in a number of key areas. This will enable Member States, including Greece, to assess their performance vis-à-vis their peers and to identify areas that could benefit from Technical Assistance.

SR13. The TFGR should invest additional resources in providing intensive project management training and support to Greek Authorities officials. This should include training on best practice and tools relating to planning, implementation, and monitoring of projects and policies.

Section 1: Introduction and Background

7. What is the role of the Task Force for Greece?

The Task Force for Greece (henceforth “TFGR” or “Task Force”) was launched by President Barroso in July 2011. Its purpose is to provide Technical Assistance (“TA”) to the Greek authorities.

The Task Force mobilises expertise from Member States, international organisations and other specialist bodies and coordinates TA requested by the Greek authorities as they work to implement structural reform and their commitments under the Economic Adjustment Programme.

The creation of the Task Force was perceived to be both a strong and innovative gesture of support for the Greek state by the European Commission. The announcement triggered offers of support from many Member States, the EIB, the IMF, the OECD and others.

Excerpt from PERS doc (2011) 111/2 of 19.07.2011

The Task Force has been created with the mission of:

- » Identifying and coordinating, in close cooperation with Greece and benefitting from input from other Member States, the Technical Assistance that Greece needs to deliver the EU/IMF adjustment programme;
- » Assisting the relevant Greek authorities in defining the details of the kind of Technical Assistance to be provided;
- » Preparing clear Terms of Reference for all Technical Assistance assignments which specify the nature and scope of the Technical Assistance actions to be provided, the entity in the Greek administration that will be the beneficiary of Technical Assistance, the budgetary and human resources (including ENDS and experts from the private sector) that will deliver the Technical Assistance, and the expected results, with milestones and delivery deadlines;
- » Recommending legislative, regulatory, administrative and if necessary (re)programming measures for an accelerated take-up of EU funds, in close cooperation with the relevant Commission services, the Greek authorities and the EIB, focusing on competitiveness, growth and employment/training;
- » Providing quarterly progress reports to the Commission and the Greek authorities as well as, on a needs basis, more frequent alert reports.

A first list of potential TA needs was drawn up in October 2011. From this list, the Greek authorities identified the most compelling needs in terms of their urgency, maturity, and contribution to lasting structural reform in Greece.

Following the identification of a need, the TFGR assists in defining the Technical Assistance to be delivered that is finally agreed with the Greek authorities. It usually contains clear deliverables, deadlines and intermediate milestones, terms of reference for TA assignments, specifying the required resources and the Greek entities whose involvement will be necessary. The TFGR also helps the Greek authorities to organize the inputs that are needed to deliver Technical Assistance. Furthermore, the TFGR assists in finding solutions for financing the costs of Technical Assistance.

The matching of TA supply and demand is organised through high-level coordination meetings organised by the TFGR and involving the Greek authorities, (potential) TA providers and European Commission services. Member States Embassies in Athens also contribute to this process. Prior

to these meetings, Member States or other international organisations are requested to express their interest in providing Technical Assistance on particular projects.

The TFGR, or where applicable the domain leader, coordinates the delivery of the agreed Technical Assistance. The TFGR also provides support with practical administration (organisation of work-shops and other modalities for transfer of expertise).

The TFGR assists the Greek authorities with the supervision and monitoring of all agreed projects. It reports to the European Commission and Member States on progress or challenges (including through its regular activity reports).

8. What are the working methods of the Task Force?

The Task Force has around 60 people based in Athens and Brussels (approximately 30 staff in each location). They are made up of staff from the European Commission, seconded experts from a number of Member States with specific expertise, such as advisory support for structural reforms or administrative capacity building.

Technical assistance may take the following forms (please note that the funding figures, number of missions, etc. mentioned below refer to all areas of Technical Assistance – not just to tax administration and central administration reform which are the subjects of this evaluation – and that they are correct as of March 2014):

- » Expert missions/workshops to share experience and exchange best practices: Experts have been provided mostly by 25 Member States, certain non-member States (e.g. Norway), and international organisations such as the European Investment Bank, the European Investment Fund, OECD, Council of Europe, IMF, the United Nations Economic Commission for Europe, the World Bank, and the European Bank for Reconstruction and Development. Most EU experts come from Austria, Belgium, France, Germany, the Netherlands, Spain and Sweden. Until now, TFGR has arranged over 400 missions on a wide range of subjects, including 35 policy workshops relating notably to judicial system reform, revenue administration, public procurement and business environment. Such short-term TA is financed through resources available in the TA budget of the European Commission, such as the European Social Fund (ESF) or the EU Fiscalis Programme whose focus is to facilitate the exchange of information and expertise between national tax administrations.
- » Support through small value contracts: This allows more intensive support for specific projects in a short period of time. TFGR has made increased use of small value contracts funded by the European Social Fund (ESF). This type of assistance allows experts to work with Greek project teams over a 3-4 month period to evaluate, design or implement specific reforms. Up to March 2014, 52 such contracts totalling €638,000 have been arranged by the TFGR.
- » Continued support from international or national organisations with specialised know-how in complex reform/change management. Continued presence is needed as appropriate to help to implement complex reform projects and steer change management in the Greek public administration, specifically to closely assist the Greek project managers. The TFGR has so far arranged 10 grants or contribution/delegation agreements with international organisations (such as IMF and World Bank Group) as well as national public bodies (such as ADETEF) for TA to Greece for an amount of €10.4 million. Additional efforts will be deployed for effective use of eligible funds for TA through 3 additional grants in the areas of revenue administration, improving business environment and reform of land use and planning as well as reform of the cadastre (land administration) totalling €2 million.

- » Domain leadership: In some instances, a Member State with a strong track record in a particular policy area has become so-called "domain leader". Domain leaders have mainly come from France, the Netherlands, Germany, Spain and Belgium.

9. Provision of TA in the field of Central Administration Reform

The reform of the central public administration is one of the key requirements for Greece under its adjustment programmes. Following the identification of a need for Technical Assistance in this respect by the Greek side, the French government volunteered as Domain Leader in the area of central administration reform, given its specific expertise in the modernization of the State and administrative transformation processes. A formal Agreement between Task Force, the Greek authorities (MAREG) and the French authorities (Ministry for the Budget, Public Account and State Reform) was signed and entered into force on 6 January 2012.

As a result, France, as Domain Leader, assists Greece in leading and coordinating, in cooperation with the TFGR, the Technical Assistance provided for reforming the central administration, also with the cooperation of numerous experts from other Member States.

10. Provision of TA in the field of Tax Administration Reform

Technical Assistance in the field of Tax Administration Reform is provided by close cooperation between the TFGR, DG TAXUD in combination with Member States (principally through the FISCALIS programme), and the IMF¹. This joint undertaking involves a division of roles between IMF and EC/MS, with the former providing most of the TA effort on organizational and institutional / governance aspects, and the latter focusing on managing and implementing much of the hands-on advice in specific operational areas (e.g. debt recovery, audit, dispute resolution, etc.)

Notably, IMF FAD led a number of joint (IMF FAD/TFGR/DG TAXUD) quarterly TA missions throughout 2012 and 2013, providing a roadmap for future TA and furnishing recommendations across all areas of tax administration.

It is important to note that, while the term 'domain leader' has also been used to describe the role adopted by the Member States leading the reform effort in each area of tax administration operations, in practice there are significant differences between the role of 'domain leaders' in the field of tax administration compared to the 'domain leader' role France has in the field of central administration reform, with the latter being much more closely involved with planning and co-ordination.

¹ The IMF has been providing TA in the field of Tax Administration and Public Financial Management (PFM) since April 2010, but note that the period prior to the creation of the TFGR is not covered by this evaluation. The EU–IMF Contribution Agreement No: GR-ESF-001: —Strengthening Public Financial Management and Revenue Administration in Greece, was signed December 8, 2011, augmenting the resources available to the IMF to deliver TA in Greece.

11. How has Technical Assistance impacted on the reform process in Greece?

Technical Assistance is provided at the request of the Greek Authorities, and TA providers have no vested executive authority to directly implement reforms. That said, TA providers have an impact on the reform process beyond the transfer of expertise through the provision of training and advice. More specifically, the Technical Assistance delivered to Greece via the TFGR has an impact through the following channels:

- » Building the capacity of employees in the Greek Authorities, and providing advice and know-how on best practice in the relevant area. TA providers work with the Greek Authorities to impart new ideas and working methods. This is achieved through the provision of training/workshops, but also through provision of advice to Greek Authorities officials in the course of their day-to-day duties or during the implementation of specific projects.
- » *Identifying areas for reform and helping to 'set the agenda'*. TFGR helps Greek Authorities to set the parameters for the TA to be provided. While Technical Assistance provided has always been at the request of the Greek Authorities, they have often found it difficult to fully define their needs in practice, and the TFGR has had a major role in assisting them in this regard.
- » *Ad hoc operational role*. In principle, TA providers have no executive role in implementing reform. However, it is important to note that they have often contributed directly to the work of the Greek Administration at the request of relevant ministers and Greek officials. Examples include assisting with project management on specific work-streams (e.g. convening meetings, keeping minutes, and tracking implementation of decisions), assisting with inter-ministerial co-ordination prior to the creation of the office of the General Secretary for Co-ordination, advising ministers and senior officials, ensuring continuity following ministerial changes, providing support for specialised functions such as training and HR, process re-engineering or ICT design, and general hands-on assistance in the implementation of reforms and change management.
- » *Tracking progress of reforms and driving progress*. The TFGR reports to the European Commission and Member States on progress or challenges (including through its regular activity reports), while the IMF and Domain Leader TA providers have natural linkages with their parent organisations. As a result, while TA providers do not take a direct part in negotiations concerning the Economic Adjustment Programme, they have indirectly fed into the process by providing related advice both to the Greek Authorities and Troika officials. In that sense, TA providers have helped provide a link between Greek Authorities and the Troika in what have often been difficult negotiations. On the one hand, they have pushed for reform when the efforts of the Greek Authorities were short of what required, and have suggested specific actions that ought to be undertaken. On the other hand, they have helped explain both the significant efforts undertaken by the Greek Authorities and the enormity of the task at hand, often arguing against the adoption of ineffective measures and the imposition of unrealistic timescales to reform.

Section 2: Objectives and Approach of the Preliminary Evaluation

12. Overall objectives of the evaluation

The general objective of the evaluation is to assess the relevance, effectiveness, efficiency and sustainability of the (TFGR-coordinated) Technical Assistance to Greece in the field of Tax Administration and Central Administration Reforms in the period between October 2011 and December 2013.

This report includes:

- » An independent assessment of the Technical Assistance (“TA”) provided
- » An identification of what worked well
- » An identification of areas where improvements are needed
- » Recommendations for the future of Technical Assistance

13. Basis for the evaluation

All Technical Assistance has been delivered at the request of the Greek Authorities, and even though in practice TA providers have had an important role in identifying the areas and modes of delivery of TA and putting forward potential TA plans to the Greek Authorities, the Greek Authorities have ultimate ownership of the reforms and responsibility for their design and implementation.

At the same time, the Troika has also had an important role in setting the reform agenda in Greece through the conditions attached to the two Economic Adjustment Programmes, and in defining – through negotiations with the Greek Authorities - the intermediate steps to be followed in implementing the reforms and the timeframe.

It is also important to note that the work of the TFGR and TA providers in Greece is still incomplete, and this evaluation only covers the two clusters (Tax and Central Administration reform) for the first two years following the creation of the TFGR. This is too short a period to expect reform of the scale and ambition undertaken in Greece to fully bed in and deliver substantial tangible improvements. Many of the TA-supported flagship projects are only now moving to the implementation stage following a long and largely necessary planning process.

Given this context, evaluating the impact of TA is not as straightforward as simply assessing the progress of reform based on whether certain targets and milestones were met. Consequently, while we reviewed the available quantitative indicators and a wealth of related material to gauge the extent of progress on the reforms, we are also relying heavily on information obtained in the course of in-depth interviews and a survey of key TA contributors and recipients. The insights gained through this process have been instrumental both in allowing us to assess the extent to which TA was an enabling factor in bringing about improvements, as well as in establishing whether the delivery models utilised were fit for purpose (‘process evaluation’).

14. Evidence base for the evaluation

14.1. Interviews

The project team conducted more than forty interviews with key TA providers and recipients, including the political leadership, senior managers, middle managers, and more junior employees.

Most interviews lasted between one and two hours, and they covered a wide range of topics. Most of the interviews with officials based in Athens, Brussels, and Paris were conducted in person during visits to the respective cities, while interviews of stakeholders based in Washington DC (IMF) were conducted via VC.

All interviews were conducted under the Chatham House Rule² to encourage an open and honest discussion.

14.2. Surveys

The two TFGR clusters were asked to provide a list of all those who either received or delivered TA. Based on this, we administered three separate online surveys, covering TA Providers, Recipients of long-term TA, and Recipients of short-term TA. We received over fifty responses. The responses to the surveys provided us with an indicative picture of opinion amongst the groups surveyed as well as providing some qualitative insights. Whilst the survey responses were helpful, they served simply to reinforce feedback we had already received in the interviews.

14.3. Data on progress of the reforms

The team reviewed and analysed a number of indicators provided by the TFGR team tracking the impact of reform in changing process in the areas of tax administration and central administration, as well as relevant reports.

Some of the key sources utilised were:

- » Tax Administration Monitor data
- » The First and Second Economic Adjustment Programme for Greece reports, including the periodic reviews.
- » TFGR Quarterly reports (1-6; latest (6th) dated March 2014)
- » Joint IMF and EC Review of Revenue Administration Reforms (latest one being the 7th, dated November 2013)
- » TFGR High Level meetings minutes

14.4. Data on funding and inputs

The project team utilised data provided by the TFGR to review the cost of TA provided, by funding source, in the areas of tax administration and central administration.

² When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. See more at: <http://www.chathamhouse.org/about/chatham-house-rule#sthash.dY5HRKVQ.dpuf>

The team also used records and planning documents to ascertain outputs of the TA. We further complemented the existing data with findings from interviews and surveys where more specific information was not provided.

With regard to inputs/outputs, we mainly consulted the following sources:

- » The original Contribution Agreement with the IMF
- » Amendment number 2 to the contribution agreement
- » Annual Report on the contribution agreement covering Dec 2011-Dec 2012
- » ADETEF contract, and ADETEF intermediary Narrative and Financial Report
- » Miscellaneous/ad hoc material provided by the TFGR recording output/funding.

The Bibliography provides more details.

14.5. Other reports and material

The project team has been provided with a substantial amount of additional information from the TFGR. These include planning documents, progress reports, training material, presentations, and output documents.

More details can be found in the Bibliography.

Section 3: Central Administration and Tax Administration in Greece prior to the creation of the Task Force for Greece

At the time TFGR was created both central administration and tax administration in Greece suffered from a number of serious problems. Virtually all of these weaknesses long predated the debt crisis, although in some cases the crisis and the response to it made existing weaknesses worse.

15. Central Administration

The OECD carried out a detailed review of Central Administration between February and July 2011, shortly before the period covered by this evaluation. The findings and recommendations of the review were adopted by the Greek Authorities, and provided the starting point for Technical Assistance in the area of Central Administration Reform.

According to the report, the main weaknesses of the administration were:

- » Lack of central steering, ownership of the reforms or accountability for the results
- » Lack of supervision and coordination, with inefficient structures and a ministry-based silo vision of governance
- » Non-implementation of policies due notably to a culture favouring legislative production over results ('legal formalism')
- » Weak budgetary management, in particular on expenditure control
- » Deficient Human Resources management.

The OECD report on legal formalism

'Legal formalism, whilst originally intended to protect the administration against political interference and to secure its integrity, has become excessive to the point that it renders administrative/political processes opaque and complex, providing a screen for individual behaviours that undermine the common good. The emergence of so-called single administrative sectors (sometimes known as special secretariats) around ministers has muddled the political/administrative interface, concentrated decision-making in the political domain, and undermined the work of the general secretariats comprised of non-political civil servants, undermining motivation in the civil service.

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

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

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

Source: "Greece: Review of the Central Administration", OECD Public Governance Reviews (2011).

Assessment of compliance with the Memorandum of Understanding on Specific Policy Conditionality (fifth update, 31 October 2011)

To modernise public administration

Functional reviews

<p>The Government assesses the results of the first phase of the independent functional review of central administration. This assessment will result in an action plan for the implementation of operational policy recommendations. These recommendations should determine how to achieve a more streamlined and effective public service, to define clear responsibilities and command lines of ministerial departments, eliminating overlapping competences, and to improve inter- and intra- mobility. [October 2011]</p>	<p>Ongoing. The OECD Report on central administration reforms was published in December 2011. The recommendations of this report are being considered by the authorities. A road map has been identified to implement these reforms throughout 2012. A draft law is being prepared.</p>
<p>A second phase of the review will lead to an action plan and to the drafting of framework legislation by end-2011.</p>	
<p>The ongoing functional review of existing social programmes is finalised [Q4-2011].</p>	<p>Ongoing.</p>
<p>A second phase will include a more detailed review of specific social programmes, aiming at reducing excessive fragmentation, generating savings and creating efficiencies. [Q1-2012]</p>	<p>A joint OECD-IMF Technical Assistance team has collected data on social programmes from all line ministries. A final report is expected shortly. The second phase will be merged with the functional review and the final report will be ready shortly.</p>

Public sector wages and human resource management

<p>The Government publishes a medium-term staffing plan [end-December 2011] for the period up to 2015, in line with the rule of 1 recruitment for 5 exits. The recruitment/exit rule applies to general government as a whole without sectoral exceptions.</p>	<p>Not observed. Medium-term staffing plans identifying the recruitment needs of each ministry have not yet been published.</p>
<p>Before end-2011, about 15 000 staff currently employed by various government entities are transferred to the labour reserve, while about 15 000 will be placed in pre-retirement. Staff in the labour reserve, and in pre-retirement, will be paid at 60 percent of their basic wage (excluding overtime and other extra payments) for not more than 12 months, after which they will be dismissed. This period of 12 months may be extended up to 24 months for staff close to retirement. Payments to staff while in the labour reserve are considered part of their severance payments.</p>	<p>Not observed. Approximately, 10 000 employees left the public sector under the pre-retirement scheme. As a result of merges and closers, 630 employees were shifted in the labour reserve.</p>
<p>Additional redundant staff will be transferred to the labour reserve in the course of 2012, in connection with the identification of entities or units that are closed or downsized, and in case the recruitment rule is violated. Staff transferred to the Government from either state-owned enterprises or other entities under restructuring are considered as new recruitments. The same applies to staff in the labour reserve that is transferred to other government entities, after screening of professional qualifications by ASEP under its regular evaluation criteria. The overall intake in the professional schools (e.g. military and police academies) is adjusted in line with the staffing plans.</p>	<p><i>Not yet applicable.</i></p>
<p>The staffing plans per Ministry and each group of public entities will include tighter rules for temporary staff, cancellation of vacant job post and reallocation of qualified staff to priority areas and takes into account the extension of working hours in the public sector. The staffing plans and monthly data on staff movements (entries, exits, transfers among entities) of the several government departments are published on the web. [monthly starting end-November 2011]</p>	<p>Not observed. Medium-term staffing plans identifying the recruitment needs of each ministry has not yet been prepared.</p>
<p>The Government commissions an expert assessment of the new wage grid. [end-2011]</p>	
<p>This assessment will focus on the wage drift that is embedded in the new promotion mechanism. If the assessment reveals any excessive wage drift, the promotion rules are adjusted before end-2012. No promotion takes place before the assessment and adjustment to the promotion rules.</p>	<p>Not observed <i>or</i> <i>not yet applicable.</i></p>

Source: The Second Economic Adjustment Programme for Greece

16. Tax Administration

The problems identified in Tax Administration at the time the IMF started providing Technical Assistance in April 2010 largely mirrored those observed in the area of central administration:

- » Lack of central steering and co-ordination. The Headquarters function was weak, with very limited capacity to manage a very large network of tax offices (around 300 in 2010), which operated largely autonomously
- » Excessive legal formalism, which made it difficult to manage effectively, since all aspects of operations were enshrined in law.
- » Deficient Human Resources management. An inadequate number of staff was assigned to key areas (e.g. debt collection, auditing of High Net Worth individuals and Large Companies). Employees in many cases were not adequately trained, with training for auditors being a particular area of concern.
- » Rent seeking. The above, coupled with the lack of an effective internal control mechanism and credible sanctions for unethical conduct, combined to create an environment conducive to rent seeking behaviours.

Furthermore, a number of key functions for a modern tax administration were either non-existent or grossly inadequate:

- » No effective administrative dispute resolution function. This had created a large backlog of tax cases to be addressed by judicial courts, requiring an average duration of seven to ten years for a tax case to be processed
- » No specialized services for enforced collection, and no IT tools or processes to allow amicable recovery actions
- » A weak tax audit function, handicapped by impractical legal rules (e.g. an obligation to audit all files subject to statute of limitations without any risk assessment), overtly complex tax legislation, deficient management and oversight of auditors, and a generalised lack of tools and resources.

While attempts at reform started prior to the creation of the TFGR, by all accounts progress was extremely slow, with early efforts hampered by resistance to reform at the administrative level – including by some key managers – and lack of full political commitment.

The table below, included as an Annex in the Second Economic Adjustment Programme for Greece, shows the assessment of compliance with the MoU on Specific Policy Conditionality at the end of October 2011.

Assessment of compliance with the Memorandum of Understanding on Specific Policy Conditionality (fifth update, 31 October 2011)

Tax policy and revenue administration reforms	
<p>In line with the anti-tax evasion action plan, the Government will step up audits of large-scale tax payers, high-wealth individuals and self-employed, it will accelerate the resolution of tax arrears, and better integrate anti-laundering tools into the strategy. Progress will be monitored by quantitative indicators. These quantitative indicators and compliance with these targets will be monitored and made public.</p> <p>The audits of 1 700 high-wealth and self-employed individuals identified by the anti-evasion task force will be initiated immediately.</p>	<p>Observed with delay.</p>
<p>To advance the reforms of revenue administration, the Government:</p> <ul style="list-style-type: none"> - activates a large-taxpayers unit; end-October 2011 - removes barriers to effective tax administration by implementing the key reforms of the new tax law, including replacing managers who do not meet performance targets end-2011, reassessing tax auditors' qualifications end-2011 and hiring new auditors in the course of 2012 - makes operational the newly created fast-track administrative dispute resolution body to deal rapidly with large dispute cases (i.e. within 90 days). November 2011 - centralises the functions of, and merges, at least 31 tax offices by end-October 2011, and merges, 31 transfers competences, eliminates management positions and closes some 200 local tax offices identified as inefficient, in the course of 2012 - puts in place a new IT system that interconnects all tax offices. <p>The preparation of the new IT system involves the following main steps in relation to the new data centre, web-facing and back-office applications:</p> <ul style="list-style-type: none"> - 15 new electronic services and enhancements are running by end-December 2011. These concern mainly the corporate income tax. - the new data centre hardware is in place and running by end-March 2012; - 20 more new electronic services and enhancements by end-June 2012. These concern mainly taxes withheld at source. - database and application design and implementation, by end-October 2012; - 8 remaining new electronic services and enhancements by end-December 2012. These concern forms filed late with a fine, real-estate tax, and VAT administration. - system and user tests, user training, and migration of all tax offices to the centralized database: by end-December 2012; - operational use of the new IT infrastructure by all tax offices: 1 January 2013. 	<p>Partially observed.</p> <p>31 tax offices closed or merged and key functions consolidated. Performance-based contracts for auditors have been approved. Reassessment of tax auditors' qualifications is ongoing. The large taxpayer unit has been established, but not yet fully staffed.</p>
<p>To speed up tax-related judicial appeals, the government has created the possibility of dedicated court chambers for tax cases; 24 chambers are expected to be operational by end-2011.</p>	<p>Observed.</p>
<p>The Government prepares a tax reform that aims at simplifying the tax system, eliminating exemptions, including and broadening bases, thus allowing reductions in tax rates in a prudent and fiscally-neutral manner. This relates to the personal income tax, corporate income tax and VAT, as well as social contributions. The reform will also simplify the Code of Books and Records. March 2012</p>	<p><i>Not yet applicable</i></p>

Source: The Second Economic Adjustment Programme for Greece

Section 4: Reform progress and the contribution of Technical Assistance

In assessing progress on the reforms and the contribution of the Technical Assistance since the creation of TFGR, it is critical to take the following factors into account.

Firstly, it is difficult to think of many countries that have attempted to implement structural reforms on the scale attempted in Greece in as short a period of time. Both central and tax administration in Greece suffered from fundamental, pervasive weaknesses. At the same time, Greece went through a recession of unprecedented size and duration, and ‘probably the largest fiscal adjustment programme ever undertaken by any OECD country’ (OECD, 2011). The above factors provided obstacles to structural reform, and in addition contributed to the emergence of a tense and volatile political and social environment in Greece, further complicating reform efforts.

Secondly, the targets and timetables adopted were mostly the result of political negotiations, in an environment of doubt regarding the commitment and ability of Greece to reform. As a result, operational realities were not sufficiently taken into account, rendering the adopted targets a weak basis on which to assess reform efforts and progress. There was widespread agreement amongst the people we interviewed that ‘too many reforms were pursued at the same time, with no hierarchy of objectives’ and that ‘Greece was often asked to implement reforms within unrealistic timeframes’. As a result, from the point of view of assessing progress of the reforms, failure to meet stated reform objectives within the set timetables may partly reflect overly ambitious targets rather than inadequate efforts by the Greek Authorities and Technical Assistance providers.

Finally, the reform programme in Greece is far from complete, while provision of Technical Assistance by TFGR commenced as recently as late 2011. Many changes are only now entering the implementation stage, or are still to be fully embedded within administration structures and reach their full potential. This largely reflects the need for a significant lead-in period whenever fundamental reforms of the nature pursued in Greece are introduced, with tangible progress in terms of outputs and outcomes often only fully emerging after years of planning and bedding-in.

With the above caveats in mind, this section attempts to chart progress on the reforms and the contribution of Technical Assistance, based both on quantitative/qualitative indicators where they exist and the views of key stakeholders involved in the process.

17. Reform progress and the contribution of TA

This subsection discusses aspects of Technical Assistance that are common to both clusters examined (tax administration and central administration reform), with cluster-specific progress discussed in subsequent subsections.

17.1. Creating impetus for reform

TA providers played a decisive role in ‘pushing’ reforms forward, a contribution that is seen by most TA recipients as one of the key contributions of Technical Assistance. This was achieved by forging excellent working relationships with the Greek Authorities, acting as champions for reform, and working to ensure the continued commitment of the Greek Authorities.

17.2. Quality of advisors

TA recipients spoke in positive terms about the level of expertise and overall quality of the TA advisors and experts, and reserved special praise for the advisors involved long-term. While there were some doubts about the level of commitment and ability to deliver Technical Assistance of

some advisors, predominantly short-term, it was felt that more often than not TFGR or Domain Leaders were quick to take corrective action.

17.3. Capacity building

Both TA providers and recipients felt that Technical Assistance was less focused, and less successful, on building capacity within the Greek civil service than would have been desirable. This is one of the key reasons behind the fact that many of the stakeholders we spoke to felt that reforms achieved so far were unlikely to prove sustainable were TA to stop.

17.4. Planning and project management

Effective planning and project implementation is one of the key weaknesses of the Greek public sector. TA providers made a major contribution in helping the Greek Authorities both to plan the reforms and to manage their progress, for example by calling meetings, making sure that minutes of the decisions were produced and subsequently utilised, and ensuring that agreed actions took place. Critically, TA helped provide continuity during a period of frequent changes in government and personnel.

Planning and project management is another key TA function that stakeholders felt the Greek Authorities are not ready to assume fully, since the lack of project management skills and structures within the Greek civil service is an enduring problem.

17.5. Co-operation between member states

The provision of Technical Assistance to a Member State by the European Commission and other Member States broke new ground with regard to the co-operation between Member States. While the Economic Adjustment Programme is very unpopular in Greece and is seen as having been counterproductive in enabling reform in several areas, provision of Technical Assistance was widely seen as a positive action and a true expression of solidarity.

Amongst the TA recipients who responded to our survey, over 70% felt that the Technical Assistance received was useful (with a similar percentage of respondents to the TA provider survey agreeing), while fewer than 20% of recipients believed Technical Assistance should stop. More than 85% of Technical Assistance providers surveyed felt that working relationships with Greek officials were 'good' or 'very good', a fact that was strongly corroborated by TA recipient comments³.

18. Reform progress and the contribution of TA: Central Administration

The programme of reform in Central Administration is wide-ranging and ambitious, and significant progress has been achieved in planning the way forward and drafting legislation. That said, most of the reforms are only now entering the implementation stage, and - with the exception of achieving quantitative targets on reducing the size of the public sector - few tangible results materialized in the period covered by the evaluation. The reasons for this are varied.

Firstly, the focus placed by the Economic Adjustment Programme on quantitative targets related to exits from the public sector has had the effect of creating enormous resistance to reform at the political, administrative, and social levels. Reform efforts were widely seen as little more than an attempt to drive exits, a perception that had a pronounced adverse effect on the willingness of an already demotivated administration to deliver.

³ The question on working relationships was not included in the TA recipient survey.

The Domain Leader and TFGR made significant efforts, through their interaction with the Troika, to shift the focus away from exits and towards structural reform objectives associated with qualitative targets. These efforts, combined with progress by the Greek Authorities on meeting the quantitative targets on exits, succeeded in gradually changing the agenda. This is reflected in the Fourth Review of the Second Economic Adjustment Programme for Greece (April 2014), which states that ‘the authorities are [...] increasingly focusing on qualitative aspects [of reform]’. Most stakeholders we spoke to identified this as an important development, which should help increase reform progress moving forward.

Secondly, the feedback we received indicated that MAREG had not been empowered to lead the task of administrative reform across the Greek ministries, partly due to a lack of consensus between ministries with regard to the direction of reform and the need for improvement in the mechanism for inter-ministerial co-ordination. The lack of a clear centre of leadership for central administration reforms within government meant that organizing and delivering appropriate Technical Assistance was difficult, which in turn impacted on the progress achieved.

Finally, the Domain Leader in central administration adopted an approach focused on the provision of strategic advice, assisting with methodology, and providing the motivation for the Greek Authorities to take ownership of the reforms. Technical Assistance largely refrained from providing hands-on assistance with implementation.

While TA recipients were keen to stress that the Domain Leader made a significant and valuable contribution in enabling progress, they felt that the unwillingness to provide practical, readily implementable advice ultimately reduced the impact of Technical Assistance. In their view, the key factor determining ownership is the ability to define the objectives and key features of reform, and this would have been further supported rather than hindered by increased provision of practical, hands-on assistance with implementation.

The remainder of this subsection discusses specific areas within Central Administration that benefited from Technical Assistance:

18.1. Setting up a stable structure for inter-ministerial coordination

The TFGR and Domain Leader were chief proponents of setting up the General Secretariat for Co-ordination, with the objective of enhancing coordination, planning, monitoring, arbitration and implementation of all inter-ministerial topics (including reforms). Technical Assistance was a key contributor to setting up the framework for the new Secretariat, which was put in place over a year ago.

While the process of setting up the new entity has been completed, there are widespread concerns that it has not effectively solved the problem it was created to address.

18.2. Assessing the structures of public administration (ministries, agencies and public entities) – phase 1 – and implementation of any agreed upon changes – phase 2

The Government Council of Reform has approved staffing plans covering the vast majority of employees across the public sector. Technical Assistance providers helped develop a methodology and provided extensive coaching to the officials undertaking the evaluation of structures. Their contribution was seen as very positive, but it was also felt that it would have benefitted from a more hands-on approach: advice was generally high-level, and there was no contribution in terms of specific, concrete tools that could assist with the evaluation.

In the specific areas of evaluation of structures of legal entities and local governments, significant delays were observed and it was felt that the Technical Assistance provided did not manage to make a material contribution.

As is the case in other areas, implementation of the agreed changes to structures is yet to happen, despite the fact that the Greek Council of Reform adopted proposals for reorganisation covering 211,000 civil servants as early as March 2013.

18.3. Building a two-year strategy and action plan for reform

A two-year administrative reform action plan, also encompassing a comprehensive human resources strategy was adopted early 2014. The plan deals with mobility and deployment, management (selection, performance, assessment), disciplinary cases, and training. This has been a major achievement, and a particularly successful area of Technical Assistance.

18.4. Building a more dynamic human resources policy of the public service, to achieve a competence-based administration

This is generally seen as a successful area, however as of early 2014 there had only been agreement on the principles and the development of draft legislation, with no appointments of top managers on this basis.

While there was some criticism from officials that TA providers failed to fully take into account certain historic weaknesses relevant to Greece – notably problems arising from political appointments to the civil service – overall it was felt that TA made a positive contribution in this area.

18.5. Adoption and implementation of the Greek digital strategy and the eGovernment strategy

The Greek Authorities Technical Assistance provided 'significant and meaningful assistance' in developing the strategy, which was adopted in 2014. However, given its recent adoption, the strategy is still in the process of entering the implementation stage.

19. Reform progress and the contribution of TA: Tax Administration

While the IMF had been providing Technical Assistance in the area of Tax Administration since April 2010, reform progress in 2010-2012 was slow. The appointment of the new Secretary General for Public Revenue in January 2013, following a year when the position was vacant, provided a necessary high-level counterpart for Technical Assistance providers in tax administration. This, together with the culmination of earlier efforts and a number of other developments in the political and administrative realms, enabled reforms to proceed at a faster pace from early 2013.

One of the biggest challenges facing the Greek Authorities and TA providers in tax administration is the large number of areas where changes were introduced in 2013, with a similarly high volume expected over the next two years. There is a widespread view that Greece is attempting to implement reforms in the space of a few years that in other countries would have been introduced more carefully over a much longer timespan, and this is stretching the capacity of the Authority and of Technical Assistance to deliver.

Tax administration reforms: An improving picture

First Review of the Second Economic Adjustment Programme– Dec 2012:

The performance of the tax administration reform has been a notable disappointment of the programme. The reforms in tax administration have moved slowly, in spite of technical support from both IMF and EC. Most of the structural benchmarks on tax audits have not been met and little progress has been realised in the re-training of staff and in the modernization of the administrative structures. There are also substantial delays in the operationalization of the performance-based system for office managers and tax auditors.

Second Review of the Second Economic Adjustment Programme – May 2013:

Important progress has been made in establishing the framework for a semi-autonomous revenue administration. The efforts to progress in the fight against tax evasion, money laundering and corruption have been reinforced, but still fall short of full adequacy. The new Secretary General for Public revenue has started to put in place the tools needed for performance management, clarified corporate targets, and realigned staff to achieve clear objectives centred on effective revenue collection.

Third Review of the Second Economic Adjustment Programme – July 2013:

Important steps have been taken towards improving the efficiency of the tax service and to strengthen collection.

EC/IMF FAD presentation on reform progress, December 2013:

Good progress but effective implementation is the big challenge; (need to) complete reforms and translate into greater results.

Greece: Key Performance Indicators on Tax Administration, 2012-13

Indicator	2012	2013					
	End-Dec.	End-Jun.		End-Sep.		End-Dec.	
	Actual	Target	Actual	Target	Actual	Target	Actual
Debt collection							
Collection of tax debts as of the end of the previous year	1,099	1,140	847	1,558	1,147	1,900	1,518
Collection of new debts in the current year (percent of new debt in the year)	10.5%	14.0%	13.2%	19.0%	16.2%	24.5%	18.7%
Tax audits and collection of large tax payers							
Number of risk-based full scope audits in the year 2/	76	176	118	386	203	596	324
Number of risk based temporary audits in the year 3/	271	260	290	470	401	680	590
Collection full scope audits in the year (percent of assessed tax and penalties)	64.5%	65.0%	34.9%	70.0%	45.0%	75.0%	54.6%
Collection temporary audits in the year (percent of assessed tax and penalties)	49.2%	45.0%	38.6%	50.0%	52.0%	55.0%	54.8%
Audits and collection of high wealth individuals							
Number of completed risk-based audits in the year 4/	444	280	228	550	327	910	454
Collection of assessed audits in the year (percent of assessed tax and penalties) 5/	78.4%	40.0%	40.9%	55.0%	28.9%	65.0%	22.4%
Internal control and human resource integrity							
MoF audit of assets of managers of local tax offices	...	50	0	80	32	110	54
MoF audit of assets of auditors	...	50	0	90	42	130	72

Sources: Ministry of Finance; and IMF staff.

1/ Cumulative for the calendar year.

2/ The amount of tax and penalty assessed from January to September 2013 was €1,304 million (target: no less than €430 million).

3/ The amount of tax and penalty assessed from January to September 2013 was €177 million (target: no less than €215 million).

4/ The amount of tax and penalty assessed from January to September 2013 was €101 million (target: no less than €115 million).

5/ The 2012 collection rate is higher, mostly because many 2012 cases were settlement cases where immediate partial payment was required.

Source: Greece: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, May 14, 2014

19.1. Governance and Organisation

Introducing improvements to governance and organisation was rightly viewed from the start of Technical Assistance as a key prerequisite to wider reform of the tax administration.

Technical Assistance has effectively supported progress in a number of areas concerning governance and organisation, including:

- » Strengthening the Head Quarters function, by introducing increased supervision of specialist and local tax offices.
- » Rationalisation of the organisational structure, with a key deliverable being the reduction in the number of local tax offices.
- » HR reform, improving the management structure and introducing effective management and oversight.

Arguably the most fundamental single change has been granting increased autonomy to the General Secretariat for Public Revenue. This was a politically sensitive area, and Technical Assistance played a key role both in terms of advocating the need for increased autonomy and in helping define its parameters.

There were significantly divergent views amongst TA providers at the time as to the appropriate degree of autonomy of the tax administration, informed by their differing experiences within the EU and international contexts, and unresolved issues remain regarding whether the approach eventually adopted was the appropriate one for Greece.

For example, the feedback we received indicated there are still on occasion attempts to exert political influence on tax auditors, and there are reported examples of political interference in HR appointments within the tax administration.

The Fourth Review of the Second Economic Adjustment Programme for Greece (April 2014) on progress in governance and organisation

The organisation of the Secretariat general for public revenue is improving. The advisory board and the strategic planning and financial control directorate of the semi-autonomous public revenue administration are in place. The final structure of the Secretariat General has been adopted in April and will be progressively implemented with staff transfers throughout 2014 and beginning 2015. The new grading and promotion system was approved and will be implemented in the second half of 2014. The authorities have lifted the remaining constraints to the delegation of powers to the Secretary General of the public revenue administration. The Secretary General has approved the business plan for the public revenue administration. Other key organizational reforms have also been implemented. The merger of tax offices reduced the number of tax offices to 120, while debt collection is consolidated in large tax offices.

Capacity has been increased. The Secretariat general for public revenue is to receive more than 1700 new staff in the course of 2014 and 2015. This, in addition to the re-certification of 2000 auditors and the basic training plans in place, should allow limiting staff shortages, especially in the specialised unit for high wealth individuals and large taxpayers. An adequate number of supervisors are now assigned in these units. Staff has been assigned in the large debtor unit to deal with fresh debt. The replacement of managers who did not meet performance targets or who have been in place for three years has started to take place on a regular basis.

19.2. Debt collection

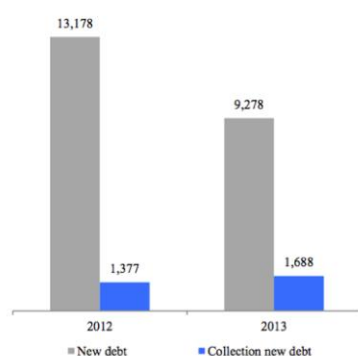
Debt collection has been a priority area for Technical Assistance since the first involvement of the IMF in 2010, and progress has been achieved despite Key Performance Indicators (KPIs) not reaching their target values. At the time of the TFGR's inception, the Large Debtors' Unit had been created and was operational, although the initial selection of 1,500 cases was heavily skewed towards uncollectible debts. Since then, further progress has been made, especially regarding classification of debt (old debt, new debt) and introducing automated processes, e.g. for tracking payments.

Historical low performance in tax debt collection has largely been an outcome of the Greek legal framework. Greek officials felt that, especially at the beginning, TA providers based their approach mostly on their own experiences in countries with radically different legislation, and as a result sometimes failed to fully appreciate the extent to which tailor-made solutions were required. The approach has improved markedly since then, and provides an example of the value added of long-term TA engagement vis-à-vis short-term modes of delivery.

The Fourth Review of the Second Economic Adjustment Programme for Greece (April 2014) on progress in tax debt collection

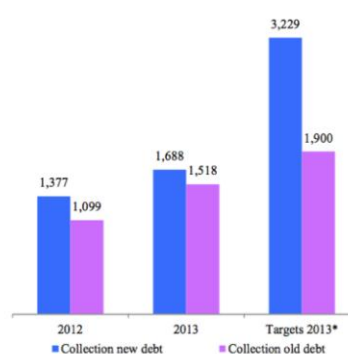
Tax debt collection is progressing although still falling short of Key Performance Indicator targets. The collection of "new" tax debt increased by 23% compared to 2012 and the collection of "old" debt increased by 38%. The total amount of debt collected increased from EUR 2.5 billion to EUR 3.2 billion. This was still below the – ambitious - Key Performance Indicator target for tax debt collection for 2013. However, even though revised rules for writing off debt have been put in place, the stock of debt is still increasing.

New debt creation and collection (€ million)



Source: Public revenue administration.

Debt collection (€ million)



Note: Target new debt was 24.5 % of new debt. EUR 13.178 billion of debt was added to the books in 2013 | Source: Public revenue administration.

19.3. Tax Audit

The 6th IMF/EC Joint Report (August 2013) states that 'the additional taxes raised in the audit programmes are generally meeting expectations' even though 'audit numbers (of large and high wealth taxpayers) are still behind'. Despite this, audit is seen as one of the most difficult areas to modernise, with pervasive weaknesses persisting despite the delivery of extensive Technical Assistance.

While important new methods and tools are being introduced, such as the indirect account register and targeting based on risk assessment techniques, these are yet to reach their full potential.

The main reasons behind slow progress in the area of tax audit are the following:

- » A culture of legal formalism, with a long history of auditors focusing on formal compliance with rules, and showing limited willingness and ability to assess whether the documents reflect the economic reality of the taxpayer
- » HR and management issues, with limited grading of auditors and weak management and oversight structures
- » Insufficient resources, being gradually addressed with the appointment of new staff in 2014 and 2015
- » Lack of effective co-operation between TA providers in some areas
- » Political resistance to change, especially in the area of High Net Worth individuals.

19.4. Dispute resolution

Administrative dispute resolution was almost an entirely new function for the Greek Tax Administration, and in many respects at odds with the prevailing administrative culture at the time. Technical Assistance played an instrumental role not only in helping create the new dispute resolution unit, but also in effectively advocating the merits of the approach following a slow start. Technical Assistance providers have continued being active following the establishment of the dispute resolution unit, and are providing valuable assistance in improving its effectiveness.

Based on 2014 figures, fewer than 50% of cases referred to the unit are examined, and in more than four out of five cases the unit upholds the tax authority's initial decision. Both of these figures are low compared to other European tax administration, and they are partly the result of insufficient resources being allocated to the task and the relative inexperience of employees.

That said, low performance also reflects deeper structural problems. With regard to the number of cases reviewed, the deadline within which cases ought to be examined is set in law, rather than being at the discretion of the General Secretary for Public Revenue or another competent official as would be the case in most modern tax administrations. In turn, the low proportion of cases found in favour of the taxpayer reflects officials' lack of confidence in making decisions that may be construed to be in violation of the law and lead to disciplinary action against them.

Both of the issues discussed above constitute typical examples of the harmful consequences of the failure to effectively tackle legal formalism, an area where Technical Assistance needs to significantly increase its focus on in the future.

19.5. Performance monitoring

At the starting point of Technical Assistance, there was very little performance monitoring taking place within the administration, with the numerous local offices running highly independent operations. Technical Assistance contributed to the development of the monitoring tables used now. These, while still some way from adequately capturing performance across the organization, are a significant step forward.

Section 5: Funding Technical Assistance to Greece

The TFGR was created at a time of rapid developments in Greece, and a decision was made at EC level to not create a distinct administrative structure and budget line for the TFGR. Similar to other aspects of the design of Technical Assistance, the EC operated in ‘firefighting mode’, with the focus being on securing the necessary funding quickly via the use of existing mechanisms, and it was felt that creating a new administrative structure and budget line would potentially delay the deployment of TA on the ground.

Against this background, European Commission services put together a set of funding arrangements that, despite important limitations, succeeded in making a substantial level of EC funding and personnel available to allow TA to be delivered in a timely manner. In addition, a number of Member States and the IMF also committed a significant amount of their own resources to the TA effort, mostly in the form of staff time. Ultimately, securing the funding and necessary resources quickly and effectively was a major achievement of the EC, IMF, and contributing Member States.

That said, it is clear that funding Technical Assistance to Greece in the period 2011-2013 suffered from a number of weaknesses, and it is critical that both the level and disbursement mechanism of funding are enhanced moving forward.

New arrangements introduced at the start of the year should enable an increased level of funding to be made available, however most of the problems associated with the original funding model remain unresolved.

20. Issues with the funding model utilised in 2011-2013

Securing and disbursing funding suffered from a number of weaknesses. These were:

Complicated arrangements, inadequately communicated

The project team found widespread confusion amongst stakeholders regarding the sources of funds, as well as the financing terms of various aspects of the Technical Assistance. This created problems at the political level, and goodwill was sacrificed as a result.

Resource-intensive and cumbersome

Financing was ‘a very difficult and unpleasant exercise’, requiring a disproportionate amount of time and effort on behalf of most of those involved, including the TFGR, the Greek Authorities, the Domain Leader for Central Administration reform, and the IMF.

That said, it is important to note that some aspects worked smoothly – a notable example being the FISCALIS model of mobilising experts, which was mostly seen as ‘very positive, and very easy to deploy’.

Restrictive

EC Funding had important inherent restrictions with regard to how it could be spent, which necessitated the engagement of suitably accredited national and international organisations (IMF, ADETEF). Procurement restrictions also meant that it was difficult to engage private sector expertise where needed, as well as spend funds on activities such as communication.

Politically sensitive

The political leadership in Greece was often uneasy with funding arrangements, feeling that given the complicated legal framework and fraught political landscape it could potentially have political ramifications. The fact there was no open international tender was a particular cause for concern.

Insufficient links between funding and outputs

During 2011-2013, monitoring of the funding has been initially focused on inputs, without reference to outputs and outcomes. This is an issue that has now been addressed, with performance programming introduced in 2014.

Main sources of funding 2011-2013	
Both clusters	<ul style="list-style-type: none"> • EC administrative funds used to pay for TFGR staff, including EC resident advisors • Member states meet salaries of civil servants providing Technical Assistance • Greek Authorities meet salary costs of Greek civil servants receiving Technical Assistance • EC Structural Funds (via TFGR) used to pay for small value contracts
Tax Administration	<ul style="list-style-type: none"> • EC TFGR Contribution Agreement with IMF, covering costs of IMF resident advisors and others • IMF providing additional own-resources (e.g. funding HQ staff involvement) • FISCALIS (EC DG TAXUD-financed) used to finance per diems and accommodation for visiting Member State experts
Central Administration	<ul style="list-style-type: none"> • Domain leader (France) meets salaries of French civil servants providing/ co-ordinating Technical Assistance • Direct EC funding via TFGR covering per diems and accommodation of some short-term experts • EC TFGR funding agreement with ADETEF • EKDDA (Hellenic National Centre for Public Administration and Local Government) funding for evaluation of structures (from EU Structural Funds for Greece)
Funding sources 2014-2015	<ul style="list-style-type: none"> • Most of the above sources still relevant • In addition, Article 25 of the new Structural Funds Regulation allows the Greek Authorities to transfer Structural Funds for Greece back to the EC, to be used to procure and manage Technical Assistance. Agreement reached on €15m covering the period to December 2015.

21. New funding arrangements for 2014-2015

Under the new Article 25 of the Structural Funds Regulation, EU Member States are allowed, under certain conditions, to redirect part of their Structural Funds back to the EC to manage. The Greek Authorities will use this facility in 2014 to redirect €15m of their EU Structural Funds to the European Commission to allow it to procure and manage Technical Assistance for Greece.

The new funding arrangements do not address the problems associated with the previous funding model. In addition, they introduce some drawbacks. Firstly, the Greek Authorities need to request and transfer the funds which may create uncertainty going forward. Secondly, given the multifaceted, evolving role of the TFGR and TA providers in Greece, the new funding arrangements risk introducing further limitations on the remit of the Technical Assistance to be delivered in the future.

22. Level of funding

There was widespread agreement amongst interviewed stakeholders that, given the enormity of the task at hand, the level of funding available was short of what was needed in the period 2011-2013. Combined with the embedded limitations of the funding arrangements and procurement mechanism concerning how the funds could be deployed, it was felt that the relatively limited level

of resources available limited the ambition of Technical Assistance delivery and reduced its ultimate effectiveness.

Looking to the future, the TFGR Fifth Activity Report (October 2013) stated that ‘the resources available to the TFGR from EU centrally managed budget lines fall far short of what is needed to support implementation of priority projects’. In a similar vein, the ADETEF contract TOR state that ‘the present agreement concerns the delivery of TA on selected and limited workstreams of the administrative reform, for a limited time [...]. Therefore, it has to be clearly understood that the present TA project makes little sense if the Greek Authorities do not fund the next phases of Technical Assistance [...] which is necessary to deliver the entire scope of the reform.

As discussed above, €15 million has since been secured to fund TA, which together with continuing contribution of IMF and Member States own resources constitute a significant increase on the available funding during 2011-2013. That said, it should be noted that a number of TA providers commented that even this increased level of funding compares unfavourably to amounts committed for TA delivered to non-member states, despite often similar circumstances in terms of reform needs. Feedback received from one TA provider with a long experience in the field indicated that the funding level and arrangements for the next two years “lack vision” and are “a stopgap at best”.

23. Efficiency

Given the scale of the task and its significant achievements on the ground, the Technical Assistance delivered in the areas of tax administration and central administration reform has been relatively inexpensive, even taking into account the resources committed by Member States and the IMF in addition to EC funds and personnel.

Our assessment of efficiency is based on a review of the documents made available to us by TFGR detailing funding and outputs, as well as the views of relevant stakeholders. Given certain limitations to the documentation, and the relatively limited scope of this project, the review team was not able to conduct a detailed analysis and hence our conclusions on efficiency of provision are necessarily at a high level.

One area that ought to be further investigated in the future relates to the fact that some delivery channels (e.g. ADETEF) seem to be associated with a higher cost per expert day compared with alternative mechanisms (e.g. direct TFGR financing). While the difference in costs will - to some extent - reflect differences to the type of Technical Assistance delivered, there may also be potential to reduce the costs associated with some delivery vehicles by adopting best practice from other areas.

That said, TA appears to have generally provided in an efficient manner, and we did not identify any obvious waste of resources at a notable scale in any of the areas examined.

Furthermore, if we assess efficiency from the narrow point of view of the Greek Authorities or the European Commission, Technical Assistance provision was highly efficient in the sense that much of the resource came from third parties (Member States and IMF), significantly leveraging the contribution made by the EC and structural funds available to the Greek Authorities.

The main areas where efficiency could further be improved are discussed in detail elsewhere in the report. These are:

- » Less cumbersome, more flexible funding arrangements.
 - Valuable resources were expended in securing and managing funding given the complexity of arrangements. This affected both TA providers and the Greek Authorities.
 - Restrictions on how funding could be spent meant that it was not always possible to identify and engage lower-cost/best value expertise, e.g. by engaging private sector consultants when appropriate

- » A more streamlined management structure.
 - Complicated management arrangements meant that significant amount of resources were expended to manage delivery of Technical Assistance (e.g. numerous co-ordination meetings)
- » Higher utilization of long-term experts, and repeated involvement of a smaller number of short-term experts.
 - Too much reliance on short-term experts in some areas led to significant resources expended by Greek Authorities to brief experts and bring them up to speed, which did not constitute value for money in cases where experts were only engaged for one or two missions
 - Some stakeholders felt that travel expenses were higher than needed, with too many very short-term missions and little attempt to make savings
- » Better co-ordination with TA recipients with regard to the timing of the missions.
 - Technical Assistance (e.g. training) was sometimes provided during busy periods, meaning that Greek Authorities could not release all the employees that would benefit from attending
 - Co-ordination issues with Greek Authorities meant that on some occasions experts arrived in country without the Greek Authorities having been adequately prepared for their arrival – leading to issues such as the unavailability of key personnel and material for the delivery of TA.

Section 6. Governance and management of Technical Assistance

24. Creation of the Task Force for Greece

The Task Force for Greece was created as an emergency response to the request of the Greek Authorities for assistance with implementing the requirements of the Economic Adjustment Programme for Greece. Crucially, while the organisations that led on the delivery of Technical Assistance (EC, Member States, IMF) were also the ones financing assistance to Greece under the Economic Adjustment Programme, the TFGR was set up as a distinct entity to the Troika compliance team, with a functionally separate structure and different reporting channels. Technical Assistance was clearly defined as being demand-led, delivered exclusively at the request of the Greek Authorities, and it did not constitute a condition of the Economic Adjustment Programme.

The creation of the TFGR was not preceded by an extensive preparatory phase, so the leadership of the TFGR spent a lot of time in its first few months to identify resources, methods, funding, and to define and management and organisational structures. The key objective was to respond quickly and effectively to the request for Technical Assistance by the Greek Authorities, and the TFGR was largely successful in this mission. The discussion that follows should be seen through this prism, with some of the weaknesses identified being a natural consequence of the emergency nature of the endeavour.

25. Leadership and structure

The feedback received indicates that there was a lack of clarity around the leadership of the TA initiative. In both areas examined (tax administration and central administration reform), the TFGR shared the leadership and co-ordination function with the IMF and Domain Leader (France) respectively. To some extent, this resulted to an inconsistent approach, partially divergent aims, inadequate co-ordination and joint working between different areas, and ultimately confusion amongst the Greek Authorities with regard to the roles of different TA providers. As discussed in section 7 of this report, these issues mostly concerned the area of tax administration rather than central administration reform.

26. Relationship between Troika and TA providers

While TFGR was created as a functionally separate entity to the Troika monitoring team, and its terms of reference clearly stated that TA was to be provided exclusively at the request of the Greek Authorities, the effort was largely led by staff belonging to the same organisations as those staffing the Troika monitoring team. In practice, and despite efforts by the leadership of the TFGR to communicate the independence of the TA from the Troika, there was divergence in how different TA providers approached this relationship. Some TA advisors worked in close co-operation with the Troika compliance team, and others in almost complete independence - sometimes to the point of openly disagreeing with its approach.

The fact that staff from the same organisations was involved in both the Troika and Technical Assistance, coupled with differences in how different TA providers approached their mission, led to confusion with regard to the role of TA amongst Greek Authorities.

This had various practical implications. On some occasions, there was a lack of trust from Greek officials to TA providers, since the latter were perceived as monitors for the Troika monitoring team, making it difficult to work together effectively. For example, officials were at times presenting

an inaccurately positive picture of problems on the ground, which was not conducive to identifying and implementing solutions. In other cases, especially in Central Administration, there was a perception by the Greek Authorities that TA providers 'could influence the negotiation' with the Troika, which created problems at the political level in Greece when the Troika ultimately did not adopt the TA advisors' viewpoint.

Clarity around the TA providers' role improved over time, particularly amongst the political leadership and senior managers, but it remains an issue especially amongst middle managers and more junior employees. The interaction between Troika and TA providers has also improved, and there is a feeling that the concerns expressed by TA providers with regard to Economic Adjustment Programme conditions that were incompatible with achieving sustainable reform, e.g. quantitative targets in Central Administration, are increasingly being addressed.

Despite improvements, the relationship between Technical Assistance and the Troika is still not clearly defined, and differences in the approach of different TA providers are persisting. This needs to be urgently addressed as it has important ramifications for the future of reform and Technical Assistance provision in Greece, which we discuss in detail in Chapter 9 of this report.

27. Engagement with Greek Authorities

TA providers generally developed solid working relationships with Greek officials in all areas examined. However, TA providers mostly interacted with the political leadership and senior managers, and there was less engagement with middle managers and junior employees, which could have assisted the TA effort both in terms of planning and implementation of the reforms. Some confusion with regard to the role of TA providers amongst middle management and junior employees persisted throughout the period under consideration.

TA providers could have been more proactive in seeking feedback on TA delivery from Greek officials, both in terms of specific TA activities and regarding more general aspects of TA delivery. While there were frequent interactions and Greek Authorities had some opportunities to raise issues, this was mostly done in an ad hoc manner and mainly through dialogue with senior managers and the political leadership rather than operational level staff.

28. Planning

The conditions set in the first and second Economic Adjustment Programmes for Greece formed a key input to the reform programme pursued by the Greek Authorities, and consequently acted as a natural starting point for the planning of the Technical Assistance. As a document to plan reform, the Economic Adjustment Programme suffered from a number of weaknesses. The Programme was primarily focused on achievement of key targets in short time frames; it did not therefore set out an overall strategic vision for reform, it required a large number of objectives to be pursued concurrently, timescales were very tight and sometimes unrealistic and frequently revised. There was little guidance to the Greek government as to the priority of objectives and guidance was not provided on issues relating to implementation. The objectives were also created with limited input from the operational staff called upon to implement them.

In addition, there were multiple changes of government during the period, with several key positions within the administration unfilled – a key example being the position of General Secretary for Public Revenue, which remained vacant throughout 2012. Partly as a result of this, the Greek Authorities required significant support in framing their requests for Technical Assistance, and in certain areas it was largely up to the TFGR to design a plan for TA that it could then agree with the Greek Authorities. Effective co-ordination and framing of TA requests by the Greek Authorities is still an unresolved issue, despite efforts in this regard by the GSC.

Delivering Technical Assistance to support designing and implementing a reform programme within this context was challenging. Taking these difficulties into account, and despite some problems in the early days of the TFGR (Q4 2011/ Q1 2012), Technical Assistance was generally well planned, and mostly targeted at the areas where it was most needed. Amongst the TA recipients we surveyed, fewer than 20% felt that the Technical Assistance they received was 'not directly relevant to their job'.

That said, planning of Technical Assistance did exhibit certain weaknesses in the period under consideration, although it is important to state that effective corrective actions have now been taken in most of these areas. The main issues raised were:

- » There were delays in the delivery of requested Technical Assistance on some occasions, and on a limited number of requested areas no Technical Assistance was provided.
- » Decisions on TA delivery were mostly taken following interactions with the political leadership and senior management, with insufficient input from middle management and junior employees.
- » Design of Technical Assistance, especially during the first year of TFGR, did not adequately take into account the level of expertise of Greek officials, with one in three respondents to our TA recipient survey highlighting this as a particular problem.
- » Technical Assistance (e.g. training courses) was sometimes delivered during busy periods (e.g. around the deadline for tax returns), affecting day-to-day operations.

29. Communications

The leadership of the TFGR made significant efforts throughout the period under consideration to promote the merits of reform and portray TA as an expression of solidarity aimed at improving the Greek public sector. However, the existence of a multitude of stakeholders (Greek ministers, opposition politicians, Member States leaders, EC officials, IMF officials, etc) each pursuing largely divergent communication strategies, together with widespread press coverage of the often fraught political process surrounding the negotiations and monitoring of the Economic Adjustment Programme, muddled the message and created confusion with regard to the rationale behind reforms and the role of Technical Assistance.

This has led to the emergence of a widely held view across the administration (mostly amongst middle management and junior employees) as well as the Greek public that reforms merely reflect Greece's obligations towards its creditors, and do not necessarily serve the public interest in Greece. As a result, 'ownership' and support for the reforms has suffered, creating conditions that hindered the work of the Technical Assistance and the wider reform effort and which raise concerns regarding the sustainability of implemented changes in the future.

Section 7. Comparative analysis of the two TA delivery models

This section of the report serves to compare various salient characteristics of the two TA delivery models⁴. While both models exhibited strengths and weaknesses, it is important to note that at the time of the TFGR's inception there were limited alternatives and good reasons for pursuing the chosen models in the two areas examined. In the area of tax administration, the IMF represented an acknowledged centre of expertise in the subject area and had already been active in delivering TA in Greece for over a year. On central administration, both the Greek and French Authorities expressed a clear desire to work together, given both the historically good relationship between the two countries and the similarity of their respective administrative structures and philosophies.

The discussion below has certain limitations. The needs, challenges, and measures of success in the areas of tax administration and central administration reform were radically different, as was the approach and focus of the Greek Authorities and Troika. In addition, it is difficult to determine whether the identified strengths and weaknesses of the respective models represent structural features of the models themselves or reflect the approach of the specific organisations involved (IMF/France). As a result, it is next to impossible to draw definite conclusions regarding the superiority of one model over the other, especially outside the narrow context within which they were applied, and our comments should be seen in this light.

More generally, it is clear that both Member States and International Organisations, and France and the IMF in particular, have made invaluable contributions to the reform progress in Greece and should continue to be involved in the provision of TA in the future. The discussion in this section merely concerns the arrangements governing their engagement in the areas of central administration and tax administration reform respectively, and attempts to assess the extent they were conducive to the effective delivery of Technical Assistance.

30. Relationship and co-operation with the TFGR

The TFGR shared the overall leadership and co-ordination of Technical Assistance with the IMF and the French Domain Leader in the areas of tax administration and central administration reform respectively.

Despite having entered into an agreement with the Task Force, it is clear that the IMF saw its role as in some part at variance with the aims of the Task Force and the Domain Leaders in the area of tax administration. This often created disagreements and tensions on the ground, and led to inadequately joint working between the IMF and EC/Member States experts.

In contrast, the TFGR and French Domain Leader in the area of central administration developed a solid working relationship, and communication between the two was effective throughout. That said, this was likely mostly due to the efforts of the particular European Commission and Domain Leader high-level counterparts, and does not necessarily represent an inherent structural advantage of the Domain Leader model⁵.

⁴ A description of the two models can be found in Chapter 1 of this report.

⁵ The agreements in both areas stipulated similar arrangements with regard to the joint co-ordination of the TA effort by the TFGR and the French Domain Leader/IMF respectively.

31. Link with Troika and parent organisations

The Euro area Member States and the IMF have been providing financial support to Greece since May 2010, and as a result they retain a natural interest at the political level in the work of the Troika.

In terms of provision of Technical Assistance, France (as Domain Leader) and the IMF followed a different approach, with IMF TA providers generally working closely with their Troika counterparts, while the Domain Leader (in line with the TFGR) operated in a more clearly independent functional framework from the Troika. While this was partly due to institutional proximity (the IMF is part of the Troika, while France is indirectly represented via the EC), it mostly reflected a conscious strategic decision by the organisations involved.

Both approaches had advantages and disadvantages, which are discussed in more detail elsewhere in this report. In general, the IMF approach enabled a smoother interaction between the Greek Authorities and the Troika, but placed limits to the extent that trust could be developed between TA providers and TA recipients.

On the other hand, the Domain Leader approach was more conducive to building trust with the Greek Authorities and supporting sustainable structural reform, while avoiding the emergence of issues around transparency, national sovereignty, and conflict of interest. The disadvantage, however, was that the advice provided by the Domain Leader was sometimes contradictory to Troika aims, complicating the interaction between the Troika and the Greek Authorities.

The different approach to working with the Troika had implications with respect to the extent TA providers were able to influence the Troika process. The IMF TA providers made a direct contribution, while the advice of the Domain Leader was contradicted by the Troika on certain key issues (exits being a key example), to some extent harming its credibility with the Greek Authorities.

It is important to highlight that the differences to the approach of the IMF and Domain Leader were to a large extent a function of the specific conditions set in the Economic Adjustment Programme in their respective areas. In the area of tax administration, the conditions set by the Economic Adjustment Programme were largely seen as conducive to the reform effort, including by and large by the Greek Authorities, with disagreements mainly concerning the pace of implementation and the instruments employed. In contrast, in the area of Central Administration the quantitative targets set were seen as often counterproductive in achieving progress on qualitative reform targets.

Finally, another important difference between the two models is that the organisational background of TA providers affected the advice they provided to the Greek Authorities. For example, on certain key issues, Member States and EC experts had difficulty in effectively arguing in favour of specific solutions that were not in line with practice in Member States, even in cases when these were deemed to be the best way forward for Greece. As an international organisation, the IMF's advice was not hindered by similar restrictions.

32. Expertise

As an organisation with experience working in a large number of countries, the IMF is able to draw on significant international experience, comparing and contrasting different approaches to choose the one that would work best in Greece. In contrast, the Domain Leader's expertise mostly relates to the system found in the country of origin, which in important respects may not be the most appropriate for the country receiving Technical Assistance.

On the flipside, Member States experts have significant experience as managers and administrators operating *within* large bureaucracies rather than as external advisors, and as a result they tend to exhibit a greater sensitivity towards political considerations and a greater appreciation of administrative and legal hurdles when implementing reforms.

33. Experience providing Technical Assistance

The IMF has many decades of experience in delivering Technical Assistance in often challenging circumstances, and the experts engaged are almost invariably TA specialists. The Domain Leader, on the other hand, mostly relied on Member States officials with extensive administrative experience in their field, but who were often providing Technical Assistance to another country for the first time.

The fact that provision of Technical Assistance is part of IMF core business is also reflected in its application of a very structured approach to TA provision, which overall resulted in a more consistent 'TA product' compared to the Domain Leader's output. The IMF has an established methodology, and solid management arrangements for the experts it engages, with significant contribution from Headquarters in overseeing the entire chain of TA delivery. The Domain Leader for central administration, on the other hand, did not have a developed structure in place at the outset, and the guidance and supervision of experts on the ground was at times looser and less effective.

Finally, the different institutional background of the IMF and the Domain Leader, together with the differing nature of the reforms pursued in their respective areas, led to the adoption of a different strategic approach to the provision of Technical Assistance. The Domain Leader model consciously followed a strategy, with some exceptions, of providing high-level expertise and advice, with the aim of supporting full ownership of the reforms by the Greek Authorities. The IMF followed a more hands-on approach with a greater focus on practical support. Many of the Greek officials we spoke to in the course of this evaluation expressed a preference for the latter approach and felt that ownership need not suffer as long as Greek officials are "in the driving seat".

34. Engaging and mobilising personnel

Given its extensive experience in TA provision across the world, the IMF has developed a network of international experts that it can draw upon as needed, although the fact it provides Technical Assistance in many countries places a limit on the number of core staff it can allocate to work on Greece. In contrast, the Domain Leader had to mainly rely on engaging Member States' civil servants, which could be difficult at times given that they were already engaged in full-time posts in their parent departments. In addition, due to the funding arrangements, the IMF had much greater flexibility to engage external expertise compared to the Domain Leader.

While the French Domain Leader sought to engage experts from many Member States, in practice most experts came from the French administration. This was partly a feature of the Domain Leader model, which made contributing experts less appealing to other Member States.

Section 8. Modes of Technical Assistance delivery

A number of different 'modes' of Technical Assistance delivery were used in Greece, ranging from long-term engagements (e.g. advisors embedded in ministries) to short-term instruments (e.g. short-term expert visits, gap analysis projects). In addition, delivery varied with respect to the extent to which it focussed on 'hands-on assistance' as contrasted to 'high-level advice'. In the former case, TA providers would provide very specific, practical advice or even produce specific deliverables in co-operation with the Greek Authorities, while in the latter case TA providers would adopt more of a 'motivator' role while providing more strategic, high level advice on general topics.

In summary, all instruments utilised in delivering Technical Assistance were seen as useful, and best results were often obtained by combining different approaches – e.g. short-term, highly specialised expert visits with resident advisor follow-up. That said, it was felt that Technical Assistance could have contributed more and achieved better value for money if there was more of a focus on practical, hands-on assistance and a rebalancing of resources towards longer-term modes of delivery.

35. 'Hands-on' versus 'high-level' assistance

There was strong feedback from the Greek Authorities in favour of 'hands on' Technical Assistance. Many TA providers, particularly in the area of central administration, adopted a considered approach of refraining from providing practical, hands-on assistance with the dual aim of building capacity in the Greek civil service and of supporting ownership of the reforms by the Greek Authorities.

Building capacity and supporting ownership of the reforms are both key aims of Technical Assistance, but neither would necessarily suffer from a more 'hands-on' approach. Building capacity could be better supported by the Greek Authorities working jointly with (and learning from) TA providers to produce actual deliverables, as contrasted to Greek officials being solely responsible for operational planning and implementation with TA providers restricted to the provision of strategic advice.

Ownership crucially relies on the Greek Authorities retaining ultimate control and decision-making powers on the pursued reforms, and this could be further supported rather than jeopardised by the provision of practical and instantly implementable options on the way forward.

36. Long-term versus short-term TA instruments

Utilising short-term experts, while in principle useful in allowing the engagement of specialised expertise, exhibited certain limitations in practice. Firstly, it requires significant resources to be dedicated to planning, as well as to brief incoming experts on the specific challenges facing Greece and the state of the reform programme. Secondly, the financial cost (transportation, accommodation) for a given unit of output is substantial both in absolute terms and relative to longer-term engagements. Thirdly, short-term engagements are less conducive to effectively engaging Greek officials and building trust compared to the continuous involvement of long-term advisors.

One advantage of short-term modes of Technical Assistance delivery is that it allows the targeted engagement of experts with highly specialised expertise in specific areas, as well as a more flexible utilization of resources to meet specific needs. While both these factors are important, the fact that TA needs in Greece are more heavily weighted towards administrative/management of

change issues rather than the provision of specific ‘technical’ expertise has meant that longer-term modes of assistance were generally more effective in supporting reform.

This is not to say that short-term modes of engagement were not useful, or in fact necessary on a number of occasions given the need for specific expertise delivered on a flexible basis. However, it is also clear that they contributed most in cases when they were highly targeted and focused on well-defined topics of practical significance. Repeated engagement of the same short-term experts was also seen as crucial, as it allowed them to develop an in-depth understanding of problems and better tailor their advice.

37. Summary comments on specific delivery instruments

Table 1: Activity descriptions

Activity	Description
Seminars/ Workshops	<ul style="list-style-type: none"> ‘Stand-alone’ seminars/workshops generally made a limited contribution, but were effective when complementing other forms of TA delivery and targeted specific questions related to actual policy/operations in Greece.
‘Classroom-type’ training	<ul style="list-style-type: none"> Similarly to seminars/workshops, classroom-type training was useful when target-oriented, and focussed on specific issues. Generic training on broad topics was found to be less useful.
Short-term expert visits	<ul style="list-style-type: none"> This was an effective tool in cases when the right experts were identified, i.e. experts with both the relevant expertise and ability to deliver Technical Assistance. However, follow-up by resident advisors was seen as essential for short-term expert visits to have a sustainable impact. Short-term expert visits are resource intensive, in that they require significant resources to be dedicated to planning, as well as to brief experts when in-country about the state of play. As a result, and also taking into account the high cost of air tickets, very short-term visits (under a week) generally delivered poor value for money. In contrast, short-term visits lasting a number of weeks by experts engaged on a recurring basis (i.e. undertaking multiple missions in Greece) were much more effective and a significant improvement with regard to value for money. Some concerns were raised around selection of short-term advisors, with too much reliance on personal networks and less on specific knowhow/ability to deliver TA, also resulting in a relatively narrow range of nationalities. There were also some problems with planning, with some short-term visits undertaken at very busy times for Greek Authorities and impacting on the day-to-day work of Greek officials, as well as resulting in inadequate preparation for their arrival.
Gap analysis projects	<ul style="list-style-type: none"> Gap analysis projects were seen as useful in providing an initial assessment and informing planning of subsequent TA delivery.
Resident TA support (including embedded advisors within	<ul style="list-style-type: none"> Resident TA support was the mode of Technical Assistance that made the greatest contribution, as well as representing the best value for money. In addition, it was seen as necessary for other modes of TA to be effective. The selection of the specific resident advisors engaged in

Ministries)

2011-2013 was seen as generally successful, with advisors possessing a good level of expertise in their areas and the right skill-set to deliver Technical Assistance. Effectiveness increased further with time as they developed an in-depth understanding of Greek institutions, legislation, and ways of working.

Section 9. Views on the future of Technical Assistance

The Greek debt crisis and the financial assistance provided to Greece in its aftermath were the starting point of current efforts at reform. However, weaknesses in central administration and tax administration long predated the dramatic events of 2010, and were neither the direct result of the crisis nor its proximate causes.

In the same vein, while Greece has made significant progress in getting its finances back on track and is likely to regain wider access to bond markets in the near future, it would be a mistake to assume that the structural problems of Greek public administration will have been effectively resolved. The two issues – fiscal consolidation and successful structural reform – are largely unrelated in the short to medium term.

Simply put, Greece – or any other Member State for that matter – could enjoy sustainable public finances while still suffering from deep structural problems. The reform process in Greece is incomplete, and there is broad consensus at all levels that Technical Assistance ought to continue in the future, albeit under a revised model.

Furthermore, the lessons learned providing Technical Assistance to Greece should be utilised in the creation of a structure capable of providing Technical Assistance to all Member States. Provision of Technical Assistance and exchange of best practice should form an integral and permanent aspect of economic union, and not simply constitute an emergency response in times of extreme distress.

The remainder of this section discusses a number of key issues related to the future provision of Technical Assistance in Greece.

38. Scope of the reform

While Technical Assistance generally targeted relevant areas of reform, given the emergency nature of the involvement and pressure to deliver results, in some cases the focus tended to be more on ‘quick wins’ rather than on fundamental reform. In particular, efforts should be intensified in the following areas:

- » Ending legal formalism in the Greek administration. This can be achieved by the adoption of a general approach of vesting relevant officials with the authority to make operational decisions in their domain without the need to introduce legislation. Rather than relying on courts to provide checks and balances, there should be increased development and adoption of lean and effective administrative oversight mechanisms, with courts only used as a last resort.
- » Building capacity in the Greek public sector. The focus in the past was mostly on policies and getting reforms through, however true sustainability can only be achieved via building a modern and effective public sector. There is a need to review whether the commitment to reform the wage grid in a fiscally neutral manner is compatible with attracting and retaining high quality personnel. Hiring procedures for junior employees and middle management ought to be revamped. Project management and managerial skills should be developed.
- » Addressing the gap between the political leadership and the administration, ensuring the civil service can both inform and implement ministerial decisions, and that there is continuity in government when the political leadership changes. While most countries in the European Union do not have an apolitical administration, there is a need to review whether introducing a politically independent civil service may be the most effective way forward in Greece, in light of historical and persisting weaknesses in this regard.

39. Timeframe

The reform programme in Greece in both areas we examined is incomplete, and Technical Assistance ought to continue to enable its successful conclusion and ensure the sustainability of its achievements. Most stakeholders the project team spoke to felt that a minimum period of at least two to three years is required to conclude the 'narrow' reform programme pursued now. However, a longer-term engagement could bring substantial additional benefits, as well as assist in the pursuit of deeper reform efforts.

40. Language

The fact most Technical Assistance providers could not speak Greek was seen as a significant impediment to successful co-operation, with translation services only providing a partial solution.

While the focus should remain on engaging the best available expertise even in the absence of language skills, there are a number of approaches that can be pursued in this direction. Proposed examples include:

- » Engagement of multilingual TA provider teams, where some team members can speak the language
- » Increased efforts to identify and engage Greek-speaking experts with the relevant technical expertise
- » Increased engagement of long-term experts, coupled with active encouragement to invest in language skills both prior to their engagement and while in-country

A key point raised by a number of interviewees was that a perfect command of the language is not necessary. An intermediate grasp would go a long way in allowing TA providers to follow proceedings and integrate in the working life of the ministry, as well as in building trust with officials.

41. Role of Member States, International Organisations, and the private sector

Member States and International Organisations need to continue playing a key role in the provision of Technical Assistance, albeit potentially under a different framework and carrying different responsibilities, as discussed elsewhere in the report. There should be a specific effort on continuing the engagement of Member States and International Organisations already active in Greece, since they have developed an invaluable understanding of the issues and ways of working effectively.

That said, it is also necessary to widen the pool of TA providers in Greece, by engaging Member States that have had a limited contribution until now. This can yield benefits both in terms of transferring specific expertise that is relevant to reform in Greece (e.g. the specific civil service model used in the UK or the Scandinavian countries), as well as raising awareness and building support for reform efforts in Greece by the countries providing the Technical Assistance. An updated TA delivery model, with regard to its links to the Economic Adjustment Programme (which is seen as an EMU rather than EU issue), leadership (with the domain leader and its predominant association with one country potentially problematic in this respect) and funding (allowing the direct remuneration of engaged experts by the TA budget), will potentially be conducive to such an effort.

In addition, there should be increased efforts to engage the private sector in Technical Assistance delivery. This should be done both through competitive tendering, and through increased use of small value contracts (there was only limited use of the latter in the areas of central administration and tax administration reform in 2011-2013, but they were found to be extremely useful).

Engaging the private sector has a number of advantages. Firstly, there are a number of providers with widespread experience in providing Technical Assistance, as well as international and Greece-specific expertise in key reform areas that may be difficult to obtain within Member States and International Organisations. Secondly, use of competitive tendering can ensure the effective use of funds and achievement of value for money. Finally, use of private sector companies is independent of the political and sovereignty considerations relevant to Member States and International Organisations delivering Technical Assistance – especially given their association with the Economic Adjustment Programme in Greece. While this does not translate into a need to exclusively rely on the private sector, delivery of Technical Assistance on certain topics could benefit from engaging private sector providers reporting directly to the European Commission and/or the Greek Authorities.

42. Modes of Technical Assistance

Longer-term modes of Technical Assistance, in particular resident/embedded advisors, should be the main vehicle of Technical Assistance delivery, with short-term experts used only to deliver targeted assistance on tightly defined topics of practical interest. Whenever possible, engagement of short-term experts should be on a recurring basis, allowing them to develop an in-depth understanding on the specific weaknesses that need to be addressed in each reform area. Furthermore, all experts should be carefully selected based both on their knowledge of required subject areas as well as on their proven ability to deliver Technical Assistance.

There was a very clear message from the Greek Authorities that Technical Assistance needs to be ‘hands-on’, providing solutions that can be implemented straight away and even directly assisting in the production of deliverables. This was not seen as jeopardising ownership of the reforms as long as the Greek Authorities were responsible for deciding on the reform options to be implemented. The Greek Authorities working together with TA providers in integrated teams was seen as very effective, especially given the fact many reforms are now moving from planning to the implementation stage,

In addition, the European Commission via the TFGR should consider the feasibility of placing supplementary expertise, outside of the Technical Assistance framework, under the direct control of Greek Authorities. This should not be the usual mode of TA delivery, but it may be the most effective way forward in specific, highly politically sensitive contexts – for example, participation in a Minister’s Cabinet. While in principle the Greek Authorities may be expected to directly hire expertise themselves in such circumstances, in practice they are subject to binding hiring and remuneration restrictions which make it difficult to attract personnel with the required expertise and experience.

43. Engaging local expertise

There is substantial expertise in the Greek private sector and academia, and there should be increased efforts to identify and engage it in the provision of Technical Assistance. Combining foreign with local experts can help maximise effectiveness, by making it easier to understand problems and design solutions that are tailor-made to suit Greek strengths and weaknesses, as well as by facilitating better working relationships with Greek officials.

In addition, engaging local experts can help send a positive message to the administration and the public by challenging the image of externally imposed reform, and it can support sustainability by creating and enhancing a pool of local expertise that Greece can keep benefiting from in the future.

44. Communication

There is an urgent need to develop and pursue a common communication strategy with regard to reform and the role of Technical Assistance in Greece. The Greek Authorities, Troika, TFGR, and other relevant stakeholders should agree on a coherent message aimed towards the Greek public, the Greek public sector, and Member States. This should clarify the roles of the different stakeholders active in Greece, expound the benefits of realised and planned reform, and set out a clear vision and plan for the future.

This is critical to support ownership of the reforms by the administration and build support for change amongst the Greek public and civil society, safeguarding the sustainability of achieved progress. The Troika and the Economic Adjustment Programme are deeply unpopular in Greece, and corrective action needs to be taken so that reform is decoupled in the public consciousness – as well as in the minds of civil servants and politicians – from what were often seen as punitive fiscal measures in the form of redundancies, cuts in services, and reductions in wages.

In addition, the TFGR should intensify its current efforts to communicate progress on the reforms to outside partners, especially Member States, to build confidence and garner support for the reform progress in Greece.

45. The future model of delivery: Link to the Economic Adjustment Programme

Greece has made important strides towards fiscal consolidation, but the need for reforms remains. Providing a clear definition of the relationship between TA provision and the Economic Adjustment Programme moving forward is a key challenge, with important implications for the future of reform in Greece.

In 2011-2013, as discussed elsewhere in the report, the approach of different TA providers with respect to the Troika diverged considerably. This is widely seen as unsustainable, but there are conflicting views on the way forward, directly reflecting differing opinions on what the role of the TA should be.

The first group of stakeholders sees the role of TA, and the TFGR in particular, as assisting with the implementation of the Economic Adjustment Programme for Greece to achieve fiscal consolidation – and they support a model of full functional integration of the TFGR with the Troika. In contrast, the second group see the key role of Technical Assistance as supporting sustainable structural reform in Greece, which in certain key aspects is inconsistent with the approach of the Troika.

Both models have advantages and disadvantages, as was observed in practice in 2011-2013 given that some TA providers largely followed the former approach and others the latter.

There is no doubt that the Troika, due to its role in controlling financial assistance to Greece, has significant power to force changes. Many of the stakeholders we interviewed felt that pressure from the Troika played a key role in this regard in the period under consideration, and helped override substantial resistance in a number of areas. In addition, it was felt that the relatively few resources available to the Troika and the reliance on periodic short-term review missions were insufficient to allow Troika officials to develop an in-depth understanding of often complicated issues. As a result, it was difficult for them to arrive at an accurate assessment of reform needs and to fully monitor the Greek Authorities' efforts to comply with Economic Adjustment Programme conditionality.

In contrast, by virtue of working closely with the Greek Authorities, TA providers developed a much more detailed understanding of the situation on the ground. Under an 'integrated Troika/TA' model, TA providers could help inform the process of setting and (going forward) monitoring progress towards the Economic Adjustment Programme conditions. In 2011-2013, TA providers in

some areas interacted with the Troika both to highlight areas where there was insufficient action by the Greek Authorities requiring Troika intervention, as well as to identify instances where targets were missed despite committed action by the administration.

However, as highlighted by a recent Economic and Monetary Affairs Committee resolution passed by the European Parliament⁶, ‘flaws in the way the Troika worked hindered national “ownership” of economic reforms, and compromised transparency and accountability’. The Troika is extremely unpopular in Greece, and reforms implemented as a result of Economic Adjustment Programme conditionality are widely regarded as externally imposed and aimed more at serving the interests of Greece’s creditors rather than those of the Greek public. The presence of embedded experts within ministries under an ‘integrated Troika/TA’ model also raises serious concern around accountability, national sovereignty, and the emergence of conflicts of interest.

In summary, integrating Technical Assistance with the Troika process is an effective way to push wide-ranging changes through in a short space of time, but is not conducive to achieving sustainable reform. By definition, the model is also not applicable outside of situations of extreme distress.

In contrast, a model of ‘independent’ Technical Assistance provision can enable TA providers to build trust with the Greek Authorities, and help in the identification and implementation of reforms that are fully owned by the administration and supported by the public, safeguarding their sustainability.

That said, and while internationally there are numerous examples of successful Technical Assistance provision outside the context of a fiscal adjustment programme, the ‘independent’ model also comes with significant disadvantages. The most important is the risk that in the absence of strong conditionality Technical Assistance may lose its ability to drive reform forward. Provision of Technical Assistance, while independent from the Troika process, should continue to be based on the verifiable commitment of the Greek Authorities to reform, and the EC together with Member States can play a key role in this regard.

Our considered view is that the EC in general, and TFGR in particular, should place their focus on the long term, providing Technical Assistance to support sustainable structural reform in Greece. This requires the clear separation of Technical Assistance provision from the Troika process.

Given that meeting Economic Adjustment Programme conditions is still a key objective of the Greek Authorities, a significant part of the work of the TFGR in the immediate future will continue to be on assisting with their implementation. However, TA delivery should be completely functionally independent from the Troika and assist with wider reform efforts rather than be restricted to the narrow objectives of the Economic Adjustment Programme. This is crucial if TA providers are to build trust with the Greek Authorities and promote ownership, ensuring the sustainability of the reforms in the future.

46. The future model of delivery: leadership and funding

The current structure of the Technical Assistance delivery mechanism could be significantly improved. This was clearly reflected in the survey responses we received, with the majority of TA recipients stating that ‘the TA delivery model needs to evolve’, and a mere 10% of TA providers

⁶ <http://www.europarl.europa.eu/news/en/news-room/content/20140221IPR36608/html/EUECBIMF-Troika-needs-fixing-but-ministers-must-shoulder-responsibilities>

disagreeing with the statement that ‘there would be advantages to reforming the Current Technical Assistance model’.

In addition to reviewing and clearly defining its relationship to the Economic Adjustment Programme, discussed above, the main areas that need to be addressed are leadership and accountability, funding, and the interaction with the Greek Authorities.

TFGR should assume clear leadership of Technical Assistance and be solely responsible for the co-ordination of TA activities. Sharing the co-ordination function between the TFGR and the Domain Leader/IMF in 2011-2013 was a source of confusion and inefficiency, and it ultimately impacted on the effectiveness of the Technical Assistance provided. Member States and International Organisations still have an active role to play in providing expertise, but leadership and co-ordination of Technical Assistance moving forward should be the responsibility of a single body, with the EC via the TFGR having the required legitimacy to assume this role. This will also serve the purpose of addressing the ‘accountability gap’ observed with regard to the provision of Technical Assistance, enabling effective political steering and oversight of the TA delivered.

In addition, there is an urgent need for secure, dedicated EC funding to be made available to the TFGR to cover all TA delivery costs, including those currently borne by the Member States and International Organisations delivering Technical Assistance. Exclusive financing by the European Commission can help ensure the legitimacy of Technical Assistance and address several concerns at the political level, while at the same time providing a predictable and stable stream of funds to support solid planning and the sustainability of TA efforts.

The European Commission should take steps to grant the TFGR the maximum possible flexibility to select the most effective and economical TA provider in each area, supporting the attainment of value for money. A dedicated and distinct budget line can enable the TFGR to engage the required experts directly (e.g. by transferring staff from other EC directorates or engaging personnel on fixed-term contracts externally) without the need to necessarily rely on contribution agreements with suitably accredited international organisations. This does not mean that contribution agreements should not have a role to play in the future, however they should be examined on their merits on a case-by-case basis, rather than be dictated by restrictions relating to the disbursement of EU funds.

Finally, there is a need to strengthen the role of the General Secretariat for Co-ordination so it can provide an effective reciprocal structure to the TFGR within the Greek Authorities. The GSC’s remit and capacity should be enhanced to allow it to effectively co-ordinate requests for Technical Assistance across all ministries and public sector bodies, oversee TA delivery, and remove any obstacles to its effectiveness.

47. Benchmarking and Analytics

The current metrics and key performance indicators (KPIs) used to measure progress on the reforms on both areas covered by this evaluation are inadequate, both in terms of their breadth (many key areas are not covered) and in terms of their focus (e.g. revenue administration targets are not adjusted for economic conditions). Furthermore, the targets and timeframes attached to many KPIs, determined as part of the Economic Adjustment Programme conditions, are in many cases unrealistic. This divergence between expectations and what was feasible in reality has often had a demotivating effect on officials, as it was clear that regardless of the amount of effort applied the targets would be missed.

Technical Assistance providers and the Greek Authorities should invest significant resources to review, amend, and expand the current metrics used to measure progress on the reforms, and to increase capacity for monitoring and analysis. The process of setting targets should be better informed, with targets being ambitious yet achievable. Political negotiations and decisions should take better account of operational realities.

More generally, there is a lack of reliable benchmarks covering national administrations across the European Union, rendering it impossible to compare the performance of different Member States in key areas of public administration, including central and tax administration. This would be a major endeavour, with many practical difficulties and requiring significant commitment of resources by the European Commission, but the contribution it would make to the reform process in Greece would be invaluable: it would allow an informed choice of areas in need of reform, it would enable accurate monitoring of progress, and it would help identify the best sources of expertise in each reform area. Even more crucially, it could help inform the reform process across the European Union, helping to drive improvements in public administration in all Member States.

48. Provision of Technical Assistance to EU Member States

The European Commission invests significant resources to provide Technical Assistance to non-member countries via DG Development and Cooperation, as well as to acceding countries via DG Enlargement. The lack of a similar permanent function for provision of Technical Assistance to Member States is an important gap, especially in light of the wide divergence in public sector performance between countries, and even between different areas within the same country. This is problematic given that EU countries are highly interconnected, so that weak performance in one country has the potential to affect all other Member States, even when it does not carry direct fiscal consequences as has been the case with Greece.

Many of the TA providers we interviewed in the course of this evaluation felt that their own countries could benefit from provision of Technical Assistance in some areas, with the European Commission regarded as the most suitable body to lead such an effort by mobilizing the best available expertise from Member States, International Organisations, and the private sector.

Particular concerns were expressed with regard to new Member States, with Technical Assistance through DG Enlargement ending abruptly once a country becomes a full member without due consideration to additional reform needs. That said, it is also clear that even the Member States with the strongest public administrations could benefit from the provision of Technical Assistance in particular areas.

In the same vein, and in addition to provision of Technical Assistance, the European Commission should seek ways to further encourage secondments, exchanges, and permanent transfers of officials between the administrations of different Member States. This will support the effective exchange of knowledge and adoption of best practices across all Member States, and could be modelled along the lines of similar initiatives between other Member States' institutions. For example, it is common for staff working in National Central Banks to spend a significant amount of their career working in the Central Banks of other Member States.

EU-wide provision of Technical Assistance needs to be a permanent function of the European Commission that applies to all Member States, and not solely reserved for situations of distress or the weakest performers. Technical Assistance can offer a 'positive' model of co-operation between Member States, providing an impetus for reform that would not arise organically within the country itself, and effectively supporting convergence across all dimensions of national public administrations.

Annex A: Bibliography

Please note that the Bibliography does not include confidential documents (including reports, memos, presentations, meeting minutes, etc) reviewed by the project team.

“The Economic Adjustment Programme for Greece”, *Directorate-General for Economic and Financial Affairs*, Occasional Papers 61 (May 2010).

_____ “The Economic Adjustment Programme for Greece”, interim review (Athens 14-17 June 2010).

_____ “The Economic Adjustment Programme for Greece”, fifth review, Occasional Papers 87 (October 2011).

_____ “The Economic Adjustment Programme for Greece”, first review, Occasional Papers 68 (August 2010).

_____ “The Economic Adjustment Programme for Greece”, fourth review, Occasional Papers 82 (July 2011).

_____ “The Economic Adjustment Programme for Greece”, second review, Occasional Papers 72 (December 2010).

_____ “The Economic Adjustment Programme for Greece”, third review, Occasional Papers 77 (February 2011).

“The Second Economic Adjustment Programme for Greece”, Occasional Papers 94 (March 2012).

_____ First review, Occasional Papers 123 (December 2012).

_____ Second review, Occasional Papers 148 (May 2013).

_____ Third review, Occasional Papers 159 (July 2013).

_____ Fourth review, Occasional Papers 192 (April 2014).

“First Quarterly Report”, *TFGR*

“Second Quarterly Report”, *TFGR* (March 2012).

“Quarterly Report”, *TFGR* (December 2012).

“Quarterly Report”, *TFGR* (April 2012).

“Fifth Activity Report”, *TFGR* (October 2013).

“Greece: Review of Tax Administration Reform”, *IMF & EC* (May 2012).

“Greece: Achieving Revenue objectives and Administrative Reform Goals”, Second Review of Tax Administration, *IMF & EC* (September 2012).

“Greece: Tax Administration Reform Status and Review of VAT”, Third Review of Tax Administration, *IMF & EC* (December 2012).

“Greece: Revenue Administration Performance and Institutional Reforms”, Fourth Review of Tax Administration, *IMF & EC* (March 2013).

“Greece: Implementing the Tax Administration Reform program”, Fifth Review of Tax Administration, *IMF & EC* (June 2013).

“Greece: tax Administration Progress and Preparing for Tax Reforms”, Sixth Review of Tax Administration, *IMF & EC* (August 2013).

“Greece: Seventh Review of Revenue Administration Reforms”, *IMF & EC* (November 2013).

“Greece: Review of the Central Administration”, *OECD Public Governance Reviews (2011)*.

“Strategy for e-Governance 2014-2020”, *Ministry of Administrative Reform & e-Government; OECD Public Governance Reviews (2013)*.

“Memorandum of Understanding”, *Ministry of Administrative Reform and e-Government of the Hellenic Republic and the Ministry of Budget, Public Accounts and State Reform of the French Republic (January 2012)*.

“Greek Strategy for the Administrative Reform & 2 - year action plan for the Reform of the Central Administration: Building a compact, citizen-oriented and dedicated administration”, (December 2013).

Annex B: General Information

- ⓘ Except to the extent otherwise stated in our report, our work will be carried out on the basis that any information supplied (whether or not in writing and by management or otherwise) to A&M and on which our work is based is complete, accurate and not misleading.
- ⓘ A&M Taxand and Adam Smith International have not performed anything in the nature of an audit nor, except where otherwise stated, have we subjected the financial or other information contained in this report to checking or verification procedures. Because our services are limited in nature and scope, we cannot be relied upon to discover all documents and other information or provide all analyses that may be of importance in this matter. There is no assurance that all matters of significance will be disclosed by our work.
- ⓘ Because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results and those differences may be material. A&M Taxand and Adam Smith International assume no responsibility for the realisation of any projections.
- ⓘ It will be the Commission's responsibility to consider our findings and make its own decisions (including any investment/divestment decisions) based on the information available to it.
- ⓘ A&M Taxand and Adam Smith International cannot be relied upon to give assurance that any fraud or mismanagement that might have taken place has been discovered. To the extent that any fraud or mismanagement is uncovered or suspected, it is not A&M Taxand's or Adam Smith International's responsibility to give assurance that the full extent of any fraud or mismanagement has been identified or that any remedial actions or consequential financial estimates or valuations are correct.
- ⓘ The Commission accepts and acknowledges that A&M Taxand and Adam Smith International have not made any warranties or guarantees of any nature with respect to the results, outcome or final developments in this matter or with respect to any economic, financial or other results. Our work did not include an analysis of the potential impact of any unexpected sharp rise or decline in local or general financial markets or economic conditions or technological changes.
- ⓘ The Commission acknowledges that it does not require A&M Taxand or Adam Smith International to do any of the following: make investment decisions; provide investment advice; determine levels of finance; act or negotiate on the Commission's behalf, or act as management.
- ⓘ A&M Taxand and Adam Smith International are not qualified to give legal advice.
- ⓘ A&M Taxand and Adam Smith International do not assume any responsibility or liability to any third parties in connection with the contents of this report.

Project team

Richard Baxter (A&M Taxand)
Nikos Spyropoulos (ASI)
Paul Davies (ASI)

Donatella Ineichen and Michail Papagiannis managed the project on behalf of the European Commission.

Contact details

For further information regarding this report, please contact:

European Commission

Michail Papagiannis
tfgr@ec.europa.eu

Alvarez & Marsal Taxand

Richard Baxter
ribaxter@alvarezandmarsal.com

Adam Smith International

Paul Davies
paul.davies@adamsmithinternational.com

Adam Smith
International

