

**FINAL REPORT for the project entitled
The reform of the public revenue administration in Greece:
re-building the ship during the storm?**

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The aims and conduct of the project

The aim of this project was to analyse and evaluate the implementation of a key structural reform introduced as part of the ‘bailout’ agreements that Greece has concluded with its creditors since May 2010. Specifically, this project focuses on the ongoing efforts to reform the part of the Athenian bureaucracy that has overall responsibility for tax collection in Greece, namely the Secretariat General for Public Revenue (*Geniki Grammateia Dimosion Esodon* - GGDE) of the Ministry of Finance, which – as a result of the reform that we have studied – has become a fully-fledged independent authority (Independent Authority for Public Revenue) that now operates at arm’s length from the government of the day. How we got there is what we set out to examine in this project. In particular we set out to examine the origins of this idea as well as the factors that have shaped the implementation and the outcome of the efforts to reform the Greek tax administration. The project is couched in three interconnected elements, namely the endemic problem of poor tax collection that has dogged the modern Greek state since its establishment in 1830, the politicisation of Greece’s public administration and, finally, Greece’s reputed limited reform capacity. Improving tax collection has been a key concern of the adjustment programmes that have accompanied the three ‘bailouts’ (see below) provided to Greece since May 2010 but, more importantly, it is a matter of justice as well as efficiency. Our key objective relates specifically to the issue of depoliticisation, i.e. ensuring that the country’s public revenue institutions a) become functionally independent (i.e. able to make, without ministerial interference, day-to-day operational decisions applying tax law to specific cases or categories of cases), in addition to b) becoming administratively and financially autonomous, i.e. formally allowed to deal with matters of internal organisation, structure and human resources (incl. operational and strategic plans, the re-allocation of budgeted administrative funds, IT issues, the definition of performance standards, staff remuneration, staff training) (OECD 2015, 26, European Commission 2007, Crandall 2010, OECD 2007, 11-12).

To achieve this objective first we mapped the requirements of the three MoUs, then

we identified the responses of successive Greek governments in the form of various pieces of legislation or other decisions (such as appointments) and then we used interviews with various stakeholders so as to trace as accurately as possible the way in which the process unfolded over time and the factors that have shaped it along the way. We have conducted 25 such interviews but we shall not list the interviewees here for we promised them complete anonymity. They include government ministers, former government ministers, ministerial advisers, trade unionists, business organisation representatives, EU civil servants and other senior ranking public officials who have had a direct involvement in the country's economic policy making.

While in most cases the people whom we approached were happy to talk to us (albeit with a variable degree of enthusiasm), a small number of important current or past officials were unwilling to speak to us. The most significant – and telling – cases are those of the IMF officials whom we approached more than once but to no avail. In the last attempt we mobilized the current head of the LSE's Hellenic Observatory who kindly agreed to write to the IMF's staff that we had identified but that effort too proved to be unsuccessful. We do not have reasons to believe that the project's credibility or the solidity of our conclusions have suffered as a result, not least because there is virtual unanimity on the role of the IMF amongst the remainder of our interviewees. On the other hand, as a result of the fact that a) we did not have to travel to Washington, and b) the EU officials whom we interviewed are all based in Athens, means that we ended up under-spending.

We have also encountered two additional problems, namely i) the unwillingness of the IAPR's head to give us data on the institution's current workforce (which would then allow us to examine in detail the third of the project's aims, namely its staff) and ii) the inability to identify and engage with interviewees within the IAPR's workforce who are located outside Athens. We have decided to address the first of these two issues by asking MPs to use the parliamentary route to obtain this information on our behalf (i.e. by asking questions in parliament). We will approach MPs from the governing and some opposition parties in July. The second issue – which has to do with the very recent appointment of key officeholders, i.e. the people who will help re-organise the authority - will hopefully be resolved in the coming months while we are working on the book (see below). Our confidence is based on the fact that one insider has agreed to help us identify the relevant staff (including some of the recent appointees). To be clear, the second of the project's objectives (re-organisation of the revenue mechanism's internal structures) has been partially met since we have information on the merger of SDOE/Financial Crime Squad with the IAPR proper and will discuss it in the book (space limitations prevented us from doing so in the attached article). Finally, the issue of digitization is under investigation and will be addressed in the forthcoming book not least because we now (finally) have access to the relevant officials.

Summary of the conclusions

The conclusion that we have drawn from this analysis is that this is a *prima facie* case of the impact of *vincolo esterno* in the sense that the establishment of the Independent Authority for Public Revenue (IAPR) would not have taken place in the absence of the MoUs and the conditions that they entailed. The newly-established authority has far greater functional independence as well as financial and administrative autonomy

than its predecessors and is much more akin to the British (HMRC) and Swedish institutions than any other EU member state. It has the power to

(a) in terms of functional independence

- interpret all relevant applicable tax laws,
- determine its own strategic and operational plans, including goal-setting and performance indicators,
- oversee, coordinate, monitor and assess the operation of all relevant units in relation to the strategic and operational objectives defined in its own plans,
- plan tax, customs and other relevant controls for the monitoring of all relevant tax laws,
- assess and prioritise any control requests that it receives,
- combat tax evasion, smuggling, illicit trade, tax fraud,
- combat corruption, lack of transparency, inefficiency, low productivity and low quality service provision encountered in public revenue, custom, and other relevant services
- propose legislative and other measures aiming to improve tax and customs compliance, including in relation to speeding up the collection of public revenue
- offer its opinion on draft legislation that relates to its domain of responsibility,
- take any other action that its duties require.

(b) In terms of administrative and financial autonomy, it has the power to

- organise its own services and manage all resources available to it,
- shape and manage its own budget which, crucially for the authority's autonomy, enjoys a significant degree of protection under the new law¹,
- develop, update, maintain (or purchase) and utilise the IT system that it needs in the context of a broader IT and e-government strategy.

Second, we have concluded that increasing the autonomy of the country's public revenue institutions is a step in the right direction because it can address at least some of the root causes of the country's endemic problems in collecting taxes. This does not mean that it is a central or indeed the only factor behind the significant recent improvement in tax collection. This is a rather complex matter that requires further research, partly because of the impact of capital controls and the dramatic increase in the use of cards for payments.

Third, the process of change did not have to go as far as it did; rather increasing the public revenue mechanism's autonomy was acceptable to the country's international lenders *but* the process went further simply because key decisions of Greek governments undermined their credibility at crucial points of the reform process. In other words, though the logic of conditionality is thought to involve *diktats* that are issued by the lenders and are obeyed by the recipient country, in this case the weaker party ended up – unintentionally – shaping the final outcome.

Fourth, the reform is likely to have created (in line with the logic of unintended consequences that characterizes processes of institutional change) a new problem: the

¹ The law creates a 'floor' under that budget by stipulating that it cannot be smaller than 95 per cent of the average ordinary appropriations made for the authority during the previous three years (Art. 19 para. 3, 3rd indent).

IAPR is currently accountable to parliament but the Greek parliament is not – by virtue of its own internal but also the broader Greek political culture – likely to be able and willing to perform this role (see the section on future research).

Outputs

The first output of the project took the form of [a conference paper](#) which we presented at the annual conference of the UK's University Association for Contemporary European Studies in London in September 2016. The second output took the form of a 16,000-word text which we presented to a workshop organised by Prof. A. G. Passas at Panteion University in April 2017. The workshop was attended by several past and some current officeholders and academic specialists to whom we distributed the paper a week before the event so that they could read and comment on it since the purpose of the workshop was to obtain feedback. The third output took the form of the attached draft article which includes the essence of our work. This first draft is 10,000 words long and as a consequence will need to be shortened to 9,000 but is limited to 9,000 words in line with the journal's word limit. Once we have done it (in the next week or so) we intend to submit it to the academic journal *Governance* after obtaining feedback from a small number of academic experts. A larger number of officials will also be asked to provide feedback but this will happen while the article is under review by the reviewers of *Governance*. The fourth output has taken the form of a book proposal (also appended to this report) which is currently in the hands of Cambridge University Press. We have decided to try and make a book out of this project largely because of the useful wealth of material that we have uncovered. The depoliticisation process is multi-faceted and the case of Greece can speak to several literatures simultaneously, i.e. the literatures on the handling of the crisis, conditionality, Europeanisation, Greece's reform capacity and the politics of agencification and institutional change. One of us (Dimitrakopoulos) has been granted research leave for the first term of 2018 for that purpose and our aim is to complete the manuscript by June 2018 with a view to publishing the book in 2019. The fifth output of the project will – in September 2017 – take the form of a short policy paper which we have been asked to produce for a new, independent, Athens-based think tank ([Institute for Alternative Policies](#)). The paper will include a proposal as to how the Greek parliament will be able to hold IAPR to account.

Plans for future publications and publicity

In addition to the academic article, the conference paper and the planned book (all of which are geared towards academic audiences), we aim to disseminate knowledge from this project in three additional ways. First, we will participate in the annual competition ('Total Exposure') of the UK's Political Studies Association with a view to pitching the project to UK-based media. Given that Greece often hits the headlines for all the wrong reasons, at least some media outlets will find what looks like a success story rather interesting. Second, we have decided to extend this research project by writing an academic article on the role of national parliaments in holding public revenue authorities to account. Third, once the book is ready, we will launch it via public events both in London and in Athens.

Appendices

Appendix I: book proposal

THE REFORM OF GREECE'S PUBLIC REVENUE ADMINISTRATION: REBUILDING THE SHIP AT SEA

Dionyssis G. Dimitrakopoulos and Argyris G. Passas

Synopsis

There are many factors that have caused Greece's sovereign debt crisis. Unlike some that are a matter of dispute, there is widespread agreement that the low tax collection rate is definitely part of the problem. Revenues fall far short of the levels that should be attained given the relevant laws and economic conditions. This book provides an analysis of the reform of Greece's public revenue administration promoted by Greece's lenders under the successive bailout agreements that have been in place since 2010. The IMF took the lead among the lenders in this reform, insisting on the conversion of the administration into an independent agency (in place as of January 1st, 2017) operating largely outside the finance minister's direct control. Greece was thus a guinea pig for the application of a contentious theory about the advantages to be gained from creating independent agencies in public administration. Just like other aspects of recent administrative reform (Featherstone 2015), this is an important part of the international and domestic response to the crisis. Unlike the financial and macro-economic elements of that response, the effort to put Greece's tax collection institutions at arm's length from the government has not been the target of scholars who have written about either the reform of the public sector in Greece in response to the crisis or Greece's tax collection system (Zahariadis 2013, Ladi 2014, Exadaktylos and Zahariadis 2012). In his broader study of administrative reform Featherstone refers to measures to improve tax collection (Featherstone 2015) but does not specifically deal with the reform of Greece's public revenue administration.

The purpose of the book is to analyse how this specific reform came about. As the book's outline shows (see below), analysis traces the process of reform from the days before the first bailout agreement (reached in 2010), on to the second (reached in 2012) and the most comprehensive and far-reaching final one (agreed in 2015). Though the lenders played a decisive role in bringing about this reform (in line with the expectations generated both by differences in financial power but also the literature on conditionality), the final outcome also bore the hallmarks of the impact of choices made by Greek governments during the crisis (in line with the literature on conditionality). The book documents these decisions and traces this seven-year process that unfolded in a country that is said to have limited reform capacity (Featherstone 2011, 195, Featherstone and Papadimitriou 2008, Kalyvas, Pagoulatos, and Tsoukas 2012, Spanou and Sotiropoulos 2011).

The detailed analysis in this book will be of interest for its contribution to a) the understanding of the response to the Eurozone crisis (including the politics of conditionality), b) Greece's reform capacity (Featherstone 2011, 195, Featherstone and Papadimitriou 2008, Kalyvas, Pagoulatos, and Tsoukas 2012, Spanou and Sotiropoulos 2011) and specifically its tax administration, and c) the expansion of the scope of non-majoritarian institutions in Western democracies (Majone 1996).

Outline of contents

Introduction (4,000-5,000 words)

The introduction first presents the key pre-crisis characteristics of Greece's public revenue administration, its enduring difficulties in collecting taxes - as indicated, for example, by the tax gap (Khwaja and Iyer 2014, CASE 2015) - and the magnitude of the problem in the run up to the crisis that (in Greece's case) erupted in 2010 which is when the country went bankrupt in anything but name. It then locates the proposal to take the country's public revenue administration largely outside direct ministerial control in three distinct literatures (each presented in separate sections): a) the logic that underpins non-majoritarian institutions in advanced liberal democracies (i.e. the reasons why power is delegated or transferred from elected politicians to these bodies that are then asked to carry out specific tasks entrusted to them, be they to set interest rates, regulate specific markets etc.); b) the handling of the crisis in the Eurozone (which was largely handled as a public debt crisis and was couched in the logic of conditionality) and c) Greece's reform capacity which – as the extant literature tells us – is rather limited (these themes are discussed in greater detail in chapter 1 – see below). The introduction also presents the authors' central argument: *vincolo esterno* (external constraint) is the main reason why this reform has actually come about in a country that needed it. Domestic reform-minded actors were present but also far too weak to bring it about on their own. Conditionality, in particular, was the key mechanism used to that effect.

Chapter 1 (5,000-6,000 words)

The purpose of this chapter is twofold. First, it expands on the introductory chapter's section on the logic of non-majoritarian institutions and specifically addresses the issues of design, independence, accountability and effectiveness. It distinguishes between regulatory and executive agencies, discusses the notion of operational independence, examines how accountability is organised and effectiveness assessed. The second section of the chapter sketches out a historical institutionalist framework of institutional change. This section highlights the following key lessons that historical institutionalists who have worked on institutional change have derived from it: a) institutional change is not an event but a process that unfolds over a long period of time; b) it is conflict-ridden and inefficient; c) while it is often incremental and piecemeal, in critical junctures it can also be radical and dramatic; d) while it is often affected by prevailing norms and ideas, it is also couched in power differentials between the supporters and opponents of change.

Chapters 2, 3 and 4 (about 25,000 words in total²)

Each of these chapters is dedicated to the implementation of the reforms required by Greece's international lenders in relation to the country's public revenue administration. The purpose behind the use of this chronological order for this analysis is to demonstrate the increasing specificity of these demands and the concomitant lack of confidence in the Greek political élite's commitment to the reform package. While the reforms demanded of Greece in relation to its public revenue administration were very limited under the first bailout (2010), they became

² Chapter 4 will cover the final bailout agreement which led to the establishment of the Independent Authority for Public Revenue. This is why it will be lengthier than chapters 2 and 3.

more specific in 2012 and took the form of a quasi-contract in 2015. These chapters also document the central role played by the IMF in bringing to the proverbial table the idea of an independent public revenue administration (a model that only the UK and Sweden use among the member states of the European Union), the role of the European Commission as a balancing force inside the evolving internal politics of the ‘troika’/institutions, the impact of key decisions made by successive Greek governments (including the sacking of the first two heads of the then semi-autonomous tax collection mechanism and the dynamics that have led to the establishment in May 2016 of the Independent Authority for Public Revenue which came into being in January 2017).

Conclusion (6,000-8,000 words)

The conclusion will be articulated in four sections and links this case to the broader literatures on the handling of the crisis in the Eurozone (incl. the politics of conditionality), Greece’s limited reform capacity, the introduction of non-majoritarian institutions in advanced liberal democracies. We will be arguing that this case offers evidence that both support and challenge key parts of these literatures. First, rendering Greece’s public revenue administration independent of political interference is a response to a known problem but it comes at a price which demonstrates the limits of both the external constraints and the logic of conditionality both of which are at the heart of the bailout programmes. While this reform has been associated with an increase in public revenue, its future is uncertain (since it does not appear to have the support that it needs inside Greece’s political establishment) in line with literature on the politics of conditionality and the ‘conditionality myth’ (Spanou 2016, Hughes, Sasse, and Gordon 2005). Its present is problematic in relation to the key issue of accountability since the new arrangement does not take account of key shortcomings in the internal actual modus operandi of the Greek parliament.

Draft preface

Until 2010 and the onset of the crisis Greece’s public revenue administration was an ordinary part of the country’s central government and – as a result – was subject to direct ministerial control. At the same time, tax evasion and tax avoidance were rife. The fact that the country needed to be bailed out has served as an opportunity for a radical look at its public revenue administration. The reform effort – largely driven by the IMF – has focused on a) taking the country’s public revenue administration away from the finance minister’s direct operational control over day-to-day decisions (functional independence) and b) increasing the revenue administration’s administrative and financial autonomy (i.e. its ability to determine its own internal structure and organisation, manage its own human resources etc.). The process, which the book documents and analyses has gone through three stages, corresponding to each of the three bailout agreements reached in 2010, 2012 and 2015 by successive Greek governments (of different ideological orientations) and the country’s international lenders.

In the eyes of the IMF, the European Commission and at least parts of the Greek political élite, political interference in day-to-day operational decisions was a key problem in Greece’s tax collection. This view finds support both in material from the Greek media and research interviews. Though it would be unwise to ascribe to that issue Greece’s entire (significant) tax gap, there is no doubt that political interference was a big problem that also reflects broader pathologies of Greece’s public

administration in a country where tax (and other) laws are – unlike their enforcement – often draconian. So, severing the links between the public revenue institutions and the finance minister was undoubtedly warranted. This was an extension of a broader trend whereby, since the early 1990s, several countries have reformed their revenue administrations and some have opted for a revenue authority (RA), i.e.

‘a governance model for revenue administration where traditional ministry of finance departments (tax and usually customs administrations) are established as an organization or agency with a degree of autonomy from government and independence from standard public service policies’.

(Kidd and Crandall 2006, 5, Taliercio 2004, see also Mann 2004).

Specifically, it has been argued that Revenue Authorities

‘(i) as a single purpose agency, it can focus its efforts on a single task; (ii) as an autonomous organization, it can manage its affairs in a business-like way, free of political interference in day-to-day operations; and (iii) being outside the civil service proper, it can execute its own human resources strategy - recruiting, retaining (or dismissing) and motivating staff.’

(Crandall 2010, 6).

Why has this reform gone as far as it has, what was the role of domestic and international actors, how effective has it been thus far and are the essential requirements of public accountability met under the new arrangement? These are central questions that this book will examine.

Analysis is based on an institutionalist framework which – along the lines of historical institutionalism – treats institutional change as a process riddled with conflict and inefficiencies. It shows how this reform has been largely led by the IMF and has managed to introduce a public revenue authority that is not akin to the dominant model in other member states of the European Union at least in terms of functional independence. It is important to note that the OECD in its 2015 report on tax administrations pointed out that ‘Studies made to evaluate the success or otherwise of the “revenue authority” model for tax administration *have not been able to draw any firm conclusions as to its overall impacts on revenue body efficiency and effectiveness.*’ (OECD 2015, 30 - added emphasis)

How this reform came about – in a country that is believed to have a low reform capacity - is the book’s central theme. The book shows that - while there was some support for the reform of Greece’s public revenue administration amongst key figures of the current government – this reform actually came about largely because of pressure from Greece’s international lenders – esp. the IMF.

The book is the first account of this kind of reform carried out in the context of the crisis in the Eurozone and – unlike most extant analyses of the Greek part of the crisis – it does not deal with macro-economic policy, or sectoral policy reform (such as those that relate to the labour market, pensions etc.) focusing instead on a part of the country’s Achilles’ heel, i.e. its institutions. It is primarily written for scholars and postgraduate students who work in the fields of public administration, comparative public policy, European integration (esp. Europeanisation), international political economy.

Tax evasion and tax avoidance is a well-known problem that Greece faces but there is no book-length treatment of this topic. We expect interest in this book to be quite significant precisely because of the huge interest in Greece's bailout amongst scholars as well as the wider public.

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Appendix II: academic article (first draft)

The Depoliticisation of Greece's Public Revenue Administration: re-building the ship at sea

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Introduction

The purpose of this article is to examine the reform of the Greek public revenue administration through its 'depoliticisation', i.e. by placing it 'at arm's length' and thus increasing its autonomy from government ministers at the operational and organisational levels. Before the onset of the crisis it was an integral part of the Athenian central government bureaucracy but it has been transformed into an independent public revenue authority. Just like other aspects of recent administrative reforms in Greece (Featherstone 2015), this is an important part of the international and domestic response to the crisis. Unlike the financial and macro-economic elements of that response, the effort to introduce these reforms has not been the target of scholars who have written about either the reform of the public sector in Greece in response to the crisis or Greece's tax collection system (Zahariadis 2013, Ladi 2014, Exadaktylos and Zahariadis 2012). In his much broader study of administrative reform Featherstone refers to measures to improve tax collection (Featherstone 2015) but does not specifically deal with the issue at hand. There are three reasons why this reform is worth examining.

First, *tax collection* has been an enduring problem for the modern Greek state since its establishment in 1830. Though no European state can claim to have a perfect tax collection record, in the run up to the onset of the crisis, the magnitude of the problem was unusual in Greece. The European Commission had estimated that 'uncollected tax revenue in 2006 amounted to 30 per cent (or 3.4 per cent of GDP)' (Featherstone 2011, 196) while as late as 2011 the OECD reported that

'if Greece could collect VAT, social security contributions and corporate income tax with the same efficiency as its main partners do, it could boost tax revenues by about 4¾ per cent of GDP per year'

(OECD 2011, 85).

Improving tax collection has been a key concern of the adjustment programmes that have accompanied the three ‘bailout’ programmes provided to Greece since May 2010 but, more importantly, it is a matter of justice as well as efficiency. Second, the *politicisation of the public administration* has been another enduring characteristic of the Greek state apparatus. This takes several forms including the past practice of tens of thousands of appointments in the civil service (then a job for life) in exchange for votes, the proliferation of political appointees (including ministerial advisers) to senior posts as well as frequent interventions by ministers or their entourage in the day-to-day operation of the administration proper. Although the first of these three forms has been significantly curtailed since the mid-1990s, the image of ‘politicisation’ remains powerful partly because a change in government still goes hand in hand with a large number of new appointments in very senior administrative posts including, until now, the head of the powerful and high profile Financial Crime Squad (*Soma Dioxis Ekonomikou Egklimatos - SDOE*). The crisis has enabled creditors and some domestic actors to link these two features (problematic tax collection and politicised administration) in a much more powerful (indeed, *causal*) way than has hitherto been the case and one that also resonates with the broader Greek public. As a result, ‘depoliticisation’ is seen as a condition for improving the effectiveness of the public revenue mechanism as well as of the public sector more broadly. Third, the established view is that Greece has a *limited reform capacity* (Featherstone 2011, 195, Featherstone and Papadimitriou 2008, Kalyvas, Pagoulatos, and Tsoukas 2012, Spanou and Sotiropoulos 2011). Intuitively though, it seems plausible that – given its magnitude - the ongoing crisis has opened a window of opportunity for reform even in Greece not least because, from the perspective of the promoters of reform, as Rahm Emanuel put it, “You never want a serious crisis go to waste. And what I mean by that it’s an opportunity to do things you think you could not do before”.

Analysis proceeds as follows. The first section a) locates this case in the broader literatures on independent regulatory and other executive agencies as well as the logic that underpins independent public revenue administrations, b) presents existing models of public revenue mechanisms and c) outlines an institutionalist framework of institutional change. The second section a) describes the key features of the Greek public revenue administration before the onset of the crisis and b) presents the empirical material regarding the post-2010 evolution of Greece’s public revenue institutions. The third section outlines our exegesis as to what has led to the establishment of the Independent Public Revenue Authority, and the final one concludes.

Our central argument is that this reform process exhibits key hallmarks of i) historical institutionalism (especially the inefficiency of the process) and ii) the literature on conditionality: while the broad direction of change (in response to a real problem) is appropriate and has been dictated by power asymmetries – in particular Greece’s overwhelming need for financial assistance – the final outcome was partly shaped by key choices made by the Greek governments in line with the literature on conditionality. In other words, the weaker party ended up shaping the final outcome *malgré lui*. As a result, the new institutional set-up went further than it had to go in order to resolve the issue at hand in a reform that has dealt with one issue but exacerbated another one. As a result, it shows the limits of both the external

constraints and the logic of conditionality both of which are at the heart of the bailout programmes.

Agency Independence and the Politics of Institutional Change

Agency Independence

The logic that underpins independent agencies mirrors the arguments used by those who support the use of non-majoritarian institutions in democracies and relates to a whole array of diverse institutional constructs (Everson 1995, 186). These are based on the idea (Majone 1996) that democratic government *pro tempore* is associated with three problems. The first is *temporal (in)consistency*, i.e. the notion that a policy considered to be optimal at one point in time may be reversed later as the exigencies of the electoral cycle may appear to dictate or after a democratic election, even though some problems require long term solutions. Second, *credibility of commitments* is important. All cases of alleged breaches ought to be dealt with in the same, fair way in line with applicable rules irrespective of who is involved in them. Finally, there is a cognitive reason: democratically elected politicians may well lack the *expertise* to make or adapt policy to changing conditions.ⁱ More broadly, the advent of institutions that enjoy a considerable degree of autonomy is associated with the effort to deal with a whole range of issues including organisational inefficiencies such as those that relate to inadequate systems for human resources, expenditure management and general administration (Crandall 2010, 3).

Non-majoritarian institutions, i.e.

- governmental entities that (a) possess and exercise some grant of specialised public authority, separate from that of other institutions, but
- (b) are neither directly elected by the people, nor directly managed by elected officials

(Thatcher and Stone Sweet 2002, 2),

are construed as a response to all of these problems. As specialised agencies staffed with neutral experts, they possess the technocratic expertise that is needed to implement policy with the requisite efficiency and effectiveness that politicians or generalist civil servants do not have. As regards the issue of credibility of commitments, electoral or other kinds of expediency might tempt government ministers to interfere in administrative decisions favouring one outcome over another without changing the law (and thus avoiding the publicity and scrutiny this could entail). This risk is greater in a country, such as Greece, where politicisation/clientelism and corruption in the public sector is believed to be widespread (Spanou 1996). Placing such institutions at arm's length from direct ministerial interference and keeping operational decisions shielded from such interventions can promote credibility of commitments. In general, the delegation of power is 'best understood as a means whereby governments can commit themselves to regulatory strategies that would not be credible in the absence of such delegation' (Gatsios and Seabright 1989, 46). The professionalism of the relevant experts is another instrument that promotes this type of credibility, and the same applies to the collective ethos of the organisation for which they work. Individual officials and

organisations do not want their reputation to suffer. As Terry Moe noted, professionalism lies at the heart of bureaucratic autonomy because

‘[p]rofessionals are oriented by goals, standards of conduct, and career opportunities that derive from their professional community, giving them strong reasons for resisting interference and direction by political outsiders; and their specialized information and expertise give them formidable resources for resisting with some measure of success’

(Moe 1987, 291).

Keeping the potential sources of political interference at arm’s length, and relying on technocratic expertise as well as professionalism are also bulwarks against the problem of inconsistency which may emerge as a result of ‘incomplete contracting’. This has two facets. First, legislators cannot foresee all circumstances or cases in which legislation will need to be applied. Matching a particular case to existing laws is a key (and inevitable) reason why implementing agencies have a degree of discretion but, secondly, the issue is more acute once a non-majoritarian institution has been up and running.

Since the early 1990s several countries have reformed their revenue administrations and some have opted for a revenue authority (RA), i.e.

‘a governance model for revenue administration where traditional ministry of finance departments (tax and usually customs administrations) are established as an organization or agency with a degree of autonomy from government and independence from standard public service policies’. (Kidd and Crandall 2006, 5)

Specifically, it has been argued that Revenue Authorities

‘(i) as a single purpose agency, it can focus its efforts on a single task; (ii) as an autonomous organization, it can manage its affairs in a business-like way, free of political interference in day-to-day operations; and (iii) being outside the civil service proper, it can execute its own human resources strategy - recruiting, retaining (or dismissing) and motivating staff.’

(Crandall 2010, 6)

In the context of the European Union the European Commission devised ‘fiscal blueprints’ in 1999 ‘to serve as a tool for the candidate countries for accession to the EU to enhance their administrative capacity in adopting, applying and enforcing the *acquis communautaire* in preparation for membership, the first strategic objective being to ensure that their tax administration ‘is guaranteed an adequate level of autonomy’ (European Commission 2007, 7, 9).

Models of Public Revenue Institutions

In 2015 the OECD identified five types of existing public revenue bodies/set-ups, namely

‘**A single directorate within the ministry of finance (MOF):** Tax administration functions are the responsibility of a single organisational unit (e.g. a directorate) located within the structure of the MOF (or its equivalent).
Multiple directorates within the MOF: Tax administration functions are the responsibility of multiple organisational units (e.g. directorates) located within the ministry of finance (often sharing necessary support functions such as

information technology and human resources);

A unified semi-autonomous body: Tax administration functions, along with support functions (e.g. IT and human resources) are carried out by a unified semi- autonomous body, with the head reporting to a government minister.

A unified semi-autonomous body with a management/oversight board: Tax administration functions, along with necessary support functions (e.g. information technology, human resources) are carried out by a unified semi-autonomous body, the head of which reports to a government minister and oversight body/board of management comprised of external officials.

A category of “Other”: Other setups not covered by the abovementioned.’

(OECD 2015, 27)

There is consensus amongst the IMF, the OECD and the European Commission that while functional independence refers to operational decisions (i.e. the application of tax law in specific cases or groups of cases, an activity that inevitably involves the interpretation of tax law and, possibly, the imposition of sanctions such as penalties and interest), administrative and functional autonomy refer to matters of internal organisation, structure and human resources (incl. operational and strategic plans, the re-allocation of budgeted administrative funds, IT issues, the definition of performance standards, staff remuneration, staff training) (OECD 2015, 26, European Commission 2007, Crandall 2010, OECD 2007, 11-12).

Approximately 60 per cent of the countries surveyed by the OECD are utilising a ‘unified semi-autonomous body’, with a third of them having a formal management/advisory board, 12 countries had a single and 7 multiple directorates inside the Ministry of Finance (OECD 2015, 22). The institutional landscape among the surveyed countries (including all OECD members) remained one of significant variation: the powers that are least frequently devolved relate to the internal structure of RAs (16 countries), discretion over budgetary allocations (14 countries), the power to set the levels and mix of staff within overall budgetary limits (16 countries) and power over staff remuneration levels (28 countries) but, interestingly, the OECD reported that ‘there is a concentration of less autonomous forms of institutional setups among EU countries’ (OECD 2015, 22), despite the importance that the European Commission attached to the autonomy-related aspects of its *Fiscal Blueprints* of 2007.

Agency independence raises the issue of accountability. Supporters of the model argue that several mechanisms can be used to ensure that these agencies remain accountable for their actions. At the individual level, reputation is a powerful mechanism for the experts who work for these agencies. If they make mistakes, their reputation amongst their peers will suffer. At the institutional level accountability can be promoted through legislation, including the laws that create these agencies (Majone 1996, 12). This involves clearly defined objectives, judicial review and transparent decision making. Crucially, one can add important procedural requirements (such as regular reporting including to elected officials such as parliamentarians) as part and parcel of relational contracting which is a response to the inevitable issue of incomplete contracting. This means that politicians and officials

do not agree on detailed plans of actions but on goals and objectives, on general provisions that are broadly applicable, on the criteria to be used in

deciding what to do when unforeseen contingencies arise, on who has what power to act and the bounds limiting the range of actions that can be taken, and on dispute resolution mechanisms to be used if disagreements do occur

(Milgrom and Roberts 1992, 131 quoted by Majone 1996, 9).

Keeping agencies under control (i.e. accountable) while also ensuring that no one controls them (Moe 1987, 291) is likely to require a combination of several of these tools.

The introduction of RAs should not be seen as a panacea (Crandall 2010, 10). This is so because the logic of NMIs and RAs seems to be geared primarily towards the government in the sense that these systems regulate the relationship between the officials of these bodies and elected politicians. Yet we know that private interests too can corrupt officials directly, i.e. without the involvement of elected politicians. Moreover, these arrangements do not necessarily address the issue of the complexity of tax law, nor do they (in principle) remove the ability of government of the day to legislate in a way that is not in the public interest. Finally, the most important point to note is one made by the OECD in its 2015 report on tax administrations: ‘Studies made to evaluate the success or otherwise of the “revenue authority” model for tax administration *have not been able to draw any firm conclusions as to its overall impacts on revenue body efficiency and effectiveness.*’ (OECD 2015, 30 - added emphasis)

Institutional Change

Institutionalists offer key insights into the pace and the direction of institutional change, i.e. a change in ‘formal structure, organizational culture and goals, programme or mission’ (DiMaggio and Powell 1991, 81). While stability or incrementalism prevail most of the time, abrupt and radical institutional change is also possible (Krasner 1984, 240) when the life of an institution reaches a critical juncture and the power of path dependence is no longer dominant. At that point in time, while the distribution of power remains consequential (irrespective of which strand of institutionalism one prefers), historical institutionalists highlight the relevance of a broader set of factors thus painting a picture of institutional change that is richer: conflict-ridden but also associated with the operation of frames and ideas, the impact of history. Institutional change is not seen as an efficient event but the outcome of an inefficient process that is likely to involve unintended consequences (Hall and Taylor 1996, 938).

Institutional change is a key feature of conditionality, the key instrument used by international financial institutions and – more recently – the European Union in their dealings with, inter alia, crisis-hit member states. These countries receive much-needed funds in exchange for carrying out reforms of their institutional infrastructure. The literature on conditionality, in turn, highlights four key lessons that relate to institutional change (see Spanou 2016). First, ‘conditionality is ‘a political device *par excellence*. Not only does it promote (a) a specific normative content, but (b) it also takes advantage of asymmetrical relationships (c) to alter domestic governance processes’ (Spanou 2016, 8). Second, conditionality is much more ‘interactive’ than what is commonly acknowledged but in particular it becomes stricter when governments do not completely fulfill their obligations. Third, ownership is a key

issue that relates to conviction as well as capacity. Finally, the rhythm (i.e. speed and sequence) of change is key with some arguing in favour of gradualism while others prefer a ‘big bang’ approach (which dominates).

The Depoliticisation of Greece’s Public Revenue Institutions

Before the Onset of the Crisis

The condition of the Greek public revenue system was highly problematic before the onset of the crisis. First, it was highly hierarchical and highly centralised at the ministerial level, much like the rest of the Athenian bureaucracy. Second, its ‘point staff’ – i.e. the tax inspectors whose job it is to ensure tax compliance among firms and individuals – were rather aged: more than 50 per cent were above the age of 50 including 26 per cent aged 55 or older (Story et al. 2013, 21). Senior officials inside the public revenue administration were known to believe that the institution needed competent and better-trained staff ([Kathimerini, 14 October 2012](#)). As Harry Theoharis, its former head, noted after leaving office, many cases could not be prosecuted because staff are poorly trained or lacking or because their superiors have made politically motivated arrangements with the relevant individuals ([Handelsblatt, 20 July 2015](#)). Appointments to key posts in the public revenue institutions were not only based on party political criteria but also the result of a range of other influences, including (in some areas) top officials of the Greek Orthodox Church (interview, Athens, 15 February 2017). Traditionally, one of the first key appointments made by any incoming prime minister was the head of SDOE (the Financial Crime Squad). The list of SDOE heads who were widely known to have personal and/or party political links is long (Tsoukas 2012).

Third, the system was known to be both inefficient and ineffectiveⁱⁱ as the huge tax gap shows (CASE 2015, table 2.1, Khwaja and Iyer 2014, table A(1)). Ineffectiveness had to do with a range of factors, including highly complex tax legislation that was couched in a multiplicity of texts, favouritism and lack of transparency (Sotiropoulos and Christopoulos 2016), the constant use of tax amnesties (reflecting the highly problematic enforcement of draconian rules), operation methods that were lacking in transparency and were far removed from international standard practicesⁱⁱⁱ, the very limited use of (in any case highly fragmented, sometimes outdated) IT systems^{iv} whose reform was coupled with many reported starts and stops.

Fourth, at the political level, tax collection had not been a political priority for any Greek prime minister at least since the restoration of democracy in 1974. In fact, quite remarkably, George A. Papandreou – Greece’s PM right at the onset of the crisis – did not appoint a junior minister in charge of public revenue collection, unlike several of his predecessors. Moreover, in election years deviation from budgetary provisions was much higher and – in particular – the tax intake often dropped considerably (for the period between 1982 and 2007 see Hardouvelis, Sampaniotis, and Davradakis 2006, 10-13).

Fifth, there was some demand for reform and – up to a point – some plans for reforms. These plans ranged from ‘back of an envelope’ type of ideas to government-commissioned IMF-authored plans (Perry et al. 2005) which previous governments had commissioned but never utilised. Nevertheless, little reform activity followed although the country’s high administrative costs and, consequently, barriers to investment were well known (World Bank Group 2016).

In terms of autonomy before the onset of the crisis the Greek tax administration was similar to the French, German ones in a range of issues (OECD 2007, 27-31, tables 1-5), key amongst which is the incorporation of duties to various directorates within the central Ministry of Finance which also implies the predominant role of the corresponding politician(s).

The Establishment of the Independent Authority for Public Revenue
Greece signed three bailout agreements based on the logic of conditionality (i.e. funds on condition of compliance with more or less specific requirements). In formal terms, these involved three memoranda of understanding (MoUs) agreed in 2010, 2012 and 2015. The *first MoU* and associated documents do not appear to reflect a clear, system-wide and detailed plan for the reform of Greece’s public revenue system. In particular, there is no reference to a reform plan involving increased independence or autonomy vis-à-vis the political level (2010a, 2010b). On the contrary, the prevailing sense is one of ad hoc changes - such as the establishment of a unit that would deal with large taxpayers, the use of quantitative performance indicators, etc. (European Commission 2013, 25) - of a system that was apparently meant to *remain part* of the hierarchy of the finance ministry in Athens, partly because of previous domestic as well as foreign reform proposals. The language used is quite revealing with references to ‘tax administration improvements’ which ‘are being implemented for which technical assistance has already been received from the IMF’ and the government’s strategy on substance and a medium term programme of ‘structural reforms’ including ‘substantially improving enforcement operations [...] and building headquarters strategic management and planning capability in tax and customs administration’ (2010a, 7).

In late 2009 Finance Minister George Papaconstantinou was made aware of the IMF’s recommendations of 2005 (Papaconstantinou 2016, 102) but, crucially, these recommendations were not concerned with the central issue of political interference in operational decisions. Papaconstantinou opted for a step-wise process of reform and – understandably – avoided taking the route of a radical reform involving the creation of a fully-fledged independent revenue authority based on the American IRS. Though he later regretted it, his decision was at least partly influenced by the IMF’s warning that such a radical step could dramatically reduce tax revenues in the short term in a country that was at risk of bankruptcy and his own view that it would be hard to convince the rest of the Cabinet about it (Papaconstantinou 2016, 102-3).

At that point in time a credible and well-thought out reform plan instigated by the Greek government could, in principle, have at least been tolerated by the troika but there is scope to doubt the ‘implementability’ of such a plan in conditions of acute fiscal crisis. Crucially, the bailout agreement was at least partly predicated on the need to drastically improve tax collection and combat tax evasion. A key plank of

this strategy was the introduction (through Law 3943/2011 which also created an Internal Affairs Department reporting directly to the finance minister) of medium-term anti-evasion national operational plans the first of which was adopted in April 2011 and covered the 2011-2013 period. It included not only the commitments undertaken by the Greek government under the first MoU but also the creation of a committee (at ministerial level) for the fight against tax evasion. Nevertheless, as the IMF noted, its staff were ‘concerned about the shallow support shown for elements of these reforms during parliamentary debate’ (IMF 2011, 32). They also noticed that ‘delays due to capacity problems or bureaucratic resistance to reforms have grown in potential importance, especially given the complexity of some of the measures targeted in the MTFS’ (IMF 2011, 30).

The *second MoU* and associated documents appear to favour a semi-autonomous public revenue system involving a limited degree of administrative and financial autonomy. On the other hand, as if they had been drawn up by a committee, key documents also acknowledge the need for ‘deep restructuring of the revenue administration’ and the urgency of reforms that will, however, pay dividends over time while the Greek government commits to ‘reform [sic] our revenue administration’ which ‘will need to be overhauled completely’ (European Commission and Hellenic Republic 2012 paras. 11-12).

In response to these demands, Law 4093 of November 2012 contains a series of provisions that, while not amounting to wholesale paradigm change, offer clear indications as to the direction of travel of the reform process through a limited increase in the administrative and financial autonomy of the newly-established Secretariat General^v for Public Revenue (SGPR), i.e. the finance ministry’s part that is responsible for the collection of public revenues. The new law tasked the head of the SGPR to develop the institution’s strategy, define and internally allocate qualitative and quantitative targets, assessment criteria of its own units and personnel and keep the finance minister accordingly informed (para. 3 a 1). Another indication of the head’s growing administrative autonomy is the power granted to him to make key decisions (such as the selection and termination of tenure of heads of units) on the basis of performance (para. 3 a 2), ensure that the SGPR’s plans and operation reflect existing policy goals (para. 3 a 3), as well as the power to (a) grant (or revoke from) unit chiefs the formal authority they need to carry out their tasks, and (b) transfer ‘resources’ between the SGPR’s units (para. 3 a 6). The new law also contained a generic clause (para. 3 b) stipulating the transfer to the SGPR’s head of powers to organise and manage tax administration matters, enforce tax law that relates to public revenue and monitor and assess all relevant units and officials accordingly. Until then these powers were exercised by either ministers or unit heads.

On the other hand, a key indication of the limits on the SGPR’s administrative autonomy is the fact that its head only had the power to *propose* to the finance minister changes in the internal organisation of this body and changes in the internal allocation of personnel. In terms of accountability and reporting, it is worth noting that the SGPR’s annual report ought to be submitted to parliament via the finance minister (and be made public via the internet). This underlines not only the subordinated status of the SGPR vis-à-vis the minister but also the indirect nature of the accountability chain to parliament. A joint report by the IMF and the European Commission of November 2012 indicated that the issue of whether it is possible or

not to keep the public revenue administration as an ordinary part of the finance ministry's administration was open (Story et al. 2012, 15).

Finally, in terms of qualifications and broader recruitment criteria for the post of the SGPR's head, the new law underlines the significance of experience in the private sector and the tax system. Their term of office would be five years (whereas elections normally take place every four), renewable once and – as if to underline the SGPR's subordination to the finance ministry – the appointment process is limited to a Cabinet-level decision on a proposal made by the finance minister. The SGPR's head would sign a performance-related contract involving quantitative and qualitative goals (including annual ones), would be potentially paid a significant bonus and have her contract terminated not only due to standard public sector conditions (such as corruption, gross misconduct etc.) but also failure to meet the agreed goals.

The SGPR's head noted that body's limited administrative autonomy in the annual report for 2014. The SGPR's limited financial autonomy is also noted since, for example, its procurement programme is carried out by another part of the finance ministry (Secretariat General for Public Revenue 2015, 12). Crucially, the IMF, aware of implementation problems that have been dogging the programme, notes the centrality of the 'planned increase in independence of the revenue administration [...] to insulate it from what remains *continued political interference*' (added emphasis) and points out that

'[i]f these measures—and other measures to modernize the revenue administration's legal framework, operating procedures, and personnel management—fail to deliver, the authorities should consider more fundamental changes, by switching to a revenue agency *outside* [added emphasis] the remit of the civil service'.

It also notes the differences between the SGPR and its own preferred model of a Revenue Authority (IMF 2013, 13, 21, 22 and table 14). A report jointly prepared by the IMF and the European Commission pointedly notes in January 2013 that, in light of implementation problems, a declaration is required on the part of the Greek government indicating clearly it intends to give the requisite autonomy to the revenue administration and remove extant administrative barriers to that effect (Story et al. 2013, 8). Six months later the IMF (i.e. exactly a year since PM Samaras had taken over) noted that '[p]olitical interference in tax administration remains a problem' (IMF 2013, 8) and reiterated this view in its fifth review of the programme in June 2014 (IMF 2014, 7, 14).

These developments indicate that – in light of the Samaras administration's foot-dragging which also related to matters of policy with a direct impact on tax collection (esp. the collection of VAT) and the fight against tax evasion – or, indeed, outright opposition - and in the face of opposition from segments of the bureaucracy and staff unions – the country's international lenders were beginning to carry out a broader plan in a step-wise manner. The aforementioned ad hoc measures can be conceived of as a way of preparing the ground for much more far-reaching reforms which took a more detailed and much more specific form after the elections of 2015 which led – as the subsequent section shows – to the establishment of an independent (i.e. not just autonomous) public revenue authority.

However, it is important to underline the fact that the Samaras administration had done a lot to generate the troika's distrust in relation to the reform of the public revenue mechanism. The troika had noted delays in the adoption of ministerial decisions and the issuing of circulars necessary for the reform of the system, has had to make repeated calls for SDOE's merger with the SGPR and the appointment of new tax inspectors, while European Commissioner Algirdas Šemeta (in charge of taxation matters) pointedly and publicly (speaking in Parliament in June 2013) noted the country's slow progress in the fight against tax evasion and highlighted the need for political will to actually carry out the measures that were being enacted (*Kathimerini*, [5 June 2013](#)).

A significant decision that marked this period was the forced resignation of Harry Theoharis, the first head of the (by that time) semi-autonomous SGPR in June 2014. Theoharis himself attributed it to the fact that the Samaras-led ND/PASOK coalition government did not want to go after certain individuals (*Die Zeit*, [13 February 2015](#)). Finance Minister Yannis Stournaras^{vi} asked for and subsequently obtained Theoharis' resignation^{vii} (in line with the wishes of both PM Samaras and several MPs from the two ruling parties) for a number of reasons. Theoharis was accused (*Kathimerini*, [7 June 2014](#)) of lacking a sense of proportion in exercising his duties as well as spreading confusion among private investors literally days after they had invested in Greek government bonds based on the belief that their investment would receive favourable tax treatment at a time when the Greek government was beginning to test the market. However, the timing of his dismissal was indicative of a cause that speaks directly to the effort to (and the need for the) reform of Greece's public revenue institutions, namely his unwillingness to exercise his duties in a way that took full account of the requirements of the electoral cycle. He was asked to leave days after the two then ruling parties suffered a major defeat in the 2014 European elections. The decision for his removal at least partly reflects complaints emanating from the ruling parties that his actions were politically costly for the government (to the tune of approx. two percentage points in opinion polls according to one unsympathetic view).

It is hard to over-estimate the damage that this incident did to the credibility of the Greek political class in the eyes of the country's international partners (see also Papaconstantinou 2016, 346-7). Not only did it lead European Commission officials to issue a stern rebuke (*Kathimerini*, [30 July 2014](#) and [7 January 2016](#)) but it also reinforced the view amongst key actors (including the German government) that a much tougher stance was required. In particular, it played into the hands of the IMF that insisted on full independence and went as far as to argue in favour of the private collection of taxes in Greece which the tax inspectors' union vehemently opposed. The incident appeared to confirm in the eyes of Greece's partners the view that the country is 'unreformable' and – as consequence – a hard line was required in future negotiations with the Greek government, irrespective of its ideological orientation. This goes a long way towards explaining the very detailed and specific nature of the third MoU's requirements in relation to the reform of Greece's public revenue mechanism, unlike the first two MoUs that were much less specific in that respect.

Unlike the first and second memoranda, the *third MoU* (adopted after the election of January 2015) promotes the drastic overhaul of the Greek public revenue system via its quasi-total removal from the finance minister's direct and unmitigated influence. This is done in a way that reflects central features of the aforementioned IMF-

promoted design considerations and the European Commission's *Fiscal Blueprints*. Greece's lenders remained cautious (or even suspicious). As a consequence they retain the power (for the first seven years) to choose two members of the selection committee in relation to the key choice of the Management Board (art. 11 – see below), while a key officeholder (Expert) is chosen by the European Commission (see below).

Law 4389 was enacted in May 2016 - despite vehement opposition from the tax office staff union - establishing a new Independent Authority for Public Revenue (IAPR - *Ανεξάρτητη Αρχή Δημοσίων Εσόδων*) which differs radically from the pre-existing institutional arrangements, especially those of the pre-crisis era. Underlining their importance, the new law enunciates, at its very beginning, IAPR's 'functional independence' and its 'administrative and financial autonomy'. The same provision (Art. 1 para. 2) clearly states that the new authority (a) is not subject to any control or oversight on the part of government institutions, state bodies or other administrative authorities but (b) *is* subject to parliamentary control.

The authority's governing institutions are (i) the management board (comprising the chairman, and four members) and (ii) the governor, all of whom serve for a term of five years which is renewable once and, tellingly, is longer than the government's maximum term of office which is four years. Their duty is to promote the achievement of the authority's objectives. They must act on the basis of the principles of objectivity and impartiality (Art. 8 paras 4-5). The members of the management board must be highly qualified and experienced persons of high standing in areas that relate to the authority's activity. The law introduces a very wide range of exclusions crucial amongst which – in yet another break with the past – is the exclusion of any person who is serving or has served (during the current or the previous parliamentary term) as a member of the Greek or the European Parliament, the government or the executive institutions of a political party or has been a parliamentary candidate during the same period (Art. 8 para. 10).

In terms of the authority's operation, the management board offers general guidelines and has veto power over the authority's strategic and operational planning as well as the annual report (Art. 9 para. 1; Art. 22). This shows that it is meant to act as a veritable internal check vis-à-vis the authority's powerful head (the governor – see below). This is further highlighted by its veto power over i) the compatibility of the authority's strategic and operation plans with the governor's performance contract which it is also charged with monitoring, ii) the authority's personnel policy and its implementation (which it also monitors) and the authority's internal organisation and rulebooks, (Art. 9 paras. 2-3). Specifically, its ascent is needed for the development and implementation of the authority's personnel recruitment, its promotion and remuneration systems, the personnel's qualitative and quantitative assessment, the internal re-allocation of personnel and the definition and re-definition of appointment criteria.

The authority's single most powerful officeholder is its *governor* who serves a five-year term (renewable once if supported by the finance minister as well as a two-thirds majority inside the management board). The governor (the authority's veritable head) is not a member of the board (but attends its meetings) and has no voting rights. The qualifications and other requirements – including the exclusions – that apply to the

management board's members also apply to the governor. She operates and is remunerated on the basis of a performance contract that includes both qualitative and quantitative goals. Her remuneration can be as high as the remuneration of the country's supreme court (Areios Pagos) chair's thus potentially making her one of the highest paid public servants in Greece. The magnitude of her powers is demonstrated by the way in which the law defines them: all powers that relate to the operation of the authority except those that have been explicitly granted to its management board (Art. 14 para. 1).

A very significant development is the governor's almost complete freedom of action in relation to the management of the authority's personnel resources. The governor's powers include the right to choose the heads of various units, shape the criteria for personnel recruitment and management (including promotion and bonuses), personnel assessment, and the system for internal performance management (Art. 14). The governor also has the power to shape and revise the authority's internal structure (unlike the previous regime; see *supra*, section on the 2nd MoU) – and allocate and re-allocate resources - but, crucially, must do so on the basis of modern public management techniques such as specific job descriptions.

Finally, the other major individual officeholder is the *Expert* who is appointed only during the first five years of the authority's life so as to offer to the management board expert advice in relation to best practice on the basis of experience that the officeholder has obtained abroad.

Unlike the expert, both the management board's members and the governor are appointed on the basis of an open competition. The board's members are selected by a high-ranking special committee where government appointees are in a minority. The committee establishes – on the basis of predetermined and objective criteria – a short list comprising twice the number of posts to be filled. The finance minister selects from that list their preferred candidates subject to the approval of Parliament's Committee on Institutions and Transparency. If the latter objects with regards to one or more candidates, the finance minister proposes other shortlisted candidates. The members of the management board are subsequently formally appointed by the finance minister. During the first of their regular monthly meetings they elect the board's chair (Art. 12 para. 2). The same high-ranking special committee leads in the selection of the governor (Art. 15). It establishes a short list of four candidates on the basis of objective, predefined criteria. The management board ranks the top two candidates and makes recommendation to the finance minister who chooses and appoints the governor and states the factors that led to that decision.

Members of the management board can be sacked by the Cabinet on a reasoned proposal of the finance minister but the reasons for this decision are limited to typical matters of probity, conflict of interest etc^{viii}. The governor can be dismissed for the same reasons on the basis of 'undisputed' and 'objective' facts (Art. 16) but the process differs. If these facts exist, the management board is required to set the process in motion by making a reasoned proposal to the finance minister who then has the power to make a separate proposal to the Cabinet. Only the Cabinet can dismiss the governor. The finance minister has the right to ask (at any time) the management board for its opinion as to whether there is real evidence that constitutes grounds for the governor's dismissal.

An entire section of the new law is dedicated to the central issue of the new authority's *functional independence*. Art. 3 reiterates the absence of hierarchical control and administrative oversight on the part of the government or other public or private institutions, and highlights the personal and functional independence that the new authority's key officeholders (Chairman, Governor, Management Board, Expert) enjoy. Indeed, it stipulates that they are bound only by the law and their conscience. A clear line of accountability is established in relation to parliament (Art. 4): IAPR's key officeholders are obliged (if asked) to testify in parliament but can also do so on their own initiative. In addition, the authority is obliged to keep the finance minister regularly informed by providing aggregate data so that she can carry out her duties. A major reform introduced by the new law concerns reporting procedures and a new line of accountability. The authority's annual report is adopted on the governor's proposal and needs the management board's assent. It is submitted to the prime minister, the finance minister and the parliamentary speaker. It is subject to a debate in the parliament's Finance Committee. Crucially, unlike in the past when the report had to be submitted to parliament by the finance minister, the new arrangement no longer requires the minister's intervention. As a result, the new arrangement establishes a direct line of accountability between the revenue authority and parliament. In addition, the authority's strategic plan is submitted to the parliamentary speaker. However, it is questionable whether the Hellenic Parliament has the requisite expertise and experience to genuinely hold IAPR to account. It is unclear if Parliament's Budget Office (created in 2011) and the information that the Fiscal Council can provide are sufficient for MPs to play their part in the new arrangement. For example, we know already that committees of the Hellenic Parliament do not normally produce genuine reports on the operation of independent and regulatory agencies. Rather, they call 'reports' the minutes of their meetings.

Art. 5 forbids the exercise of any hierarchical control or oversight on the part of the finance minister who, nevertheless, retains the right to make strategic proposals and offer strategic guidelines for the implementation of the government's tax policy but *not* in relation to organisational, functional or personnel matters. Crucially, in a clear break with the past,

- (a) the finance minister is prohibited from asking for information or providing binding instructions in relation to specific cases and
- (b) in case of a disagreement between the minister and IAPR's governor in relation to the implementation of the government's tax policy, the matter is referred to the authority's management board (Art. 5 para. 4).

Government ministers must also inform, in due course, the authority of any draft legislative provisions relating to the authority's remit but the authority's opinion is not binding on the relevant government minister. Conversely, prior to making generic decisions and issuing circulars regarding the interpretation and enforcement of tax law, the authority informs the minister so that she can issue a non-binding opinion or express her views. The new authority's functional independence is further enhanced by the fact that its internal operation is based on the internal rulebooks that are issued by its own governor subject to the agreement of the management board (Art. 6 para. 3).

In terms of *goal-setting and reporting procedures*, detailed revenue goals are set annually by the finance minister and are indicated in the country's annual budget.

Reporting procedures are set out in great detail in the new law (Art. 20). IAPR keeps the finance minister periodically informed via its quarterly reports. The finance minister has the right to hold regular (monthly) as well as extraordinary hearings with the governor. In addition, the prime minister, the finance minister and the parliamentary speaker have the right to ask for and obtain special reports on issues that fall in the authority's scope (Art. 20 para. 2). The authority must also publish online its strategic and operational plans alongside targets, performance indicators, and monthly developments (including monthly reports on the state of revenue collection).

In terms of internal goal-setting, the governor sets the qualitative and quantitative goals as well as the priorities of each unit alongside the measurement methodology and the timeframe for their implementation. Linked to the governor's power to set internal goals is her power to select the heads of units and assess them on the basis of their performance. The criteria are set out in detail in the new law (Art. 26) and relate to the selection and term of office of senior officials (like directors general, directors and deputy directors) as well as mid-ranking ones such as heads of unit. They are chosen by the governor for a term of 1-3 years (renewable once). Crucially, the governor has the power to end these officials' term of office on the basis of either their performance or other reasons (Art. 27 para. 3). The authority's personnel are either permanent civil servants or contractual agents. Their remuneration is subject to performance-based rewards such as bonus payments.

How Did We Get Here?

When the SYRIZA (radical Left)/ANEL (nationalist Right) coalition took office in January 2015, it inherited not only these parties' own electoral pledges (including tearing up the deeply unpopular memoranda of understanding that formed the basis of the two previous bailouts) but also a significant amount of mistrust generated by the previous coalition government of the centre-right ND and the centre-left PASOK in the eyes of Greece's partners. This distrust – generated by either footdragging or events like the forced resignation of Harry Theoharis - goes a long way towards explaining the very detailed and specific nature of the third MoU's requirements in relation to the reform of Greece's public revenue institutions.

On the other hand, neither SYRIZA nor ANEL had a fully-fledged plan regarding the precise shape that the new arrangement should take. Rather, the new government's specific view was formed as a reaction to the institutions' – especially the IMF's – views. The new government was aware of corruption and other problems in the country's tax collection mechanism but was also reticent or at least cautious in relation to the lenders' proposals with regards to the issue of increased autonomy. This was so partly because, by removing the mechanism from the scope of direct ministerial control, 'one runs the risk of packaging away corruption' with it, as a senior government minister put it (interview, Athens, 9 November 2016).

Other objections were also present in government thinking. First, at least some of the operational choices that any public revenue authority makes are only superficially

technical in nature. A former government minister with a deep knowledge of tax inspection techniques used the example of the fight against the illicit trade in fuel (interview, Athens, 15 February 2017) which costs large sums to the public purse: one can do by monitoring petrol stations, oil refineries or a combination of the two but each course of action will pitch the government against different types of private interest. Second, under the new arrangement, IAPR is accountable to parliament which, however, does not have the formal power to sack the governor. How is democracy served, they ask? Thirdly, sceptics inside SYRIZA justifiably pointed out that it was *private* economic interests that were largely served in the past through political interference in operational decisions of the tax authorities (interviews, Athens, 15 February 2017). Maximising the public revenue authorities' autonomy or independence vis-à-vis the finance minister would – in one sense – cut out the proverbial 'middle man' but would not necessarily affect private interests.

However, evidence indicates that the precise status of the country's tax collection mechanism was not a major priority for the Greek government. Finance Minister Varoufakis made a statement at the Eurogroup meeting of 11 February 2015 indicating the new government's commitment to reinforce the legal framework for an independent tax authority. Increasing the mechanism's autonomy was also included in the list of measures that the new Greek government submitted to the Eurogroup right after its meeting of 20 February 2015. The new Greek government thus demonstrated that this was not the thorniest of issues in its negotiations with the country's partners and honoured past statements that ministers like Varoufakis had made indicating that there was a lot of common ground between the two sides.

This was essentially the result of necessity and other overriding priorities: in the course of the first half of 2015 the SYRIZA/ANEL government was trying to improve the conditions of the new (third) bailout agreement that the country needed. At a time when state reserves were being rapidly exhausted, the new Greek government was unwilling to see these negotiations falter *inter alia* because of a conflict over the status of the SGPR. In other words, the precise status and degree of the tax collection mechanism's autonomy was never going to be a deal-breaker for the government of the day, whose real priorities were (a) reducing to manageable levels the lenders' hitherto unrealistic demands regarding the country's primary budget surplus and (b) salvaging as much as possible from the country's employment legislation which largely reflects the EU's *acquis* in this area of policy.

The final point to note relates to the impact of the current government's decision to sack the second incumbent of the post of SGPR head in October 2015, i.e. before the establishment of the independent authority, on grounds of criminal charges that had been brought against her in relation to her handling of two major cases. Until then, European Commission staff did not agree with the IMF's insistence on maximum independence and, at times, were open about it in the context of negotiations with Greek officials (interview, Athens, 15 February 2017). Savvaidou's sacking led some of Greece's partners to question the credibility of the government's commitment to the depoliticisation of the Greek public administration and eliminated the European Commission's support for more autonomy (but no independence) which was in line with the model that prevails amongst EU member states. Finally, it is worth noting that six months after IAPR's formal establishment, its governor has still not signed his

performance-related contract^{ix}. This is unsurprising in a polity where neither politicians, nor civil servants are used to evidence-based thinking and work.

Conclusion

The process of depoliticisation of Greece's public revenue administration bears the hallmarks of both historical institutionalism and conditionality. The onset of the crisis was a critical juncture in the history of the development of Greece's public revenue institutions. Much needed change (in response to a real problem) started largely because of power asymmetries – in particular the country's overwhelming need for financial assistance. However, the final outcome of the inefficient process that followed (an operationally independent, and financially and administratively autonomous public revenue authority) was shaped (albeit unintentionally) by key choices made by the Greek governments (i.e. the weaker party) in line with the literature on conditionality. This is why a) the new institutional set-up went further than it had to go in order to resolve the issue at hand and b) the issue of political accountability remains unresolved. In that sense, this article shows the limits of both external constraints and the logic of conditionality both of which are at the heart of the bailout programmes.

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Notes

- ⁱ One could also mention two additional rationales, namely the need for efficiency (with politicians dealing with the broad terms of policy while NMIs deal with narrow, specific issues and problems) and blame avoidance when it comes to unpopular policies (Thatcher and Stone Sweet 2002, 4) but they are arguably more specific forms of the need for expertise and policy credibility respectively.
- ⁱⁱ As the IMF noted in 2005, 'As of June, 2005, the total debt owing to the tax administration was €18B. This amounts to over 40 percent of last year's tax collections (a standard international comparator), whereas most developed tax administrations would aim for a level of 5 to 10 percent' (Perry et al. 2005).
- ⁱⁱⁱ For example, decisions as to which taxpayer's tax affairs ought to be inspected were not based on objective risk analysis techniques at the administrative level.
- ^{iv} Though the tax authorities had a wealth of raw data in computerized databases, 'there [was] nonetheless a dearth of actual information that would permit either effective management, or appropriate analysis of the real risks to tax compliance in Greece.' (Perry et al. 2005).
- ^v A secretariat general is the largest unit (equivalent to a division in a British ministerial department) in the internal organisation of a ministerial department and usually covers a broad area of policy or set of tasks.
- ^{vi} Stournaras is an academic economist with long experience in policy making whom Samaras had appointed Finance Minister largely because he was unelected and – as a consequence – politically expendable. Samaras subsequently appointed him as Governor of Greece's central bank. While he was finance minister, he often attracted criticism from the ranks of the then main ruling party.
- ^{vii} In formal terms Theoharis did not have to resign; in fact, he could have rejected this request but how would he then work with the Finance Minister who had made that request on behalf of the government? This incident illustrates the limits of formal arrangements (see also the section on the current institutional set-up) but also the relevance of personalities.
- ^{viii} Any member of the management board who has been sacked can appeal against their dismissal in front of the country's top administrative court.
- ^{ix} His two immediate predecessors did not do so either.