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Aims and Scope

Public Goods & Governance is a semi-annual academic journal, aims to publish original material within the field of public policy, public management, governance and administration. This includes articles, shorter notes and comments based on theoretically and empirically grounded research on public goods, public service delivery and other public functions in a wide range of sectors, especially focused on recent challenges of governmental roles and new governance models in the market economies.

The journal welcomes submissions (articles, notes and comments) from anywhere in the world from both academics and practitioners. The maximum word limit for articles is 2500 words. Notes (not full academic papers presenting new phenomena, ideas or methods in a brief form) and comments providing additional thoughts and critical remarks to previously published articles should not exceed 1000 words.

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THE GREEK PENSION SYSTEM: DIFFICULT ROAD TO REFORM

Daniel Haitas/ΔανιήλΧάϊτας[1]

Since the beginning of Greece's financial crisis, the country's administrative structure, financial practices and service provision system have come under heavy scrutiny. The need for external financial assistance naturally meant that the country has experienced a decrease in its autonomy in relation to the running of its own internal affairs and, for the sake of its long term well-being and in order to receive necessary funds, had to make painful and drastic changes with regards to the structure and operation of the state. One of the major sources of tension (Hope, 2015) between Greece and its creditors has been the need to reform the country's pension system. There is a general acknowledgement that this system is not sustainable in the long term (Cosgrave, 2015), and that it has been a major contributing factor to Greece's present debt crisis due to its excessively generous nature, rules on early retirement and an ageing demographic. Here we shall analyse the basic past and present features of the Greek pension system, and the various reforms that have been implemented since the beginning of the financial crisis.

The operative, foundational principle of Greece's pension system can be found in the country's constitution (European Commission, 2013), which makes the state responsible for providing social security for all working people, both employed and self-employed. The Greek pension system itself is based on three pillars (Symeonidis, 2013). The first pillar (Pension Funds Online, 2010) operates as a pay-as-you-go system and provides main pensions, secondary (auxiliary) pensions, and lump sum amounts and provident grants. This pillar accounts for 99% of pensions in Greece, which means that the country is dominated (Adams, 2011) by the state system pillar. The second pillar covers occupational schemes and the third pillar private insurance. In addition to the earnings-based component of the Greek pension system, there is also a minimum level pension(Pension Funds Online, 2010) for those especially deprived and having inadequate means.

Greece's pension system as recently as 2011 was considered to be the weakest in the world (Finke, 2014) in terms of long-term sustainability, and now, even after various reforms, is ranked the 8th lowest in the world (Nardelli, 2015), with no other EU country (Cosgrave, 2015) spending as much on pensions in terms of proportion of GDP, which presently is at

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around 17.5%. It is generally acknowledged that Greece's pre-crisis pension system was excessively generous, in fact being one of the most generous in the EU, especially with regards to rules relating to early retirement. For example, in 2010 there existed more than 130 separate pension funds, which, due to various exceptions and loopholes, allowed workers in 580 categories which were considered to be arduous or dangerous to retire in their 50s, with perhaps the most famous example being hairdressers (Davis, 2015) and TV presenters (Crowcroft, 2015). In the year 2006 around over one third (P.W., 2015) of Greek pensioners were classified as working in a dangerous occupation. In terms of payments themselves, in 2009 the average Greek pension was 1,350 euros a month (Crowcroft, 2015), and in 2010 the average Greek pensioner received around 96% of their original working salary (Davis, 2015), as opposed to, for example, a German pensioner, who receives around half of their working salary. Greek pensioners also formerly received 14 annual pension payments. In addition, according to the basic system, it was necessary only to make 35 years of contributions instead of the 40 years usually required in pension systems in order to be eligible to receive a full pension. There was also a possibility for a person who had made only 15 years of contributions to receive a fairly generous minimum pension, which led to many choosing this option and subsequently seeking to make an income in the black-market. And to illustrate the various irregularities that existed in the system, at the moment Greece's Social Insurance Institute (IKA) is seeking to reclaim around 8 billion euros in false pension claims (Adams, 2011) paid in the past. One notable example that has come to light is the paying out of 1.9 million euros to 1,473 pensioners who, in fact, were dead.

In 2008 the Hellenic Actuarial Authority (HAA) provided projections up until the year 2060 in relation to future expenditure on pensions and came to the conclusion that an enormous 24% of GDP would need to be spent on pensions by the year 2060. Such unsustainability is strongly connected to what one commentator has referred to as Greece's „demographic time bomb" (Salourou, 2015). Since the 1980s the country's fertility rates have drastically decreased (Smith, 2013), with one in five Greeks being aged over 65, making Greece the third oldest population in Europe (Davis, 2015), only after Germany and Italy. According to one study (Salourou, 2015), in the year 2030 one in three Greeks will be over 60, and by the year 2050 this age group will comprise 40.8% of the entire population. It is also predicted that by the year 2060 the population will decrease by 2.5 million inhabitants, going down to 8.6 million.

Despite the very obvious need to reform such a system, political considerations have obstructed changes. One of the major root causes that brought this excessive system into being was the clientelistic nature of

Greek politics, which used pensions as an electoral strategy in order to ensure support from various sectors of society. Governments have feared making painful changes and going too far in their reforms and thus essentially committing political suicide. This is connected to the fact that in Greece pensions often help to support not just the recipient but their extended families, for example, children and grandchildren. Thus, any changes to the pension system will have far reaching and painful effects for many layers of Greek society. In addition, another important factor that has inhibited reform is that past and present Greek governments have faced major and vehement opposition to implementing changes to the system from the public sector trade unions (Hope, 2015).

With the onset of the financial crisis and Greece's subsequent bailout from the so-called „troika", the topic of pension reform took centre stage, and has become a major point of acrimony between the country and its various creditors, with the latter taking a tough line on the matter, pushing hard for Greece to implement changes, which, as a result, the country has been compelled to do. A factor, which has helped contribute to the creditors' attitude, is that many of their own citizens have seen the Greek pension system as being overly generous in comparison to their own. For example, around the time of the beginning of the debt crisis, while many other EU citizens were being told that they would have to work for more years than they had originally anticipated, many Greeks enjoyed the benefits of the early retirement rules outlined above. The frustration of other EU citizens (Crowcroft, 2015) was expressed well in 2010 by Swedish Finance Minister Anders Borg, who said, „Swedes and other taxpayers should not have to pay for Greeks who choose to retire in their 40s".

Greece: Pension system in 2012 – Key indicators

		Greece	OECD
Avarage worker earnings (AW)	EUR	20 100	32 400
	USD	26 500	42 700
Public pension spending	% of GDP	13.0	7.8
Life expectancy	At birth	80.7	79.9
	At age 65	19.2	19.1
Population over age 65	% of working-age population	31.7	25.5

Source: *http://dx.doi.org/10.1787/888932908820*
http://www.oecd.org/els/public-pensions/PAG2013-profile-Greece.pdf

It must be acknowledged that efforts to bring about reform to the Greek pension system have borne fruit, with substantial changes having been made since the onset of the crisis and the implementation of the bailout packages. For example, the 130 funds that previously provided pension coverage have been merged into just 6 (Pension Funds Online, 2010) different schemes. Pensions over 2000 euros a month were cut by 40%, and those worth less than 1000 euros a month were cut by 14% (Petroff, 2015). In addition, now a Greek pensioner can only receive 65% of their original working salary. Since 2010 the average pension has been reduced to around 700 euros a month, which is a reduction of around 44-48%, and now around 45% of pensioners receive less than 665 euros a month, which is in fact below the official poverty line (Hope, 2015). The official age for receiving pensions was raised (OECD, 2013) to 67 for both men and women respectively. In addition, the 14 annual pension payments were decreased to 12. The list of arduous professions has also been reduced from 580 to around 100, and is now restricted to truly dangerous professions. And despite the Syriza government's initial resistance (Cosgrave, 2015) to any further pension cuts, one of the conditions of Greece receiving funds under the new bailout deal worked out with its creditors is that there be a „comprehensive pension reform program" (Crowcroft, 2015). In response to this demand, a new bill was passed which seeks to incrementally raise the retirement age (Koutantou&Papadimas, 2015) and brings about a cut to pensions of 10% for those who have retired before reaching the age of 67.

Most recently, in June of this year around 148, 000 pensioners had their pensions cut by half (Chrysopoulos, 2016). These were receiving the supplementary solidarity pension (EKAS), and after the latest round of government reforms these pensioners were no longer eligible to receive this benefit (Chrysopoulos, 2016). In the future this measure shall also be applied to those who receive a higher pension income, and so ultimately these cuts shall affect approximately 250, 000 Greek citizens (Chrysopoulos, 2016). In addition, around 284, 000 pensioners receiving a dividend from the Civil Servants Share Fund shall see a loss in come, the majority of which will experience a slash in their payments of 44% (Chrysopoulos, 2016).

Bearing in mind these painful adjustments that Greek society has had to make and live with, it is also worth mentioning the difficulties that Greek pensioners experienced this year during the standoff between the Syriza government and the country's creditors. When a referendum was called last summer by Prime Minister Alexis Tsipras in order to decide whether Greece should accept creditors' bailout conditions, capital controls were implemented, limiting the amount of cash that Greeks could withdraw from their banks. For pensioners, this was 120 euros a week (BBC News, 2015). The difficulty was compounded by the fact that many older Greeks do not own debit or credit cards, which meant lining up for hours to withdraw their money, with images being broadcasted all around the world showing crowds of pensioners outside of banks, experiencing great stress, and at times, emotional breakdown.

There have been very real and painful efforts in order to reform the Greek pension system and to correct its past errors and excesses. However, it must be kept in mind that, despite the unsustainable nature of the system and the very vital need to reform, the cutting of pensions has helped to contribute to the humanitarian crisis Greece is now facing, and further cuts demanded by creditors will make an already dire situation even worse. In human terms, the great difficulty in making the necessary adjustments is that the system acts as a vital social welfare provider for individuals and often also for their loved ones. Thus, Greece's pension system can be said to be an example of the dependence caused by a policy which in its very essence was misguided, yet becomes so much an intrinsic, substantial and characteristic part of a society over time that when necessary reforms must be made, the suffering and disruption to society becomes immense, and for some, often unbearable.

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"WE NEED THEM, THEY NEED US, THAT IS ALL" – SUMMARY OF THE EU-TURKEY STATEMENT

Petra Agnes Kanyuk[1]

Abstract: The 28 EU heads of state finalised a „historic" agreement with Turkey on the 18th of March, which was meant to help stem the flow of refugees making their way to Europe. This deal was preceded by a long negotiation and there are still snags and sticking points as well.

Keywords: EU-Turkey deal, European Council Summit, migrant crisis

Introduction

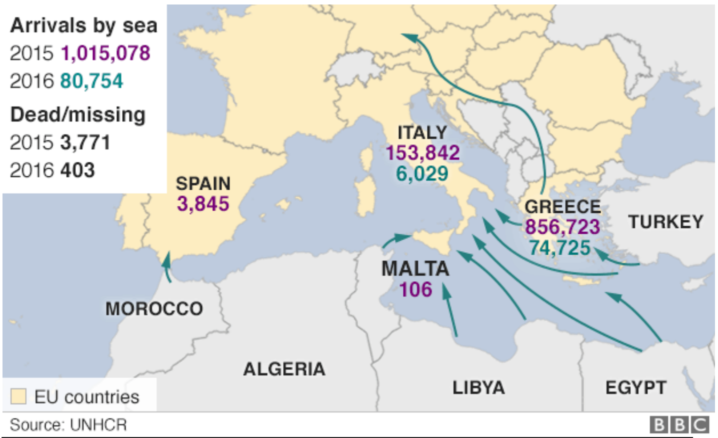

Figure1. Last year more than 850,000 migrants – mostly refugees fleeing war and abuses in Syria, Iraq and Afghanistan - entered Greece as a gateway to the EU.

On the 18th of March, EU leaders met with their Turkish counterpart, Prime Minister of Turkey at that time, *Ahmed Davutoğlu*. *„This is a historic day (Greenberg, 2016). We today realized that Turkey and the EU have the same destiny, the same challenges, and the same future."* On that historic day, as *Ahmed Davutoğlu* indicates, they reached an agreement aimed at stopping the flow of irregular migration via Turkey to Europe, breaking the business model of smugglers and offering migrants an alternative to putting their lives at risk. This deal was preceded by a long negotiation and it has still snags, it has still sticking points.

Towards the deal

Because of its geographical position, in addition to *hosting* refugees, Turkey has also become a *transit country* in recent years. By the end of 2015, more

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than one million individuals had arrived in Europe (Tattersall & Butler, 2015) by sea. The vast majority travelled from Turkey, with more than half a million people arriving on the Greek island of Lesbos alone.

In order to winning Turkey's help in stemming the influx, last autumn, EU leaders offered them one, then three billion euros but both President *Recep Tayyip Erdogan* and *Davutoğlu* are keen to avoid any impression of weakness in dealing with the European side. *„We can't accept this idea that 'we are giving money to Turkey, and Turkey is satisfied, so all migrants should stay in Turkey', … Nobody should expect Turkey to become a country housing all migrants, like a concentration camp* (Tattersall & Butler, 2015)*,"Davutoğlu* said.

As time went by – and as EU promises increased – this attitude became much more friendly. The new situation provided a window of opportunity to receive a positive answer to a number of requests that the Turks had been making for years. On the 29th of November 2015, EU heads of state or government held a meeting with Turkey (EU-Turkey statement (2015). The meeting marked an important step in developing EU-Turkey relations and contributing to managing the migration crisis. As *Davutoğlu* have said: it was a „*new beginning*" (Guarascio & Emmott, 2015) for the uneasy neighbours. In this spirit, they issued a joint statement in which they announced the activation of the „*joint action plan*" (*European Commission - Fact Sheet, 2015*), three billion euros to help Turkey deal with Syrian refugees on its territory, a promise to „*re-energise*" (De Ruyt, 2015) the accession negotiation and a roadmap for the lifting of the visa requirement by October 2016. They also agreed to have Summits twice a year in order to maintain a high-level dialogue.

But the *joint action plan* did not rest on a very solid ground. Some EU member states were reluctant to let 75 million Turks enter the EU with no visa and classic-spending rules did not make it easy to spend money efficiently in Turkey. Furthermore, the Turks were not very dynamic in reinforcing the control of their border with Greece and *Erdogan* did not make much effort to improve his image in Europe or help restore peace in Syria.

For these reasons, EU leaders held a special summit (*EU Meeting, 2016*) with Turkey on the migration crisis on the 7th of March 2016. The Turks had prepared a new proposal, which they discussed with the German Chancellor, *Angela Merkel* at a closed-door meeting (Fotiadis, 2016) at the Turkish embassy in Brussels the night before the summit. The suggestion was that from a certain date all new migrants crossing from Turkey to Greece would be returned to Turkey, but for each of the Syrians among them, another Syrian would be resettled directly from Turkey to the EU. In exchange for stopping the influx, the Turkish government asked a speed up in the disbursement of the three billion euros, an additional funding, an acceleration of the visa liberalization calendar and more specific commitments on the chapters which would be opened in the accession negotiation.

Many member states did not fully agree with the plan. For example, Italian Prime Minister *Matteo Renzi* (ANSA News, 2016) requested an item on freedom of the press be included in the declaration, the French (France 24, 2016) considered problematic the visa liberalization part and *Viktor Orbán* (*Magyar Hírlap, 2016*) also opposed to the idea which would resettle migrants and asylum-seekers directly from Turkey to Europe. It was thus decided to agree the deal in principle and fine-tune the text before the regular 'Spring' European Council.

The „historic" agreement

Against this background, on the 18th of March 2016(*European Council, 2016*), the 28 EU leaders finalised the deal with Turkey. The key point of the deal (*EU-Turkey statement, 2016*) is: all new irregular migrants crossing from Turkey into Greek islands after the 20th of March have to be sent back to Turkey. This will happen '*in full agreement with EU and international law'*, with no '*collective expulsion*', which is the most delicate element of the deal, at least for those who consider Turkey to be a '*not safe'* country.

Turkey's promise is not for nothing. The EU agreed to speed up the disbursement of the initially allocated three billion euros and to mobilise an additional three billion euro once these resources are used and provided commitments have been met; lifting of the visa requirement for Turkish citizens in the Schengen area by end of June 2016 at the latest; „*re-energise*" the accession process (De La Baume, 2016).

Furthermore, Europe has also promised, that for every Syrian refugee being returned to Turkey from Greek islands, another Syrian refugee will be resettled from Turkey to the EU. It is also noted that the EU will use 18,000 spare places from an earlier resettlement scheme (EC Report, 2016), and up to 54,000 places from a slow-moving plan to redistribute refugees in Greece and Italy around the EU.

Is the deal legal? It depends on whom you ask. *Rights groups*(Amnesty International, 2016) say it breaks both EU law and the UN refugee convention. On the basis of the latter document, signatories cannot expel asylum seekers without examining their claims individually. In response, the *EU* claims (The Economist, 2016) people will be examined individually – but since it will suddenly and simultaneously deem Turkey a safe country for refugees, most people will still be sent back en masse.

The deal is not without its critics. Leaders in Europe have come under fire for turning to Turkey for help at a time when the government in Ankara has been accused of expelling refugees back to Syria, while also increasingly veering away from democratic values (Yinanc, 2016) like freedom of expression and freedom of the press.

The deal is also under threat of the parties. Turkish President (Letsch & Rankin, 2016) rejected calls for new terror laws and warned that the entire migration deal could collapse if Brussels didn't follow through on the visa deal. In response, *Jean-Claude Juncker* (Le Quotidien, 2016) said that the deal would collapse unless Ankara fulfilled its commitments: *„If Mr. Erdogan decides to deny Turks the right to free travel to Europe, then he must explain this to the Turkish people. It will not be my problem, it will be his problem."*

Conclusion

All in all, we can say that the deal is a successful instrument in coping with the migrant crisis; however, certain improvements need to be made in order to ensure its maintenance and the balance as well.

A note on terminology: According to the viewpoint of *The UN Refugee Agency (UNHCR, 2016),* in this case, the majority of people arriving especially from countries mired in war or which otherwise are considered to be '*refugee-producing'* and for whom international protection is needed, on the contrary, a smaller proportion is from elsewhere, and for many of these individuals, the term '*migrant'* would be correct. In summary, the two terms have distinct and different meanings, however, it is becoming increasingly common to see the terms '*refugee'* and *'migrant'* being used interchangeably in media and public discourse (even on the official EU websites). For this reason, this article also uses the two terms in coexistence.

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A CRISIS IN CONFIDENCE
WHY THE EU CAN BE A FORCE FOR POSITIVE CHANGE IN THE WESTERN BALKANS AND REVERSE THE CRISIS

Vita Terauda[1]

British campaigners working to convince their compatriots to vote in favor of the United Kingdom leaving the European Union recently unveiled a new poster in support of their cause. The poster reads simply, "*Albania, Montenegro, Macedonia, Serbia and Turkey are joining the EU. Seriously.*"

It's a telling piece of propaganda in many ways, its patronizing and insulting attitudes aside. What is most striking about it is that it unwittingly undermines its own arguments about the value of the EU. The message the poster is attempting to communicate is that the EU is an organization that welcomes countries that are burdened with corruption, weak economies, unresolved ethnic and religious conflicts, and poor governance into its ranks, at the expense of more developed countries that will be forced to subsidize these inferior members.

But the truth is that the poster could very well serve as an advertisement about why European unity, in the form of the EU, is needed more than ever.

PASOS and its partners in six Western Balkans countries have, for three years, been measuring the levels of trust citizens of Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia have in public institutions. According to the latest survey results, that level of trust generally dropped in 2015, with the most drastic declines seen in scandal-plagued Macedonia.

Overall, the polling showed that political parties fared the worst among domestic institutions in the third annual polling conducted for Advocacy for Open Government (AFOP, 2016), an EU-supported project which seeks to encourage governments in the six countries to become more transparent.

In Macedonia, respondents identified political parties and the government's anti-corruption office as particularly untrustworthy. Only 10 percent said they had trust in the State Commission for the Prevention of Corruption, giving it the fewest number of people who said they had some level of trust in the institution. Meanwhile, political parties got the highest percentage of people who explicitly said they mistrust the institution.

"This relates mainly with the current political crisis in the country," says Qendresa Sulejmani, an analyst with the Skopje-based Center for Research

[1] *Vita Terauda is the Executive Director of the Policy Association for an Open Society (PASOS), a network of think tanks in Europe and Central Asia.*

and Policy Making, which oversaw the project polling in Macedonia. "In 2015, the opposition party released many wiretapped tapes of top government officials showing the criminal activities that government officials have engaged in and the politicization of institutions, such as the courts and the State Commission for the Prevention of Corruption, among others."

Other countries in the region saw similar, albeit less dramatic, declines in public trust in other institutions, especially those touched by scandals. Other poll findings showed that:

- The percentage of Montenegrins who have trust in political parties dropped to 25 percent, a drop of nine points compared to an earlier poll on the question.
- The percentage of Serbians who say they trust the country's president dropped from 54 percent in 2014 to 44 percent in 2015. Serbians also expressed the lowest level of confidence in NGOs among the six countries: only 28 percent said they had some level of trust in those organizations.
- NATO and the European Union continue to be highly trusted institutions in Albania, far outranking the levels of trust Albanians have in their domestic institutions.

Scandals and other examples of poor governance in the Western Balkans are to blame for the low trust citizens have for institutions that should be serving the public interest. And they also precisely show why the EU has flatly said that no new countries will be joining the union in the next five years, at a minimum.

Instead, it is the prospect of EU membership that provides the clearest road path for Albania, Montenegro, Macedonia, and Serbia to reform their institutions. EU membership conditions, indeed, offer what is perhaps the strongest incentive for these countries to rid themselves of corrupt practices, adopt principles of good governance, become more transparent, and increase public participation in policymaking.

So if and when the day finally comes that the poster's language becomes reality and "*Albania, Montenegro, Macedonia, Serbia and Turkey are joining the EU*," it will be because the EU provided the means for these countries to better their societies and prove their worthiness to join the union. And the addition of such societies to the European project can only strengthen the union and demonstrate the power of its values. "*Seriously*."

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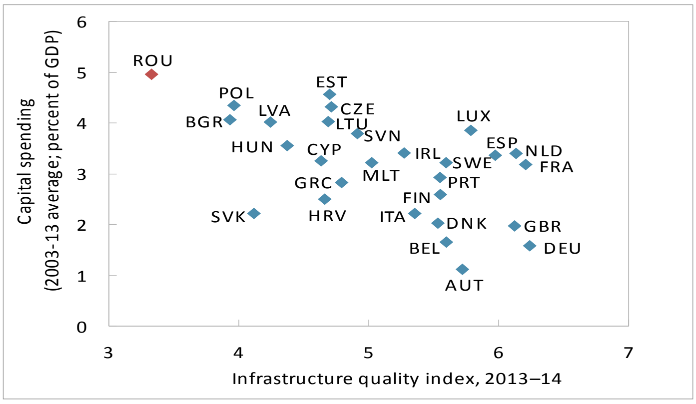
FROM FORMALISM TO MERIT: CIVIL SERVICE REFORM IN ROMANIA

Victor Giosan[1]

After its accession to the European Union on 1st January 2007, one of the most important objectives of Romania has been the convergence with the rest of EU members not only in nominal terms, but also in real ones: competitiveness, wealth, poverty reduction, institutional capacity. Almost ten years after EU accession, we can say that significant progress has been realized in many areas, but in terms of institutional capacity Romania is facing the opposite of convergence: the divergence.

In the last 10 years, the institutional capacity gap between Romanian public governance and the "average" at the level of EU member countries increased – and one relevant indicator is the effectiveness of public investments (from both sources: national and EU). A very relevant graph, which shows this is the following – from IMF paper *Benefits of Boosting Quality Public Infrastructure Spending in Romania* (IMF Country Report, 2015), January 2015:

Figure 1.*Efficiency of Capital Spending in the EU-28*



Source: Eurostat; World Competitiveness Report

What are the main reasons for this weakness in terms of institutional capacity? The first and main issue is the politicization of public administration – mainly the extension of a sort of neo-patrimonialism, where the appointments are decided on the basis of party affiliation (and within party to an interest group) and the main goal is the total or partial control of the public resource for personal gains. If we use Fukuyama's definition of patrimonialism characterized by kin selection and reciprocal

[1]*Victor Giosan, State adviser on Prime Minster Chancellery in charge with public administration reform.*

altruism, the neo-patrimonialism means party/group selection and reciprocal services for the personal benefit (Fukuyama, 2011, 439).

The main tools used for this are: (i) chronic instability of the legal and institutional framework generated by ad-hoc and personalized regulation; (ii) exponential increase of different exceptions in the civil service legislation which have destroyed the rules, stability and predictability of the recruitment and promotion system, especially for the senior civil service positions; (iii) incoherent policies related to the human resource management in public administration, (iv) rigid behavior of the civil service, mainly generated by an over-formalism and legalism; (v) the civil service pay system is very fragmented and not performance-oriented.

The minimization of the merit in civil service recruitment and promotion system, together with legal framework confusion and fragmentation, ad-hoc and discretionary policy-making process and high level of instability for the top management position, can explain the retreat from formalism and legalism, as an expression of self-defense and reactive approach of the civil service. The regulation becomes a goal in itself, doesn't matter the results in resolving the problems, and has also the advantage to minimize the efforts of the civil servants.

Civil service reform

What solutions can have a technocratic cabinet to address all these issues? Technically, the proposed solutions address mainly the civil service. First, the stability and clarity of the institutional and legal framework. Secondly, to consolidate a central agency to manage the civil service – the National Agency of the Civil Service (NACS) which already exists from 1999. Thirdly, to change the recruitment, promotion and evaluation system and fourthly, to consolidate an evidence-based policy-making system together with a performance-based budgeting. There are few details to explain these reform steps.

a) The main proposal for improving the stability and clarity of the legal framework is to create a watch-dog institution, an *independent council of the civil service*, composed of 9 members (3 appointed by the President, 3 by Prime Minister and 3 by Parliament) selected by clear and transparent criteria on merit, relevant experience and non-political affiliation. The role of the council is to endorse the legislation addressing civil service, to monitor its implementation and to evaluate the situation of the civil service presenting an annual evaluation report to Parliament.

b) Regarding the management of civil service, it is absolutely necessary to increase and consolidate the role of NACS. Actually NACS is subordinated to the Ministry of Regional Development and Public Administration (MRDPA). Ideally, in my opinion, it should be *located to* *the center of government* (in Romania the Chancellery of the Prime Minister), because the mandate of the agency is essentially inter-sectoral and the authority and visibility of NACS should be much higher. For reasons of political economy this is not possible, but the role and the instruments of NACS will increase significantly in designing and implementing HR policies.

c) A key reform proposal addresses the *recruitment, promotion and evaluation* system. First of all, by 2019 all the civil service positions at central level will have occupational standards, detailing the necessary general and specific skills and the relevant experience. Starting from these occupational standards, the recruitment system will be drastically revised and a national competition system will be implemented, at least at central level, for the selection based on merit of the civil servants. For the top management positions, the selection will be realized in two phases: open competition based on occupational standards which will produce a short list and a second phase where the political decision maker (minister or state secretary) will appoint someone from this list. The intention is to limit the discretionary political decisions and to introduce a limited "legitimate" political influence, which exist in almost all administrative systems in developed countries. Another proposal is to eliminate the temporary holding of the top management positions, which now is hugely spread at central level – this is one of the most dangerous tools to extend the political influence. Finally, the evaluation system will be improved to connect the activity of civil servants (especially for the senior position) to measurable results reflected by clearly defined indicators.

d) The fourth area of interest is to extend the *evidence-based policy making system* by improving the procedures related to regulatory practices, generalizing the regulatory impact assessment (RIA) practice for major impact policies and regulations, increasing the specific capacity in ministries all these under strict supervision of the Chancellery of Prime Minister. In addition, it is necessary to really implement a performance-based budgeting, which can connect the results with resources on the whole chain of budget programming and execution on medium term (1+3 years).

The implementation of policies in these four key areas has started at the end of June and will accelerate in autumn, but measurable results will not be obtained by end of this year, and this puts the critical problem of sustainability of the reform in the context of political framework. Unfortunately, from this perspective, the success is not so clear. First because the cabinet has a limited mandate, there is no clear support in Parliament and general elections will be organized in November or December 2016. Another key problem is the reluctance of political parties to support a decisive reform of the civil service, which have chances to drastically limit the practice of neo-patrimonialism – the main goal of "traditional" political activity. This is also linked with the internal reform of the actual parties or to the birth of new parties with this reform agenda.

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DOI 10.21868/PGnG.2016.2.5.

DECENTRALIZATION IN EASTERN EUROPE: GRAB THE MOMENT!

Gábor Péteri

Despite the drastic political changes in some Central European countries, local governments are still in the focus of public sector reforms in the broader region. Decentralisation has many faces: countries follow different patterns by sub-regions and in a single country also the devolution methods are transforming with time. In this note I will briefly discuss the recent reform waves in the East European region.

First stage: formal adaptation

The European transition countries can be grouped by three–more or less distinct –economic-political regions. These geographical areas are different by the level of economic development, some of them has common history and identical ethnic roots. All these factors led to similar administrative traditions and government structures. So intergovernmental relations and public service management are comparable in the sub-group of Central European countries (including the Baltic region), in South East Europe (the Balkans) and in the narrow stripe of Eastern Partnership countries, as these former Soviet Union countries were recently identified by the joint EU initiative.

In all the three sub-regions the first stage of decentralization coincided with the political transformation and the economic changes. These countries aimed to move away from the previous system of state ownership and planned economy operating under the single party political control. However, this *common origin did not result identical development paths*. Status of elected local governments and management of municipal services were based on different constitutional principles translated into diverse territorial administrative structures and with unique forms of fiscal decentralization.[1] The country development patterns can be also categorized by the *scale of adaptation to the Western decentralization models*: CEE closely followed the same principles, SEE was reluctantly adapting and the former Soviet-Union countries were classified as clearly non-adapting ones (Horváth, 2007).

Following this first decade-and-half long legislative and institution building

[1]Titles of the first comprehensive analyses of these local government models from the early 2000s are rather telling: Decentralization: experiments and reforms (Central Europe), Stabilization of local governments (the Balkans) and Developing new rules in an old environment (former Soviet-Union countries).

period, the key legal, administrative and basic fiscal conditions of the local government systems have been formally set up. It was often a painful process, hindered by armed conflicts, revolts and sudden government changes. But the *critical conditions of local government systems* have been hammered out. For example the former ambiguity in the constitutional status of local self-governments have been clarified by separating the local matters from the implementation of delegated services. Or the position of the chief administrative officers was defined by being a local manager subordinated to the elected councils, instead of representing the central administration as a governor.

Relationship between tiers of local governments have been also clarified by separating the municipal budget from the territorial ones (abandoning the Matryoshka model). Special asymmetric decentralization models (Bird & Ebel, 2006) have been developed, such as the revenue sharing methods for the semi-autonomous entities of Adjara (Georgia), Crimea (in Ukraine before the Russian occupation), Gagauzia (Moldova), Voivodina (Serbia) or in the Bosnia and Herzegovina state. The basic features of fiscal decentralization have been developed on the revenue side, by establishing manageable local property tax systems, introducing revenue sharing schemes and making grant allocation more rule driven and formula based (see for example the legislation on local finances in several countries of the former Yugoslavia).

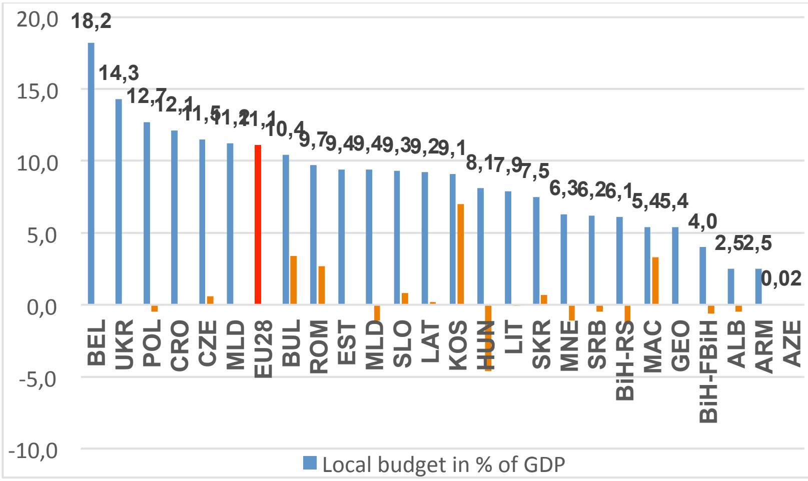
New challenges

These decentralization models were painfully tested by the financial crisis of 2008/2009 and the following economic recession. Local governments in all these countries were hit hard by the consequences of the economic downturn. Own and shared revenues declined, there were severe cutbacks in national budget grants, local government debt increased and demand for local social and welfare services enhanced.

However, local governments were *mostly able to respond on these challenges*. They contributed to national policies aiming to cope with the fiscal crisis (Davey, 2011). There were numerous attempts to improve municipal service management through rationalization, cooperation of private and public entities of various types and tiers. Large-scale energy efficiency programs were launched, local economic development programs were implemented in cooperation with the national government. This period showed the first results of territorial amalgamation (e.g. Denmark) and laid the basis of future reforms in reducing the number of municipalities (Albania, Armenia, Georgia, Finland, Greece, Latvia) or promoting inter-municipal cooperation (Hungary, Ukraine).

Using the generally accepted decentralization indicator – local expenditures in % of GDP – countries of the region are still rather different by the scope of locally managed public services. (Chart 1[2].) They are mostly below the European Union average (11.1%). There are countries like Belarus and Ukraine where the official fiscal statistics even do not separate the locally provided services and the functions managed by local self-governments. So it gives the false impression of high local autonomy in these countries. At the other end of the spectrum are the countries with limited local funds (e.g. in Azerbaijan only the national budget transfers are measured, as the local expenditures are even not separable).

Chart 1. Scope of decentralization 2014/2015



In Central and Southern Eastern Europe the decentralization trends continued mostly in the European Union member countries. This indicator also reflects the increase in the EU funds allocated through local governments. In the Balkans there were on-going reforms in some countries (Kosovo, Macedonia), but in the other cases share of local expenditures remained mostly stable. The only visible exception is Hungary with a striking centralization program started from 2011 (see above).

Learning by doing

Countries of the three sub-regions make various attempts to adjust their local government systems to the new economic and financial conditions. There are on-going changes in the Western, modelled part of Europe, as well: completed amalgamation reform in Denmark, reallocation of health

[2] Sources of data: Eurostat for the EU member countries (2005 and 2015); for the Balkans Fiscal Decentralization Report for SEE 2006-2014. In the Eastern Partnership region the country reports are from the Local Finance Benchmarking project (2014 or the latest available data), but here no comparative data were available.

care and education service in Finland, Denmark, search for new roles of the intermediary tiers of government in France and the UK. Western and Central European countries also responded on the systemic challenges in public service management by strengthening the role of the state.

In the *Eastern Partnership* countries Armenia, Ukraine launched a wide scale amalgamation program in their fragmented municipal system. The intergovernmental fiscal relations are reformed by creating new formula based grant allocation and revenue sharing schemes (Moldova) and increasing the sub-national governments own source revenue raising capacity (Georgia, Ukraine).

In the *Balkans* there is an on-going fiscal and territorial amalgamation reform in Albania. The other countries also go through a gradual transformation by increasing own source revenue potential (Bulgaria), modifying the revenue sharing rules (Bulgaria, Montenegro, Serbia, Slovenia) and the grant allocation techniques (Bulgaria, Macedonia, Montenegro, Romania, Serbia), enhancing the local responsibility in public financial management (Croatia)[3].

Among the *Central-Eastern European* countries in the period of 2011–2014 Hungary has completed a reform contrary to the overall trends: here key human services were centralized and local financial management autonomy was decreased. It was in line with the overall political transformation of creating an illiberal state in a country where decentralization has never been sufficiently rooted in public service management and governance.

The past decade proved that transition countries started to move away from the adapted decentralization pattern of the first 10-15 years of transition. Presently the on-going reforms do not aim to follow any Western models. There are no more unrealistic hopes of finding an "ideal" solution to their domestic problems. But these *countries experiment with institutions and techniques*, which might fit the best to the their own circumstances. They try to respond on the present specific problems partly originating from their imperfect local government systems and partly caused by external economic factors.

What is next?

In this new era direct transfer of management techniques and adaptation of models will not work anymore. Decentralization reform in the regions an on-going adjustment process, when new developments are mainly corrective measures responding on the mistakes made in the previous stages or steps introducing the missing elements of a proper local government system.

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[3] Based on country information sheets in NALAS, 2016: Fiscal Decentralization Indicators of SEE: 2006-2014, Skopje.

So in this period it is very important to clarify the rules of decentralization and to identify which principles survive under these specific models. The main goals of local government reforms remain the same: they usually search for rational size of localities, promote participation, aim clear separation of responsibilities and functions, create transparent and regulated intergovernmental fiscal relations, establish fiscal incentives for revenue raising and efficient management of municipal resources.

But the basic question beyond all these efforts is *whether decentralization works* and the *doubts on its favourable impact can be eliminated*? A recent study (Martinez-Vazquez, Lago-Penas & Sacchi, 2015) on surveying the impact of fiscal decentralization draws rather ambiguous conclusions. This careful cross-country comparison and literature review proved that fiscal decentralization had favourable and inevitable positive impact on allocative efficiency, macroeconomic stability, fiscal sustainability and social capital, only. All other expected consequences, such as promoting growth, influencing income inequality and geographical disparities, government size, accountability, tax morale, national unity, voter turnout showed mixed or contradicting results and partially depended on other endogenous factors.

These contradicting conclusions from the global review of fiscal decentralization policies proved that the success of decentralization programs is very much determined by the *actual development stage of a country*. So the appropriate methods of establishing new intergovernmental relations depend on the moment of governance reform process. The means and the tested techniques are already available, but the real art and science of policy reforms is to identify those instruments, which will work.

By responding on an acute problem they are usually able manage only one issue at a time. The selected method in turn might create another problem, but that does not mean that the concept of decentralization is wrong. This spiral development in learning and adapting decentralization policies has to be accepted and the local government, as an institution should not be dropped out of the window. There is no one single magic solution for all the complex problems of governance and public service management. But the rules of public administration and public financial management should be followed in this never-ending story.

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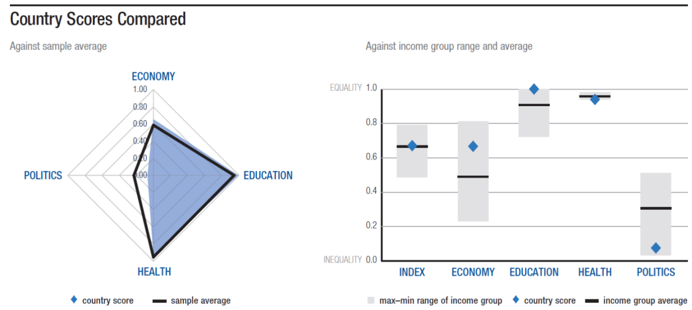
FROM HANDICRAFT TO LOCAL COUNCIL - WOMEN EMPOWERMENT IN ARMENIA

Liana Aghabekyan

Armenia is a country of long-standing traditions where prevalent social perceptions often associate women primarily with the private and family spheres thus limiting their opportunities for self-realization in public and political aspects of life. Gender stereotypes are thought to contribute to women's lower levels of representation in politics, formal employment and as business leaders. Stereotypes can also have a negative impact on men, especially those that portray men as solely responsible for providing financially for their families. According to a recent survey by Yerevan State University Centre for Gender and Leadership Studies (YSU CGLS, 2015) 60 per cent of Armenians agree that there is "inequality among men and women in Armenian society," and only eight per cent disagree with this statement. Annual assessments of the extent to which men and women are equal in Armenia, compared with other countries of the South Caucasus, indicate that Armenia falls behind its two neighbours in ranking. The 2015 Gender Gap Index (Gap Report, 2015) ranks the country 105 out of 145 countries. Although the country scores relatively high in terms of equal access to education, these scores are counterbalanced in terms of economy, politics and health issues.

Chart 1: Gender Gap Index 2015 – Country Scores of Armenia



Source: Gender Gap Index 2015, World Economic Forum

Although women in Armenia comprise more than half of the population with higher and postgraduate education, their political participation and representation in decision-making positions remains critically low. Despite efforts to use positive discrimination (a quota system) to assist women to enter politics, women's low level of representation in national government has shown minimal change over time. At present, women comprise less than 11 per cent of parliamentary deputies, despite of the 20 per cent minimum quota in party electoral lists as stipulated by the Electoral Code of the Republic of Armenia. Although women are much better represented in supporting and non-management positions, their limited presence in decision-making roles both at national government and local level means that women may not be adequately involved in policy making about critical development issues. Women are also under-represented in regional and municipal administrative bodies that set priorities locally. Currently there are no women at regional high-level authorities (governors). At the local level, women comprise just over nine per cent of community councils. Out of 866 rural communities, only 18 are led by women (around two per cent). At the municipal level, 49 cities, including Yerevan, have never had women mayors. Notably, these institutions may lack the capacity to adequately serve their female constituents. Moreover the country is undergoing consolidation reforms, which means that small municipalities are being merged with neighbouring ones to ensure provision of higher level of public services to the citizens. However, based on the results of first local elections in consolidated municipalities, this reform seems to create additional challenges for women.

Recently in 2016, in order to address some of the abovementioned challenges and comparatively just the unequal reality the government increased the previously used 20% gender quotas accordingly to 25% for 2017 and 30% for 2022. Parliamentary elections requiring political parties to apply quotas in each group of 4 candidates starting from the first number in the list instead of previously used second (see Art. 83(4) and 144(14) of the Electoral Code). It will also assure that each party has at least one representative of underrepresented gender. Similar provisions will apply for Local Councils' elections in three biggest cities in the country, namely Yerevan, Gyumri and Vanadzor. However, there is a risk that the changes may have a limited impact given the introduction of district lists/open lists, where no gender requirements apply and which, again, may become an additional challenge for local women to get elected as local self-government authorities (head of community or a member of community council).

Table 1: Parliamentary Elections in Armenia: an Overview

Year	Total number of seats	Women MPs	% of women MPs
1995	190	12	6%
1999	131	4	3%
2003	131	7	5%
2007	131	12	9%
2011	131	12	9%
2014	131	14	11%

Source: Shahnazaryan, 2015

To fill the gaps the top-down approach leaves, a bottom-up method is used in some of the regions throughout the country to develop a pool of qualified, educated, informed and active women citizens interested either in socio-economic or public and political participation. Particularly grassroots level local organizations called "Women's resource centers" (WRC) have been created in Syunik, Vayots Dzor and Tavush regions, which work actively towards women economic, social and political empowerment in the respective areas. Handicrafts development has been selected in Syunik region as the most relevant mean for giving local women the opportunity to earn some income, while at the same staying at home to take care of households. The experience shows that this rather simple way of earning helped women to gain self-confidence, feel themselves important for society and become good examples for their children. Moreover, the example of this project reveals a strong interconnection between economic and political empowerment. The women, who get trained, enhance their skills and feel capable of supporting their families financially increasingly become interested in local politics. This was evidenced in 2012–2013, when WRC's targeted work towards women political empowerment on the eve of local self-government elections resulted in 70% election of women candidates and therefore significant increase in women's representation in Syunik region and Vayots Dzor regions.

Armenia is currently on the eve of elections cycle again. Upcoming local self-government elections in fall of 2016 and Parliamentary elections in spring of 2017 awake the hope to believe that the combination of abovementioned top-down and bottom-up approaches will bring us a step closer to women's equal representation in decision-making bodies. And the importance of equal representation does not solely lay in "women's rights" issues, or in "utilisation of the potential of half of the country's population" but in resulting a more just, fair and democratic society considering the needs, constraints and opportunities of its each member.

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FORUM

From the Hungarian point of view...

János Ede Szilágyi

As far as the water utility supplies are concerned, the article focuses on an interesting process in Greece, namely, the privatization of water companies, against the topical trends of the acquisition of the water utility supplies (i.e. remunicipalisation). The reason of this privatization is the debt crisis of Greece. The case has an interesting similarity to the Hungarian government's plan before 2010. After the 2008 international financial crisis, which had a devastating influence on the Hungarian budget and caused a debt crisis in Hungary as well, the Hungarian government also planned the privatization of the five regional water companies (Szilágyi 2010, 84-86. p.). The government before 2010 did not have enough time to implement this plan, and the new government chose another opportunity to solve the situation; namely, the remunicipalisation in the water sector. Nevertheless, the situation in Greece remains challenging for Hungary henceforward.

NEWS

Commission Publishes Guidance On The Notion Of State Aid

On *19 May 2016,* the European Commission published its *Notice on the notion of State aid as referred to in Article 107(1) TFEU* ('Notice').

This guidance can be used to determine whether public spending falls within or outside the scope of EU State aid control. It is also intended to facilitate public investment in the EU, by helping member states and companies to design public funding in ways that do not distort competition. The Commission hopes to mobilize at least €315 billion over three years in private and public investment across the EU.

The Notice gives *general guidance* on the constituent elements of the notion of State aid by systematically summarising the case law of the EU Courts and the Commission's decisional practice (see for instance the judgments in T-251/11 Austria v Commission és a C-518/13 *Eventech*. In addition, it provides clarifications on a *number of points particularly important* for public investment. Its key clarifications are the following:

- Public investment for the construction or upgrade of infrastructure does not constitute State aid (will not need to be checked under state aid rules) if it does not directly compete with other infrastructure of the same kind. This is typically the case for roads, railway infrastructure, inland waterways and water supply and wastewater networks. In contrast, if one project is financed with public money while competing projects have to operate without public support, this can be deemed to give the subsidized project a selective economic advantage over its rivals, and will therefore be subject to prior Commission scrutiny.
- Even if infrastructure is built with the help of state aid, there is no aid to its operator and users if they pay a market price. When infrastructure is built with public financing that involves state aid in line with EU rules, public authorities must make sure that such aid is not passed on to the operator or users.
- Funding provided to local infrastructures or services that are unlikely to attract customers from other Member States, and which only has a marginal effect on cross-border investment, does not fall under state aid rules.
- Public funding of certain cultural activities that are provided for free or a minimal fee does not be covered by the rules.
- If public authorities buy goods or services through tenders, which respect EU rules on public procurement, this is in principle sufficient to ensure the transaction is free of state aid.

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Reference:
State aid: Commission clarifies scope of EU State aid rules to facilitate public investment. Brussels, 19 May 2016. (2016-06-22)

EU Steps Up Pressure On Hungary Over Its Land Act Restrictions

The European Commission (EC) takes infringement procedure to second level against Hungary for restrictions on farmland. *(Brussels, 26 May 2016)*
Background
The Commission has launched the infringement procedure against Hungary concerning restrictions on the acquisition of arable land in the country's land act in March 2015. EC has launched similar procedures in connection with the land acts of *Bulgaria, Lithuania* and *Slovakia.* According to the Commission, the land laws of these Member States contain several provisions, which under EU law, may be considered to *restrict the free movement of capital and freedom of establishment.* Any restriction of these basic Treaty freedoms must be justified and comply with the principles of non-discrimination and proportionality. Furthermore, the Commission would like to stress that, while Member States are permitted to set their own rules to promote rural development, to keep land in agricultural use and avoid speculative pressure on land prices, this must be done within the limits of EU law.
According to the Commission, the provisions in question also contain certain restrictions that may leave room for *discriminatory treatment of investors from other Member States*. These include: a residence requirement in the given country; restrictions on persons without a local residence or previous local business activities; various restrictions on persons lacking professional knowledge, on ceding the use of land or on legal persons, as well as legal uncertainty related to the prior approval of sales contracts. The Commission sent so-called 'letters of formal notice' to the above mentioned Member States, a step that is the first stage of the infringement procedure.
Taking the second step
After having received the replies from them, EC is still concerned about the national provisions, which are currently in force. The Commission maintained that: „*Hungary has a very restrictive system which imposes a complete ban on the acquisition of land by legal entities and an obligation on the buyer to farm the land himself. In addition, as in Latvia and Lithuania, buyers must qualify as farmers*."
Therefore, EC has formally requested Hungary to amend legislation on the restrictive provisions in question in a 'reasoned opinion', marking the second step in an infringement procedure. If Hungary fails to bring their national legislation into line with EU law within two months, the EC may refer Hungary to the EU's Court of Justice. The Commission also sent reasoned opinions on similar restrictions on the sale of farmland to *Bulgaria, Latvia, Lithuania* and *Slovakia.*
Hungarian Reaction

In his regular weekly press briefing Minister for the Prime Minister's Office, *Lázár János* said Hungary is not going to back down on the issue. He stated that the Hungarian and the Brussels positions were far apart because the Hungarian legislature – in contrast to the European Commission's view – decided that foreigners and business associations are not allowed to buy land in Hungary. He added that: „*it is going to be a war with Brussels*".

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Reference:

Commission requests Bulgaria, Hungary, Latvia, Lithuania and Slovakia to comply with EU rules on the acquisition of agricultural land. Brussels, 26 May 2016. (2016-06-01)

May infringements' package: key decisions. Brussels, 26 May 2016. (2016-06-01)

Commission opens infringement procedures against Bulgaria, Hungary, Lithuania and Slovakia on investor restrictions for agricultural land. Brussels, 26 March 2015. (2016-06-01)

EC initiates infringement procedure against Hungary. (2016-06-01)

EC steps up infringement procedure against Hungary over farmland sale restrictions. (2016-06-01)

European Commission launches new infringement procedures against Hungary. (2016-06-01)

Lázár sees 'war' with EC over foreigners' right to buy farms. (2016-06-01)