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Executive Summary

OVERVIEW

The unfolding of the Greek debt crisis has left a large number of its citizens on the margins, presenting one of the greatest socio-economic upheavals in the nation's history. It has also precipitated a broader political, financial and social crisis across the EU.

With the effects of the crisis present and no immediate end in sight, it is important to understand the underlying emerging causes of failure. The issue of corruption has been singled out as one of the key concerns the country is facing¹. The current report analyses the state of the Greek National Integrity System (NIS), i.e. that framework of institutions and actors that play a key role in the promotion of transparency, integrity and accountability and the prevention of corruption.

The report finds that overall the Greek anti-corruption system has a number of fundamental flaws, the most significant of which is a crisis of values, typified by broad scale acceptance of and participation in corruption, even though it is condemned. In addition, there are significant structural issues with the executive, the media and the business sector, while the Parliament, the public sector, anti-corruption agencies and the civil society also have a range of problems. The strongest performing pillars of governance in the country are the elections and the Ombudsman. For each of the institutions analysed, the report suggests a range of recommendations.

The foundations of the Greek society in crisis

The debt crisis facing Greece is the result of many decades of spending, maladministration and structural problems, despite the fact that in 2001 Greece was considered to fulfill the financial criteria for joining the European common currency.

The measures taken by the Greek government to meet the requirements of its creditors threaten the quality of life of its citizens, particularly the fast-eroding middle class. The prospect for entrepreneurship is also bleak, as it struggles to remain efficient within the bureaucratic Greek business environment.

¹ For example, 98 per cent of Greeks consider that corruption is a major problem in their country (Eurobarometer 76.1, 2012) http://ec.europa.eu/public_opinion/archives/ebs/ebs_374_fact_el_en.pdf

A key conclusion of the report is that corruption in Greece originates mainly from a crisis of values, which has imbued both the Greek mentality and the key institutions of the country. The long-standing acceptance of corruption and fatalism about the chances of preventing or resisting it, drives petty wrongdoing and perpetuates the bottlenecks in institutions that stall reform.

Overall, Greeks appear to show a deficit in terms of social capital and trust in their interpersonal relations. Patron-client relationships are often accompanied by indifference for the public interest, formalistic interpretation of the law or its frequent bypass. The traditional values that formed the foundation of post-war Greece are in serious doubt.

Greek people live in a state of “corrupt legality”², meaning that the law often condones or even fosters corrupt practices. Corruption is endemic: not limited to any party or social class, nor to the public sector. For this reason, the present research attempts a holistic approach to bring out the interactions between the key institutions of the Greek society.

Executive, Media and Business - the pillars most vulnerable to corruption

The present research concludes that the **executive**, **media** and **business** are the weakest pillars of the national integrity system, namely the most vulnerable to corruption.

Although the Constitution characterizes the **executive** as equal in power to the legislature and the judiciary, in fact it grants the executive competencies that constitute it the dominant player. Furthermore, despite the strong majorities with which most governments are elected by virtue of the current electoral law, they often succumb to patron-client relationships, as well as to pressure by organized interests, in order to hold on to power.

The executive power in Greece remains unaccountable not only *vis-à-vis* the Parliament, but also *vis-à-vis* the **media**, the so-called the “fourth power”. Although a comprehensive media law has been established, its implementation has been fragmented, exposing the audio-visual media in particular to a state of legal insecurity and constituting them susceptible to political pressure. Furthermore, the broader business activities of the media owners politicize the media content.

² Diamantopoulos Ath., “Interventions”, in *Transparency International-Greece, The State and Corruption: How are we going to cut the umbilical cord?*, 2008, p. 145.

Concerning the **business sector**, significant differences in anti-corruption performance exist between the companies listed on the Athens Stock Exchange and those that are not. While the listed companies operate according to the international standards of corporate governance, the non-listed firms conduct their operations in a state of almost complete opacity. Furthermore, the complexity of the legal and fiscal environment, entrenched bureaucracy, and frequently changing policies on entrepreneurship, all create an environment highly conducive to corruption. This in turn, prevents effective competition, development and growth.

Other pillars of particular interest

Further pillars of interest include the public sector, the Parliament, anti-corruption agencies and civil society. Although these institutions have scored higher in the assessment, they still display considerable weaknesses, some of which constitute a Greek originality .

The **public sector** suffers from substantial gaps in both law and practice, thus allowing corruption to thrive. Public officials have been allowed to act for decades without any transparency or effective oversight. As a result, lack of integrity, tendency to demand and accept bribes and unfaithfulness to public service have proliferated. This in turn brought about practices such as:

- the non-demolition and *ex ante* legalization of illegally built constructions,
- the way private natural and legal entities settle their debts with the state,
- the validation of accounting records without checks by the competent tax authorities, but only subsequent to the payment of a standard fee,
- the ease with which one can avoid a traffic violation ticket or other administrative fines,
- the great delays with which the state pays its debts to private entities, while only minor delays by private entities suffice for the imposition of fines on them,
- the operation of “special accounts” by Ministries beyond the scope of the official budget (i.e. beyond transparency and control).

This and other wrongdoing has eroded the rule of law and facilitated a culture of impunity.

Despite the explicit provision in the Constitution on the division of powers, it is evident that the legislative and audit functions of the **Parliament** are heavily influenced by the executive. The current political system calls for parliamentary support of the Government, in practice requiring that the majority of MPs belong to the governing party. This degrades the role of the Parliament, rendering the opposition ineffective and allowing the Government considerable leeway for action, even where it is contrary to the public interest. However, a large share of the responsibility for the lack of transparency in the political scene also lies with the MPs themselves, including those in the opposition. In particular, the abuse of the institution of parliamentary immunity, as an indication of solidarity among colleagues, constitutes a serious issue, which has been ruled against twice by the European Court of Human Rights³.

In the effort to combat fraud in the public and private spheres, a range of **anti-corruption agencies** has been established. Their number however, is disproportionately high, leading to fragmentation of competences, inefficiencies, and inconsistent practice. Furthermore, the anti-corruption agencies in Greece are seriously influenced by political factors. These conditions undermine their effectiveness and prevent the timely discovery and sanctioning of corrupt conduct.

The **civil society**, which has rapidly grown over the past few years in Greece, has a key role to play in the fight against corruption. Nevertheless, its institutional, legal and operational framework is still immature, and creates serious questions about its independence, transparency and integrity. The few attempts at self-regulation have been insufficient and a greater focus on the issue is required.

Elections and the Ombudsman - the best guarded pillars

The NIS findings conclude that elections and the Ombudsman are the strongest of the national integrity institutions.

The robust **electoral procedures** to be found in Greece are a testament to sound reform and the necessary learning made from the extremes and mistakes of the past. The elections perform well in terms of transparency, independence, accountability and organization. Nevertheless, even for this admittedly successful institution, there is room for improvement, particularly regarding the more efficient use of resources, and better control over the political parties' and candidates' electoral expenditure.

³ Cases of MPs Tasoula K. (2006) and Apostolaki M. (2010).

The enactment and operation of the **Ombudsman** is a recent achievement for Greece. Its independence, transparency and integrity, and, most of all, its qualified and experienced staff, have rendered the institution to be adequately effective. However, the plethora of problems tormenting the Greek public administration require the further strengthening of the institution, so that even the few doubts remaining on its independence, competencies and accountability are eliminated.

Priorities for action

Given the NIS assessment findings, the future national priority actions against corruption should focus on the following pillars and in particular on the following key and concrete recommendations:

ANTI-CORRUPTION AGENCIES

- Merging of all existing bodies with similar mandates into a single anti-corruption body

EXECUTIVE

- Asset declarations of members of the executive should be properly verified and audited and discrepancies investigated
- Accountability mechanisms, particularly legislative oversight mechanisms should be strengthened, including parliamentary oversight of the budgeting process.

BUSINESS

- Introduction of on-line transactions between businesses and public authorities, for example through the use of bank accounts, e-banking and the internet to lessen bureaucracy and reduce corruption risks.
- Reinforcement of the transparency framework for non-listed companies, especially regarding their tax obligations.

MEDIA

- Implementation of the current legislation regarding audiovisual media licensing
- Development of a licensing and operation framework for print media
- Regulation of state advertising so that it is not assigned to companies with tax contingencies or social security debts and not assigned to newly introduced media, before a certain period of time since the beginning of circulation

- Implement the publication of the register of shareholders of media enterprises to be accompanied by specifications regarding the concentrations that are created.

LEGISLATURE

- Enhancement of the audit powers of the Parliament
- To avoid conflicts of interest and revolving door syndrome, establish list of capacities incompatible with that of ex-member of the Parliament.
- Establishment of the declaration of private interests by the Members of the Parliament
- A comprehensive code of conduct for the Members of the Parliament covering conflicts of interest, post-employment restrictions, registering of lobbyists should be implemented
- Asset declarations (“pothen esches”) of members of the executive should be properly verified and audited and discrepancies investigated
- The institution of parliamentary immunity should only be used for the protection of the free speech of MPs and not used to avoid MPs accountability, as at present

PUBLIC SECTOR

- Establishment of an objective system for the evaluation and promotion of civil servants
- Asset declarations of civil servants should be properly verified and audited and discrepancies investigated
- Disclosure of each public sector agency organisational structure chart and of every civil servant’s salary.
- Distancing of the citizen from direct transactions with civil servants, through the development of electronic systems for handling cases with the public administration
- Detachment of the public administration from the government and establishment of an independent authority for the supervision of public administration.
- Meaningful implementation of the public procurement rules and processes

JUDICIARY

- Reform of the rules regarding appointment of the head of the judiciary to an independent body, and not the executive.
- Introduction of post-employment restrictions for judges after leaving the judiciary
- Acceleration of judicial proceedings through mechanisms including use of out-of court dispute settlement and award of judicial competences to notaries.

As Greece faces the threat of economic collapse, sincere commitment and decisive action are required from all parties – politicians, public servants, political parties, business, academia and civil society, in building a culture of transparency and fighting corruption. These are the essential ingredients of social progress and economic growth, to be achieved through unified, holistic and collective efforts.

Methodology

The National Integrity System assessment analyses the extent and causes of corruption, as well as the effectiveness of national anti-corruption efforts. The research is focused on the main public institutions and non-state actors that constitute the key “pillars”⁴ of the overall system of governance. The pillars are analysed for their capacity, governance and role - in both law and practice – as well as their inter-relationship. They are also posited within the broader political, social, cultural and economic context of the country, constituting the “foundations” of the NIS.

The assessment was conducted using primary legal sources, relevant literature and expert interviews, with a validation from the National Advisory Committee, Transparency International Secretariat, and an external evaluator. The findings and proposals were also discussed at the National Integrity Workshop, attended by representatives of the state, business sector, civil society, and other key parties in the fight against corruption.

Given that the present evaluation is the first of its type in Greece, the research covers the period of 2009-2011. TI-Greece is looking forward to repeating the research at regular intervals in the near future, in order to spot any changes (positive or negative) that will be achieved during this time.

⁴ The key “pillar” of anti-corruption governance include the Legislature, Judiciary, Executive, Public Sector, Law Enforcement, Electoral Management Bodies, Ombudsman, Audit Institutions, specialised Anti-Corruption Agencies, Political Parties, Media, Business and Civil Society.