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Digital Democracy

# Digital Democracy in Action

How Greece Wants to Catch Up with Europe

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The new government in Greece is not wasting time and has a clear plan to make up for the lost years of financial and economic turmoil. There is still a lot to do: in 2019, Greece ranked only 26<sup>th</sup> among the 28 EU member states on the European Commission Digital Economy and Society Index (DESI).<sup>1</sup> Without digitalising, and slashing its bloated and overstuffed bureaucracy, the country will not achieve its aim of becoming an attractive destination for investment. The current efforts offer the chance to change the perception of Greece as the sick man of Europe.

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### **Out of the Crisis**

Life has been hard for the Greek people over the past ten years: during their country's financial crisis, they have seen their salaries reduced, their pensions slashed and jobs evaporated as businesses fled the country; young people in particular have left their homes in the thousands, searching for a job. The Greeks called this decade the years of the "Memoranda", where the Troika of the European Central Bank, the IMF and the European Commission pressured the successive Greek governments into reforms in exchange for financial support.

It worked, partly: The economy was stabilised, necessary reforms have begun, the budget has been balanced and a substantial cash buffer now exists for future downturns. But growth is only returning to the country slowly, after the Greek economy lost more than a quarter of its GDP since 2008. The unemployment rate has gone down but remains at over 17 per cent,<sup>2</sup> by far the highest in the European Union. Public debt has barely shifted, and stands at a prodigious 181 per cent of the country's GDP.<sup>3</sup>

Until now, the reform process undertaken by the previous Greek governments during the crisis years can be characterised more by its hesitancy and obduracy than by proper ownership and a real will to move forward. Under the left-wing Syriza government of Alexis Tsipras, privatisation barely progressed, bureaucracy bloomed,

and taxes increased to such a scale that they choked off private business and investments. Companies complained about the high tax rates, red tape, and weak dispute settlement mechanisms.

Under the new government of Kyriakos Mitsotakis – from the center-right New Democracy, which achieved a resounding victory at the parliamentary elections last July, and has an absolute majority of mandates in the Greek parliament – Greece finally wants to "turn the page". The country is open for business again, that is the message of the prime minister.<sup>4</sup> And indeed, some taxes have been cut, dormant business developments revived, and foreign investors are being wooed. After six months in office, international observers agree that Athens now apparently understands the need for a new push on reforms and is serious about tackling the challenges, which have until now been holding back a healthy revival of the Greek economy. One such fundamental challenge is the inefficient state bureaucracy and tortuous administrative procedures. The government has recognised that it can significantly improve the way the country functions by reforming this area – and it is betting a lot on digitalisation.

### **State of the Analogue**

Among the EU member states, Greece stands at the bottom of almost every indicator when it comes to digitalisation and e-government. It

comes 26<sup>th</sup> on the use of internet services, such as online banking, and next generation access fast broadband coverage, and last on e-government users and connectivity services overall.<sup>5</sup> Broadband connectivity is of strategic importance for Europe-wide growth and innovation in all sectors of the economy; it is also highly relevant for social and territorial cohesion. In addition to these benefits, digitalisation could also lead to the upgrading of the region's business activities, such as digital entrepreneurship and smart farming – two sectors mentioned by the EU Commission as promising alternative forms of economic and environmental development.

It is true that Greece's broadband coverage reaches 96 per cent of its territory. However, the coverage of next-generation networks is limited to 66 per cent, far below the EU average of 83 per cent. In terms of broadband cost, Greece ranks last among EU countries on the broadband price index. Surveys show that around 25 per cent of the country's citizens have still never used the internet, and that online transactions are not trusted by the general population.<sup>6</sup> In terms of internet usage, this stands in contrast to the EU average of eleven per cent, while only five per cent of Germans have never used the internet.<sup>7</sup>

In the private sector, when it comes to e-invoicing and cloud services, Greek companies lag clearly behind. Moreover, the FinTech sector – from mobile banking to electronic trade – remains underdeveloped. In sum, the groundwork for increased digitalisation in Greece is not yet fully laid. Broadband connectivity and internet banking usage, however, are of strategic importance for a country striving to leave financial crisis behind, to upgrade its business activities, and to welcome foreign investments.

### **The Crisis Years: Modernising the Greek Economy the Wrong Way**

In the beginning of the crisis, Greece's public administration had been heavily analogue, belatedly striving to catch up with digitalisation practices that had been applied to other

European countries years earlier. Before 2018, one could procure copies of official papers, such as birth or wedding certificates, offline only. Such certificates could only be issued after checking in with three separate government offices. Most controversially, pension payments arrived with a delay of up to two and a half years after the start of retirement. When it came to private enterprise, according to the World Bank's Ease of Doing Business Report, registering a new company before 2014 would take on average 15 separate government permits; in Germany, it took nine, in nearby Cyprus only six.<sup>8</sup>

### **Because of the high costs of many unpopular measures for modernisation, politicians from all major parties refrained from addressing the need for reform.**

These few examples help to illustrate the long way Greece had and has to go in order to modernise not only its economy, but also its state administration. Over the past years, however, the modernisation efforts came mainly through a policy of sticks and carrots by the Troika, aimed to cajole the successive Greek governments into reforms. Theoretically, many parts of the economy and the administration have thus been modernised by now. However, in practise, the implementation of many measures remains inadequate due to the lack of ownership of those reforms. Aware of the high cost of many unpopular measures to modernise the economy, politicians of all major political parties have recoiled from assuming responsibility, and avoided clearly communicating the need for reform.

No access to banks and public services: Life has been hard →  
for the Greek people during the financial crisis.  
Source: © Yannis Behrakis, Reuters.

Under external oversight, and in exchange for massive financial support to keep the Greek economy from collapsing, Athens agreed to certain reforms in its public administration, to carry out privatisations, to ensure financial stability, and to upgrade its judiciary system.<sup>9</sup> As of 2011, it focussed on the consolidation of the

pension system, the survival of the Public Power Corporation (PPC), and the reduction of administrative burdens in the Greek economy.<sup>10</sup> Until June 2014, the Greek government of Antonis Samaras implemented 265 out of 329 OECD recommendations to remove restrictions to competition.<sup>11</sup> The financial sector was stabilised



and consolidated, undergoing a second recapitalisation. A first anticorruption law was adopted, and the code of civil procedure was written. On paper, the reforms were paying off: In 2014, Greece had jumped 17 ranks in the World Bank's Ease of Doing Business report, in comparison to the previous year.<sup>12</sup> But in reality, and occurring within the wider context of the Syriza government of Alexis Tsipras, the reforms came at a high cost to the country's citizens. Their incomes, savings, and pensions fell drastically. Pension funds were merged, payouts and benefits were slashed; the system was unified and gradually digitalised. The notorious tax system was modernised at the same time as tax rates rose. Steps were taken to combat tax evasion, and a major reevaluation of property tax values was carried out.<sup>13</sup> As a result, Greece today tops the OECD charts when it comes to its heavy tax burden on private individuals and companies alike.<sup>14</sup>

This wave of reform predominantly affected the private sector; the state administration, however, remains mired in bureaucracy, heavily overstaffed, and in many areas of public life clearly not citizen-oriented. Despite some reforms, public services have until now frequently resisted the stated aim of more efficient, simplified, and transparent procedures.

### **Efforts at Digital Transformation**

Important steps have been taken by previous governments with regard to digitalisation, but these efforts at modernisation and reform have not managed to reach the above-mentioned objectives of efficiency, simplicity, and transparency. This is understandable if one looks at the huge challenges the country was faced with. It is therefore encouraging that the new government in Athens has put digitalisation on top of its domestic agenda: On visiting the newly-established Ministry for Digital Government in July, the prime minister has stated that "the digital transformation of our state is a one-way street for our country. The state has to serve its citizens and this can be only achieved if the state procedures are simplified dramatically and are digitalised". Since then,

reform initiatives have been aimed at making digitalisation a cross-cutting issue that benefits all ministries and government agencies while harmonising procedures dealing with different areas of public life. The buzzwords are interoperability and simplification to make Greece's digital transformation finally take off.<sup>15</sup> For until today, Greece's public administration homepages operate under different systems, are not user-friendly, suffer malfunctions due to lack of maintenance, and are vulnerable to cyber-attacks, as events from Mid-January have shown.<sup>16</sup>

With a view to enhancing transparency, the government now claims to more effectively control all the official data owners and state agencies responsible for delivering e-services.<sup>17</sup> A redesign of public administrative procedures is planned, and it is pledged that these will be completely digitalised. With a view to incorporating international best practices, the digitalisation ministry has put up a committee of experts as an institutionalised consultation mechanism, on which, among others, sits former Estonian President Toomas Hendrik Ilves, who presided over the successful transformation of his country into one of the most advanced digital societies and competitive economies worldwide.

In stark contrast to Estonia, until now only 36 per cent of Greek citizens have made use of one form of e-government service or another compared to an EU-average of 64 per cent.<sup>18</sup> Indeed, the EU notes that the Greek population has a low percentage of digital literacy as compared to their European compatriots.<sup>19</sup> In order to achieve a higher acceptance for digital government services in Greece, these must not only be seen as helpful but also beneficial in terms of time-saving, effectiveness, and ease of use. This diagnosis also highlights the need for more digital education in public schools, in lifelong-learning institutions, and beyond.

Leading private sector actors are also vocal supporters of a stronger drive for digitalisation by the government. Reducing red tape, altering the taxation framework, and increasing trust in the

state have always been seen as the holy grail, i.e. the leading principles when discussing the way out of the crisis and into the 21<sup>st</sup> century.

## Digitalisation of the public administration would lead to the more effective tackling of corruption and would increase the trust in public institutions.

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Renowned domestic research institutions, such as the Hellenic Federation of Enterprises, the Foundation for Economic & Industrial Research, the Open Technologies Alliance, and the independent think tank diaNEOsis, all agree that digitalisation and simplification of procedures are the only effective means to swiftly achieving those goals. For Greece, digitalisation would not only mean a marked increase to its GDP, but a better quality of life for its citizens:<sup>20</sup> In 2017, leading experts calculated that a successful and comprehensive digital transformation could lead to a four per cent increase of GDP by 2021, and to the creation of 50,000 new jobs.<sup>21</sup> Additionally, digitalisation of the public administration would lead to the more effective tackling of corruption, and improve the long-lamented mismanagement in the public sphere; it would increase trust in public institutions, and advance civic engagement.<sup>22</sup>

### The Private Sector: Survival and Resilience

Greek businesses bore the brunt of the recession. The country has an unusually large number of small and micro businesses contributing to national GDP; during the crisis, however, shops closed down, workers were let go, and consumption dropped drastically. Those businesses that have survived these years, however, have proven both innovative and resilient, showing themselves able to adjust to new challenges and circumstances. Some big companies have created their own digital initiatives, which have helped them expand their activities around the

globe. The “smart factories”, which the Mytilineos group pioneered, for example, use digital smelter in metallurgy.<sup>23</sup> Other, smaller enterprises banded together and created initiatives such as the Data Science Lab powered by TITAN Greece<sup>24</sup> as part of their digital transformation plan. Clearly, however, most of the large companies are still at an early stage of their digital transformation, whether it be to enhance customer experience, or to speed up automation and production streamlining.

Quite remarkable is the emergence of a successful start-up scene in Greece over the last few years, which has already generated a number of successful business stories, expanding well beyond Greece’s borders. Tech companies like Blueground, TaxiBeat and Workable have seen business take off, profits soar, and international interest in their products rise. TaxiBeat, for example, was acquired by Germany’s Daimler group in 2017, and is successful in Latin America. As with other successful Greek start-ups, however, it maintains its headquarters in Athens. Several big US tech companies such as Google, Amazon, and Tesla have taken notice of Greece’s start-up scene and are sponsoring some of its activities as well as piloting own projects, such as Tesla’s R&D office in the Lefkippos technological park on the outskirts of Athens.

Apart from the intrepid and increasingly lively start-up scene, however, small businesses and private initiatives suffer when the state cannot provide the adequate framework and administrative transparency with which to support them. An illustrative example is the Investment Incentives Law of 2016, which was meant to establish the so-called Private Investments Aid Scheme for the regional and economic development of the country. While its homepage was inaccessible until recently, its various bureaucratic hurdles meant that very little funding was actually distributed. Instead, criticism has piled up. The current Minister for Development and Investments has reacted to this in a sarcastic comment on the functionality of the scheme: “In the way that things currently run, assuming that a company applying for this aid has done everything right,



Sunglasses made of seagrass: The emergence of a successful start-up scene in Greece is quite remarkable.

Source © Alkis Konstantinidis, Reuters.

and has all the necessary papers ready, and that everything operates smoothly, it takes 43 bureaucratic steps and seven years of waiting in order to receive the promised funding.” Whether the new government can change things fundamentally for small domestic enterprises will be a crucial test of its political resolve. It will need to be particularly determined to cut red tape and support business development, notably when it comes to investments outside the capital of Athens.

### **Some Local Governments Lead the Way**

In a centralised state like Greece, it is notable that some municipalities have become testbeds for innovation, also in the field of digitalisation. This is remarkable, given the fact that local governments have very limited possibilities to increase its centrally funded budget, and has restricted capacities as regards raising any form of taxes itself – as well as later, in the ability to



directly benefit from them. Of all the 332 registered municipalities, the municipality of Trikala in Northern Greece stands out. In public discourse, it has been recognised as the smart city of Greece. By embracing digitalisation at a relatively early stage as compared to the remainder of the country, the local government and city council have made a few strategic decisions and formed important international partnerships<sup>25</sup> in order to bring effective services to the inhabitants. For example, Trikala's Mobile Check App provides, through partnerships with private companies, its entire commercial centre with wireless internet access, and smart parking systems. It has tested driverless public buses, and embraces other smart city schemes, such as smart lighting. Other municipalities have outsourced part of their service digitalisation (i.e. the municipalities of Athens, Dionysos, Igoumenitsa) to a common civic engagement platform for local governments. This has significantly improved the engagement of citizens with their city administration. It has also vastly increased the possibilities of collecting data on diverse issues such as customer satisfaction, public complaints, or reporting vandalism, to name but a few.

These municipalities, where increased acceptance of digital services can be observed, as well as an openness to the use of public private partnerships, can lead the way for other municipalities to follow. The success of these pioneers<sup>26</sup> should also motivate the national government to encourage initiatives for local governments to interact more directly with their citizens, particularly when it comes to the usage and expansion of digital services. In this way, hopefully, best practices for service improvement and efficient sustainable use of government funding could be easily highlighted and copied.

### **With the Help of Digitalisation, Greece Will Get Back into the Game**

For the last two years, the Greek economy has been on a renewed upward trajectory.<sup>26</sup> For 2020, the minister of finance expects 2.8 per cent growth:<sup>27</sup> That would be the highest since the start of the crisis a decade ago. Several

rating agencies have recently moved the country's investor rating out of the "junk"-status and given the country's economy a positive outlook. The Financial Times, among several newspapers, have reported that international markets are seeing a high demand for Greek bonds, while yields are, intermittently, below those of Italy. Clearly, the country seems to be on the way to recovery. How it handles the digitalisation challenge will determine whether the recovery will prove sustainable.

**It is common knowledge that efficient government services and transparent policy-making best serve the interests of citizens.**

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In the twenty-first century, digitalisation is a one-way street: in 2020, it is common knowledge that efficient government services and transparent policy-making best serve the interests of citizens. These can now best be delivered with the help of the internet. Greece, the birthplace of democracy, has in recent years not been at the forefront of innovation. It has missed the first train on information technology at the beginning of the millennium, and is struggling to catch the next one on digitalisation and effective e-government. With only 1.13 per cent of its GDP currently spent on research and development, ranking 18<sup>th</sup> among its EU counterparts,<sup>28</sup> the current government in Athens is aware of the challenge. However, it has taken a few encouraging steps into the right direction, and some local governments, as well as parts of the private sector, show the necessary motivation to bring the country forward. These signs of change and of innovation are mostly based on the lessons learnt and are proof of the creative resilience of some leading actors in the country's private sector. Now, the public sector has to swiftly follow suit. In its first six months in office, the government of Prime Minister Mitsotakis has shown that



it wants to avoid past mistakes and learn from best practices abroad. But most of the work, obviously, still lies ahead.

What would a dynamic and digital democracy in Greece look like? Firstly, it could create transparency where clientelism and red tape have until now obfuscated, hindering development and growth. Secondly, it would enhance trust. By increasing interaction with its citizens and reacting in real-time to their requests or suggestions, as well as letting them monitor the results, trust in public institutions could grow, along with civic engagement. Thirdly, it would facilitate economic growth: By offering a variety of efficient online services to both citizens and entrepreneurs alike, the state administration could become a reliable partner for international investors. There is a huge potential to achieve the reduction, simplification, and harmonisation of procedures. This, amongst many other benefits, would render Greece attractive for foreign direct investment. Moreover, a transition to a stronger digital marketplace could bring in more know-how from abroad.

A functioning digital democracy would also bring about an improved quality of life, where collected data would be used to make cities and communities smart and sustainable. Advances could be made in multiple areas, from waste management to electricity usage and intelligent transport systems – all areas in which Greece has languished at the bottom of European and international rankings.

Digitalisation could also bring about educational benefits. Although Greece's education system has a high standing among its citizens, on the international level there is significant room for improvement. Long distance learning and online studies are still virtually unknown. The benefits of a modernised education system based, among other points, on digital literacy, could be wide-ranging. Specifically, this would help to include individuals with special needs, and could enhance the percentage of women in the workforce, which is also low in comparison to other European states.

Another area, which could benefit from increased digitalisation, is that of Public Private Partnerships, which are still a rare phenomenon in Greece today. Their greater emergence could lead the country to a new era of development powered by collaborative endeavour, and thus neither restricted to one-sided government initiatives nor to business ideas alone. There is room for collaboration in almost every field. This also includes the banking sector, where Greece is still burdened by the legacy of its financial crisis. Currently, the Ministry for Development and Investment is collaborating with the Hellenic Bank Association in order to bring forward the operation of the digital platform of the Investment Incentives Law, hoping to have it up and running by April of this year.

Operating in a digital world can be challenging. In order to be economically successful, Greece must emphasise its strengths, use its resources effectively, and, above all, provide a safe and open environment where its citizens and companies can thrive. At the start of the new decade, it is time to lay the foundations and build on the idea of a digital democracy and economy. If those efforts prove successful, Greece will become an attractive destination not only for sun-seekers and food-lovers, but also for leading companies and smart brains in search of opportunities and innovation.

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