



National Programme for Turkey 2010 under the Instrument for
Pre-Accession Assistance

*This project is co-financed by the
European Union and the Republic of Turkey*

TR2010/0136.01-01/001- Technical Assistance for Improved Strategic Management Capacity

Greece Country Report

20.01.2015





Project Data Sheet

Programme Name	IPA 2010 National Programme for Turkey
Project Name	Technical Assistance for Improved Strategic Management Capacity
Contract No:	TR2010/0136.01-01/001
Reference No:	EuropeAid/131858/D/SER/TR
Project Duration	24 months and 6 months extension
Project Start and End Date	22 January 2013 - 21 January 2015
Project Extension Start and End Date	22 January - 21 July 2015
Main direct beneficiary	Ministry of Development, Department of Governance and Strategic Management
Contact person:	Mr. Kutluhan Taşkın (Head of Department, SPO)
Address:	Necatibey Cad. No.110/A, Yücetepe, 06100, Ankara, Turkey
Telephone and URL	+90 312294 5939, http://www.mod.gov.tr/en ; http://www.sp.gov.tr , kutluhan.taskin@kalkinma.gov.tr
Contracting Authority	Central Finance and Contracts Unit (CFCU)
Contact person:	Ms. Emine Döğər, PAO-CFCU Director, Project Manager Ms. Dilek Ceylan Çalışkan, Contract Manager
Address:	Eskişehir Yolu 4.km 2. Cad. (Halkbank Kampüsü) No: 63 C-Blok Söğütözü, 06520 Ankara, TURKEY
Contacts:	+90 312 295 4900, http://www.cfcu.gov.tr/ , emine.doger@cfcu.gov.tr , dilek.ceylan@cfcu.gov.tr
Contractor	Nicolaas Witsen Foundation
Contact person:	Ms. Karin Plokker, Project Director
Address:	Brediusweg 20, 1401 AG Bussum, The Netherlands
Contacts	Tel.: +31 35 692 6990, Fax.:+31 35 692 6991, http://www.nwfreform.org/ , plokker@nwfreform.org



1	COUNTRY OVERVIEW	6
1.1	Geography and History	6
1.2	Demographics	7
1.3	Population Pyramid	7
1.4	Key Economic Indicators	8
2	GOVERNMENT AND PUBLIC ADMINISTRATION	11
2.1	Constitutional Structure	11
2.1.1	The Parliament	12
2.1.2	The President of the Republic	12
2.1.3	Judicial Power	12
2.1.4	The Government	15
2.2	Administrative Structure	17
2.2.1	Regions	17
2.2.2	Local Authorities	18
2.2.3	Administrative Divisions of Local Governments	19
2.2.4	The Public Sector	20
2.2.5	The Control of Public Administration	20
3	PERFORMANCE BUDGETING IN GREECE	24
3.1	Introduction of Program Budgeting in Greece – Major Challenges	25
3.2	Timetable for the Introduction of Program Budgeting	27
3.3	Program Budgeting – National Plan of Programs (NPP) 2010	28
3.4	Presentation of Program Budgeting Tables	30
3.5	Development of National Plan of Programs (NPP) of 2010	32
3.6	The role of the Court of Audit in Performance Budgeting	33
3.7	Program Budgeting Pilots – Primary Conclusions	35
3.8	Evaluation of State Actions	40
3.8.1	Assessment of the Efficiency of State Actions	40
3.8.2	Pilot Applications	42
3.8.3	Evaluation of the Agencies of General Government	42
4	STRATEGIC MANAGEMENT IN GREECE	45
4.1	Legal Framework	45
4.2	The Implementation of the Provisions of the Law 3230/2004	46
4.3	The System of Strategic Planning in Greek Public Administration (Brief Description)	48
5	CONCLUSIONS	53
5.1	Strategic Planning and Budget Programmes	53
5.2	Monitoring Policy/Budget Programmes Review	53
5.3	Policy/Budget Programmes Evaluation	54



6	APPENDIXES	56
6.1	Appendix A: Greek National Reform Programmes	56
6.1.1	Public Administration	57
6.2	Appendix B: OECD Greek Public Administration Functional Review	61
6.2.1	Identification of Structural Weaknesses	61
6.2.2	Recommendations to Overcome the Structural Weaknesses	72
6.3	Appendix C: .The Existing Greek Budgetary System	79
6.3.1	Budget Formulation	79
6.3.2	Annual Budget Process	84
6.3.3	Parliamentary Approval	87
6.3.4	Budget Execution	91
6.4	Appendix D: Examples of Program Budgeting in Greek Public Administration Central Institutions	103
7	BIBLIOGRAPHY & WEBSITE LINKS	114



List of Abbreviations

AM	Advanced Management
CoA	Court of Audit
CPI	Central Public Institution
CSO	Civil Society Organisation
DGSM	Department of Governance & Strategic Management
FM	Fundamental Management
HRM	Human Resources Management
M&E	Monitoring and Evaluation
MoD	Ministry of Development
MoEU	Ministry for EU
MoF	Ministry of Finance
MoI	Ministry of Interior
NGO	Non-governmental Organization
NPP	National Plan of Programs
PB	Program Budgeting
SAI	Supreme Audit Institution
SDU	Strategy Development Unit
SM	Strategy Management
SPO	Senior Programme Officer
TAT	Technical Assistance Team
ToR	Terms of Reference
ToT	Training of Trainers

1 COUNTRY OVERVIEW¹

Map of Greece



Government type	Parliamentary republic
Independence	1829 (from the Ottoman Empire)
Constitution	11 June 1975; amended March 1986 and April 2001
Legal system	Based on codified Roman law; judiciary divided into civil, criminal, and administrative courts

1.1 Geography and History

The historical and cultural heritage of Greece continues to resonate throughout the modern Western world - in its literature, art, philosophy and politics. Greece

¹ CIA World Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/gr.html>

achieved independence from the Ottoman Empire in 1830. During the second half of the 19th century and the first half of the 20th century, it gradually added neighboring islands and territories, most with Greek-speaking populations.

In World War II, Greece was first invaded by Italy (1940) and subsequently occupied by Germany (1941-44); fighting endured in a protracted civil war between supporters of the king and other anti-communist and communist rebels. Following the latter's defeat in 1949, Greece joined NATO in 1952. In 1967, a group of military officers seized power, establishing a military dictatorship that suspended many political liberties and forced the king to flee the country. In 1974, democratic elections and a referendum created a parliamentary republic and abolished the monarchy. In 1981, Greece joined the EC (now the EU); it became the 12th member of the European Economic and Monetary Union in 2001.

Greece is located in the Southern Europe, bordering the Aegean Sea, Ionian Sea, and the Mediterranean Sea, between Albania and Turkey. Greece is situated in the far south of the Balkan Peninsula, Greece combines the towering mountains of the mainland with over 1,400 islands, the largest of which is Crete.

1.2 Demographics

Population: 10,775,557 (July 2014 est.)

Age structure:

0-14 years: 14.1% (male 781,151/female 735,444)

15-24 years: 9.8% (male 537,849/female 515,359)

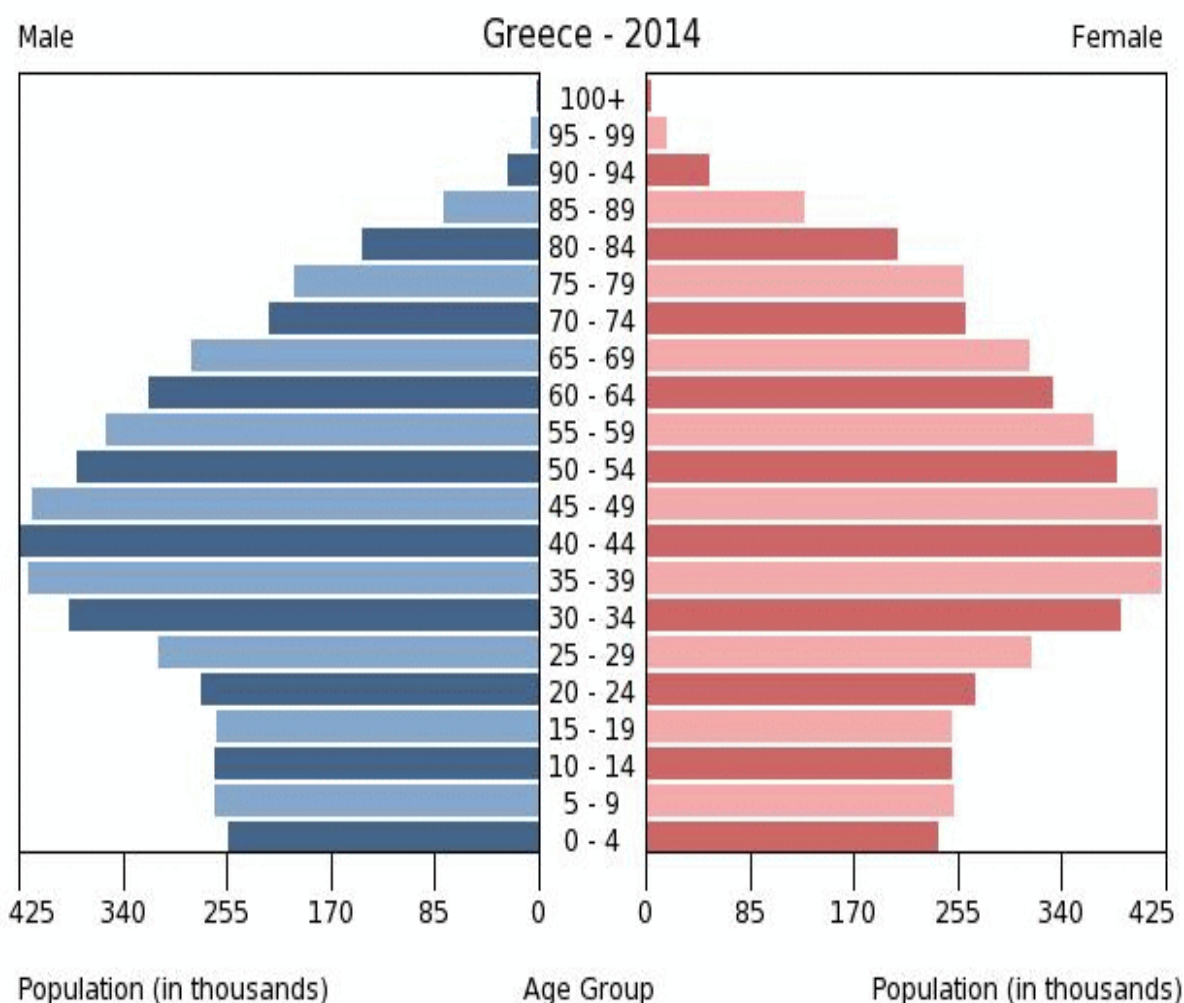
25-54 years: 43.2% (male 2,321,709/female 2,337,502)

55-64 years: 12.7% (male 670,270/female 694,399)

65 years and over: 20.2% (male 954,605/female 1,227,269) (2014 est.)

1.3 Population Pyramid

A population pyramid illustrates the age and sex structure of a country's population and may provide insights about political and social stability, as well as economic development. The population is distributed along the horizontal axis, with males shown on the left and females on the right. The male and female populations are broken down into 5-year age groups represented as horizontal bars along the vertical axis, with the youngest age groups at the bottom and the oldest at the top. The shape of the population pyramid gradually evolves over time based on fertility, mortality, and international migration trends.



1.4 Key Economic Indicators

Economy - overview:

Greece has a capitalist economy with a public sector accounting for about 40% of GDP and with per capita GDP about two-thirds that of the leading euro-zone economies. Tourism provides 18% of GDP. Immigrants make up nearly one-fifth of the work force, mainly in agricultural and unskilled jobs.

Greece is a major beneficiary of EU aid, equal to about 3.3% of annual GDP.

The Greek economy averaged growth of about 4% per year between 2003 and 2007, but the economy went into recession in 2009 as a result of the world financial crisis, tightening credit conditions, and Athens' failure to address a growing budget deficit.

By 2013 the economy had contracted 26%, compared with the pre-crisis level of 2007.

Greece met the EU's Growth and Stability Pact budget deficit criterion of no more than 3% of GDP in 2007-08, but violated it in 2009, with the deficit reaching 15% of GDP.

Austerity measures have reduced the deficit to about 4% in 2013, including government debt payments. Deteriorating public finances, inaccurate and misreported statistics, and consistent underperformance on reforms prompted major credit rating agencies to downgrade Greece's international debt rating in late 2009, and led the country into a financial crisis.

Under intense pressure from the EU and international market participants, **the government adopted a medium-term austerity program** that includes cutting government spending, decreasing tax evasion, overhauling the health-care and pension systems, and reforming the labor and product markets.

Greece, however, faces long-term challenges to continue pushing through unpopular reforms in the face of widespread unrest from the country's powerful labor unions and the general public.

In April 2010 a leading credit agency assigned Greek debt its lowest possible credit rating; in May 2010, the International Monetary Fund and Euro-Zone governments provided Greece emergency short- and medium-term loans worth \$147 billion so that the country could make debt repayments to creditors. In exchange for the largest bailout ever assembled, the government announced combined spending cuts and tax increases totaling \$40 billion over three years, on top of the tough austerity measures already taken. Greece, however, struggled to meet 2010 targets set by the EU and the IMF, especially after Eurostat - the EU's statistical office - revised upward Greece's deficit and debt numbers for 2009 and 2010. European leaders and the IMF agreed in October 2011 to provide Athens a second bailout package of \$169 billion.

The second deal however, called for holders of Greek government bonds to write down a significant portion of their holdings. As Greek banks held a significant portion of sovereign debt, the banking system was adversely affected by the write down and €41 billion of the second bailout package was set aside to ensure the banking system was adequately capitalized. In exchange for the second loan Greece promised to introduce an additional \$7.8 billion in austerity measures during 2013-15. However, the massive austerity cuts have prolonged Greece's economic recession and depressed tax revenues.

Throughout 2013, Greece's lenders called on Athens to step up efforts to increase tax collection, dismiss public servants, privatize public enterprises, and rein in health spending.

However, investor confidence began to show signs of strengthening by the end of 2013 as leading macroeconomic indicators suggested the economy's freefall had been arrested.

Economic Indicators:

► GDP (purchasing power parity):

\$267.1 billion (2013 est.)

\$277.7 billion (2012 est.)

\$296.6 billion (2011 est.)

note: data are in 2013 US dollars

► GDP (official exchange rate):

\$243.3 billion (2013 est.)

► GDP - real growth rate:

-3.8% (2013 est.)

-6.4% (2012 est.)

-7.1% (2011 est.)

► GDP - per capita (PPP):

\$23,600 (2013 est.)

\$24,600 (2012 est.)

\$26,200 (2011 est.)

note: data are in 2013 US dollars

► GDP - composition by sector:

Agriculture: 3.5%

Industry: 16%

Services: 80.5% (2013 est.)

► Labor force:

4.918 million (2013 est.)

► Labor force - by occupation:

Agriculture: 12.4%

Industry: 22.4%

Services: 65.1% (2005 est.)

► Unemployment rate:

27.9% (2013 est.) – 24.3% (2012 est.)

► Investment (gross fixed):

12.6% of GDP (2012 est.)

► Budget: revenues:

\$106.2 billion

► Expenditures:

\$116 billion (2013 est.)

► Public debt:

175% of GDP (2013 est.)

156.9% of GDP (2012 est.)

2 GOVERNMENT AND PUBLIC ADMINISTRATION²

The Greek political system has been shaped through a process of historical evolution covering approximately two centuries from national liberation (1830) onwards. In its present form, it displays the basic features of a complex and advanced system on the division of power in Greek society. In this context, the rule of law, the sovereignty of the people, the representative democracy, the market economy, the social state and the safeguarding of equality, liberty and human dignity constitute the fundamental elements of the social and political reality of Greece, as in all countries which make up the European Union.

2.1 Constitutional Structure³

The Hellenic Republic is a parliamentary republic. All powers derive from the people and exist for the people and the nation. They are exercised as specified by the Constitution. The Constitution of Greece is the fundamental charter of the State. It was voted by the Fifth Revisional Assembly and enforced in 1975. It was amended twice, in 1986 and 2001, by the Greek Parliament. It includes the main rules on the structure of the State, the exercise of its powers by the authorities as well as a list of human rights.

The powers of the State are the following:

- ✓ The legislative power
- ✓ The executive power and
- ✓ The judicial power

The legislative power is exercised by the Parliament and the President of the Republic.

The executive power is exercised by the President of the Republic and the Government.

² Hellenic Republic, Greece Public Administration Country Profile, UN 2004. OECD, Greece Review of the Central Administration, OECD Public Governance Reviews, OECD 2011.

³ HELLENIC REPUBLIC, MINISTRY OF THE INTERIOR, PUBLIC ADMINISTRATION AND DECENTRALIZATION, General Secretariat for Public Administration & e- Government, General Directorate for Administrative Modernization, Directorate for International Relations, *The public administration in Greece*, Athens, June 2005

The judicial power is vested in the courts of law, the decisions of which are executed in the name of the people.

2.1.1 The Parliament

The Parliament is authorised to vote on bills and law proposals as well as to exercise control over the Government. The Parliament ("House of Deputies") consists of three hundred Deputies. They are elected through direct, universal, secret and simultaneous ballot, for a term of four years, by citizens who have legal right to vote. The exercise of this right is compulsory. This means that voting is not only a constitutional right but also a (constitutional) obligation of the Greek citizen.

2.1.2 The President of the Republic

The President of the Republic is the coordinator of the three powers of the State, and is elected by the Parliament through a secret ballot in a special session, for a five years term renewable only once.

He is ex officio the Head of the executive authorities of the State which, however, are directed by the Government. He is also authorised to exercise the specific powers which are only conferred upon him by the Constitution as well as by the laws of the State. He publishes the bills voted by the Parliament, he signs the necessary decrees for the implementation of laws, he appoints the public officials and judges, and he is the symbolic leader of the military forces.

After the constitutional revision of 1986, the powers of the President have been restricted and, in consequence, he is excluded from direct and active involvement in policy-making.

2.1.3 Judicial Power

The Judicial power is vested in three categories of courts: a) civil and criminal courts with jurisdiction on civil and criminal matters, b) administrative courts with jurisdiction on administrative controversies and, c) special courts (for military staff, for minors, etc.)

These courts are composed of one or more judges who enjoy functional and personal independence. That means that the judges are obliged to implement only the Constitution and the laws of the State and not any other kind of order, even if it comes from a judge of superior rank. The judgements must be specifically and thoroughly reasoned and pronounced in a public sitting.

The **Areios Pagos** stands as the Supreme Court reviewing the decisions of the lower criminal courts. The supreme administrative court is the **Council of State**,

which reviews the legality of administrative acts and has the power to annul them. It also reviews the decisions of the administrative courts.

The **Court of Audit** has equally a double mission, both as a supreme financial court and as an administrative body with an advisory role on financial matters. It also verifies public accounts for their legality and submits to the Parliament an annual report on the use of public funds. The Court of Audit (Supreme Audit Institution-SAI- Greece) is established under the constitution. Government appoints the Head of the SAI by selection from a panel. The procedure for terminating the appointment of the Head of the SAI is end of four-year tenure, reaching the prescribed age limit of 67 years, or serious misconduct of professional duties, only after a decision of the State's Council Plenum.

The various conditions of service of the Head of the SAI to secure independence are:

- Special procedure for appointment
- Special procedure for removal
- Fixed tenure
- Immunity/protection from actions by others in its performance of duties
- Independence to frame workplans

The Hellenic Court of Audit is part of the Hellenic judicial system and is constitutionally on par with other Hellenic courts. It is one of three Supreme Courts of the State. The SAI has no financial independence. It implements a budget draft, which is finalized by the Minister of Finance and voted by the Parliament. There is no mechanism to secure accountability of the SAI.

Jurisdiction

i. Constitutional Attributions

According to article 98 of the Hellenic Constitution, "The competence of the Court of Audit pertains mainly to:

- a. Auditing the expenditure of the State and Local Agencies, or other Entities subject to its audit by special laws,
- b. Auditing contracts of large financial value, made by the State or a Legal Entity equivalent to the State, from this point of view, as defined by law.
- c. Auditing the accounts of public accounting officers, Local Government Agencies and other Public Corporate Bodies specified in subparagraph (a),
- d. Providing an expert opinion upon laws on pensions or on the acknowledgement of service for granting the right to a pension, in accordance to article 73, par. 2, as well as on any other matters specified by law,

- e. Presenting to the Parliament a Report on the Annual Financial Statement and the Balance Sheet of the State,
- f. Adjudicating on cases of dispute arising from pension grants and the audit of the accounts specified in subparagraph (c)
- g. Adjudicating on cases related to the liability of civil or military public servants, as well as Local Government Agencies' employees for any damage caused to the State, the Public Entities, or the Local Government Agencies due to fraud or negligence.

The competences of the Court of Audit are regulated and carried out as specified by law.

The decisions of the Court of Audit in the cases specified above shall not be subject to the control of the Council of State.

The Hellenic Court of Audit has auditing, consultative and jurisdictional competences, which are defined by the Constitution in an indicative way. This means that the Court's competences are provided not only by the Constitution, but also by other general or specific laws.

ii. Specification and Extension of Constitutional Attributions P.D. 774/1980, Article 15

According to the article 15 of the Presidential Decree 774/1980, specifying the constitutional provisions related to the Court of Audit and extending its constitutional attribution, the Audit Institution in question:

- a. Audits the expenditure of the State, the Local Government Agencies and the Public Entities, which are subject to its competence, according to the article 98 of the Constitution,
- b. Carries out an *a posteriori* audit upon: (a) the accounts of the Public Accounting Officers, the Local Government Agencies and other Public Corporate Bodies, self-administered Organisations, as well as of any other Public Service, not organised as a Legal Entity in itself, but functioning as if it were decentralised from the State Budget, either under self-administration, or as a special account, (b) the off – budget account established according to the article 26, par. 1 of the Law 992/1979 and named/called "*Special Account of Agricultural Products Guarantee*" and (c) expenditure of any nature, being subject to its *a posteriori* audit, in accordance with the article 28, par. 2 of the Law 992/1979, and deriving from European Community funds,
- c. Monitors State revenue,
- d. Decides as to the State's Annual Financial Statement and Balance Sheet,
- e. Supervises Public Accounting Officers, as to the implementation of the Law on Public Accountancy on their behalf,

- f. Supervises the public servants' guarantees, which are determined by the existing legislation,
- g. Decides upon the discharge of accounting officers reporting before it from responsibility for any loss, lack or damage of funds, assets or source documents of any nature,
- h. Adjudicates on cases of legal remedy against acts or omissions of the Minister of Finance, while the latter implements acts or decisions of pension regulation affecting the State Budget or the payment of pensions in general, including those pertaining to the imputation of a pension illegally paid,
- i. Delivers its expert opinion, according to the article 73 of the Constitution, upon bills of law aiming at the amendment of laws pertaining to pension granting, when the Public Fund or the Public Entities' Budget is encumbered for this purpose,
- j. Provides its expert opinion upon issues brought before it by Ministers, provided this does not affect its acts or its decisions to be issued on a case,
- k. Adjudicates on cases concerning civil liability of: (a) Public Servants for damages caused to the State due to fraud or negligence, (b) Servants of Public Entities, who are subject to the provisions of the Law Decree 496/1974 and (c) Servants of Local Government Agencies,
- l. Settles disputes arising during the audit of the Accounting Officers' accounts,
- m. Adjudicates on cases of appeal against acts of imputation issued by the Ministers or other authorised administrative bodies, collective or otherwise, concerning management of funds or assets of the State, that, according to existing legislation, are subject to its competence,
- n. Adjudicates on cases of appeal: against: (a) acts of the Court's Judicial Units and (b) acts of pension regulation issued by the Pension Service of the Ministry of Finance (State's General Accounting Office) or the Committees examining the aforementioned acts.

2.1.4 The Government

The Government consists, according to the Constitution, of the Ministerial Council, which is made up of the Prime Minister, the ministers, deputy ministers and ministers without portfolio.

The **Council of Ministers** is the supreme collegial organ of the government, and all the ministers are its regular members, while under-secretaries attend when invited by the Prime Minister, without having the right to vote.

The main competence of the Ministerial Council is to define and manage the national policy of the country, in accordance with the provisions of the Constitution and the laws.

The **Prime Minister** ensures the unity of the government and guides its action as well as that of the public services in general within the framework of the law. The Greek governmental system has placed the prime minister in the centre of the political decision-making process.

Ministers have the overall supervision of the public services, as well as the supreme command for the design and the implementation of the public policy subject to the ministry they are in charge of.

The ministries of the Greek Government are as follows, in order of precedence:

1. Ministry of Interior
2. Ministry of Finance
3. Ministry of Foreign Affairs
4. Ministry of Administrative Reform and E-Governance
5. Ministry of National Defence
6. Ministry for Development, Competitiveness and Shipping
7. Ministry of Environment, Energy and Climate Change
8. Ministry of Education, Lifelong Learning and Religious Affairs
9. Ministry of Infrastructure, Transport and Networks
10. Ministry of Labour and Social Security
11. Ministry of Health and Social Solidarity
12. Ministry of Rural Development and Food
13. Ministry of Justice
14. Ministry of Citizen Protection
15. Ministry of Culture and Tourism
16. Ministry of State

The typical structure of a ministry includes General Secretaries, General Directorates, Directorates, Sections and Bureaux. The political leadership of a ministry, apart from the minister, often includes a deputy minister, undersecretary (-ies) and secretary (-ies) general. Civil servants working in the above-mentioned organizational units perform the corresponding duties and competences.

The **Legal Council of State** advises the government on legal matters and defends the legal interests of the state before the courts. It equally assists civil services in their everyday activities by rendering opinions on the handling of various administrative cases

2.2 Administrative Structure⁴

According to the Constitution, the administration of the State is organized according to the principle of the decentralization. The division of the country for administrative purposes is based on geo-economic, social and transport conditions. The central government, with the exception of specific functions, co-ordinates and supervises the regional state organs, whereas the latter have effective control over matters that concern their respective regions, implementing domestic and European policies on economic and social development within their geographic scope of competence. Furthermore, according to the Greek Constitution, local affairs are carried out by local authorities while central government has no autonomous presence and competencies at this level. Therefore, a structure of first and second level local authorities and regional administration has been established.

2.2.1 Regions

Since 1986, the country has been divided into Regions which constitute the decentralized administrative units of the State. Presently, there are thirteen regions throughout the country: 1) Eastern Macedonia and Thrace, 2) Central Macedonia, 3) Western Macedonia, 4) Epirus, 5) Thessaly, 6) Ionian Islands, 7) Western Greece, 8) Central Greece, 9) Attica, 10) Peloponnese, 11) Northern Aegean, 12) Southern Aegean, and 13) Crete.

In charge of a region is the **Secretary General of the Region** (SGR), who is appointed by act of the Ministerial Council, after proposal of the Minister of the Interior, Public Administration and Decentralization. The SGR has a political and administrative role. He is the representative of the Government in the region and is responsible for implementing government policy on regional matters. He is in charge of all the service units of the region, he directs, co-ordinates and monitors the actions of the services and their employees. Moreover the SGR exercises those competencies which have been entrusted or transferred to the region by law.

⁴ At this point we present the two different structures of the Decentralised system in Greece in order to show the drastic changes introduced in the year 2011.

A **regional council** ensures representation of local interests with an advisory role. It is composed of the SGR, representatives of the local authorities, chambers of commerce, trade unions, and professional associations.

2.2.2 Local Authorities

The first level of local government consists of **municipalities** and **communities**, which are responsible for the administration of local matters. These agencies, which incarnate the timeless Greek communitarian spirit, are, traditionally, viewed upon as the cornerstone of democracy in the Greek political system, to the extent that they give way to the participation of the citizens in the local – public affairs. Their competences include the overall responsibility for the administration of local matters and the care for the promotion of social, financial, cultural and spiritual interests of their citizens. Their leaders are elected by the people through a universal and secret ballot.

As for the second level of local government, the country is organized in 54 **prefectures** being headed by the **prefectural councils** and the **prefects**, elected since 1994, directly by the people. The prefectures exercise responsibilities only to the extent that a particular subject does not fall within the scope of a municipality or a community.

From 1 January 2011, in accordance with the “**Kallikratis Programme**” (Law 3852/2010), the administrative system of Greece was drastically reformed. The former system of 13 regions, 54 prefectures and 1033 municipalities and communities was replaced by 7 decentralized administrations, 13 regions and 325 municipalities.

The regions and municipalities are fully self-governed, with the first elections to them having been held on 7 November and 14 November 2010. The decentralized administrations are run by a general secretary appointed by the Greek Government. The Autonomous Monastic State of the Holy Mountain, as an autonomous self-governing entity, is exempt from these reforms.

The new administrative division of Greece, showing regions and municipalities



2.2.3 Administrative Divisions of Local Governments

The first level of government is constituted by the *municipalities*, which have resulted from merging several former municipalities and communities (themselves the subject of a previous reform with the 1997 Kapodistrias plan). They are run by a *mayor* and a municipal council, elected by the citizens of the municipality every 5 years. The municipalities are further subdivided into *municipal units* and finally into *communities*. Although communities have their own councils, their role is purely advisory to the municipal-level government.

The second level is composed of the *regions*, run by a *regional governor* and a *regional council*, elected every 5 years. The regions are divided into *regional units*, usually but not always coterminous with the former prefectures. Each regional unit is headed by a vice-regional governor, drawn from the same political block as the regional governor.

The third level is composed of the new *decentralized administrations*, comprising two or three regions (except for Attica and Crete), run by a government-appointed general secretary, assisted by an advisory council drawn from the regional governors and the representatives of the municipalities.

2.2.4 The Public Sector

The public sector in Greece includes:

1. Ministries

2. Local Government Agencies

3. Public Legal Entities, which are organizations established for the accomplishment of specific goals. They enjoy administrative and budgetary autonomy and are supervised by the ministries.

They are classified according to their legal status in:

- a. **Legal entities of public law** such as hospitals, social security funds, chambers of commerce, etc
- b. **Legal entities of private law** that pursue public-benefit or other public purposes and are financed or subsidized by the State
- c. **Public companies, mixed economy enterprises and banks** such as Public Power Corporation, Hellenic Radio & Television, Olympic Airways, Hellenic Railways, Hellenic Petroleum Corporation, Bank of Greece, Agriculture Bank of Greece, National Bank of Greece, etc.

4. Independent Administrative Authorities (IAA).

They are entities which lie outside the hierarchical review or the supervision of the central government. They are equipped with broad decision-making competencies (regulatory, licensing, arbitration competencies as well as competencies for sanctions or competencies of review). Presently, the Greek IAA are as follows:

- ✓ The Competition Commission
- ✓ The National Radio & Television Council
- ✓ The National Telecommunications and Posts Commission
- ✓ The Authority for the Protection of Personal Data
- ✓ The Ombudsman
- ✓ The Supreme Personnel Selection Council and
- ✓ The Energy Regulatory Authority.

2.2.5 The Control of Public Administration

Administrative action must comply with the rules of law. The Greek legal system traditionally recognizes parliamentary control of administrative action, administrative self-control, and judicial control. A consistent effort is made during the recent years, to further promote transparency and accountability in the Greek political – administrative system. This important area of reform involves the introduction of new institutions. Special bodies of inspectors (such as the

Administrative Inspectors and the Financial Crime Confrontation Body), are set up in order to increase public control on bureaucracy, to fight against corruption and to improve transparency, as well as the effectiveness of specific public policies.

The legal framework regulating Civil Service in Greece comprises the Constitution and the Civil Servants' Code (Code of Regulations of Public Civil Administrative Servants and Employees of Legal Persons of Public Law adopted and promulgated in 1999). The objective of the Code is to establish **unified and uniform rules governing the hiring and status of civil administrative servants, on the basis of the principles of meritocracy and social solidarity, and the safeguarding of the maximum possible productivity in their work**. The function of the Independent Administrative Authority for hiring, the National Public Administration School and the Personnel Training Institute, in the framework of the National Public Administration Center, is intended to contribute to the realization of these objectives [Article 1 of the Code].

Article 2 of the Code stipulates that civil administrative servants working for the State and legal persons of public law are under the provisions of the Code. Civil servants or functionaries working for the State as well as civil servants working for local government agencies are subject to those provisions of the Code to which the special statutes governing them make reference.

The hiring proceedings are carried out by an independent administrative authority. The Ministry of the Interior, Public Administration and Decentralization (now renamed to Ministry of Administrative Reform and e-Governance) coordinates the human resources planning in the framework of the general government policy according to the actual needs of the services.

The filling of vacancies is governed by the principles of equal participation opportunities, meritocracy, objectivity, social solidarity, transparency and publicity.

The filling of vacancies takes place by public competition, in writing and exceptionally oral, or according to the order of precedence on the basis of clearly defined criteria.

The hiring proceedings require prior announcement, which must be published in a special issue of the official Gazette of the Hellenic Republic. A summary of the announcement is published in the Press and broadcasted by other mass media.

Civil servants are appointed by decision of the competent Minister, unless the law provides otherwise. A summary of the appointment act will be published in the Official Gazette and notified to the appointee at the latest within thirty days from the date of publication.

Civil servants of the public sector and civil servants working for legal persons of public law and appointed to posts provided by law will be required to spend a two year trial period of probation, during which they may be dismissed on grounds pertaining to their service only upon decision of the civil service council. During probation, civil servants are required to follow introductory training programs. Within three months of the completion of the probation period, the civil service council is required to decide whether the civil servants on probation qualify for permanency.

Civil servants qualifying for permanency become permanent by act of the body responsible for their appointment.

The Code further regulates the possibility of reassignments from one unit to another under the same authority, the transfer upon request of civil servant or ex officio by the service as well as secondments in cases of serious and urgent temporary official needs.

According to Article 82 of the Code, civil servants **are promoted** to the immediately following rank if they have completed the required time of service at their current rank and if they have the material qualifications for the post. Years of service in one rank and time of promotion are regulated in article 81 of the Code.

The salary is determined on a monthly basis and aims to allow civil servants to live decently. Any additional salaries or emoluments of kind of the civil servants may not exceed the total salary received per month from their post which is provided by law. Salary is paid in advance at the beginning of each fortnight.

Article 47 of the Code stipulates that **service training** constitutes a right for civil servants. Training is affected through the participation of the civil servants in introductory training programs, personnel training programs, further training programs and post-graduate studies program or courses.

These programs take place in the framework of the national Public administration center according to the effective provisions.

Introductory training is compulsory, takes place during the civil servants` period of probation. Personnel training may be general or offer specialization in the subject matter of the civil servants duties. The participation in the personnel training may also be compulsory.

Further, training aims to equip civil servants with the specialized knowledge necessary towards the performance of their duties. It takes place at public or private institutes in Greece or abroad.

Post-graduate studies take place through the participation of civil servants in postgraduate programs or courses in recognized Greek or foreign Universities.

Civil servants are being divided into the following categories according to their legal status:

- a. **regular civil servants**, who are governed by norms of public law, are tenured, and their ranks evolve in accordance with the career system
- b. **civil servants with a term of office**, whose status, during their term, is assimilated to that of the preceding category
- c. **civil servants on a private law contract of a fixed period**, intended to deal with either unforeseen and urgent or transitory needs
- d. **non-tenured civil servants**, who enjoy the personal trust of those who appoint them and can be dismissed at any time without special guarantees and compensation (the political bureaux of the prime minister and ministers are staffed by non-tenured civil servants)
- e. **civil servants on a private law contract in organic posts** (experts, ancillary or technical staff).

The number of Public Administration employees is as follows (year 2014)⁵:

Ordinary Staff	2014
SUM	583.397
Not Ordinary Staff - By type of contract	
SUM	51.291

⁵ Ministry of Administrative Reform and e-Governance and Ministry of Finance, Public Servants Sensus.

3 PERFORMANCE BUDGETING IN GREECE⁶

In 2008, responding to the current fiscal requirements, a radical change was commenced in the Greek budgeting system and in the way fiscal administration is executed towards the budget's formulation, execution and monitoring. More details for the role of Parliament and Parliamentary Committees in the budget process, for the budget preparation process and time-line, and details for the existing Greek Budgetary system are presented below in Appendix C "The existing Greek Budgetary System"

The introduction of program budgeting was considered as a key tool for the modernization of public finances by strengthening the transparency and accuracy of information that will provide the state budget.

The program budgeting was not a simple representation of the structure of the State Budget, but the picturing of the Operational Plan of the Ministries which comprises of two complementary dimensions:

- Mid-term (three-year) operational and financial planning
- Budget - Annual Operational Plan

More specifically:

- **Program Budgeting and medium-term planning**

The transformation of the state budget in program budgeting involves the establishment of three-year plans in terms of the Ministries (and their supervised Legal Entities under Public and Private Law) with clear depiction of operational programs and measurable objectives for each policy area. Basis for the successful implementation of program budgeting is the

Program budgeting would:

- Expose governmental priorities on the basic policy areas
- Improve the information being used for public resources and
- Be the basis of an efficient state action's measurement system creation.

Public funding accommodates a spectrum of social needs such as the dire necessity to support financially feeble people, to promote public investments and to finance critical areas such as education, health and environment. In this context the Program Budgeting's introduction was a basic tool of rationalization and

⁶ OECD Budgeting in Greece, OECD Journal of Budgeting, Volume 2008/3

redistribution of expenditures. Towards the same direction, the Ministry of Finance began immediately with the preparation of the medium term (three years) fiscal planning under the scope of the optimal development of public resources.

Through those reforms, the following goals were targeted:

- Enhancement of responsibility and accountability of the administrators of public resources
- Clear depiction of the agency's activity, through a budget that will be compatible to its strategic plan
- Realistic, transparent and reliable expenditures' Programming

Transition Phase

From 2007 the steps towards importing budget programs in Greece focused mainly in the formation of the new structure of the state budget, the correlation with the strategic plans of the ministries and all public institutions, the information to all of the above public bodies, and the design of the new budgetary system.

More specifically:

- **2007**
 - ✓ First depiction of the state budget in Operations and Programs
 - ✓ Beginning of cooperation on the issue with the OECD
- **2008**
 - ✓ Systematization of information to stakeholders
 - ✓ Design of Integrated Information System to support the programs budget
 - ✓ First pilot implementation
 - ✓ Creation of the 2009 National Programs Plan
- **2009**
 - ✓ Continuation of informing the stakeholders
 - ✓ Extension of pilot applications in 27 central government agencies
 - ✓ Pilot applications to entities supervised by Ministries
 - ✓ Creation of the 2010 National Programs Plan

Finally, it was decided that Program budgeting would be implemented to central administration's agencies in 2012.

3.1 Introduction of Program Budgeting in Greece – Major Challenges

The experience of the cooperation that the Ministry of Finance had with the pilot agencies led to useful conclusions regarding to the existent weaknesses of public

administration and the next steps to be done, in order to encounter them. Those conclusions must be taken into consideration for a successful transition to the new system and concisely are:

- **Internal coordination of the ministries departments. The need to combine financial and strategic planning has to be understandable by all agencies.**

In the previous system, the financial directorates are mainly involved in the procedure of proposal submissions for the budget. In many ministries, more than one financial department prepares parts of the ordinary and investment budget or both, without central coordination. As a result, the budget's formulation procedure has most of the times the character of an increase of last year appropriations, without being combined by an overall critical view of the agency's needs.

During the procedure of pilot program budgeting submission it was ascertained that the other executive departments of the agencies were not acquainted with the meaning of strategic plan and specific goal setting: That means transcription of the actions to be realized, explanation of the need to implement them and budgeting of the relevant cost.

- **Coordination of activities, financed by both the ordinary and the investment budget.**

In many cases, separate activities with common goals are financed both by the ordinary and investment budget. But taking into consideration the different procedures that rule those two parts of the state budget, overlaps often occur. The coordination of different resources allocated for the same project is mandatory in order to achieve the best utilization of public resources.

- **Setting of expenditure ceilings per ministry, in the beginning of the process of budget formulation for 2011 (top-down budgeting).**

In order to request the agencies to submit their strategic plan, they have to be aware of the basic government priorities and have a clear view of the fiscal constraints and the resources that are available to them. Up to 2010, agencies were expected to prepare their annual programming, without clear guidance. For this reason, budget formulation for 2011 is necessary to start next spring with the cabinet decision for the available appropriations per policy area and ministry.

- **Change of the legal framework in 2010.**

The intensification of the reform procedure of the existing legal framework (new budget law etc.) was a priority in order to be completed within 2010 so as the training of everyone involved can follow.

3.2 Timetable for the Introduction of Program Budgeting

Modernization of the budget system was enforced by the fiscal situation of Greece. The goal was to take every necessary action, so that the new budget system can be applied without delays in the fiscal year 2012.

The analytical transition timetable to the new system was:

► **2010**

- Definition of the expenditure ceilings per ministry in the beginning of the budget formulation procedure for 2011 (top-down budgeting).
- Amendment of the current legal framework for fiscal administration and introduction of new, modern rules
- Formulation of triennial strategic plans for the agencies of central government
- Parallel submission of program budgeting for fiscal year 2011 by all the agencies of central government, with proposals for ordinary and investment budget
- Expansion of the program budgeting pilot planning into selected legal entities (municipalities, insurance funds, hospitals)
- Budget formulation with a new economic classification, in combination to the new chart of accounts for the public sector
- Pilot execution of program budgeting for 2010 by selected agencies
- Updating and educating personnel

► **2011**

- Three year estimations for the agency's Programs
- Pilot execution of program budgeting by selected agencies for 2011
- Expansion and updating of the assessment data which accompany program budgeting
- Updating and educating personnel
- Program budgeting formulation for 2012 by all the central government agencies

► **2012**

- Implementation of program budgeting to the central government 2012-2015
- Introduction of program budgeting to the agencies of the general government.

3.3 Program Budgeting – National Plan of Programs (NPP) 2010⁷

Program Budgeting: Depiction of agency's strategic plan

Program budgeting introduction is a basic tool of public economics' modernization through the enhancement of transparency and information's accuracy, provided by state budget.

In order this reform to be successful and contribute to the fiscal administration's modernization, program budgeting should not be considered just as a change in the description and structure of state budget, but as **a depiction of the agency's strategic plan**. This approach comprises two correlative dimensions:

- Medium term (triennial) strategic and financial planning
- Budget-Annual strategic plan

In particular:

i. Program budgeting and medium term planning

Transformation of state budget in real program budgeting means:

- Formulating three year plans
- "Contracts" by the ministries,
- Clear depiction of strategic programs and measurable targets per policy area.

Strategic planning is a basic principle and component of success of every organization. The paradigm of a private company where shareholders are aware of its main targets is useful.

Likewise, in the case of Public administration and State affairs clear and specific information for the main priorities of the government is a basic element of democracy and an action of respect towards the taxpayers. The presentation of all budget data in a simple and understandable way for every citizen is a necessary precondition, in order to render control by citizens feasible.

The fiscal circumstances and the response to the international obligations of the country made the accurate medium term programming of state revenues and expenditures necessary. Improvement of programming was a fundamental component in the direction of achievement of fiscal discipline.

⁷ Greek Ministry of Finance, State budgets 2008, 2009, 2010

ii. Program budgeting and agency's annual strategic plan

The approach of program budgeting as an annual specialization of the agency's triennial programming and depiction of its strategic plan consists of the following:

- Moves the interest from “how much” to “how much, why and with what result” the state spends
- Until 2010, agency's budget formulation was the responsibility of its financial directorates

Program Budgeting forms a context where Agencies should not produce only financial data but also have to validate the Actions they intent to implement. The same applies for the personnel that will be allocated per action and the assessment procedure of the results. All the departments must participate and have knowledge of the agency's strategic plan.

- The annual financial-strategic programming is accompanied by assessment data for the activities' efficiency. Monitoring the indicators which show the targets accomplishment rate offers the possibility of timely detection of the discrepancies, in order the specific reasons to be examined and the necessary, per case, measures to be taken.

iii. Information about activities conducted by supervised entities

In Greece, a major part of state activity is not conducted by the ministries, but through agencies, which are legal entities of public and private law, supervised by the ministries. Several responsibilities have been assigned to those legal entities.

The information the previously existing system provides for those agencies is only the amount of the grants going to them. The enhancement of the information is necessary for the activities entities, such as insurance funds, hospitals, universities, municipalities, perform, either they are funded by the ordinary budget or they have direct revenues from the taxpayers.

In the context of program budgeting, for the formulation of multiannual and annual strategic plan, the agency must include, for the justification of its proposals, data on the funding directed to the supervised entities.

Ministries' strategic planning must also include the activities of those legal entities. Their funding should not be conducted on an incremental basis, or without providing data explaining the amount and the use of the needed resources.

In 2010, for the majority of those legal entities, there was no data concerning the activities they perform with state resources. Incorporating this information in the

program budgeting system would significantly contribute to the enhancement of transparency in fiscal administration.

Moreover, by accumulating this information, it will be possible to draw conclusions for the total amount of state financing in every policy area. Currently, this is not done in a systematic way.

A legal entity could be financed by more than one Ministry in many cases. Accurate information of each agency's work, based on the provided funding, will result to single presentation of all funding resources and better coordination in the direction of public resources.

3.4 Presentation of Program Budgeting Tables

In the context of 2010 NPP thirteen (13) Functions of expenditures, ninety two (92) Programs and six hundred five (605) Actions were developed. It is noted that the NPP is dynamic and the number of Programs and Actions could change, either with the creation of new Programs (concerning one or more agencies) and the abolishment of old ones, or by the further analysis of the Actions.

Besides, constant improvement of budget classification will create the appropriate context for the development of even more representative Programs and Actions, which will depict in greater accuracy agencies' activities.

The composition of the Functions of 2010 NPP regarding to expenditures (minus amortization) is shown on the following tables:

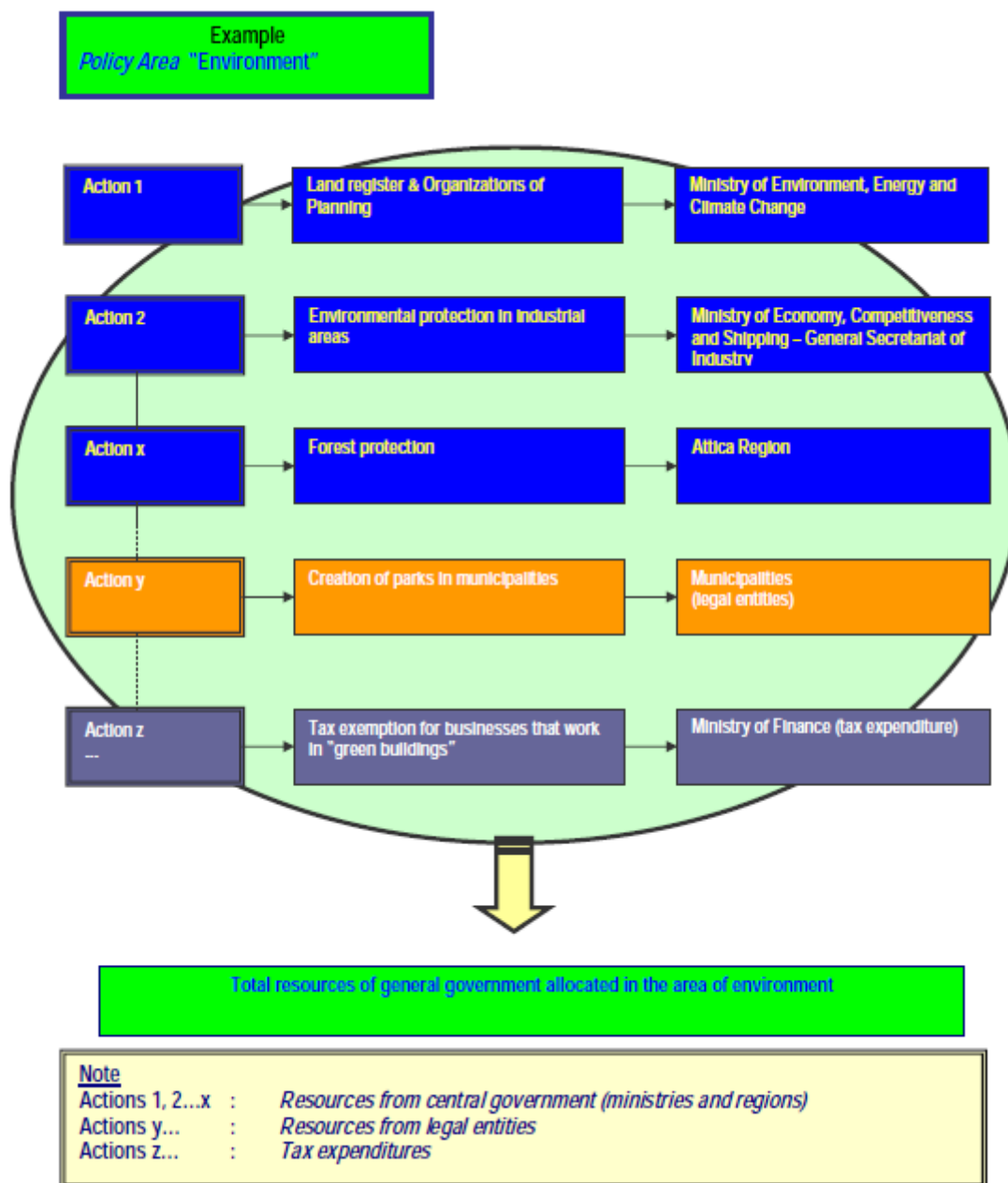


Programs (NPP) 2010 per function (thousand euros)

Code	Functions	Budget 2010			Participation as a % of total	% GDP
		Ordinary budget	Investment budget	Total		
01	External Affairs	3,437,383	30,000	3,467,383	4.2%	1.4%
02	Government's specific domestic actions	740,666	167,000	907,666	1.1%	0.4%
03	Local governing	3,970,643	2,225,000	6,195,643	7.5%	2.5%
04	Education	7,757,249	1,450,000	9,207,249	11.1%	3.8%
05	Culture,Religion,Sports	886,401	180,000	1,066,401	1.3%	0.4%
06	Defence	5,431,911	17,000	5,448,911	6.6%	2.2%
07	Public safety and citizen protection	2,580,226	60,000	2,640,226	3.2%	1.1%
08	Economic affairs and development*	14,732,005	2,305,000	17,037,005	20.6%	7.0%
	Interest and other expenses	(12,950,000)	(0)	(12,950,000)	(15.7%)	(5.3%)
09	Rural development	1,456,494	685,000	2,141,494	2.6%	0.9%
10	Environment and housing	87,645	432,000	519,645	0.6%	0.2%
11	Infrastructures and transports	713,996	2,420,000	3,133,996	3.8%	1.3%
12	Health and social policy	29,703,635	303,000	30,006,635	36.3%	12.3%
13	Justice	899,746	26,000	925,746	1.1%	0.4%
Total Expenditure (1-13)		72,398,000	10,300,000	82,698,000	100%	33.9%
Gross Domestic Product (GDP)						244,233,000

State budget expenditure of 2010 as % of GDP (minus amortization payments)

Information for fiscal administration in general government level in the context of program budgeting



3.5 Development of National Plan of Programs (NPP) of 2010

Development of NPP 2010

The 2010 NPP consisted of 13 Functions (policy areas), 92 Programs and 605 Actions. The procedure for the development of 2010 NPP consisted of the following:

With the expansion of pilot planning to 27 agencies of central government the opportunity of a better presentation of those agencies' actions was given. The

study of the data collected led to the structure review of the NPP, in order to represent the financed activities in a better way.

In particular:

- In the first level of functional classification 13 Functions (policy areas) were developed. Two new Functions, “Security and citizen protection” and “Justice” were created. Introduction of those Functions contributes to better depiction of state’s activities.
- Current Programs were revised and new were created, such as: Immigration Policy, Police Services, Fire Protection, Safety of Airports-Flights, in order to improve the depiction of state financing in important policy areas.
- Agency’s Actions were shown more representatively. In the pilot planning stage, agencies were further acquainted with the key concepts and the basic principles of program budgeting and was made clear that the improvement on their budget’s structure, significantly contributed to better presentation and administration of their work. The effort to improve the agency’s program budgeting structure, so that it can better correspond to their annual strategic plan, was more intensive in 2010. Additionally, program budgeting expanded to the whole public administration.
- The depiction of the actions conducted by municipalities and prefectures was improved. It is noted, that in the initial planning, the Function “Local Government” was included because there was no clear information for the policy areas which the local government’s resources support. The improvement of the provided information, gradually resulted to a better depiction of the policy areas that the Actions serve (education, employment, environment, immigration etc.). Up until now the Function “Local Government”, provides only general information about the administrator of state’s resources and not about specific financed activities. For this reason, in the 2010 NPP, local government’s Actions, like those concerning immigration policy, part-time employment etc., were depicted in the respective Programs.
- The depiction of necessary information needed so as to assess the financed Actions was created.

3.6 The role of the Court of Audit in Performance Budgeting

i. Audit of financial management

(Laws 1892/1990 & 1943/1991)

According to the Law 1892/1990 (article 85) and the Law 1943/1991 (article 77), and following a joint decision issued by the Ministers of Interior, Public

Administration and Decentralization, Finance, and Justice, the Court may conduct audits of financial management or financial administrative management transactions of particular importance carried out by the State, the legal entities and public sector organisations (such as public service contracts). These audits may be carried out upon all public and private entities supervised or financially assisted by the State or public entities. In these cases the competent three-member Judicial Unit may call for recovery of any arising deficit. Legal remedies against its decisions may be sought before the Court's Judicial Sections.

ii. Audit of public contracts prior to signature

(Laws 2145/1993 & 2741/1999)

According to Law 2145/1993 (article 15), the Court examines the legality of works carried out by, or supplies provided to, the State, the Public Entities and Public Enterprises, where the cost exceeds the amount of 2,934,700 Euros. This examination takes place at the request of the relevant minister, prior to the signing of the contract. Under Law 2741/1999 (article 8), this attribution of the Court is compulsory for the entities submitted to the Court's competences. As the aforementioned article 8 provides, the Court carries out an examination of the legality of the public works, supplies and services contracts made by the State, Public Entities or Public Enterprises, whenever the cost exceeds € 2,900,000 (for public works) or € 1,500,000 (for public supplies or services). A file containing all relevant documentation and a draft of the contract to be signed are submitted to the Court, to enable it to carry out this work. Where the audit is not concluded and the relevant file is not returned within thirty days from its submission, the contract may be signed. If, within the deadline in question, the Court refuses the legality of the contract, then the contract is not signed.

iii. Performance audit

Performance audit and audit of sound financial management are not carried out on a systematic basis. Lack of political will relating to this issue makes such audit work unlikely in the near future. However, where an auditor expresses queries concerning the substantial part of the expenditure, the case is reported to a Judicial Section of the Court. This Section, after having conducted its own evaluation, announces its relevant conclusions to the Minister of Finance and any Minister competent for the case in question. In addition the Court mentions these cases in its Annual Report.

iv. Examination of substantial part of expenditure

Furthermore, while auditing the accounting officers' accounts, the Court may examine the substantial part of the expenditure. If any queries arise, the competent Judicial Unit of the Court decides upon the soundness or otherwise of the accounts

and notifies the Minister of Finance and the competent Minister of the case in question.

v. Audit of purpose of administrative acts

Auditing the purpose of administrative acts does not constitute part of the Court's auditing competence.

vi. Systems examination

Systems examination is not normally carried out as a separate exercise. As audited bodies are subject to both *a priori* and *a posteriori* examination, evidence about weaknesses in internal control systems may usually be acquired in the course of *routine* audit work.

3.7 Program Budgeting Pilots – Primary Conclusions

Cooperation with the pilot agencies towards the 2010 NPP formation, contributed to a better view of the important benefits that results from the introduction of program budgeting. More specifically:

- **Important policies and activities financed by the State are brought into focus.**

So far, these activities were not presented clearly, as the current budget system monitors expenditures according to their type making difficult the evaluation of costs and benefits. The complete mapping of all the areas of State's activity is an essential tool for the rational utilization of public resources. Environmental policy is a good example of the benefits that program budget information provides.

***Pilot planning in the Ministry of Environment, Energy and Climate Change
Clear depiction of the state's environmental policy***

Before, appropriations granted by the budget for environmental protection, were not recognized explicitly, mostly due to the large number of financing agencies.

After the program budgeting design, the total state expenditure for environmental protection is presented in a consistent way, regardless of the source of funding (ordinary budget and public investment budget) and the financing agency (the competent Ministry of Environment, Energy and Climate Change but other ministries as well, like the Ministry of Transportation, the Ministry of Economy, Competitiveness and Shipping and the Regions).

- **Transparency through the recognition of agencies' important activities, besides their main activities, which absorb part of their appropriations.**

Ministry of National Defense is a good example, being active in sectors such as education and health in addition to its main duties.

Pilot planning in the Ministry of National Defense Activities in the policy sectors of health and education

Before, the budget of the Ministry of National Defense gave the impression that it comprised almost exclusively expenditures for the protection of the country.

After the introduction of the functional classification of the expenditures, the Ministry's work and the appropriation of an important part of its resources in policy sectors like education (military schools) and health (military hospitals, other nursing units) was clearly presented.

The state's budget transparency is enhanced and at the same time, information towards the Government, the Parliament, citizens and international organizations in which our country participates, is improved.

- **Improved programming of agency's resources presenting all the activities developed for the implementation of agency's mission.**

According to the previously existing budget system, even the basic activities are not clearly mapped. On the contrary, program budgeting presents a more accurate understanding of the government.

Introducing program budgeting has multiple benefits:

- ✓ first of all, an accurate description of the agency's actions is the basic precondition to draw a strategic plan and to rationalize programming of outputs in human and other resources
- ✓ secondly, transparency is enhanced and information regarding to the cost for taxpayer is improved
- ✓ thirdly, the results provided from the state services can be presented in a simple and easily understandable way. As a conclusion, every citizen can monitor whether public funds are being properly used or not.

Mentioned below is the experience of the pilot program budgeting in the Civil Aviation Authority.

Pilot planning in the Ministry of Infrastructure, Transportation and Networks

Civil Aviation Authority

Depiction of Civil Aviation Authority's activities

Before the pilot planning, the presentation of all the Civil Aviation Authority's Programs and Actions was not possible, or in the cases where some basic activities were presented, the total amount of resources allocated to each action was not clear.

After the pilot application for 2010 budget, Civil Aviation Authority's operational expenses were allocated in several actions. Thus, the total cost of its main activities was depicted. In the program budgeting of the Civil Aviation Authority for 2010, a new Program for the "Safety of airports and flights" and four new Actions were created to fully present its contribution to the Programs of: environmental protection, management of disasters and its main activity in air transportations.

- **Full documentation of the activities that the Agencies perform through the legal entities they supervise.**

In order to improve flexibility in state management, ministries must fulfil their mission through activities they implement themselves and through the legal entities they supervise. In the Ministries' strategic plan, the work done through legal entities should be clearly defined, for their total activities to be assessed. Identifying the contribution of the Manpower Employment Organization in the field of employment and the Greek National Tourism Organization in tourism policy illustrate the importance of supervised entities to their agency missions.

Pilot planning in the Ministry of Employment and Social Protection

The role of the Manpower Employment Organization

Before the pilot planning, the state budget included information regarding the grant appropriated to the Manpower Employment Organization, without any analysis of the activities the organization develops with those resources.

After the reform's effort, in the NPP for 2010, the work of the Manpower Employment Organization is developed, transcribing the state funding in special funding policies and welfare benefits. In addition, goals on those sectors and specific indicators of measurement for achieving results are presented.

- **Absence of central coordination results in a situation where legal entities receive funding from multiple sources/ supervising Agents.**

Program budgeting sets the infrastructure in order different Agents to coordinate better their overlapping actions and therefore conserve considerable amounts of public funds. An indicative case is this of public schools, which are funded by many sources and not been monitored centrally till 2010.

Pilot planning in the Ministry of Education, Lifelong Learning and Religious Affairs

Resources going to public schools

Before the introduction of program budgeting, the accurate depiction of the state budget resources appropriated to schools of primary and secondary education was quite difficult.

After, in the context of the pilot efforts of program budgeting, the budgets of some pilot schools were examined and the involvement of a number of state agencies, that had previously not been coordinated, was determined. Those are: the Ministry of Education, Lifelong Learning and Religious Affairs, the municipality and the prefecture where the school is located, the Organization of School Buildings and the Organization for Publication of Educational Books. With the new budget system, the coordination of the resources allocation to the schools will be enabled, in order to achieve better management and utilization, for the complete and timely coverage of school needs.

- **Detection of organizational weaknesses of the agencies.**

Program budgeting is more than a simple funding mechanism. It is a management instrument which offers the capability of locating the agencies' organizational weaknesses. Experience drawn from pilot planning for the Fire Brigade provides a good example of these benefits.

Pilot planning in the Ministry of Citizen Protection – Fire Brigade

Program budgeting as a tool of defining organizational weaknesses

Before the first pilot approaches of program budgeting, the administrative and financial data were not presented in a single way. The emphasis was on the financial elements without information on the provided services, a fact which didn't make the drawing of conclusions any easier, concerning the agency's organizational weaknesses.

After the pilot planning, the significance of program budgeting as a tool in order to detect administrative weaknesses was exposed. Through the new budget procedure and with the use of the indicators results, the organization comes to useful conclusions concerning its operation. For instance an indicator like the number of incidents per fire-station can indicate conclusions, concerning the need to merge stations or to allocate human resources in a better way.

- **The most important advantages of program budgeting introduction are:**
 - First, the gradual mentality change of public sector's executives.
 - Second, improvement of the cooperation between agencies' departments, so that they correspond to business – systemic approach of the budget.
 - Third, the realization that the new budget system is a totally different approach of public management that enhances information availability for citizens and promotes the work performed by the agencies.

The pilot application of Program Budgeting in **the General Secretariat of Sports** for three years provided quite instructive results.

“Program budgeting contributes decisively to the depiction of relations between goals, results and available resources in sports and especially in the competitive sector. Grants towards sport organizations (confederations, societies, legal entities) are connected with the application of the new budget system, with the predefined goals and the results which are achieved, making thus monitoring and evaluation of the use of available resources to those agencies feasible.

Moreover, the new system helps emerging the sports influence in different expressions of the citizen’s quality of life. The inter-sectoral character of program budgeting allows the connection and transcription of sport actions’ results to other policy areas. For instance, the results emerging by successful goal setting and implementation of sport actions can gradually be taken into consideration to the positive effects of other policy areas, like health.”

3.8 Evaluation of State Actions

In the 2009 pilot planning of program budgeting, there was a first attempt to introduce the evaluation concept of the efficiency of state actions. This is one of the primary goals of the budget reform.

In order to develop a reliable and functional measurement system of effectiveness for the 2010 budget, pilot applications were extended in all the agencies of central government. Particular emphasis was given on the determination of the goals of Programs and Actions and on the definition of the indicators for effectiveness measurement.

This venture contributed significantly to the progress of the program budgeting development.

The significant difficulties and weaknesses that this exercise revealed need to be addressed, in order to prepare the application of the new system for budget formulation and execution.

3.8.1 Assessment of the Efficiency of State Actions

The development of an effectiveness and efficiency measurement system for the state actions presupposes:

- clear strategic plan of the agency,
- determination of the Programs and Actions of the agency,
- determination of the intended goals for each Program or Action and
- development of the procedure and tools for the measurement of the result and

- evaluation regarding the success in the achievement of the targets.

In particular, Programs included all the Actions of one or more agencies that aim to fulfil the goals of a policy area. It is noted, that Program structure is not static, but it can be revised along with the progress of the project, in order to achieve effective and efficient management.

In order to achieve the goals of each Program and Action it is important to determine the necessary steps to be taken.

The development of procedures and instruments for the measurement of efficiency and effectiveness of Programs and Actions is an important element of performance budgeting. The procedure deals with the collection and elaboration of reliable data for the monitoring of the result of each Program or Action. In order to assess the result measurable qualitative and quantitative indicators are being used.

Their selection should rely on the following criteria:

- ✓ they should be relevant to the basic goal of a Program or Action,
- ✓ they should serve the measurement of the effectiveness of specific targets,
- ✓ the collection of reliable data for their measurement should be feasible,
- ✓ they should not cause a high cost of monitoring
- ✓ they should be understandable.

It is noted that the use of indicators is not a self-contained tool for the evaluation of a result or for the decision of continuing an investment or not. Usually the collection of other information is demanded as well as the assessment of the general circumstances which affect a result.

The usefulness of the indicators stems from the fact that they are a way of monitoring the annual progress of the Programs and Actions, in terms of the implementation of their goals.

This process significantly enhances budget transparency and creates the base to increase agency's responsibility and improve the audit procedures in the use of public resources.

3.8.2 Pilot Applications

In order for the NPP of 2010 and a measurement system of effectiveness of state actions to be developed, at least one pilot agency or policy area from each Ministry was selected. In addition a Region and legal entities, supervised by ministries, were selected. Main target of the pilot applications is the acquaintance of the agencies with the new system, the acquisition of know-how concerning its development and the preparation of the proposals submission procedure and the budget execution, under the new system.

For this reason the selected agencies participated in meetings and seminars, organized by the General Accounting Office, so that they could be informed in theoretical and practical level on program budgeting.

Next, the pilot agencies were asked to further designate their Actions, using their expenditure allocation options per Action, and define goals, actions for their fulfillment and indicative indicators for the measurement of results.

This procedure led to substantial progress in program budgeting development. More specifically:

- “core-working groups” of communication with the agencies were created,
- the agencies were familiarised with the venture,
- internal communication of the agencies’ services was strengthened,
- there was a revision of the NPP for 2010,
- more representative Actions of the Agencies were depicted,
- goals and actions by all agencies, indicatively for some actions, were determined and
- indicators for the measurement of the result and sometimes target prices were proposed.

At the same time, weaknesses which encumber the project were presented. The most important are the deficient staffing of the financial departments and the difficulty of cooperation and coordination. Moreover, the process to define targets and indicators has proved extremely difficult, as it requires the existence of central strategic planning, which demands the participation of the political leadership in it.

It is noted that the indicators presented in the examples, were indicative.

3.8.3 Evaluation of the Agencies of General Government

A great challenge for the budget reform is the fact that a substantial part of the central government activities is delegated to legal entities, supervised by ministries, with a variety of sources in their revenues (grants from central government, self – financed resources, etc.).

In this context, central government agencies (ministries – regions) have to take into account in their strategic plans the programs of those supervised entities, so that supervision and evaluation of public sector's services in general becomes feasible.

In the pilot application for 2010, some legal entities were asked to comprise a concise strategic plan, in which their activities, their main targets and financial data are described, on the basis of the new functional structure of program budgeting, which consists on policy areas.

In particular, there was a closer cooperation with: two elementary schools and two high schools, the Hellenic Organization of Small and Medium Sized Enterprises and Handicraft, the Agricultural University, the Municipality of N. Ionia Volou and the Hellenic Rowing Federation.

This experience should be the basis for the development of modern procedures on supervision and auditing. Moreover, in the future, there will be a single presentation of the general government agencies.

The case of the Ministry of Finance is an indicative example of successful pilot implementation of the Programme Budgeting in Greece:

Ministry of Finance

Action 08.02.02313 "Actions of custom control centers"

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Operational expenses	323
Fixed assets	7
Total	330
Personnel	170

It is noted that an important part of operational expenses (salaries etc.) of control centers is included in the Action "Operational support of tax and fiscal administration".



Main goal		Combating duty and tax evasion and protection of fiscal interests of the Greek State and the European Union		
Main actions		<ul style="list-style-type: none"> • Audits regarding the accuracy of the custom vouchers' data • Inspection to confirm that the procedures, prohibitions and limitations, set by the applied national and community customs' legislation are applied • Realization of sample controls to the customs areas, in order to assess the custom's procedures efficiency • Accounting control in the collective statements of the European Union's own resources, submitted by customs regions 		
Possible performance indicators	Indicator 1: Inspection mandates	2008	2009-estimation	2010- target
		602	590	590
	Indicator 2: Registered cases with customs infringements	2008	2009-estimation	2010- target
		340	280	280
	Indicator 3: Total amount of fines from customs	2008	2009-estimation	2010- target
		5.344.655	22.373.900	20.158.300

It is noted that the reason for the reduction in the inspection mandates for 2009 is due to the selection of big enterprises to be inspected, where the audited figures are substantially greater.

4 STRATEGIC MANAGEMENT IN GREECE

In Greece, the Ministry of Administrative Reform and E-Governance, has set the legal framework on strategic planning, management by objectives, performance measurement (indicators) as well as on performance appraisal reporting [Law 3230/2004 (Official Gazette ref. no. 44/A/11.2.04)]. The latter provides for special administrative units (called Quality and Efficiency Directorates or Sections) to be established in each Ministry. According to 3230/2004 Law provisions, all public organizations submit their performance reports to the Quality and Efficiency Directorate of the Administrative Reform and E-Governance Ministry which has a special coordinating and planning role. It sets the legal framework, determines the general strategy, provides guidelines, introduces public performance indicators by issuing Joint Ministerial Decisions and proposes improvement measures.

The Directorate of Quality and Efficiency of the Ministry of Administrative Reform and E-Governance is, also, promoting the use of Total Quality Management (TQM) tools and, particularly, the use of the **Common Assessment Framework (CAF)** in order to assist public organizations to improve their performance as well as the **Balance Scorecard (BSC)** for the implementation of the system of Strategic Planning in the Public Administration Organisations (Ministries and other institutions)

The aforementioned Law 3230/2004 also foresees the establishment of an award for top performing public organizations on effectiveness, efficiency and quality. The “**National Quality Award for Public Organizations**” aims at identifying and awarding top performers on public service quality based on an evaluation using the CAF model.

In 2007 and 2009 the First and Second Quality Award were organized. The purpose of this Program was to identify and reward managerial innovations which contribute to improving the efficiency and responsiveness of public administration.

4.1 Legal Framework

1. With the provisions of Article 1, par. 2 of law 3230 / 04 (Government Gazette 44 / A / 02.11.2004), the measurement of the effectiveness and efficiency of public administration was established. The purpose of measurement is:

- ✓ the assessment of the quality of the public administration services
- ✓ the strengthening of the transparency
- ✓ the optimal utilization of available resources and
- ✓ the improvement of the efficiency of public services for the citizens.

2. Under the provisions of Article 6 of the law quality and efficiency units will be established in Ministries with the responsibility to manage the implementation of the provisions of the law.

Furthermore, the Article 1 of the law 3230 / 04 the concepts of effectiveness and efficiency are clarified and defined as follows:

- Effectiveness is the ability of the Administration to fulfill the set goals
- Efficiency is the ability to achieve the greatest possible degree of the set objectives at the lowest possible cost

3. The provisions of Article 3 of the law establish that the management is done through objectives, namely:

- a. The political leadership determines and allocates the strategic objectives for each subsequent year
- b. The administrative leadership in each hierarchical level sets targets which are surrounded by the type of decision by the end of each year, to take effect during the next year
- c. For the evaluation effectiveness and efficiency metrics are to be used

4. As stated in Article 5 of the same Act, the measures of effectiveness and efficiency are divided into two main categories:

- ❖ General indicators and
- ❖ Specific indicators

► **General indicators** are defined as:

- ✓ The response time to requests from citizens
- ✓ The satisfaction rate of complaints received
- ✓ The implementation of new technologies
- ✓ Management and quality of service

► **The specific indicators** are defined complementary to each unit and must correspond to the type of services provided by these units.

5. According to Article 5, paragraph 4 of law 3230/2004, by joint decision of the Minister of the Interior and the responsible Minister as appropriate, further specification of the general and specific indicators will be made as well as the measurement, the frequency of measurement and any other necessary matter.

4.2 The Implementation of the Provisions of the Law 3230/2004

For the implementation of the system "management by objectives and measuring the efficiency and effectiveness of services through specific indicators" the legal

framework determines the **annual action plan** of the Administration, which includes the following:

1. Annual setting strategic objectives of the institution

By decision of the relevant Minister or the responsible organ of the administrative level strategic objectives for the next year are notified and allocated to the relevant departments/units

2. Analysis of the Strategic Objectives

The General Directors / Directors analyse the strategic objectives of and notify them to their subordinates.

3. Specification and Division of goals

The Directors and Heads of Departments/Units specify and divide the goals per Directorate and Unit.

4. Elaboration of the Action Plan in each unit at the hierarchical level.

The Action Plans analyze:

- the objectives of each unit
- the specific steps set
- the timetable for their implementation and
- the contribution of each employee to achieve the objectives of the department and each department to the targets of the Directorate.

5. A decision scorecard of every General Directorate or Directorate is issued by the responsible person no later than December 20 of each year and communicated to all staff of the institution. This scorecard determines:

- ✓ the level of priority of each goal
- ✓ indicators for measuring results and
- ✓ the timetable for their implementation.

6. Monitoring

The Heads of organizational units regularly (every three months) monitor the implementation of the objectives and results of measurement indicators

7. Review and redefinition of objectives

Review and redefinition the objectives or amendment of the annual schedule for their implementation is foreseen in case of discrepancy between the desired and actual outcomes or if new needs or data arise.

8. Annual Activity reports

The Directorates of Quality and Efficiency in respective Ministries issue annual activity reports making recommendations for the improvement of their operation.

The Directorate of Quality & Efficiency in the Ministry of Administrative Reform and E-Governance

The Directorate of Quality and Efficiency of the Ministry of Administrative Reform and E-Governance has as core responsibilities, according to the law 3230/2004 (Official Gazette 44 / A / 11.2.2004):

- the research, study and introduction of measures to improve the efficiency of the public services and
- the identification of the need for legislative or regulatory initiatives by competent, as appropriate, ministers or agencies.

4.3 The System of Strategic Planning in Greek Public Administration (Brief Description)

The methodology for creating the System of Strategic Management in Public Organizations (Public Services and Institutions), as enacted by Law 3230/2004 includes the following steps:

1. Strategy Formulation

- a. Shaping the Vision
- b. Formation of Mission
- c. SWOT Analysis
- d. Formation of Strategic options

2. Implementation Strategy (using the tool Balanced Scorecard)

- a. Defining Strategic Objectives
- b. Formation of Strategic links
- c. Formation of Targets – Development of Initiatives
- d. Performance Measurement & Feedback

3. Responsible Units for the Implementation

According to Article 6, par. 3 of the law 3230/2004, the Ministries and

Regions of the country are responsible to undertake the necessary steps to develop a system of Strategic Management and more precisely the Directorates/Departments/Units of Quality and Efficiency.

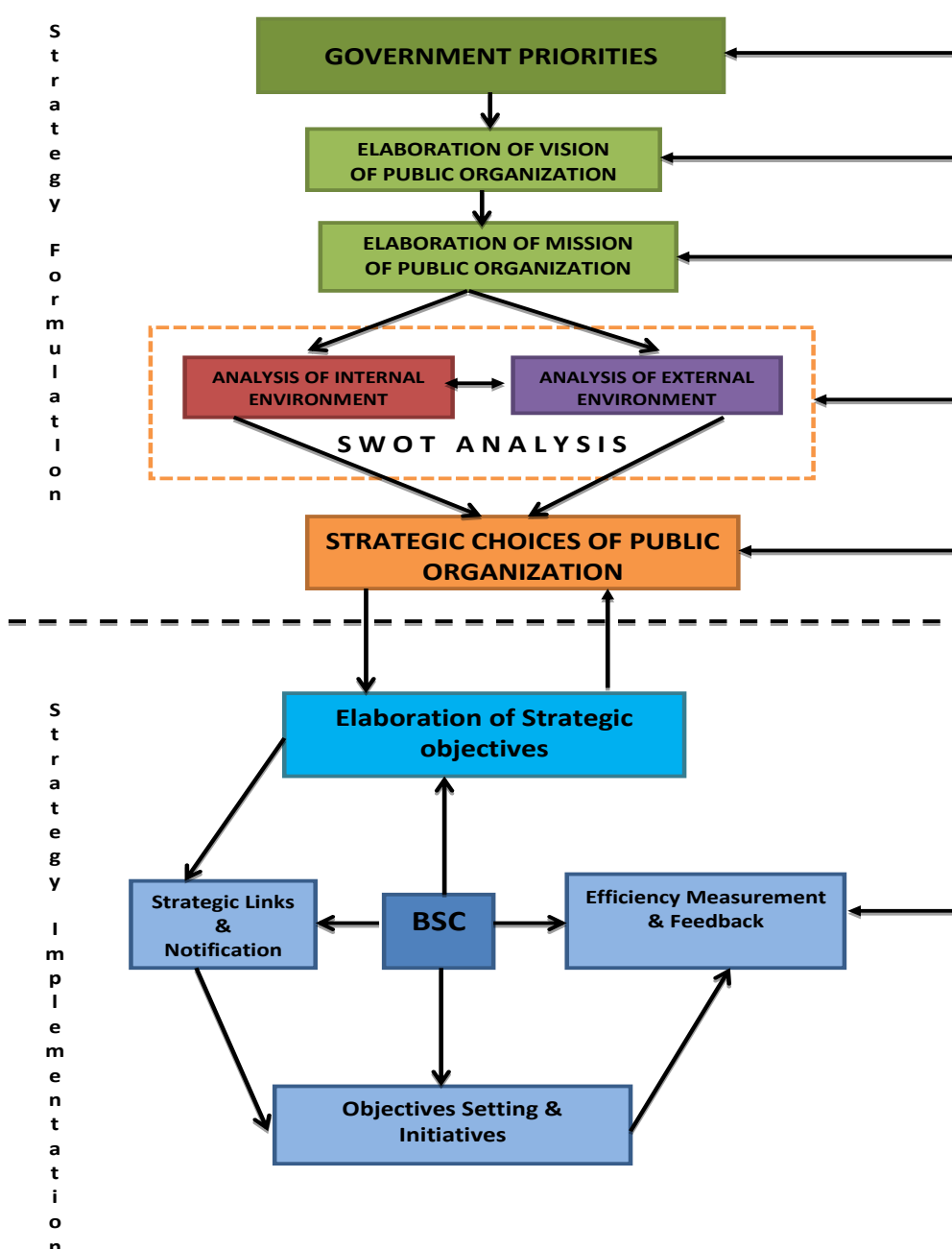
For the Local Governments, responsible for the submission of Strategic Programmes Proposals are the relevant units established for the implementation of the process of measurement of effectiveness and efficiency (article 8, par. 1&3 law 3230/2004).

a. Developing Strategic Management System

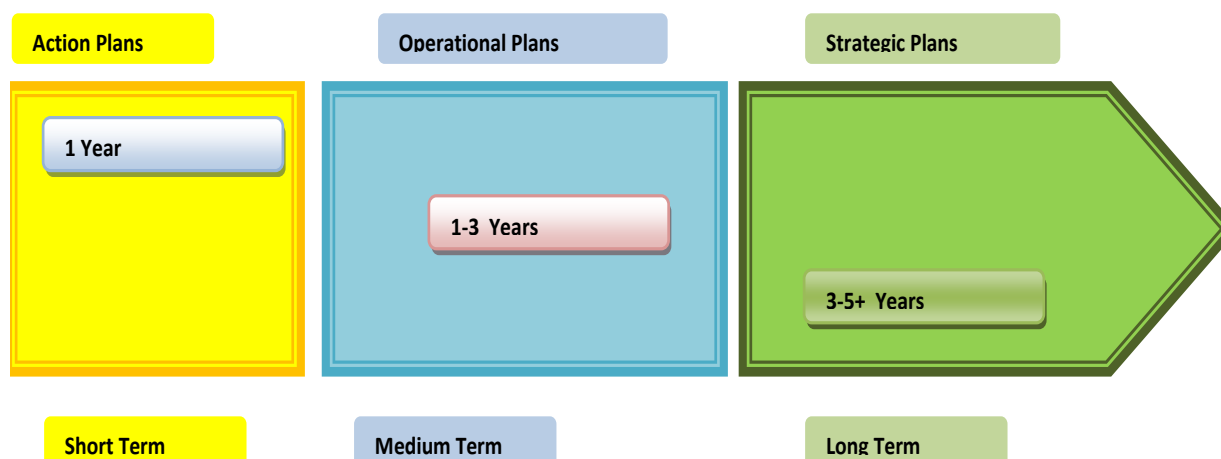
According to Article 3 par. 1 law 3230/2004, the priorities of political intervention in the policy areas identified by the Council of Ministers are specified by the relevant

Ministers (or governing bodies) for the design and development of a Strategic Management System.

The proposed standard system development Strategic Management depicted in the following scheme with the main feature the interaction between the individual steps:



Strategic – Operational Plans



For the formulation of the Strategy the chosen technique was that of the Balanced Scorecard, results oriented Performance Management System Command Performance aiming at linking the short-term and long-term activities of public organizations (Ministries and Institutions) with the Vision, Mission and Strategy through setting measurable and commonly agreed objectives.

The Balance Score Card is structured on the basis of measuring the effectiveness of Public Organizations from 4 viewpoints:

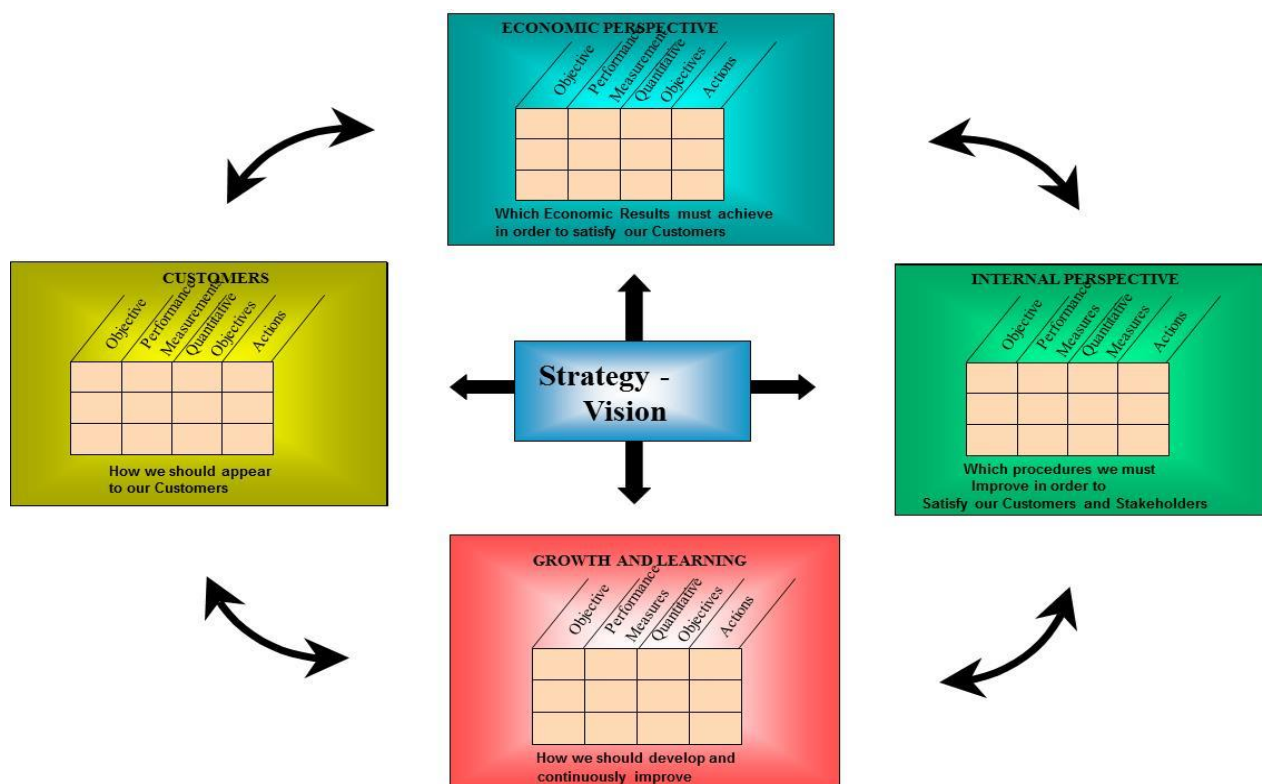
- Viewing Angle 1: Citizens
- Viewing Angle 2: Home
- Viewing Angle 3: Learning-Continuous Improvement
- Viewing Angle 4: Available Financial Resources

The implementation of this technique comprises three (3) stages:

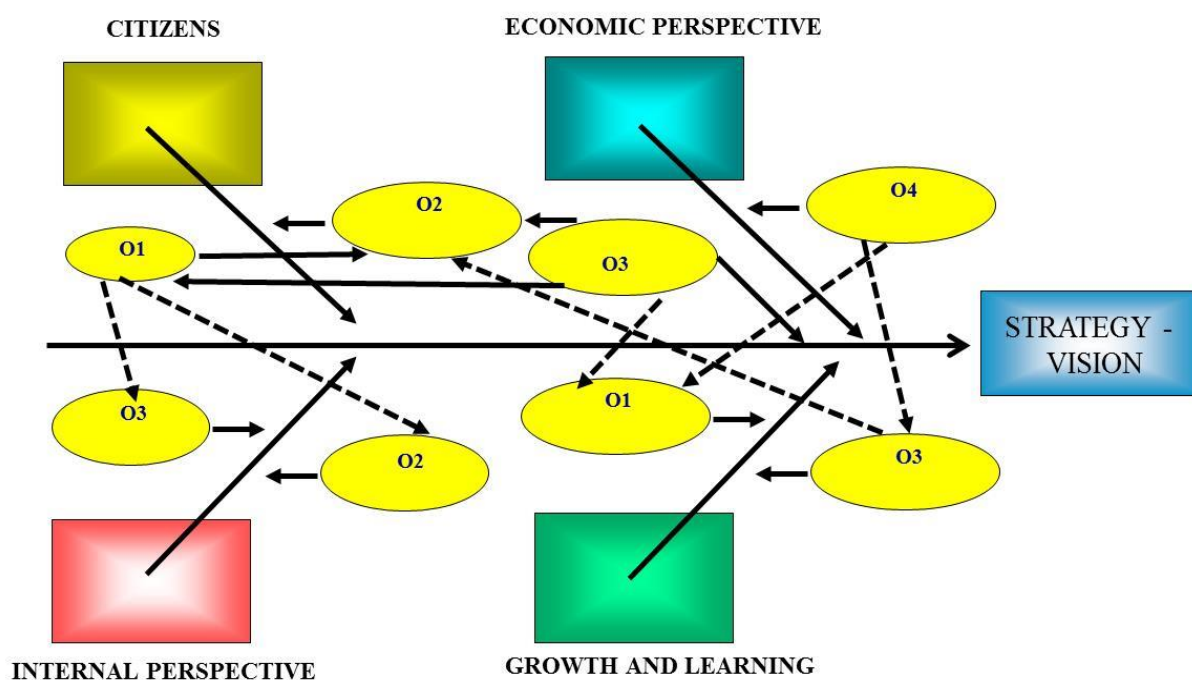
- I. Formulation of vision and mission of the Public Organisation
- II. Identification of Strategic Objectives per Viewing Angle
- III. Development of charter of Strategic Interactions

In the following diagrams the above mentioned characteristics are depicted:

Balance Scorecard



Strategic Interrelationships



b. Measurement Indicators – Definition of Target price

According to the provisions of the law 3230/2004 (Article 1, par.), a set of Indicators are identified and developed that enable the responsible administrative organ to monitor the progress of the Public Organization in relation to the objectives set and the end date, which contribute to the achievement of the annual objectives of the administrative unit.

5 CONCLUSIONS

5.1 Strategic Planning and Budget Programmes

Since 2004 a special law has been enacted, which provides the basic guidelines for the implementation of a system of strategic planning, management by objectives and productivity measurement, improving the efficiency and effectiveness of public administration. The Ministry of Administrative Reform and E- Governance is responsible with the coordination and regulation of the strategic planning processes. Each ministry and important national agency are clearly responsible for the implementation of the action plan for their respective sector. The whole process is coordinated by the Ministry of Administrative Reform and E- Governance.

A midterm strategic planning document is being used (3 to 7 years, for example the Stabilization and Growth Programme and the National Reform Programme, which constitute the Lisbon strategy implementation programme), together with short-term planning documents (less than 3 years – mostly strategic plans of ministries and other institutions). Short-term planning documents are meant to implement the goals of medium and long-term documents with long-term documents topping the hierarchy.

Financial resources were allocated to all Ministries for strategic planning implementation via the Operational Program Administrative Reform 2007 – 2013, which is co – funded by the E.S.F. The public institutions have their own units of strategic planning, but the implementation know-how and methodology are common and provided by the Ministry of Administrative Reform and E- Governance.

Information systems were developed to facilitate the implementation of know-how.

5.2 Monitoring Policy/Budget Programmes Review

The provisions of the Law 3230/ 2004, the process for the budget preparation, execution and monitoring and the special methodology of strategic planning (provided by the Ministry of Administrative Reform and E- Governance) define these procedures and deadlines for their implementation.

Analyses of threats/opportunities and strengths/weakness (as well as other analyses like analyzing external forces) are not a formal part of strategic planning that requires defining missions and goals according to the findings of these analyses.

Nevertheless, there is close monitoring of the strategic planning implementation process and any change in conditions requires an update of the stated goals and mission of the strategic planning documents.

5.3 Policy/Budget Programmes Evaluation

National information systems are mostly for collecting data of the budget execution procedure. However information systems are currently being developed for use in a strategic planning context. Within the framework of the Stability – Growth Pact, one action refers to the implementation of performance budgeting systems. Formal evaluation study findings are not factored into the strategic planning process.

In concluding, there are several aspects that arise from the analysis above and that should be taken into consideration for the preparation and implementation of Strategic Plans and Programme Budgeting in Turkey.

These aspects reflect issues that needs further improvement and refer to the design or implementation framework for increasing the capacity of governmental institutions for strategic planning for policy formulation and preparation of budget programmes (if applicable).

Regarding this stage of policy process the problems that need to be tackled are:

- Lack of proper information/policy data regarding public expenditure (budget execution and linkage with policy targets). In most cases the information regarding the way policy is implemented and the resources allocated for this purpose is lacking or is insufficient.
- The information gaps lead to misunderstandings and low level quality of the results of other stages of the policy process (e.g. post evaluation of budget programmes execution and consequently policy results).
- Poor linkage between Strategic Planning and budget.
This is a common problem for all performance based management systems. Looking at the best practice examples one can see that even in very developed performance systems (e.g. United States or Netherlands) linkage between policy targets and budget remains a very difficult task in the management of public institutions. This difficulty constitutes one of the main disadvantages of performance based budgeting. Solutions are institutional context based and do not always allow for this linkage.
- Ex ante evaluation of policy initiatives.
Even though formal procedures are in place much has to be done on the quality and process of policy substantiation. The use of the Regulatory Impact Assessment tool might prove useful for increasing the quality of policies and the level of transparency of governmental activities.
- Monitoring/Strategic Planning review
Monitoring activities are developed during the implementation of the policy/budget programme. The monitoring of the policy and of the budget programme implementation are considered as interdependent in the policy

process and have to be considered as part of the same process and not separately. Therefore, monitoring activities include or are part of the interim evaluation of the budget programme implementation. The information provided at this stage is important not only for future policy formulation activities but also for the process of budget revisions. Nevertheless, some steps have been made for shaping the institutional design of this process. The main issues considered as being particularly important for insuring a sound monitoring system of policy/budget programme evaluation are:

- ✓ Poor information systems for communicating data regarding the ongoing policy programmes.
- ✓ Poor real time information provided during policy/budget programmes implementation. Monitoring of policy/budget programmes is essential for a sound performance system. The information gathered during implementation might prove very useful and can change the content of a specific solution previously planned.
- Policy/budget programmes evaluation

As the analysis shows policy/budget programmes evaluation is one of the essential parts of the policy process as a whole. Evaluation of policy, either conducted by nongovernmental or governmental institutions has to make use of information regarding the impact of the policy initiated. This information has to be made available for public and can lead to an increased quality of reviews. Access to information and proper channels of government communication (e.g. regular policy reports, values of indicators) are crucial for quality evaluation and have to be taken into consideration in future reform initiatives envisaged in the countries of the network.
- Poor information systems regarding the communication of ex-post impact of policy/budget programmes.

In order to increase the efficiency of the strategic planning process and improve the overall performance of the government, information related to the consequences of a certain policy to how the budget was spent compared to what was initially planned is crucial for conducting sound evaluations. This information should be provided by government institutions in a formal manner so that the evaluation would have enough insights regarding actual implementation of a certain policy (budget programmes) and for increasing the quality of future planning activities.
- Lack of performance indicators for policy evaluation purposes.

Indicators tailored on specific policy programmes are not fully developed. The indicators are useful in the monitoring and evaluation of activities and can prove to be essential for the continuation or termination of a certain policy initiative (budget programmes). Policy evaluation is considered dependent on the budget programme evaluation because of the effects of changing the profile of a proposed policy solution on the way budget is constructed.

6 APPENDIXES

6.1 Appendix A: Greek National Reform Programmes⁸

The Greek economy has already experienced five consecutive year of recession while projections regarding the growth rates for 2013 envisage one more year of contraction. However, on the positive side, the reforms that have already been enacted in key areas are expected to assist the recovery effort by creating a more competitive and flexible economic environment. A number of important initiatives in this respect are already in place such as the reforms in the health care sector, in the pension system, and to the labour market institutions.

In addition, the financial system, which was adversely affected by the PSI, is in the process of recapitalization while mergers between financial institutions are in progress with a view to further strengthen the credibility and effectiveness of financial operations in Greece.

These efforts have become visible in the international business rankings where Greece has substantially improved its performance. For instance, the 2013 edition of the World Bank Doing Business Indicator shows a forward leap by eleven positions, underpinned by improvements in the in areas such as protecting investors, paying taxes, trading across borders and resolving insolvency.

Additionally, as unemployment has risen to historically high levels, affecting more severely the vulnerable groups of the population (low skilled and youngsters), the maintenance of social cohesion and social solidarity becomes a challenge and an issue of high priority as the mixture between fiscal consolidation and the provision of social protection net needs to be carefully balanced. In any case, the return to a sustained growth can only be achieved when the structural reform agenda is fully and swiftly implemented. In this respect, the Greek Government is committed to pursue all growth-enhancing reforms which constitute a prerequisite for the stabilization of the economy and the strengthening of the basis for economic growth.

A vast number of reforms are being implemented in the context of the Economic Adjustment Programme and the European Commission is regularly assessing the progress and the compliance with the milestones set in the MoU.

⁸ Greek National Reforms Programme, April 2013

This Annex provides information on the status of implementation of structural reforms that were scheduled to be finished by the end of Q1-2013 in the Public Administration according to the MoU.

6.1.1 Public Administration

6.1.1.1 Administrative Reform

In the period 2012-2013, the Ministry of Administrative Reform and e-Governance (MAREG) proceeded to the implementation of a series of policies and measures towards a better organization and operation of the public administration:

i. Assessment of structures in the public sector

A Memorandum of Understanding among the Ministry of Administrative Reform and e-Governance, the French Domain Leader and the Task Force for Greece (TFGR) was co-signed for the full implementation of law 4024/2011 which provides for the assessment of the structures and organizational units of the Greek Ministries and the supervised entities. The evaluation process for the line ministries was conducted by Evaluation Committees in close cooperation with the French experts. Evaluation Reports for all line ministries have already been delivered.

The Evaluation Reports have been submitted to the Support Group of the Governmental Council for Reform (GCR). In the vast majority, the final reform proposals have been approved by the Government Council of Reform chaired by the Prime Minister, and the approval of the pending proposals will be granted soon through the same process. At the same time, the assessment of 3 major entities (namely EOF, Municipality of Thessaloniki and the Decentralized Administration of Attica) is upon completion with the valuable assistance and expertise of the TFGR. By the end of 2013, all public entities will have been assessed. Additionally, the relevant staffing plans for the approved organizational structure are under finalization, following the guidelines provided the TFGR.

ii. Mobility Scheme

By the provisions of the Law 4093/2012 (par. Z), an extensive reform of the civil service institutions was introduced through a new, coherent mobility framework for the personnel of the public sector, aiming primarily at the leverage of the human resources potentials for the service's interest and needs. Furthermore, the balance between the needs and the qualifications of the employees is pursued, while rationalizing the dedicated human resources across the public sector. In this context, the provisions of the Law 4024/24 (art.5) regarding the notion of "state civil servant" were enabled.

Under these provisions, the positions of certain categories, branches and specialties have already been abolished since they were evaluated as not responding to the needs of the entities, where their post was assigned. As a consequence, the personnel formerly served in those positions, will be utilized in other services, where staffing needs are more persistent. Up to know, 1930 positions have been abolished.

The aforementioned law also provides for a more determined response regarding those employees who have been breaching the civil servants disciplinary code. In many cases, employees accused for serious offences remain on duty after being punished moderately, with profound consequences for the prestige and the effectiveness of the public sector. So far, 908 employees have been suspended from duty.

iii. Merging and abolishing of public entities

Under the provisions of the Law 4109/2013, a number of public entities were abolished (8 entities) or merged (197 entities). The competences of those entities abolished have been transferred to other existing entities of the public sector, resulting to significant savings.

A second wave of mergers and/or abolition of entities are scheduled for 2013.

iv. Reduction of the employment in the General Government

MAREG remains fully committed to the target for the reduction of the employment in the General Government by 150,000 by the end of 2015 (compared to the end 2010). This is being accomplished through the strict implementation of the 1 to 5 hiring rule and the already enacted restrictions in hiring temporary staff.

v. Coordination of the Governmental work

Under the provisions of the Law 4109/2013, the General Secretariat for the Coordination of the Governmental work has been introduced, under the auspices of the Prime Minister. The General Secretary will have a 5-year mandate, which surpasses the government's mandate, thus assuring the continuity of the public service. The General Secretariat for the Coordination of the governmental work assists the Prime Minister in securing the government's unity, in coordinating the actions and policies of the ministries and in monitoring and implementing the government policies.

vi. Anti-corruption action

A "National anti-Corruption Strategy" has been drafted with the assistance of the TFGR and contains the national strategy regarding a broad spectrum of anti-

corruption actions encompassing the whole public sector and a specific action plan for the tax administration.

vii. Reduction of administrative burdens in selected sectors of economy

The Greek Government and the OECD have signed a contract for a project leading to the reduction of administrative burdens in 13 fields of the economy by 25%. An OECD team has already *Ministry of Finance National Reforms Programme 2013* moved to Athens in order to coordinate and assist the preliminary actions (i.e. selection of 75 Greek officials from the whole public service, establishment of 2 high level committees to oversee the project, OECD trainings etc.). The first results are expected by end October 2013.

6.1.1.2 E-governance

The main objective of the e-Governance agenda is to ensure that a fully digital environment for transactions, both between state and citizens (G2C), and between government agencies (G2G) will exist by mid-2015. This strategy is based on two main IT pillars, co-financed by the Operational Programme "Administrative Reform", and is complemented by other large IT projects G2G, such as ERP (Unified Financial Management System) and HCMS (Single Human Capital Management System for Public Sector).

The whole effort is assisted by a short-term policy of enrichment and utilization of the existing IT infrastructure, with a view to gradually make available to citizens and government agencies new digital services until the large-scale projects are fully implemented. More specifically:

The exclusive digital distribution of documents is already under implementation. (The deadline for full application of electronic signatures and exclusive digital document distribution for all Ministries is set for June 2013)

The licensing of 272 professional categories can take place online through the National Portal "Ermis" which has been upgraded in order to acquire a more user-friendly environment. The effort is ongoing and goes hand in hand with the digitization / simplification of procedures related to investments (6 categories). Electronic payment for license fees is also available.

6.1.1.3 Progress of Reform – Planning

POLICIES IN PROGRESS / PLANNING FOR FURTHER ACTIONS

Ministry of Administrative Reform and E-Governance prioritized a series of policies and actions towards a better organized and operational public administration:

a. Mobility scheme

In the course of 2013, 25,000 employees are planned to enter the mobility scheme. The placement of the employees under the mobility scheme will be connected to the assessment of structures and personnel and to the completion of staffing plans, which will be used to identify redundant positions and reallocate the personnel in a rational way.

b. Performance appraisal system

A public sector performance appraisal system is under planning which will annually measure the performance of both services and employees on the basis of specific and measurable targets.

c. New selection procedure for senior managers

The quality and the skills of the senior management constitute an important area of interest, in the field of the HR management. Senior managers are responsible for planning, organizing, directing and monitoring within their area of competence.

Within the scope of this strategy, the revamped selection procedure of senior managers will be reshaped, focusing on not only on the typical qualifications and the experience, but also on the actual skills of the candidates and the needs of the positions on which they serve.

In this context, the mobility of senior managers from a ministry or a service to another will be facilitated for the first time.

d. Addressing disciplinary cases

Under the provisions of the Law 4093/2012, the legal framework concerning the disciplinary cases is now more severe. To this end, a coherent action plan is scheduled for the enforcement of the disciplinary liability of civil servants.

The concrete actions that are undertaken to support this strategy are:

- ✓ Fully operational disciplinary boards
- ✓ Establishment of a unified inspection mechanism through the merging of GEED and SEEDD and respective special staffing
- ✓ Identification of pending disciplinary cases
- ✓ Addressing the phenomenon of absenteeism
- ✓ Controls in the service records to identify any falsified certificates

6.2 Appendix B: OECD Greek Public Administration Functional Review⁹

This OECD functional review of the central administration in Greece aimed at assessing the efficiency and effectiveness of the central government administration was conducted in 2011. The functional review was also part of the May 2010 MOU between the Greek Government and the so-called Troika composed of the International Monetary Fund, the European Commission and the European Central Bank.

In this appendix we present the major findings of the Report in relation to the identified structural weaknesses and the Recommendations proposed by the OECD experts to overcome these weaknesses.

A thorough review of the Appendix might be useful for identifying similar problems and consider possible solutions.

6.2.1 Identification of Structural Weaknesses

1. **Some reform measures have been established over the last decade, but these have been poorly communicated and implemented**

When assessing Greece's current reform needs and efforts, it is important to look back at the reforms already undertaken. The economic and social strategy followed by Greek governments has been largely focused on European integration. Prior to its entry into the European Monetary Union (EMU) on 1 January 2001, Greece had to make significant progress in macroeconomic management, to bring down its underlying rate of inflation and to keep its public deficits under control. Major structural reforms were also introduced during the 1990s in various parts of the public sector. Market liberalisation advanced, market regulation was assigned to independent bodies, and only a few state monopolies remained.

Several important measures were also taken to tackle chronic problems of the central administration itself, including HR measures (civil service recruitment process), the establishment of a Greek ombudsman, and the reform and rationalization of the regional and local administrations (the so-called Kallikratis reform). A number of necessary actions have been agreed in order to reduce the costs of civil service employment and pensions, and to better control budget expenditures and commitments.

⁹ OECD Public Governance Reviews, GREECE, "REVIEW OF THE CENTRAL ADMINISTRATION", 2012

Two important initiatives are underway to enhance public consultation and improve the transparency of public decisions. The “Open Government” project requires that draft regulations are made available online on a central government website for public consultation. The online publication of all decisions, including financial, from the central government, local government and public administration bodies, is also mandatory, and decisions are not applicable until this requirement is fulfilled.

The government has taken steps to sharpen the focus of ministries on their strategic functions, with the devolution of public service provision to decentralised services and local government. The creation of citizens’ one-stop shops (KEPs) has been an important achievement in this regard. This means, positively, that the central administration now has very few executive functions and is largely focused on policy.

On the whole, these achievements are not well-known. This means that public perceptions of the administration and its capacity for change remain rooted in the negative past. At the same time, implementation of reforms has been a major weakness.

2. Reforms of the central administration have fallen a long way short of securing a strong, coherent strategy and momentum for effective public governance

In several core areas, structural reforms fell short of addressing public governance issues. Basic functions of the government such as tax collection or budgeting were not operating properly. Many ambitious reforms were not appropriately implemented. The apparent inability of successive Greek governments to implement measures that were enacted can be traced back to important weaknesses, which were allowed to persist in the functioning of the public administration. In particular, Greece’s central administration was plagued with inefficient structures, inadequate access to information and lack of co-ordination. Such problems had become a hallmark of the Greek government system long before the financial crisis, with considerable costs for the Greek economy and society.

Despite these shortcomings, Greece was allowed to join the EMU in 2001 and reaped substantial benefits from this accession, not least very favorable conditions on international financial markets.

At the turn of the new century, the declared aim of the Greek Government was to build on its achievements in order to develop a “social state”. Although there was, in principle, unprecedented convergence between the main political parties on the country’s reform agenda (Featherstone and Papadimitriou, 2008), in practice the EMU’s favorable economic and financial conditions became opportunities to

expand the state's umbrella without showing too much concern for its inefficiencies.

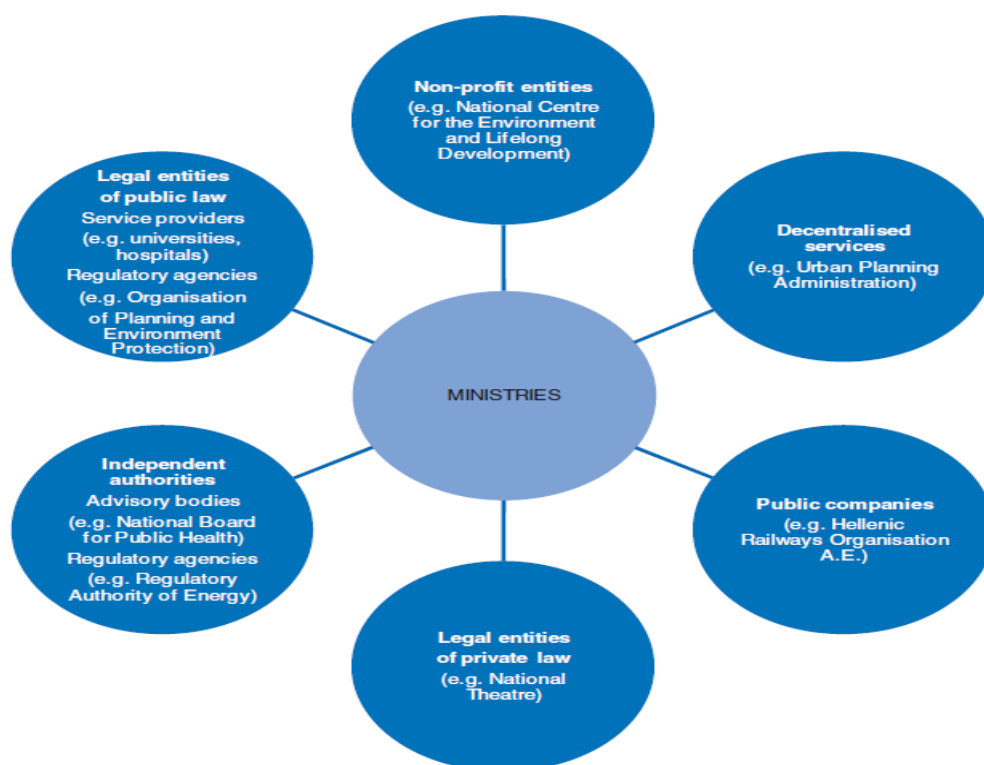
The result is a public governance agenda in sore need of renewed momentum and of a clear and complete strategic vision, to be rolled out without further delay.

3. This matters, because a strong central administration is an essential prerequisite for the success of all public policy reforms in Greece

The central administration is fundamental to the supervision, steering and management of the public sector as a whole. Figure 0.1 shows the key role played by ministries, which are formally responsible for the supervision of all other entities of the public sector

A number of studies of the Greek public sector, indicate that in many cases, these supervision and control functions are not effectively fulfilled and further, that shortcomings and inefficiencies in the functioning of the central administration tend to spread over to the whole of the public sector.

Supervision of the ministries over the other entities of the public sector



4. Despite efforts at reform, the Centre of Government only has limited capacity to set strategic directions and priorities, to steer and co-ordinate developments in line ministries, and to ensure that policies are effectively implemented

The mandate and leverage of the Centre of Government remain ill-defined, limited, and fragmented, even after efforts at reform. This is reflected in weak capacities for setting strategic policy directions and priorities which will be followed through by the rest of the central administration, and in ineffective budgetary management.

Recent initiatives are not clearly inscribed within a coherent and joined up framework which would truly enable the Greek Centre of Government to function effectively, and not least in support of the urgent reforms which are needed. For now, it is not clear how existing and new entities of the Centre of Government will work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication.

Fundamentally, **there is no obvious ownership of the reform agenda** either with specific entities at the Centre of Government, or shared by these entities. **The capacity to co-ordinate with key ministries is also weak.**

5. The central administration as a whole lacks the practical tools, culture and ability to initiate, monitor and implement coherent policies

A major finding of the functional review is that monitoring, co-ordination and information-sharing mechanisms are extremely weak throughout the central administration, which makes it very difficult for individual ministries to supervise and control public sector entities effectively.

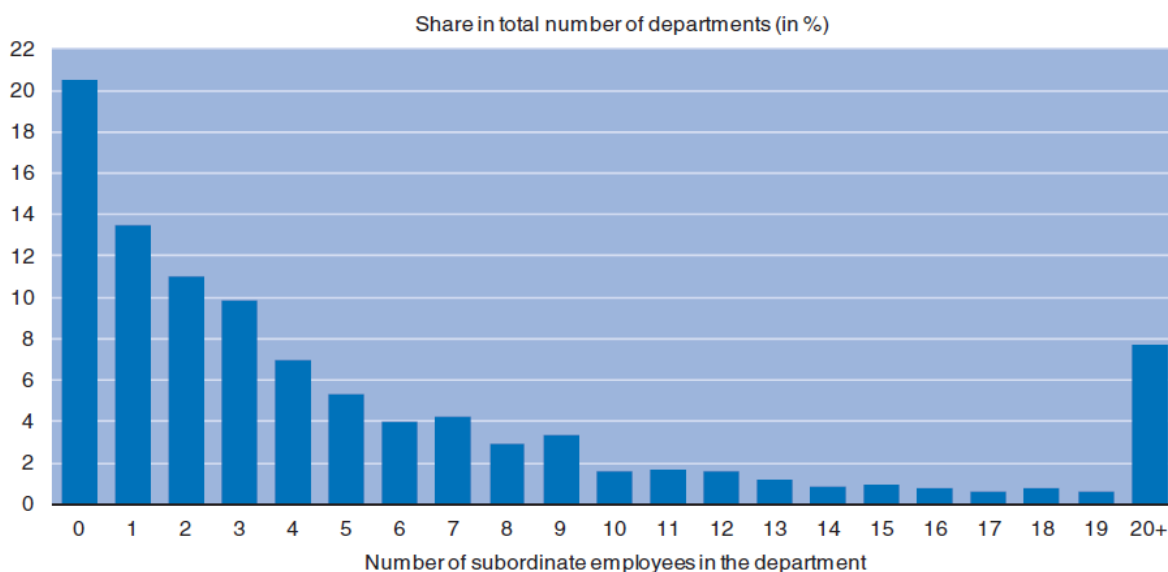
The central administration lacks the management, oversight and co-ordination structures to support effective implementation and long-term management of policy measures, including structural reforms to support sustained economic growth. This is a fundamental obstacle upon which many reforms have already stumbled.

The prevailing culture and procedures in the central administration encourage a ministry-based silo vision of governance, leaving little room or inclination for co-operation across and even within ministries. The administrative culture is largely focused on the fulfilment of formal competencies as set out in the law.

Co-ordination within ministries is very weak. Ministries are affected by organisational sprawl. Each of them has, on average, 439 internal structures.

The bulk of the existing departments do not have the critical size to be efficient; the number of persons in managerial positions is inefficiently large compared to the number of employees under their supervision (see Figure 0.2). Broadly speaking, this shows that one in five departments do not have any employees apart from the head of department; and less than 1 in 10 have over 20 employees.

Figure 0.2. Distribution of the number of departments according to their staffing



Source: Ministry of Administrative Reform and E-Governance.

As a result, administrative work is fragmented and compartmentalised within ministries.

Ministries are not able to prioritise their competences and are handicapped by co-ordination problems. In cases where co-ordination does happen, it is *ad hoc*, based on personal initiative and knowledge, and not supported by structures. **The implementation of policies and reforms is especially weak.** The public sector at large is affected by the inadequate capacity of ministries to carry reforms into the implementation stage.

Examples of weaknesses in the implementation of ambitious reforms abound, particularly when they require co-ordination among different parts of the public administration.

The health care reform of the 1980s was unanimously hailed as a major step in the modernisation of the country's health system, but some of its most important elements were never implemented. An important 2003 law on civil protection was never properly implemented. This weakness of implementation has also affected reforms aimed at strengthening the central administration itself, notably the

introduction of regulatory impact assessments in 2006 and the 2004 law on performance management.

Not surprisingly, the major achievements of the central administration in recent years are projects which escaped both the prevailing culture and existing structures: the successful organisation of the 2004 Olympic Games, or the preparation of important strategic plans such as the National Strategic Reference Framework 2007-13.

6. Ineffective governance and failures to reform are linked to excessive legal formalism

All the areas covered by this review – from HR management to budget processes – reflect a massive issue of “legal formalism” which stands in the way of effective and efficient governance.

This undermines the productivity and efficiency of the central administration, raises its costs, and also undermines the effectiveness of central government services for businesses and citizens.

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

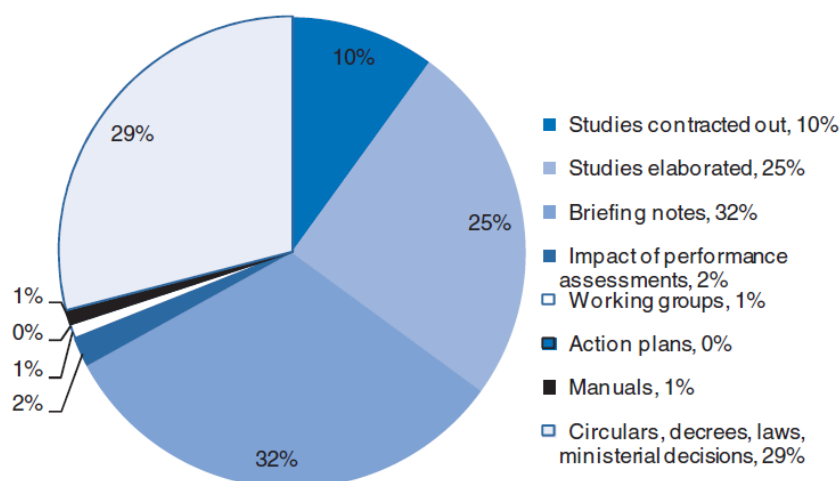
Figure 0.3 shows that policy implementation, assessment and co-ordination represents a strikingly low share of the output of Greek ministries, which essentially consists in preparing (through studies and notes) and producing regulations.

Legal formalism is partly the by-product of a legal system based on civil law, which traditionally emphasises the need for a comprehensive and detailed structure of laws and regulations to cover all issues. However, the corrective action taken in some other OECD member countries with a similar tradition, to secure clarity in legal texts, to update the codes which structure this type of legal system, and to periodically clean up the law by removing redundant texts and by consolidating others, is undeveloped or even absent in Greece.

Legal formalism also reflects the excessive use of internal administrative processes to frame the work of the administration, so that more attention is paid to these processes than to underlying policy work. This is an issue for some other OECD member countries, but in the Greek case, legal formalism has been carried so far that it covers, for example, HR policies and the career of civil servants. This

has generated a framework which is both very detailed and very inflexible. As a consequence among many others, the mobility of personnel across Ministries is seriously compromised.

Figure 0.3. Output of general directorates in 2010

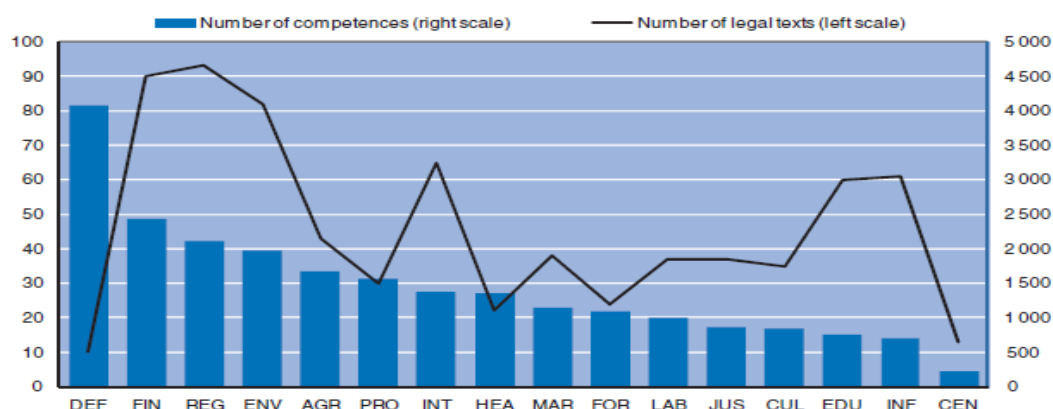


Note: This figure covers the output of the general directorates with executive competencies, and thus excludes the output of general directorates with support competencies.

Source: Ministry of Administrative Reform and E-Governance.

Another example concerns the competencies of the state. These are defined at a very detailed level by the law. It is virtually impossible to take a significant policy or administrative decision, at any level of government, if it does not fall within the scope of a legally provided competency (Figure 0.4). For example, incoming ministers cannot (without great difficulty) rationalise and adapt the structure of their ministries.

Figure 0.4. Number of competencies and of reference legal texts by ministry in 2011



Note: The complete names of the ministries are provided in Annex B.

Source: Ministry of Administrative Reform and E-Governance.

Some of these legal and administrative provisions were originally established to protect the administration against political interference and to secure its integrity. However, the system has generated widespread inefficiencies and a lack of co-operation within the central administration, and at best, mixed results in terms of integrity of the public service.

Legal formalism is in part related to the general vision and expectations regarding the functioning of the government and the public sector at large which prevail among the political and administrative personnel. It is often heard that this vision is part of Greece's culture, but recent developments suggest very strongly that it no longer corresponds to society's expectations and desires.

7. Data management – from collection to collation and analysis – is a major weakness

A crucial shortcoming of public governance in Greece is the lack of factual evidence and data as a basis for policy decisions – including day-to-day administrative management.

Processes to collect, collate and analyse data are far from adequate. The administration does not have the habit of keeping records or the ability to extract information from data (where available), nor generally of managing organisational knowledge.

A striking example is the mapping exercise carried out for this report, a significant and largely successful effort to identify and examine the evidence needed to support the case for reform of the central administration. The mapping has revealed that managers find it difficult to produce information, and often rely on *ad hoc* ways and resources. The mapping teams themselves (set up for this report) have had considerable difficulties, in some cases, in gathering the information.

The mapping exercise, successful as it has been, was a project, and the mapping teams are now being disbanded. Data management should not be treated as an *ad hoc* project, and should not be confined to financial data. It now needs to be put on a sustainable, broader, long-term footing, with appropriate institutions, funding, and training at all levels of the administration.

The May 2010 memorandum of understanding between Greece and the Troika places considerable emphasis on the production of reliable data. However, these requirements are generally restricted to revenue and expenditure data. It would be helpful if the Troika MOU referenced the need for an administration with strengthened capacities and competence to support broader data management.

8. Evidence-based policy making is not yet developed, reflecting the culture of legal formalism, as well as the absence of basic data, and the lack of experience in the use of evidence to build policies

Because of inadequate data collection schemes and the absence of precise data, reform strategies lack a strong evidence base which would justify, support – and quantify – effective and efficient policy decisions. Important reforms of the kind necessary to turn around economic performance and strengthen society need to be anchored in evidence.

The weakness of evidence-based approaches to policy making is one of the seriously negative effects of legal formalism, which disconnects the public administration from the economy and society. The development of laws rests on a largely internal “conversation” within the government. It is thus carried out without any strong sense of their impact on the real world, or – crucially – of how they will be implemented on the ground.

Ex ante impact assessments, whilst now compulsory in principle, are mostly of very poor quality, or not done at all. *Ex post* assessments, which would be instrumental in the monitoring and evaluation of regulatory initiatives, are virtually non-existent.

9. Despite some reforms, there is as yet no complete and coherent HR strategy, and the link with budget processes needs to be enhanced

Human resource management of the central administration has been traditionally characterised by a lack of strategic vision and near-absence of workforce planning, a short-term focus on stand-alone reforms, and the absence of linkages with other areas of public management. The reform effort in HR has run out of steam.

Years of hiring limitations have not substantially reduced the central government’s payroll, but they have led to a considerable demographic shift among central civil servants.

Today, Greece has a fairly old and rapidly ageing workforce in its central government by OECD standards. If strict hiring constraints are applied as planned in the coming years, government staffing at central level is bound to shrink very significantly. The management of this transition will be particularly challenging in certain ministries.

There are, at the same time, serious impediments to the mobility of employees within the civil service, and poor incentive mechanisms to support individual

performance. A very detailed and rigid budgetary process leaves HR and line managers little room for maneuver.

No linkage is made between the attempts to introduce performance-based management of human resources and performance measurement at the level of structures. A relatively high (but not unusual for many OECD member countries) ministerial turnover rate undermines the continuity of policy implementation and exacerbates the political dimension of policy decision making, in the absence of a strong and independent senior civil service.

Important links have yet to be made with budget management. One of the major challenges facing the performance budgeting initiative is building the capacity of ministries to accept responsibility and accountability for their budgets.

10. The combination of these factors – a weak Centre of Government, legal formalism, the absence of basic data, the lack of evidence-based policy making and an undeveloped HR strategy – has created an environment conducive to rent seeking

All economies and societies suffer from rent seeking to a greater or lesser degree. In the Greek context, the framework conditions in the public administration provide especially ample opportunities for rent seeking, in which resources of the public administration (human or other) are appropriated for political, economic or social advantage, without generating any added value. Legal formalism, for example, whilst originally intended to protect the administration against political interference and to secure its integrity, has become excessive to the point that it renders administrative/political processes opaque and complex, providing a screen for individual behaviors that undermine the common good. The emergence of so-called single administrative sectors (sometimes known as special secretariats) around ministers has muddled the political/administrative interface, concentrated decision making in the political domain, and undermined the work of the general secretariats comprised of non-political civil servants, undermining motivation in the civil service. The lack of a complete and coherent HR strategy has also allowed the emergence of personal positions, and special allowances.

11. Public governance reforms are – to an unusual degree relative to other OECD member countries – interdependent

Public governance reform in Greece has to be designed and conducted in an integrated manner. Measures limited to one area of governance, or approached without a clear roadmap, are unlikely to achieve much. It is difficult to imagine, for instance, that reform in human resource management can succeed without the support of converging and coordinated reforms in the overall structure of the government and in its budget procedures.

Such entanglement has two major causes. One is that the dysfunctions of the Greek central administration have built up over decades, and deficiencies in one area have been allowed to spill over to other areas. The other cause is the narrowness of the government's margins for maneuver, given financial constraints. This means that a "big bang" approach is probably the only option. It is only through a general restructuring of its administration that the government can create the scope to reallocate resources and modernise structures so that they are "fit for purpose" to implement the reform agenda.

This will require strong commitment at the highest political level and a considerably strengthened Centre of Government, as well as the involvement and support of all concerned parties, both within the government and beyond (local governments, trade unions and other stakeholders, as well as Greece's European partners and the Troika).

12. An operational roadmap for reform implementation is needed, associated with clear timelines, the systematic monitoring and evaluation of progress, and a strong communication strategy

A complete and coherent roadmap that can quickly be made operational is essential, with clear timeframes for the delivery of component reforms.

The wide-ranging reforms proposed in this report need to be decided, enacted and implemented. This will require firm and consistent high-level political backing, a reform Steering Group at the center of the Greek Government reporting to the Prime Minister, and a structure responsible at the highest level for inter-ministerial co-ordination to support the Steering Group and to deal with ongoing inter-ministerial co-ordination issues. The Ministry of Administrative Reform and E-Governance has already shown the way with the task force to support the preparation of this OECD report.

Communicating on reforms – what has already been achieved and what is work in progress, what needs to be done, and not least, achievements and results as these emerge – is an important part of the process which should now unfold. A key issue will be the perceptions of stakeholders (both inside and outside the administration) on progress. Unless a broad range of stakeholders and the wider public are made aware of achievements and challenges, and are consulted on future reforms, it will be very difficult to achieve consensus and support for the path ahead. This calls for a proactive, credible, evidence-based communications strategy, steered by the Centre of Government.

6.2.2 Recommendations to Overcome the Structural Weaknesses

The above mentioned OECD Report recommended the following:

1. There is no evident overall strategic vision to provide purpose and direction to the long-term future of the Greek society and economy, as well as for the short-medium- and long-term measures to be implemented

It is striking that there is no strategic and shared vision of where Greece wants to take its society and its economy. It means that public, media and internal government attention is unhelpfully focused on fiscal issues, with no sense of a broader agenda. There is no clear central steering, clear ownership of reforms, or accountability for results. At the core of its administration, Greece desperately needs a high-level structure which has the authority, responsibility and capacity to lead the development of a strategic vision and direction for public policies, and the effective implementation of this vision in practice and over time.

Key reforms	Steps for immediate action
Secure a strong centre, designating clear leadership to take clear ownership of reforms and with the power to steer, arbitrate, and decide at the political level. Keep structures simple and, especially, avoid building architecture full of committees. Ensure that the leadership is empowered with the essential functions of a strong centre (strategic planning, communication, public administration reform and strategic HR management, strategic budget management, better regulation, e-government, EU regulatory management and ICT/data management).	<ul style="list-style-type: none"> Set up a high-level reform steering group at the centre of the Greek Government, reporting directly to the Prime Minister, to supervise the reform process and to ensure its coherence. <p>It would define the vision and the reforms needed; establish a roadmap, milestones and monitoring system to track progress; identify key players across the administration (central and local) for effective reform; and communicate that Greece “means business” with reform. The group should be empowered to govern the reform process and arbitrate between options, and take decisions. It should act as a gatekeeper: initiatives, policies, laws, would not progress without its agreement.</p> <ul style="list-style-type: none"> Shape and implement a strategy for regular communication on reform progress, internally, as well as to the wider public. Consider how this needs to be linked to fiscal statements.

2. Pervasive issues of corruption can be linked to the political and public administration culture, and its opaque, entangled systems

The systems in which the public administration is entangled generate the conditions for corruption and facilitate inappropriate individual behaviors, rent seeking and clientelism.

They include weak central authority, a complex legal framework, the absence of basic data, weak audit and control mechanisms, and inadequate HR management. According to a recent Eurobarometer opinion survey, 98% of the population estimates that corruption is a major problem in Greece – the highest score in the EU. However, across the administration, there are highly competent individuals who are motivated for the promotion of fundamental reforms, but their efforts are undermined or even nullified by the behavior and actions of others whose standards and values are not the same.

<i>Key reforms</i>	<i>Steps for immediate action</i>
<p>Establish an HR strategy that is based from top to bottom on non-political appointments and meritocratic criteria, relying on more independent and stabilised structures, building on and clarifying the reforms that have been started in this direction.</p> <p>Establish a strategy to tackle the complex legal and administrative process framework, by simplifying it and by making it more transparent.</p> <p>Develop data and knowledge management capacities at all levels of the administration and disseminate data and good practices widely, both within and outside the administration.</p>	<ul style="list-style-type: none"> • Confirm and elaborate as necessary this report's diagnosis of the systemic faults or weaknesses in the public administration framework which provide the conditions for corruption, as the basis for development and rapid implementation of an anti-corruption strategy. • Identify immediate actions, and communicate them involving the highest level authorities. Providing examples of good governance. • Promote a code of ethics that enhances integrity in the public sector.

3. The Greek Government is not “joined up” and there is very little co-ordination, which compromises reforms that need collective action (most of them)

There is very little co-ordination between and within ministries. The administration generally operates in silos. Fragmentation and overlaps among structures and tasks discourages co-operation. Collective commitment to a reform agenda is absent. Ministries do not share information easily. Co-ordination where it happens is usually *ad hoc*, based on personal knowledge. A striking recent example of silos is programme budgeting, which was developed without any link to performance management. Dramatic increases in productivity can be expected from rationalised ICT systems to allow the sharing of data within and between ministries.

Key reforms	Steps for immediate action
Develop a streamlined but complete strategy to strengthen the Centre of Government, the strategic centre of ministries and the inter-ministerial co-ordination that needs to link them together. Establish and roll out a complete strategy for shared internal ICT systems and the related rationalisation of government buildings	<ul style="list-style-type: none"> Establish a stable structure responsible for inter-ministerial co-ordination at the highest level with clearly defined responsibilities. This structure would deal with the ongoing inter - ministerial issues. But, in a first phase, it should also be in charge of the implementation of the decisions issued from the high-level reform steering group mentioned above. Establish strategic units at the centre of each ministry, covering strategic planning, HR, budget, better regulation, data and ICT issues, to secure intra-ministerial co-ordination within each ministry, an effective interface across ministries, and support for the steering group and inter-ministerial co-ordination group. These units should ideally include secondees from other ministries. No outsourcing of external appointees, if possible. Establish an ICT plan to secure interoperability between ministry systems and boost data collection and sharing, starting with core ministries and buildings (pending rationalisation of the latter)

4. Implementation of policies and reforms is a major and debilitating weakness, due to a combination of weak central supervision and a culture that favours regulatory production over results

Ministries take decisions but these are often not reflected in concrete results. A succession of reforms launched in recent years (including reforms of the administration) did not bring the expected results, due to poor implementation. Central administration supervision and control of the wider public sector is ineffective. The relations between the central administration and the rest of the public sector need attention. Central vision and steering, once in place, will need to link up with key players elsewhere across the public administration (central and local), in order to secure “buy in” and effective implementation. Policy implementation, assessment and co-ordination account for a strikingly low share of the output of Greek ministries, which essentially consists in producing regulations. Virtually no attention is paid to reporting, control or monitoring

Key reforms	Steps for immediate action
Establish a strategy to address the issues that block the implementation of reforms. Monitor reform implementation, with a measurement system that identifies policy priorities and expected results, through the establishment of indicators/thresholds/best international practice, when feasible. Strengthen the structures that link the central administration with the rest of the public sector. Identify and enable leaders in the rest of the public sector to deliver on key policy initiatives.	<ul style="list-style-type: none"> Require that any new law or policy includes an implementation plan, with milestones and quantitative fact-based indicators of results, and the clear identification of those actors who need to play a part in the implementation process.

5. Budget management needs urgent attention, to improve expenditure control

Despite some reforms, the pace of change is too slow and fragmented. It is very hard to monitor and control expenditures. The budget is fragmented and non-transparent, detailed and input oriented. There has been practically no use of output information and performance information in the budget process. Instead, there is a rigid and complex system of continuous central monitoring. This leaves

HR and line managers little room for maneuver, and undermines their accountability.

Key reforms	Steps for immediate action
Rationalise and clarify the budget framework. Continue to strengthen the reforms to install programme and performance linked budgeting, with the focus on policy objectives.	<ul style="list-style-type: none"> Move the focus from central <i>ex ante</i> to <i>ex post</i> controls on budget management and execution. Do this by strict monitoring and enforcement of budget ceilings on line ministries, and by dismantling inefficient <i>ex ante</i> controls currently executed by the Ministry of Finance. <i>Ex ante</i> controls should be the legal responsibility of the line ministries.

6. Human resource management needs equally urgent attention, to strengthen the civil service and promote mobility

The senior civil service needs the credibility and competence to be effective as the steward of sustainable policies across political cycles. The distinction between the political level and a technically competent, objective public administration needs to be drawn clearly. The current hierarchy is top heavy, with senior civil servants sometimes in charge of “ghost” departments.

There is no effective structure of middle management. Ministries are affected by organisational sprawl, redundant structures and too many units. There is little scope or incentive for ministries to allocate and manage their resources according to need. There is very limited mobility within the Greek public sector. Mobility involves heavy and difficult procedures. Reforming the current framework that prevents ministries from shifting human resources towards priority areas is fundamental.

Key reforms	Steps for immediate action
<ul style="list-style-type: none"> Confirm and strengthen a non-political senior civil service and empower middle managers. Rationalise and strengthen the institutional framework to support an effective HR strategy. 	<ul style="list-style-type: none"> Establish practical principles to guide immediate actions in support of more efficient and effective administrative structures, pending deeper reforms. These should include the principle of “units with a purpose” (tackling “ghost” departments and merging duplicative support units), and the

<ul style="list-style-type: none"> • Establish a complete HR strategy. • Establish performance assessment of top managers, linking this to the milestones for public administration reform. • Confirm and strengthen clear rules and processes for key issues such as nomination procedures and length of appointment. • Tackle mobility problems, not least by rationalising job categories. 	<p>principle of a well-defined hierarchy with defined leadership and management roles, starting with a simplified top management (rationalising the duties, number and scope of work of secretaries general, identifying the civil service leadership of a ministry, and clarifying roles among the top level).</p> <ul style="list-style-type: none"> • Make the necessary links between HR and budget reforms. Programme budgeting based on policy objectives to be achieved should be clearly linked to the development of performance management by objectives. <p>The latter in turn should be clearly connected to individual performance appraisals.</p>
---	--

7. There are crucial shortcomings in data collection and management which stand in the way of effective and evidence-based reforms.

There is no systematic record keeping and a chronic lack of factual evidence and data as a basis for policy decisions – including day-to-day administrative management. Processes to collect, collate and analyse data are far from adequate. The administration does not have the habit of keeping records, or the capacity to extract information from data, and generally of managing organisational knowledge. Inadequate data means that reform strategies lack a strong evidence base to support effective and efficient policy decisions. The systematic use of data and the adoption of an evidence-based approach to policy making will require a profound cultural change across the administration.

Key reforms	Steps for immediate action
Establish a strategy to address data collection and management, with appropriate institutions, funding, and training at all levels of the administration. Implement a government-wide knowledge management system.	<ul style="list-style-type: none"> • Identify essential data for collection by ministries, via the strategic central ministry units proposed under issue 3 above

8. The Greek administration is caught up in a complex legal framework which discourages initiative, puts the focus on processes rather than policy, and blocks reform progress

This problem needs to be tackled at its roots. Laws, regulations and formal processes, which have accumulated over time, shape the work of the public administration, leaving little room for effective policy making, or incentives for this. Administrative processes are more important than policy substance. The work of the Greek administration is defined at an extraordinarily detailed level by laws and processes. All decisions must derive from a legal provision. Ministers and civil servants are often blocked from taking even minor actions (such as removing a redundant unit) if the law does not provide for it. “Legal formalism” was originally established to secure integrity and protect against political interference. Instead, it has generated inefficiency on a massive scale, and done little for integrity.

Key reforms	Steps for immediate action
Address the underlying issues that drive the continuous development and use of laws and processes so as to simplify the legal structure and processes. Identify and analyse the parts of the legal framework which require reform in order to change the focus of the work of the administration from formal compliance with detailed requirements, to the achievement of strategic objectives and policies.	<ul style="list-style-type: none"> • Accelerate the processes for cleaning up and simplifying the legal and regulatory stock, and ensure that any new law related to the public administration reforms is coherent with the overall reform. • Adopt and implement the Better Regulation Law.

6.3 Appendix C: .The Existing Greek Budgetary System¹⁰

6.3.1 Budget Formulation

As in many countries, the Greek budget lacks strong top-down procedures, does not cover all government expenses, and has a very detailed input focus. Its key characteristics are:

- Weak top-down budgeting
- Lack of a unitary budget
- Detailed input orientation

i. Weak top-down budgeting process

The Greek budget preparation process is to a large extent a bottom-up exercise. Line ministries enjoy a high degree of freedom to propose their spending wishes, with little early guidance from the Prime Minister, the Council of Ministers (Cabinet), or the Ministry of Economy and Finance. This lack of early guidance primarily concerns funds for new policy initiatives, since salary expenditures of current policy are centrally controlled.

The meeting of the Council of Ministers (see below) is a general discussion on the budgetary position but with no specifications of overall political priorities or budgetary developments at a ministerial level. Ministerial spending ceilings are not set at this stage or at a later stage of the budget process except the more or less formulaic calculation of personnel expenditure. The initiative for new policy and fiscal measures is left to the line ministers. The overall Stability and Growth Pact targets are discussed. This organisation of the budget preparation process gives little incentive for the line ministers to think in terms of reallocation and prioritising instead of asking for additional funds, and indeed often leads to strong pressure on the expenditure side. In comparison, a more top-down process— where an early decision is taken on overall expenditures which is then subdivided into ministerial ceilings – has proven to be more effective in containing costs and making the line ministry feel ownership for fiscal decisions within the ministry's area of responsibility.

ii. Lack of a unitary budget

In the Greek budget:

there is a split between the “ordinary” annual budget and the investment budget

¹⁰ The budgetary system described in this Annex is the existing system that remained in existence in parallel with the introduced Programme Budgeting system, after the recommendations by the OECD and the introduced changes in the year 2010.

- ✓ special accounts belonging to line ministries, agencies and other budget users are excluded from the ordinary budget process and
- ✓ the scope of the budget is not sufficiently inclusive

Based on a perceived need for fencing in and earmarking money for investments in the 1950s, the investment budget was separated from the ordinary budget. Thus, appropriations for investment expenditures and other expenditures are negotiated separately, reducing the possibility to make efficient trade-offs between these two expenditure types. In practice, the capital budget is determined to a large extent (about 70%) by the amounts necessary to co-finance projects with EU funds. In addition, the funds are allocated so that projects that have been started can be worked on or finished in the budget year.

Finally, the discretionary part is determined on a case-by-case basis.

Before 2002, the split of the two Greek budgets was reflected institutionally in that the responsibility for the investment budget was in the Ministry of National Economy while the ordinary budget was the responsibility of the Ministry of Finance/General Accounting Office. Since 2002, the Ministry of National Economy and the Ministry of Finance have been unified in the Ministry of Economy and Finance. However, as the responsibilities are still in two different directorates, the co-operation between the budget office (the General Accounting Office of the Ministry of Economy and Finance) and the Directorate for Public Investments is limited, and a real merger of the responsibilities of the ordinary and the investment budgets has not occurred. The split in responsibilities applies to both budget preparation and budget execution.

Special accounts

Part of Central government activity is financed through special accounts. These 130 accounts are not incorporated in the budget. They are financed through earmarked revenue, but also financed partly (about 25%) via the budget. Their expenditures may be used for earmarked purposes that are specified by law. Their expenditures are not subject to the same *ex ante* and *ex post* scrutiny and rules as appropriations in the annual budget.

Given that the detailed ordinary budget is governed by a tight fiscal law, line ministries appreciate the discretionary spending freedom allowed by the special accounts.

Since 2004, a table containing a gross overview of the special accounts (by ministry) has been part of the budget documentation, so some transparency concerning these accounts has been introduced. The revenues from the accounts amounted to EUR 4.5 billion in 2006, EUR 5.2 billion in 2007, and are expected to be EUR 5 billion in 2008. For 2007, their revenue amounted to 2.3% of GDP. A

trend in recent years has been an accumulation of unspent funds in the special accounts. In 2006, the amount was EUR 2.8 billion, and it is expected to have increased further in 2007 by about EUR 0.3 billion. About EUR 2.5 billion from the special accounts is collected and spent in the Ministry of Economy and Finance. This is also where the accumulation of the funds mostly takes place. The total amounts that are at the discretion of different budget users differ between special accounts. For the Ministry of Culture, the amount represents approximately 25% of total expenditures from the ordinary budget, the investment budget and special accounts. The Ministry of Economy and Finance must approve the opening and closing of the special accounts.

Although special account revenues have to be spent within the legislated purpose for each one, the legislation can be quite vague in some cases. Thus, special account revenue can be spent by the relevant line minister with fewer restrictions than is the case for funds from the ordinary budget. Given the spending restrictions in the detailed ordinary budget, line ministries appreciate this greater discretionary freedom afforded by the special accounts. Reallocating appropriations to fund cost over-runs or new spending during budget implementation involves a complex administrative procedure with the Ministry of Economy and Finance, while using funds from the special accounts is an internal line ministry exercise.

Central government sector and the budget

The scope of the budget is not sufficiently inclusive. The “core” central government – which together comprises the central government budget – consists of the ministries and the regions. Not included are public enterprises and organisations, social security funds and hospitals, prefectures and municipalities, and public law entities.

However, budgetary transfers to these organisations are included.

Public enterprises and organisations are mainly self-financed activities – like utilities, railways, trams, and ferries – and the companies are often listed but with a majority stake owned by the government. In addition, they receive annual cash loans to cover their projected deficits. Their borrowing requirements in 2006, 2007 and 2008 (projected) represent 0.74%, 0.85% and 0.98% of GDP. Public law entities on the other hand are entities more closely related to government-funded service provisions. The difference is that they are organised as separate legal entities with a large degree of managerial freedom, but primarily financed via the annual budget. Examples of public law entities include universities, where two-thirds of expenditures are funded by the central government budget. Only the amount transferred from the central government is visible in the budget; thus, what is noted in the budget is a net transfer to the entity, not the gross expenditure.

The social security sector is governed by two systems. With regard to the public sector, the annual budget finances the pensions of retired public sector employees on a pay-as-you-go basis. In addition, all costs related to health and other social security costs for public sector employees are financed via the annual budget. For the private sector, social security costs (including health expenditures) are financed via a number of extra budgetary funds and pension funds. Every social security fund draws up its own budget which is then approved by its board and by the Minister of Employment and Social Protection. The state contributes to the funds' revenues by grants via the state budget. However, it is not the state budget that defines the nature and the level of the expenditure but the specific provisions of the funds. Parliament is only given information on, and asked to approve, the total transfer of grants and contributions to these funds from the state budget, without a due presentation of the funds' budgets.

Box 1. The General Accounting Office: the central budget authority in Greece

The Ministry of Economy and Finance, one of 16 ministries in the Greek government, is the central hub in the budget preparation and execution process. Important parts of the Ministry of Economy and Finance are the General Accounting Office (GAO) and the Departments for Tax Administration and Economy, each headed by a deputy minister. The GAO is the central part of the Ministry of Economy and Finance in the budget process and plays the role of the central budget authority despite its name. This central role applies to both budget preparation and budget execution. The overall responsibilities of the GAO are to:

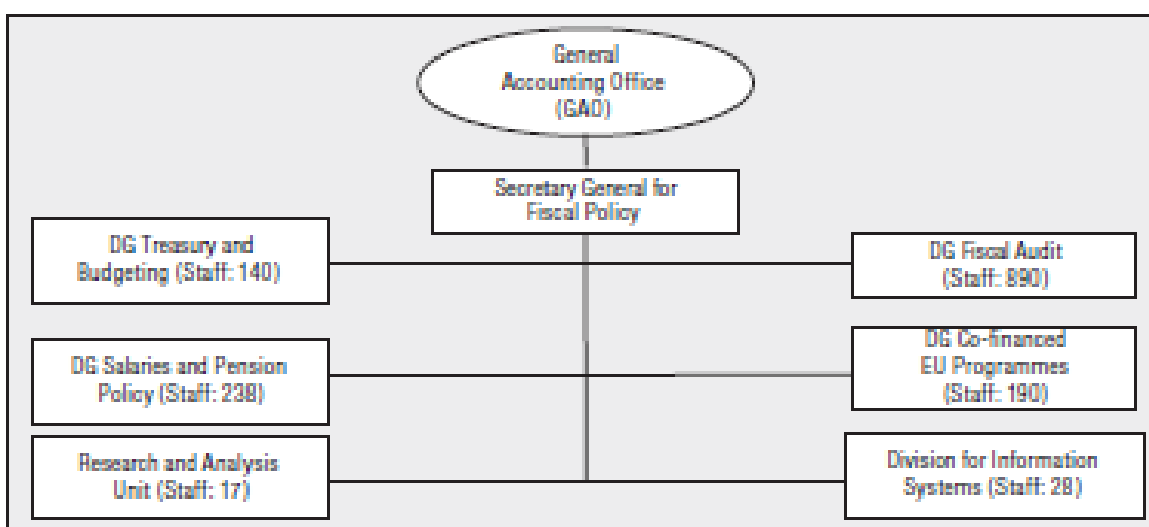
- Prepare the annual budget, financial statements and overall balance of the government.
- Oversee implementation of the budget and exercise control over public expenditures.
- Exercise financial control over funds from the state budget and EU-funded projects.
- Manage cash and administer state assets.
- Manage debt and guarantees.
- Issue payroll regulations and payments of wages and pensions for civil servants/pensioners.

iii. Detailed input orientation

The Greek budget is very detailed and input oriented. There is practically no use of output information or performance information in the budget process. At present, the Greek budget contains some 14 000 line items. Appropriations are currently specified according to an institutional hierarchy and an economic classification. The institutional classification has several layers, starting with the responsible ministry and going down to spending units. The appropriations of the ordinary budget (the investment budget specifies investment expenditures) are in turn specified according to economic classification, *i.e.* what the funds can be spent on: salaries and wages; other operating expenditures; subsidies and grants; returned resources; pensions; miscellaneous expenditure; and interest on public debt.

The detailed classification system discussed above creates a number of problems. First, the annual budget consists of many thick books of detailed tables where too much detail makes it difficult to have an overview and analyse the budget, even if there are summary tables included in the budget introductory report. Second, detailed line-item specifications make it difficult for spending units to easily reallocate funds in the light of changed circumstances (see also Section 4 below on budget execution). Third, the classification system gives managers of spending units little room for maneuver to organise their activities as efficiently as possible (*i.e.* to decide on the input mix), as appropriations are tied to specific economic spending categories. Also, it might lead to lesser responsibility and accountability of managers, as they feel that everything is decided for them and no responsibility is given to them to fulfill their task. It should be noted, though, that this rigid and complex system of continuous monitoring by the Budget Directorate and the Fiscal Audit Offices of the GAO is viewed by many to be a response to a less than adequate degree of responsibility and accountability in the line ministries.

The Organisation of the General Accounting Office



6.3.2 Annual Budget Process

The Greek budget is approved on an annual basis, with the budget year corresponding to the calendar year. As noted, it consists of two parts: the ordinary budget and the investment budget. The revenue and expenditure of the special accounts, discussed above, are not part of the budget. However, these accounts are noted in the pilot programme budget for the Ministry of Culture.

The budget preparation process starts in January/February in the year before the budget year: the Macroeconomic Analysis and Forecast Directorate (MADI) updates the macroeconomic forecasts for the budget year (t+1) and the following two years (t+2 and t+3). Forecasts for the short term (t+1) are done twice annually (spring and autumn); for the medium term (t+2 and t+3), forecasts are done annually for the Stability and Growth Programme that the Greek government must deliver to the EU in the autumn each year.

The medium-term forecast is not updated as part of the budget preparation process in the spring. The overall position of the central government finances is updated centrally using the new forecast. One feature of the forecasting process is the overall fiscal targets that the Greek government decides to reach in the medium-term Stability and Growth Programme forecasts. If the fiscal targets (deficit, expenditures, revenues) are not reached according to an updated medium-term forecast, unspecified or partly specified “reforms” are added (such as a reduction in tax evasion or government expenditures), without these reforms being specified in concrete detail.

The macroeconomic forecasts are not used in the line ministries’ budget preparations; rather, they develop their own forecasts. This practice naturally hampers the use of the estimates and indeed undermines the integrity of the budget. The Greek budget is valid for one year as in all OECD countries, but does not contain any estimates for out-years. Most OECD countries use multi-year estimates, among other things in order to maintain a medium-term perspective on the consequences of current policy. The political involvement starts in early spring with a meeting of the Council of Ministers (Cabinet) which is chaired by the Prime Minister. The Prime Minister informs ministers of the overall budget position for the next year. Each minister is allowed to bring up policy proposals at this meeting, but usually no decisions are taken on the proposals.

The meeting concerns the main political priorities for the government as a whole. At this meeting, or later during the budget submission phase, each line minister will bring forward his/her own policy suggestions. The updated Stability and Growth Programme is presented by the Minister of Economy and Finance and sets the main parameters for the budget. Top down ceilings for each line ministry are not set at this meeting.

Later in the spring (May), the Budget Directorate (part of the GAO) sends a budget circular to line ministries and regions. This is the start of the budget formulation process in line ministries. The circular contains two parts: main fiscal policy targets and overall targets for the overall deficit (the ones already discussed in the Cabinet meeting); and technical instructions to line ministries on what should be included in their budget submissions and deadlines for budget submissions. The circular is a very brief document that gives line ministries very limited instructions in terms of new policy or limits on overall ministerial expenditures or on new proposals as a starting point for the budget formulation process. Also, the circular does not include the macroeconomic forecasts, and line ministries are not obliged to use the specific parameters, like price and volume indexes, prescribed by the Ministry of Economy and Finance or agreed with that ministry when they submit their budget proposals. Each line ministry, or its spending departments, develops and uses its own indicators that influence appropriations under its responsibility, and there is no overall co-ordination. Sometimes, line ministries develop their submissions in a discussion with the MADI (e.g. unemployment benefits), but that is not mandatory. A situation is thus created where it is difficult for the GAO to oversee and evaluate the submissions from line ministries. This situation also raises the issue whether the budget as a whole is consistent, as submissions from different ministries may not be actually based on the same set of figures although similar indicators influence their areas.

In June, the Directorate for Public Investments sends out its own budget circular regarding instructions for investment expenditure. This circular is similar to the one for the ordinary budget, and does not contain very much information on what line ministries can submit, but is more focused on how and when submission shall be made. The deadline for budget submissions, both for the ordinary budget and for the investment budget, is in mid-June. As soon as submissions from the line ministries have been received by the GAO and the Directorate for Public Investments, they are scrutinised by the respective directorates, and overall assessment is done on the size of the submissions compared to what can be managed given the deficit target and revenue estimates. As line ministries are not limited in the initial phase of the budget preparation process, submissions are often higher than what is possible, given revenue estimates and the targeted deficit. Thus, a heavy political prioritisation process has to be initiated.

Spending proposals are first discussed at lower levels and, if they cannot be resolved, are raised ultimately to ministerial level. If the line minister and the Minister of Economy and Finance cannot agree, ultimately the Prime Minister will decide. This is not common but happens occasionally. The lack of top-down ceilings means that the finance ministry has less time to focus on thorough analysis of major expenditure areas; the weeding out of expenditure increments is very time consuming.

Parallel to the process of discussing appropriations, tax legislation is discussed. Even though tax legislation is separate from the annual budget, both the revenues and the expenditures are discussed together. Tax increases to finance higher-than-expected appropriations are supposed to be used only as a last resort. The lack of a top-down budgeting procedure could result in the government not knowing how large the overall expenditures will be, thus complicating the task of adhering to the Stability and Growth Pact deficit limit of 3% of GDP.

The deadline for submission of the preliminary draft budget executive summary to Parliament is the first Monday of October. The preliminary draft budget is scrutinised and discussed in Parliament (see Section 3). Parliament gives feedback to the government and the ministries. The Ministry of Economy and Finance then prepares and submits its draft to Parliament no later than 21 November. Proposals from Parliament practically never lead to increased or decreased expenditures and/or revenues.

Box 2. Budget formulation timetable

January-February Update of the macroeconomic forecasts.

Early spring The Council of Ministers discusses and decides on main fiscal parameters (deficit and debt).

Spring (May) The circular from the Ministry of Economy and Finance

(MOEF) is sent to line ministries and regions. The circular contains two parts:

- ✓ the main fiscal policy targets and overall fiscal policy parameters (deficit and debt); and
- ✓ a technical part specifying the deadlines and the information to be included in the line ministries' budget submissions.

Spring (June) Investment budget circular.

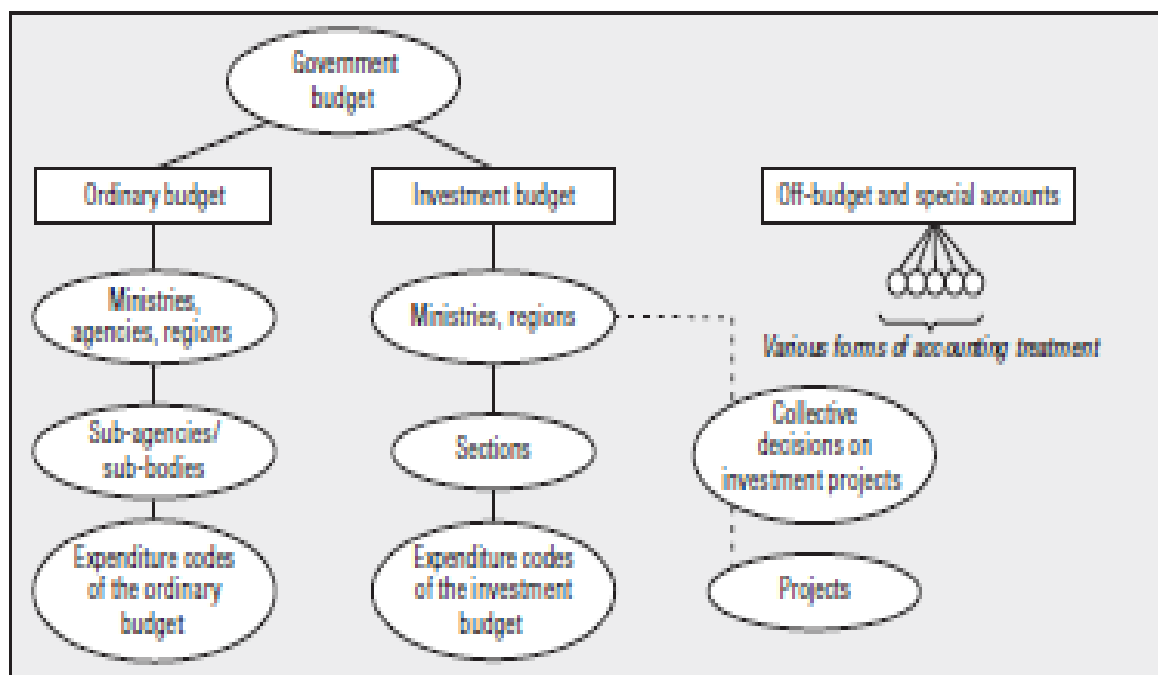
Mid June Deadline for budget submissions from the line ministries and the regions.

First Monday in October Preliminary draft budget submitted to Parliament.

No later than 21 November Draft budget submitted to Parliament.

No later than 31 December Budget is voted in Parliament

The existing budget system



6.3.3 Parliamentary Approval

Parliament has six large standing committees:

- ✓ Cultural and Educational Affairs
- ✓ Defense and Foreign Affairs
- ✓ Economic Affairs
- ✓ Social Affairs; Public Administration
- ✓ Public Order and Justice
- ✓ Production and Trade

In addition, there are two special standing committees, including the Special Standing Committee on the Financial Statement and the General Balance Sheet of the State. There are also special committees, internal committees (such as the Committee on Parliament's Finances), investigative committees and *ad hoc* committees.

Source: Hellenic Parliament, www.parliament.gr; The Economist Intelligence Unit, www.eiu.com.

i. Pre-budget consultations

The Greek Parliament is formally consulted prior to the presentation of the budget.

Article 79(3) of the Constitution requires pre-budget consultations with the relevant parliamentary committee. The procedure was introduced in 2001 and reflects a desire to strengthen parliamentary involvement. On the first Monday of October, the Minister of Economy and Finance submits a preliminary draft of the budget (executive summary) to the competent committee for comments which are to be taken into account in finalizing the budget proposal.

The Standing Committee on Economic Affairs of Parliament reviews the preliminary draft budget. The committee is comprised of 49 members and reflects the political composition of the full chamber. The debate in the committee may not exceed three sessions and takes place along party political lines. The committee does not vote on the preliminary draft budget, nor is there a debate in the chamber, but the comments produced during the committee's deliberations are forwarded to the Ministry of Economy and Finance for consideration.

In practice, this pre-budget debate does not appear to have any substantive effect on budget policy. The draft budget presented in October and the budget presented in November are broadly the same. Box 5 gives examples of pre-budget consultations in other countries that enable more substantial parliamentary involvement.

ii. Approval of the annual budget

The timing of the parliamentary budget process is regulated by Article 79(3) of the Greek Constitution, which requires the Minister of Economy and Finance to present the budget at least 40 days before the beginning of the fiscal year. Article 8(1) of the budget law (Law No. 2362/1995) requires at least one month. The reason for this discrepancy appears to be that the law predates the constitutional reforms in 2001 that slightly extended the time allotted to Parliament. The constitutional deadline for presenting the budget is adhered to in practice. Some current Members of Parliament do not recall instances of delays.

The budget submitted to Parliament comprises the ordinary budget as well as the public investment budget. Article 5 of the budget law requires a detailed institutional classification. For the first time, the Ministry of Economy and Finance published an appendix to the 2008 budget that attempted to structure the budget on a programme basis.

The budget is accompanied by an introductory report that comments on economic developments and government policy. The documentation also includes information on state guarantees and tax expenditures. There are no multi-year forward estimates.

Moreover, Parliament does not receive comprehensive information on the consolidated public sector including local government, social security and other public law entities. There is information on some off-budget funds, but Parliament only approves contributions to their revenues in the form of grants from the budget. Hence, the available documentation is not comprehensive and of limited use for scrutinizing government policy.

Following the presentation of the budget by the Minister of Economy and Finance, it is sent to the Standing Committee on Economic Affairs for examination. Other committees are not involved in the scrutiny process. The chair of the Standing Committee on Economic Affairs appoints general rapporteurs from each parliamentary group and assigns the different parts of the finance bill for consideration, as outlined in Article 121(8) of the Standing Orders. The rapporteurs may not take longer than eight days after the first session before submitting their reports. The committee then debates the finance bill in four consecutive sessions, at most. The Minister of Economy and Finance or a deputy finance minister attends the debate. There is no independent research capacity in Parliament to provide analytic support during this process, although several members of the current committee support the creation of a budget analysis unit. Some members complain about the ineffectiveness and uninformative nature of this stage of the debate.

One described it as “a series of parallel monologues” along party political lines.

Following the conclusion of the committee’s discussions, a report is transmitted to the full chamber at least three days prior to the opening of the debate in the plenary. The plenary debate on the finance bill lasts at least five consecutive days; its format is regulated by Article 123 of the Standing Orders, and it takes place along party political lines. The Minister of Economy and Finance starts the debate with an opening statement, following which the different parties are given an opportunity to present their views on the budget.

The debate on the finance bill must conclude at midnight of the day of the last session, and is immediately followed by a vote in the plenary. Rejection would bring down the government, and this has not occurred. Commenting on the lack of in-depth scrutiny, one Member of Parliament summarised the debate on the floor as “a very imperfect process”.

The Constitution gives Parliament powers to amend budget proposals with only minor procedural restrictions. Article 8(1) of the budget law merely stipulates that Parliament’s own rules are to regulate the annual budget procedure. The Standing Orders of Parliament impose strong procedural restrictions. Article 123(6,7) of the Standing Orders prescribes a voting procedure in the plenary that takes the form of an accept-or-reject block vote on the executive proposal, which eliminates the

possibility of amendments. Hence, the parliamentary process does not generate any changes to the budget as presented by the executive.

It should be mentioned, however, that a new amendment to the Constitution and to Parliament's Rules of Order concerning the budget procedure was added in June 2008. The change entails that, in future, Parliament will be able to make amendments to the budget if the budget totals are unchanged – *i.e.* that Parliament can reallocate between line items and not only vote on the budget on a block basis.

Article 9 of the budget law and Article 79 of the Constitution regulate reversionary provisions in case the approval of the budget is delayed beyond the beginning of the relevant fiscal year. If Parliament's session expires prior to voting the budget or a special law that authorises interim provisions, the previous budget can be extended by decree for a further four months. In practice, the budget is usually approved prior to the beginning of the relevant fiscal year.

iii. Lack of in-year oversight

There appears to be little parliamentary interest in budget execution. The Standing Committee on Economic Affairs does not consider the monthly actual spending and revenue updates released by the Ministry of Economy and Finance, nor the mid-year report.

There is a sub-committee of the Standing Committee on Economic Affairs that considers the annual accounts and balance report. This sub-committee could be used to ensure parliamentary oversight of implementation on a more continuous basis during the fiscal year, but this opportunity is not utilised. Hence, only a minimal degree of oversight of execution occurs, and with a substantial delay, during the parliamentary debate on the accounts, which is described in more detail in Section 5.

Article 8(2) of the budget law regulates the conditions under which adjustment appropriations must be presented for approval. The article stipulates that when actual revenues or expenditures deviate “significantly” from those approved by Parliament, the submission of a “supplementary or corrective budget” accompanied by a report is required.

In practice, the government has interpreted these provisions permissively. There are often large deviations between the approved budget and actual expenditures, and overspending is not uncommon. For instance, actual spending on the ordinary budget has exceeded the voted total by more than 5% in some recent years. Yet, these deviations have been interpreted as not meeting the test of “significant”. In practice, the Ministry of Economy and Finance has never submitted a supplementary budget.

iv. Support for budget reform

Members of Parliament in the Standing Committee on Economic Affairs are aware of the weaknesses of the Greek budget system. Moreover, there is strong cross-partisan support for the main aspects of the government's budget reform proposals (including efforts to strengthen the comprehensiveness of the budget by eliminating off-budget funds and special accounts) and for the introduction of medium-term planning and programme budgeting, combined with an increased focus on performance. There is also support for accounting reforms and demand for improved information on assets and liabilities as well as tax expenditures. The impressive level of support for the government's reform agenda in Parliament provides a unique window of opportunity to carry forward the main aspects of the initiative.

Not surprisingly, it is mainly opposition Members of Parliament who support a strengthening of the legislature's involvement in the budget process. One suggestion is to enable Parliament to amend the budget within the expenditure total in the budget proposed by the Minister of Economy and Finance. This would allow shifts between different items, but in a way that an increase in one item would have to be offset by a decrease in another item. Several MPs also voiced support for the creation of a nonpartisan parliamentary budget analysis unit to support Parliament's deliberations on the budget.

6.3.4 Budget Execution

6.3.4.1 The organisation of budget execution

The implementation of the Greek budget is the responsibility of the ministries, controlled to a high degree by the Minister of Economy and Finance, through the Fiscal Audit Office and the Budget Directorate of the General Accounting Office. The GAO Budget Directorate is heavily involved in quarterly allocation of the budget and consideration of modifications to the budget. All budget transactions are reviewed for legality and regularity by the GAO Fiscal Audit Office and by the Court of Audit.

Execution of the budget varies depending upon the category of spending. Payments of wages, salaries and pensions follow simple procedures established by regulation.

Payments for more discretionary expenditures such as grants, transfers of appropriations between different bodies (ministries), and procurement must meet regulations and be consistent with approved allocations, and are subjected to substantial pre-payment reviews. For investment expenditures, the Directorate for Public Investments issues quarterly ceilings and ministries develop monthly cash plans based on expected construction schedules.

Every ministry has at least one financial division that is usually responsible for both the budget and accounting. The basic roles of these divisions are:

- to collect and study the necessary documentation for the formulation and modification of the ministry's budget;
- to collect, examine and send to the GAO Fiscal Audit Offices the necessary documentation for the validation of the ministry's expenditure (except some of the mandatory expenditure);
- to prepare and approve the payment of some of the mandatory expenditure (salaries, rents);
- to procure buildings, equipment and services needed for the good functioning of the ministry, and to take care of their maintenance; and
- to warehouse materials.

The ministries oversee the finances of executive agencies and public institutions within their control, such as special decentralised services like hospitals and universities.

The Fiscal Audit Offices (FAOs) answer to the GAO. These FAOs are responsible for the review of each transaction to ensure that the expenditure meets legal requirements and is appropriately documented. Total staff of the FAO is 850 personnel, the majority distributed among 16 ministries, other government bodies (the Presidency of the Republic, the Secretariat General for Communication/Secretariat General for Information, the municipality of Athens, public law entities supervised by the Ministry for Rural Development and Food) and 57 prefectures (including the 13 regions).

The Court of Audit (COA) carries out an overlapping pre-payment review of most major expenditures. Its functions are carried out through 16 units in ministries, 9 in municipalities and 57 in prefectures. The COA has an authorised staff level of 650, with 180 current vacancies. The COA expects the retirement of 250 additional personnel over the next few years.

Once the expenditure has been approved by the FAO and the COA, a voucher is presented to the Tax and Payment Offices for payment. The Tax and Payment Offices are under the responsibility of the Ministry of Economy and Finance. There are 287 Tax and Payment Offices around the country.

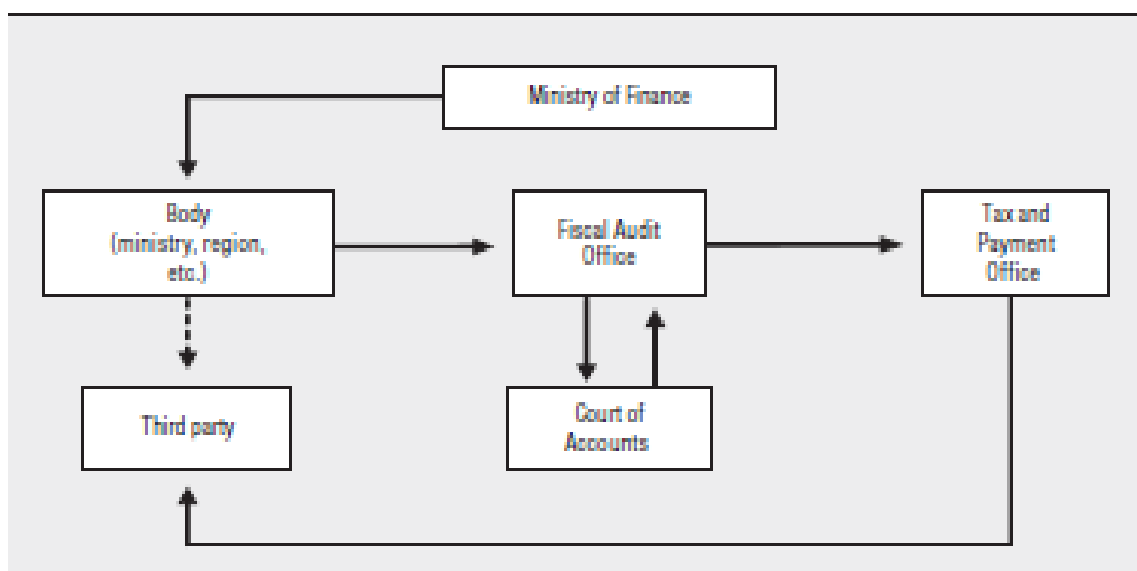
6.3.4.2 Execution steps

i. Ordinary budget

Appropriation and payment limits: In January, the Ministry of Economy and Finance releases a circular providing instructions for execution of the budget. Before the beginning of each quarter, the MOEF-GAO sets limits within which, for broad categories of expenditure, budget holders can create obligations (appropriation limits). These limits are usually set as a percentage of budget allocations for specific categories of expenditure.

Appropriations for expenditures such as salaries, rents, and pensions are available on their total from the beginning of the budget year. The appropriation limits may be further restricted by the Directorate for Financial Planning and State Liquidity Management of the GAO as it sets monthly limits for payments by each ministry and region to manage the cash requirements of the government.

Execution steps (excludes salaries, rents and pensions)



Implementation of expenditure: The budget holder (minister, general secretary of a region, regional director, or other official authorised by law) creates the obligation of the body (ministry or region) towards third parties. The financial directorate of the body gathers and initially reviews all relevant documentation that is subsequently forwarded to the FAO.

Control of expenditure, cash payment: After receipt of the documentation, the FAO reviews the expenditure for the legality and sufficiency (preventive control) of each payment and then issues a payment order. Payment orders, after being certified by the Court of Audit, are sent from the FAO to the Tax and Payment Offices of the Ministry of Economy and Finance for payment.

Payments of salaries, rents and pensions follow simpler procedures and are not subjected to preventive control, but they can be subjected to *ex post* control by the Court of Audit. The reason for this less rigorous control is that there is practically

no discretion concerning these expenditure items. Appropriations for salaries, pensions and rents are mandated centrally by the Budget Directorate of the GAO.

ii. Investment budget

Expenditure limits for investment expenditures voted by Parliament are classified by sector of economic activity: roads, health, public administration, agriculture, etc. Limits are also set by ministries, regions and prefectures.

In January of every year, the Directorate for Public Investments (DPI) in the Ministry of Economy and Finance sends a budget circular to all the involved parties (ministries or regions). This circular determines the general payment limits for every sector of investment and gives instructions to the involved parties on making their proposals for amounts needed for new projects or continuing projects. After the submission of the proposals by the ministries and regions, the DPI issues “collective decisions” that determine the current year’s payment limits for every project. For each project, a responsible manager is authorised to make payments and afterwards submit all the supporting documents to the FAO in charge for *ex post* control.

For example, within the Ministry of Culture, the Directorate of Programming and Development is responsible for the investment budget. There are approximately 150 to 250 projects per year; there were 198 in 2007. Based on the approved investment budget and the guidance from the Ministry of Economy and Finance, operational directorates of the Ministry of Culture submit requests for financing and funding: for example, the construction of the new Acropolis Museum. Directorate of Programming and Development makes decisions to approve funding. The DPI then approves a collective decision allocating funding for specific projects.

The DPI sends out three circulars a year, controlling investment expenditures by time period throughout the year. Many times within the year, the relevant authorities ask for modifications of their budgets, credits for specific projects, or increases in their total payment limit. The final circular is sent to the relevant authorities in early December, giving directions for the closing of the current year and the beginning of the following year.

The Minister of Economy and Finance presents a mid-year report to Parliament to allow Parliament to monitor budget execution. The report does not appear to be an important contribution to Parliament’s modest role in scrutinising the budget.

6.3.4.3 Budget flexibility and reallocation

There are currently approximately 14 000 line items within the Greek budget. This extremely detailed budget structure makes the Greek budget inflexible and reduces the accountability of the budget holders. To respond to the need for more flexibility, there are annually “thousands of budget adjustments”.

For 2006 and 2007, Table 4 shows the number of decisions and the total amounts reallocated after approval of the budget. Particularly noteworthy is that almost half of the approved adjustments were for reallocations of less than EUR 5 000. Usually about EUR 6-8 billion are reallocated during the year.

i. Ordinary budget

Reallocations may be made for discretionary spending line items during the negotiation process if they are considered to be justified. Mandatory expenditures like salaries, allowances, pensions and social security subsidies are determined by the GAO.

After the budget has been approved, line items concerning salaries, allowances, pensions, social security subsidies, rents and other mandatory items can be modified only by a decision of the Minister of Economy and Finance. Transfers of appropriations between different bodies (ministries), sub-bodies (specific agency or service of a ministry), categories and sub-categories can be made only by the GAO, after approval of a justified request from the ministry. Ministries have the right to transfer appropriations within the same group and to modify line items according to their needs. For the remaining discretionary expenditures in the budget, the spending ministry can handle unforeseen expenditure by reallocating appropriations within its budget chapter. If the needed funds cannot be covered with this procedure, the ministry can make a formal request for additional funds to the Budget Directorate of GAO.

As an example, the leadership of the Ministry of Economy and Finance has limits on its discretion to approve budget adjustments, as follows:

- Head of unit: EUR 30 000.
- Budget Director: EUR 300 000.
- Director General: EUR 600 000.
- Secretary General: EUR 1 200 000.
- Minister: may adjust the budget according to the size of the reserve (in 2008, the reserve was EUR 100 million).

ii. Investment budget

For the investment budget, reallocation between different projects can only be made by the Directorate for Public Investments within the Ministry of Economy and Finance. The investment budget contains projects that run for more than one year. A minister may request an increase of the year's payment limit or of the project's amount. Transfers between the investment budget and the ordinary budget are not allowed.

6.3.4.4 Overspending

Rules for overspending are determined by the Organic Budget Law. According to these rules, Fiscal Audit Offices may not issue payment orders for any expenditure if the amount needed for the payment exceeds the appropriation limits or the allocation that has been assumed in the budget line item for this expenditure. These detailed budget allocations represent the most detailed assumptions in the budget documentation. In special circumstances, there are exceptions to these rules:

- a. Obligations that have been undertaken and that exceed the year's total appropriation limit (but not the budget's appropriation total) can be paid by means of a decision of the Minister of Economy and Finance.
- b. Obligations that have been undertaken and that exceed the year's appropriation total can be paid by means of a decision issued by both the Minister of Economy and Finance and the Prime Minister.

For categories *a)* and *b)*, the expenditures will be covered by the relevant appropriations of the next budget.

- c. Special (mandatory) expenditures for salaries, pensions, rents, clinical expenses, etc., that exceed the foreseen appropriations can be paid by the relevant minister without the need for an explicit appropriation. Any such payments are submitted to Parliament for approval after the fact, with the approval of the Annual Financial Statement of the government.

The Minister of Economy and Finance is required to submit a supplementary budget when expenditure and revenue differ "significantly" from the budget estimates. In practice, the Ministry of Economy and Finance has never submitted a supplementary budget.

6.3.4.5 Special accounts

Additional flexibility is provided to the Greek budget by the existence of a large number of special accounts. These accounts have independent sources of revenue and are not fully incorporated within the budget. For example, the Ministry of Culture has an account called "Greek Organisation of Football Prognostics" financed by sports fees. This special account provides funding for sports expenses and infrastructure; included in expenses are salary supplements for employees of the Ministry of Culture.

6.3.4.6 Cash and debt management

The GAO Directorate for Financial Planning and State Liquidity Management is responsible for cash management in Greece. The process of cash management

includes the preparation of the “budget expenditure implementation plan” and of the “cash plan”.

Both plans are backed up by the monthly cash limit decision.

The “budget expenditure implementation plan” shows monthly forecasts of expenditures. It is prepared for the entire fiscal year, and is updated and rolled over on a monthly basis. The plan is based on the budget appropriations. The monthly forecasts are prepared by using the assumptions underlying the budget preparation and monthly historical data.

The “cash plan” puts the “budget expenditure implementation plan” in the context of the revenue forecasts. It is on a pure cash basis and shows daily cash inflows and outflows from the “Single Treasury Account”. Revenue forecasts are based on historical data from the previous period, current economic trends, and changes in the tax administration system. The “cash plan” is reviewed and updated every day for the whole month and every month for the whole year. The monitoring system includes a continuous flow of data from the Treasury’s departments, the Central Bank, the Fiscal Audit Offices, and the local Tax and Payment Offices. The “cash plan” is a tool for ensuring that there will be adequate cash balances to meet the budget obligations. The forecasts of the cash plan are used for decisions on borrowing and for investing the cash surpluses.

The forecasts are elaborated and a ministerial decision is issued, defining a monthly cash limit for every unit involved. Fiscal Audit Offices and Tax and Payment Offices are required to ask for special approval before payments above a certain amount are made (EUR 3 million). The limits are checked against the monthly outcome data and crosschecked against information received on a daily basis by the Central Bank.

Cash balances are centralised through a Single Treasury Account (STA) which is held at the Central Bank. The STA is a set of linked accounts through which all budget receipts and payments are made. The daily balances of the account bear interest, the rate of which is defined by a contractual agreement between the Ministry of Economy and Finance and the Central Bank.

The Directorate for Financial Planning and State Liquidity Management invests the daily surpluses in the commercial banks if their interest rate exceeds the rate offered by the Central Bank. The decisions on the amounts and the duration of the investments are based on the forecasts of the cash plan. These operations take the form of up to two months’ time deposits.

The bulk of the payments are made through the STA by means of orders issued by the Treasury. However, significant amounts of payments are made by the local Tax and Payment Offices. The Treasury, through the cash plan, sets monthly cash

limits for budget expenditure, and controls individual transactions above certain limits (EUR 3 million).

However, there are accounts in the STA which are not fully controlled by the Ministry of Economy and Finance.

i. Systems of cash management

There are basically three models of cash management in central governments. In the decentralised model, all budgetary institutions have their own account with the commercial banks. These accounts are funded by periodical cash advances supplied by the Treasury on the basis of cash flow estimates and cash allotment decisions. Budgetary institutions make payment orders by drawing on their own accounts.

In the centralised model (in place in Greece), budgetary institutions are not allowed to have their own accounts with commercial banks. There is only a single account (with subaccounts), usually kept at the Central Bank, which belongs to the Treasury. Since the Treasury is not allowed to borrow from the Central Bank, the Treasury handles short-term borrowing by auctioning securities among the commercial banks. All budgetary institutions have to send payment orders to the Treasury in order to draw upon their subaccounts.

In the hybrid model, budgetary institutions are allowed to have their own bank accounts with a single commercial bank, but any positive balances in these accounts are daily transferred to the Treasury account with the Central Bank, and bank accounts are daily supplied with cash advances. The contract with the commercial bank is usually auctioned.

Similarly, short-term borrowing is centralised at the Treasury. Budgetary institutions make payments by drawing on their own account with the commercial bank.

Both the centralised model and the hybrid model realise efficiency gains through consolidation of balances and centralisation of short-term debt management at the Treasury.

The central government is responsible for national defence, environment and housing, rural development, public safety, education staffing, culture, external affairs, and transfer payments to individuals. The regions are decentralised units of the central government. Their primary function is planning and co-ordination. The regions oversee the legality of local government actions, but do not supervise the direction or purpose of local government expenditure. Local governments have relatively limited functions for local roads, parks, waste management and provision of local public buildings including schools.

In addition to the direct operation of the ministries, there are public entities which are mostly dependent on either subsidies provided by government grants or on revenues regulated by law. Most of the expenditure of these public entities is devoted to implementing government policy. Examples include universities and hospitals. Public entity operations are overseen by the ministries, but only included in the budget to the extent of direct grants. The central government partially finances 149 social security and pension funds. The Ministry of Labour and Social Services supervises 94 of these social insurance funds. The 13 regions are decentralised units of the central government which oversee a number of prefectures organised geographically.

6.3.4.7 Social security funds, special accounts, and off-budget funds

The budget of Greece needs to be more comprehensive. There are a variety of non-budgetary, off-budget and special accounts that are not fully presented in the Greek budget. Some of these accounts should not be included in the budget totals because their finances are only indirectly dependent on public revenues for their support. Others receive some public support and some private support, and still others are supported by means of dedicated fees or taxes which should be included within the budget totals. The budgetary goal should be to fully describe the fiscal impact of all government activity. For activities not included in the budget totals, there should be budget displays that report on their financial activity. As it is now, a clear picture of the fiscal situation can be difficult to obtain.

The government of Greece has 149 social security and pension funds which are extra-budgetary. The social insurance funds are organised by major employment categories (for example, farmers, lawyers, merchant marine, bank personnel, etc.) and are financed by a combination of payroll taxes, employer contributions and subsidies from the government. Only the expenditure for subsidies from the government is included in the budget. The Minister of Labour and Social Affairs supervises these funds. Social security funds are managed by management boards whose chair and members are appointed or approved by the Minister of Labour and Social Affairs. Financial information about the social security funds should be included in the budget. On 3 April 2008, the government of Greece enacted a new social security law reducing the number of social security funds from 149 to 13. While the new law is expected to simplify the management of social security, it did not address the budget treatment of social security.

In addition, there are a number of special accounts, as mentioned above, that finance normal government activities. The Greek government intends to revise its budget documents so that appropriations are given on a programme basis. As mentioned, one of the first steps in that process was a programme budget for the functional area "05 Culture, religion and sports" as a pilot project. The pilot budget amounted to EUR 1.1 billion, 24% of which was from special accounts⁹ and 23% from the investment budget. The programme presentation substantially enhanced

the transparency of the budget for the Ministry of Culture, by including special accounts and investment funding within the budget presentation. This was particularly important for the sport category, 65% of which is off budget via the special accounts. Special account spending for sports is primarily for competitive sports, which could be incorporated within the budget.

6.3.4.8 State-owned enterprises

There are 59 public enterprises monitored by the Special Secretariat for State-Owned Enterprises in the Ministry of Economy and Finance. These enterprises mainly operate in the sectors of transport (railways, buses), defense, aerospace and ports. Some of these enterprises are indirectly subsidised by the Greek government through the granting of state guarantees on their long-term bank borrowing. Many state-owned enterprises face financial difficulties due to the inelasticity and inefficiencies of the wage policy, which does not allow the restraint of high payroll costs, and to high interest costs of former bank loans. The annual budget does not include the amounts of new guarantees, but does include information on the total outstanding guarantees for state-owned enterprises. This lack of transparency should be rectified. The government policy is to indirectly subsidise these enterprises through state guarantees, not directly through grants from the state budget.

The major public utility companies (electricity, water and telecommunications) are listed in the Athens Stock Exchange, and the Greek state holds the majority of their equity capital (except for the Hellenic Telecommunications Organisation in which the state holds a minority stake of about 28%). These enterprises operate under private economic standards and are self-supported. As such, they derive their funds from the banking sector and the capital market without being subsidized by the state. The Greek budget for 2008 proposed continued privatization of a number of state-owned enterprises as part of a general effort to reduce public sector participation and market intervention and to increase private sector ownership.

6.3.4.9 Organisation and financing of sub-national governments

The Greek government is dominated by the central government, and Greece is a centralised unitary country. Total expenditure by sub-national governments amounts to less than 3% of GDP. The 13 regions are part of the central government, and the head of each region is appointed by the central government. The regions supervise sub-national government activities, focusing their supervision on the legality of prefectural and municipal actions. The 57 prefectures – elected after 1994 – are the part of local administration that are assigned significant central government functions, financed mostly (95%) by tax revenues of the central government. At the lowest local level, there are 1 034 municipalities, elected locally. Prior to 1997, there were 5 751 municipalities. The municipalities are financed in part (about 60%) by the central government (tax revenues). The

primary functions of the municipalities are for local roads, garbage collection, public cleaning, medical dispensaries, provision of shelters for homeless people, cultural events, care for the elderly and nurseries.

The primary source of local government finances comes from taxes of the central government called central autonomous resources (CAR). CAR revenues for prefectures come from 10% of traffic duties (prefectures) and 2% of VAT. The distribution of funds for prefectures is defined by law: half of VAT for operational and other expenses, half of VAT for investments financed exclusively by national resources, and the revenue from traffic duties for expenses concerning the improvement, maintenance and restoration of the road network. The distribution of the CAR among the prefectures is determined by the Minister of the Interior after consultation with the Union of Prefectures of Greece (ENAE). In 2002, 96% of the prefecture revenue came from the CAR.

The CAR for municipalities come from 20% of the tax levied on interest on deposits, 19.5% of the income tax on individuals and companies, 50% of traffic duties, and 3% of property transfer duties. The distribution of the CAR among the municipalities is also based on a ministerial decision, after consultation with the Central Union of Municipalities of Greece (KEDKE). Funding to the municipalities is to cover operational expenses, finance mainly social actions, finance specialised programmes, and improve the quality of service delivery to citizens. In 2002, 58% of municipal revenue came from the CAR. Local taxation and non-tax revenues accounted for the remainder. The distribution of the CAR among prefectures and municipalities is primarily based on population and geographic distribution.

The local government budgets must be in balance. There are two main restrictions on local government borrowing. First, for every loan, approval is required from the municipal or prefectural council, and for loans above EUR 3 million, there must be a council majority of two-thirds. Second, each loan requires a report on the repayment capacity of the municipality or prefecture, which must be approved by the regional administration on behalf of the Minister of the Interior.

6.3.4.10 Public procurement process

Greece has adopted the EU procurement directives and harmonised them by law.

Greek procurement regulations were imposed by a presidential decree in 2007.

The Secretariat General for Commerce in the Ministry of Development is responsible for a sizable portion of procurement for central ministries with the aim of reducing costs through lower prices for common items as well as increasing the transparency of procurement procedures. Thus, a Single Procurement Programme is presented annually, based on the proposals of the agencies.



Major procurements (*i.e.* those above EUR 1 million) are subject to pre-agreement audits by the Court of Audit. Both the Fiscal Audit Offices and the COA subject payments for procurements to pre-payment controls targeted at ensuring that all payments are legal and proper.

6.4 Appendix D: Examples of Program Budgeting in Greek Public Administration Central Institutions

Indicative Presentation of Program Budgeting examples in Greek Public Administration Central Institutions (pilot Implementation)

A great challenge for the budget reform is the fact that a substantial part of the central government activities is delegated to legal entities, supervised by ministries, with a variety of sources in their revenues (grants from central government, self – financed resources, etc.).

In this context, central government agencies (ministries – regions) have to take into account in their strategic plans the programs of those supervised entities, so that supervision and evaluation of public sector's services in general becomes feasible.

In the pilot application for 2010, some legal entities were asked to comprise a concise strategic plan, in which their activities, their main targets and financial data are described, on the basis of the new functional structure of program budgeting, which consists on policy areas.

This experience should be the basis for the development of modern procedures on supervision and auditing.

i. Ministry of Finance

a. Tax administration

Tax administration services aim to ensure the enforcement of tax and customs legislation.

The control centers of the Ministry of Finance participate in 2010 budget in the Function "Economic affairs and development" with two (2) Actions.

Following is the presentation of the Actions control centers develop.

Function 08 "Economic affairs and development"

Program 08.02 "Tax and fiscal administration"

The basic target of the Program is the effective collection, administration and redistribution of public resources in advantage of the society.

Action 08.02.02312 "Actions of tax control centers"



2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Operational expenses	2.160
Fixed assets	20
Total	2.180
Personnel	702

It is noted that an important part of operational expenses (salaries etc.) of tax control centers is included in the Action "Operational support of tax and fiscal administration".

Main goal	Inspection that the tax legislation is applied and crack on tax evasion			
Main actions	<ul style="list-style-type: none"> • Tax inspections in enterprises • Tax assessment • Proposals for improvement of the legal framework • Development and improvement of auditing procedures 			
Possible performance indicators	Indicator 1: Number of inspected enterprises per year	2008	2009-estimation	2010- target
		3.836	3.670	4.800
	Indicator 2: Number of tax years inspected	2008	2009-estimation	2010- target
		12.084	10.240	13.980
	Indicator 3: Amount of tax receivables	2008	2009-estimation	2010- target
		2.227.000.000	2.741.000.000	2.991.000.000

Action 08.02.02313 "Actions of custom control centers"

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Operational expenses	323
Fixed assets	7
Total	330
Personnel	170

It is noted that an important part of operational expenses (salaries etc.) of control centers is included in the Action "Operational support of tax and fiscal administration".

Main goal		Combating duty and tax evasion and protection of fiscal interests of the Greek State and the European Union		
Main actions		<ul style="list-style-type: none"> • Audits regarding the accuracy of the custom vouchers' data • Inspection to confirm that the procedures, prohibitions and limitations, set by the applied national and community customs' legislation are applied • Realization of sample controls to the customs areas, in order to assess the custom's procedures efficiency • Accounting control in the collective statements of the European Union's own resources, submitted by customs regions 		
Possible performance indicators	Indicator 1: Inspection mandates	2008	2009-estimation	2010- target
		602	590	590
	Indicator 2: Registered cases with customs infringements	2008	2009-estimation	2010- target
		340	280	280
	Indicator 3: Total amount of fines from customs	2008	2009-estimation	2010- target
		5.344.655	22.373.900	20.158.300

It is noted that the reason for the reduction in the inspection mandates for 2009 is due to the selection of big enterprises to be inspected, where the audited figures are substantially greater.

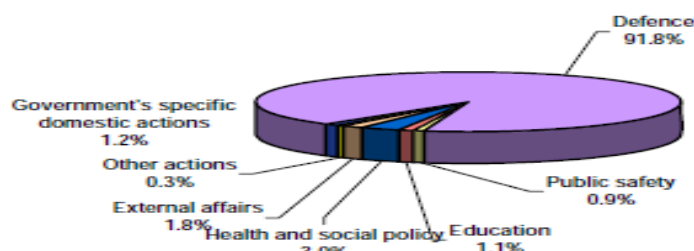
Ministry of National Defence

a. Area of Education

Ministry of National Defence has the mission to ensure our country's national independence and territorial integrity.

In order to fulfil its mission, the Ministry of National Defence participates in 2010 budget totally in eight (8) Functions, twenty one (21) Programs and twenty six (26) Actions, as the following diagram shows.

Functions of the Ministry of National Defence



Function 04 “Education”

Program 04.02 “Higher education and intellectual institutions”

The main target of the Program for the Ministry of National Defence is the creation of highly trained executives.

Action 04.02.01100 “Military schools”

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	47.058
Operational expenses	47.738
Fixed assets	931
Total	95.727
Personnel	5.225*

**It is noted that the number of personnel includes 3.928 students, who are paid during their studies.*

Main goal	Creation of highly trained executives in every scientific area the Ministry of Defence participates.
Main actions	<ul style="list-style-type: none"> • Definition of selection and assessment procedures for the trainees • Supply of the necessary educational material • Coordination, organization and following-up of education
Possible performance indicators	<ul style="list-style-type: none"> • Cost of studying per student • Percentage of students who withdrew compared to the total number of students • Number of computers per student

Program 04.03 “Education and vocational training”

The main target of the Program for the Ministry of National Defence is the sustainment of executive’s knowledge to a high level, during their tenure in the public sector.

Action 04.03.01100 “Educational agencies for the personnel of the Ministry of National Defence”



2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	84.773
Operational expenses	24.608
Fixed assets	1.994
Total	111.375
Personnel	4.228

<i>Main goal</i>	Continuous enhancement of the knowledge of Ministry of National Defence's executives, by keeping them in touch with new scientific and technological evolutions
<i>Main actions</i>	<ul style="list-style-type: none"> • Coordination, organization and following-up of the educational procedure • Supply of the necessary educational material • Participation in military games and exercises • Participation of the armed forces' executives in postgraduate programs • Participation of the armed forces' executives in foreign language learning programs
<i>Possible performance indicators</i>	<ul style="list-style-type: none"> • Number of executives who participate in educational programs • Number of executives who participate in foreign language learning programs • Number of executives who participate in postgraduate programs

Area of Health

Function 12 "Health and social policy"

Program 12.01 "Health"

The main target of the Program for the Ministry of National Defence is the provision of health services of high quality and the preservation of the armed forces personnel in a readiness situation in the area of health.

Action 12.01.01102 "Military hospitals"

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	140.437
Operational expenses	66.956
Fixed assets	2.570
Total	209.963
Personnel	5.745

<i>Main goal</i>	The immediate provision of excellent hospital care by the Ministry of National Defence
<i>Main actions</i>	<ul style="list-style-type: none"> • Hiring personnel for the hospitals • Reception and recording patient's data • Provision of diagnostic services • Nursing and observation of patients
<i>Possible performance indicators</i>	<ul style="list-style-type: none"> • Number of internal patients (annually) • Average days of hospitalization • Number of external patients (annually)

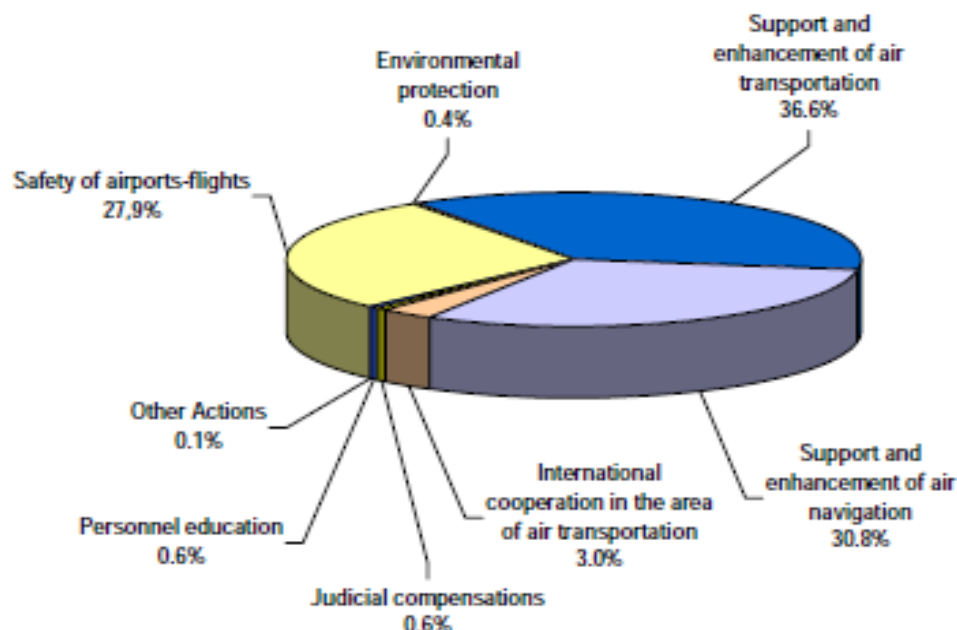
ii. Ministry of Infrastructure, Transportation and Networks

a. Civil Aviation Authority

Civil Aviation's Authority is the organization, for development and inspection of the air transportation system of the country, and the development of the policy in air transportations in general.

In order to fulfil its mission, Civil Aviation Authority participates in eight (8) Functions, nine (9) Programs and ten (10) Actions in total, as presented in the following diagram. The biggest part of its appropriations is absorbed by the Actions of Function 11 "Infrastructure and transports" and more specifically, the Actions of Program 11.01 "Transports", which has to do with air transportation and navigation.

Civil Aviation's Authority Actions-National Plan of Programs 2010



From the ten (10) Actions Civil Aviation Authority participates in, the two (2) more important are presented.

Function 11 “Infrastructure and transports”

Program 11.01 “Transport”

The main target of the program is the smooth operation of transportation and the enhancement of the provided services to the citizens.

Action 11.01.03900 “Support and enhancement of air transportation”

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	26.978
Operational expenses	5.295
Fixed assets	27
Total	
Personnel	961



Main goal	Effective administration for the development of the country's airports and the smooth functioning of scheduled and unscheduled, national, domestic and international, airlines			
Main actions	<ul style="list-style-type: none"> • Reports, constructions and projects for the enhancement, maintenance and improvement of the airports • Preparation and monitoring of the application of standards, concerning regulations and claims for the exploitation and functioning of airplanes • Certification of licenses for air exploitation • Definition and collection of air freight for domestic flights 			
Possible performance indicators	Indicator 1: Number of airplanes from domestic and international lines (landing and taking-off)	2008	2009-estimation	2010- target
		426.361	396.500	416.300
	Indicator 2: Number of passengers from domestic and international lines (arrivals and departures)	2008	2009-estimation	2010- target
		40.864.169	38.004.000	39.904.000
	Indicator 3: Mail and commodities (in kilos), domestic and international	2008	2009-estimation	2010- target
		139.104.524	129.367.000	135.835.000

- ✓ *The repercussions of the global financial crisis which started in 2008 and continues in 2009, is expected to influence negatively data for 2009 as well.*
- ✓ *The exit from the crisis, which will lead to the recovery of air transportation, is expected in 2010.*

Action 11.01.03901 "Support and enhancement of air navigation"

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	111.830
Operational expenses	12.417
Fixed assets	129
Total	124.376
Personnel	1820

Main goal	Safeguarding the smooth functioning of air traffic and efforts to achieve constant qualitative improvement on the relevant provided services			
Main actions	<ul style="list-style-type: none"> • Management of national airspace • Exertion of control on air traffic • Coordination and issuing of air traffic regulations • Constant modernization and automatization of the provided services • Installation, proper functioning and administration of automatized systems for controlling air traffic • Provision of air traffic services, procedures of airplane's approach and departure • Management and efficient exploitation of Athens' Flight Information Region 			
Possible performance indicators	Indicator 1 : Number of air traffic service units	2008	2009- estimation	2010- target
		4.254.081	3.956.000	4.154.000
	Indicator 2 : Capacity profiles (traffic per hour)	2008	2009- estimation	2010- target
		95	110	116

- ✓ *The estimated number of traffic service units for 2009 appears decreased because of the financial crisis, which affected air traffic and must be noted that it will approach the number of 2007.*
- ✓ *In the capacity profiles indicator we calculate the maximum number of traffic (take-off, landing) in the Greek airspace, which can be realized per hour.*

iii. Ministry of Citizen Protection

a. Fire Brigade

Fire Brigade's mission is the protection of citizen's life and property, country's forest wealth and natural environment from fires and other disasters, the strategic planning to suppress all kind of fires and the provision of every possible help to rescue people and goods, being in danger by these causes.

In order to fulfil its mission, Fire Brigade will participate in 2010 in six (6) Functions and ten (10) Programs. The biggest part of its appropriations is directed to Function 7 "Public safety and citizen protection" and in particular to Program 07.04 "Fire protection".

In the context of the pilot application for the NPP 2010, Fire Brigade, distinguished effectively its activities in thirteen (13) Actions, by dividing the total amount of its expenditures in the Actions it implements, showing this way its work.

Following, three (3) of the Fire Brigade's Actions which are included in Program 07.04 "Fire protection" are presented.

Function 07 “Public safety and citizen protection”

Program 07.04 “Fire protection”

The main goal of the Program is the protection of the environment, of human life and property and the provision of qualitative services to the citizens.

Action 07.04.04301 “Combating forest and other fires”

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	300.626
Operational expenses	59.646
Fixed assets	634
Total	360.906
Personnel	13.142*

* Includes:

- Personnel of the year 2010: 7.632 permanent employees
- 5.500 seasonal firemen
- 10 private helicopter operators

Main goal	Efficient planning and immediate intervention for the best response to disasters, related to forest and other fires
Main actions	<ul style="list-style-type: none"> • Realization of exercises with the participation of the involved agencies • Inspection of the forestal road network and actions for its improvement • Inspection of water tanks • Staffing of observance points for immediate announcement of fires • Patrols • Scattering of rented helicopters throughout the country • Issuing standards
Possible performance indicators	<ul style="list-style-type: none"> • Burnt area per fire • Number of fires per prefecture/region etc • Number of exercises per region • Number of fires per cause • Time of response and encounter of the incident

Action 07.04.04302 “Services and inspections for fire security”

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Payroll expenditures & benefits-Pensions	6.003
Operational expenses	356
Fixed assets	8
Total	6.367
Personnel	199

Main goal	Taking all the necessary measures and means of fire security in order to prevent the danger of fire in buildings, premises and other areas
Main actions	<ul style="list-style-type: none"> • Approval of reports and issuing of fire security certificates • Autopsies • Monitoring of fire security requirements for big projects
Possible performance indicators	<ul style="list-style-type: none"> • Annual number of controls-inspections conducted for the control of fire security in buildings and all kind of premises, enterprises, factories etc

Action 07.04.04303 "Voluntarism and updating-Fire Brigade"

2010 Budget Allocations-Resources	
Expenditure categories	(amounts in ths. euro)
Operational expenses	81
Fixed assets	4
Total	85
Personnel	15

It is noted that the personnel salaries are included in the Action "Operational support of Fire Brigade".

7 BIBLIOGRAPHY & WEBSITE LINKS

I. BIBLIOGRAPHY

a. On the Report

- Country Statistical Profiles: Key tables from OECD-2014
- Implementing Results-Based Budgeting, Ronnie Downes, Chengdu City China, OECD 2013
- Greece: Review of the Central Administration, OECD Public Governance Reviews, OECD 2011
- Hellenic Ministry of Finance, State Budget 2010
- Hellenic Ministry of Finance, Greek National Reform Programme 2013
- Rethinking Public Financial management and Budgeting in Greece: Time to reboot?, Hellenic Observatory Papers, July 2010

b. On Performance Budgeting

- *Performance Budgeting in the United States*, Robert J. Shea, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008
- *Performance Budgeting in Sweden*, Thomas Küchen and Pertti Nordman, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008
- *Performance Management in Swedish central government*, Kajsa Nilsson, Ekonomistyrningsverket, 2003:22
- *Strategic Planning and Performance Management: The U.S. Department of Education's Experience*, Alan Ginsburg, Nancy Rhett, Michele Cavataio, U.S. Department of Education May 8, 1997
- *Outcome-focused Management in the United States*, Walter Groszyk, OECD, 2002.
- *Performance Budgeting in the UK*, Zafar Noman, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008
- *Performance Budgeting in OECD Countries*, Chapter 10 The Netherlands, OECD 2007
- *Choosing the right fabric – A framework for performance information*, Cabinet Office, National Audit Office, Audit Commission, Office For National Statistics;

- *Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies*, National Audit Office, Report by the Comptroller and Auditor General, 2000;
- *Performance Budgeting in Netherlands*, Raphael Debets, OECD Journal on Budgeting, Volume 7 – No. 4, OECD 2007;
- *Budgeting in Finland*, Jón R. Blöndal, Jens Kromann Kristensen and Michael Ruffner, OECD, 2002.
- *Outcome-Based Performance Management: Christchurch City Council Drives Toward a Long-Term Strategic Horizon*, Bernard Marr and James Creelman, Advanced Performance Institut, 2008 *Christchurch City Council*
<http://www.ccc.govt.nz>
- *The London Plan (consolidated with alterations since 2004)*, Mayor of London, 2008 <http://www.london.gov.uk/thelondonplan>
- *The draft replacement London Plan*, Mayor of London, 2009
<http://www.london.gov.uk/priorities/planning/vision/london-plan>
- *London Plan Annual Monitoring Reports*, Mayor of London, 2010
<http://www.london.gov.uk/priorities/planning/research-reports/annual-monitoring-reports>
- *Planning for a Better London policy document*, Mayor of London, 2008,
<http://www.london.gov.uk/who-runs-London/mayor/publications/planning/>
- *London Plan Initial Proposals*, Mayor of London, 2009,
<http://www.london.gov.uk/thelondonplan>
- *Greater London Authority Strategic Plan 2010-2012* <http://www.london.gov.uk/who-runs-london/greater-london-authority/strategic-plan>
- *The Mayor of London's draft consolidated budget for 2010/11*
<http://www.london.gov.uk/who-runs-london/greater-london-authority/budget-2010-11>
- *The London Plan Examination in Public*, 2010 <http://www.london.gov.uk/london-plan-eip>
- *Technical and research reports, 2002 – 2010*, Greater London Authority
<http://www.london.gov.uk/priorities/planning/research-reports/technical-research-reports>
- *Best Practices in Financial Management*, Audit Commission 2010
<http://www.auditcommission.gov.uk/SiteCollectionDocuments/Downloads/cambridge.pdf>
- *Cambridge City Council's Medium Term Strategy*
<http://www.cambridge.gov.uk/public/docs/Medium%20Term%20Strategy%202010-11.pdf>


- *Budget Books and Statements of Accounts*, Cambridge City Council
<http://www.cambridge.gov.uk/ccm/content/council-and-democracy/how-the-council-works/council-finance/budget-process.en>
- *Cambridge City Council Sustainable Community Strategy 2011 -2014*
- *Cambridge City Council Sustainable Community Strategy 2008 -2011*
- *Cambridge City Council Annual Reports on the implementation of the Strategy (2008-2010)* <http://www.cambridge.gov.uk/ccm/navigation/about-the-council/how-the-council-works/council-policies-and-plans/cambridge-local-strategic-partnership/>
- *Cambridge City Council Policies and Plans*
<http://www.cambridge.gov.uk/ccm/navigation/about-the-council/how-the-council-works/council-policies-and-plans/>
- *Cambridge City Council performance*
<http://www.cambridge.gov.uk/ccm/navigation/about-the-council/how-the-council-works/council-policies-and-plans/>
- Department of Communities and Local Government, 2008 Statutory Guidance "Creating Strong, Safe and Prosperous Communities"
<http://www.communities.gov.uk/documents/localgovernment/pdf/885397.pdf>
- National Employment Office Belgium <http://www.onem.be/>

II. WEBSITE ADDRESSES FOR GREEK GOVERNMENT MINISTRIES

1.	Ministry of Interior	http://www.ypes.gov.gr
2.	Ministry of Finance	http://www.minfin.gr/
3.	Ministry of Foreign Affairs	http://www.mfa.gr/
4.	Ministry of Administrative Reform and E-Governance	http://www.ydmed.gov.gr/
5.	Ministry of National Defence	http://www.mod.mil.gr/
6.	Ministry for Development, Competitiveness and Shipping	http://www.mindev.gov.gr/
7.	Ministry of Environment, Energy and Climate Change	http://www.ypeka.gr/
8.	Ministry of Education, Lifelong Learning and Religious Affairs	http://www.minedu.gov.gr/
9.	Ministry of Infrastructure, Transport and Networks	http://www.yme.gr/
10.	Ministry of Labour and Social Security	http://www.ypakp.gr/
11.	Ministry of Health and Social Solidarity	http://www.moh.gov.gr/



12. Ministry of Rural Development and Food	http://www.minagric.gr/
13. Ministry of Justice	http://www.ministryofjustice.gr/
14. Ministry of Citizen Protection	http://www.yptp.gr/
15. Ministry of Culture and Tourism	http://www.yppo.gr/
16. Ministry of State	http://www.ypep.gr/

The top of the page features a decorative header. It consists of a blue rectangular area containing a white outline map of Europe. Overlaid on this map are several white, five-pointed stars, similar to those on the European Union flag, arranged in a curved path across the map. Below this blue area is a solid yellow horizontal bar.

The contents of this publication are the sole responsibility of the Consortium led by Nicolaas Witsen Foundation and can in no way be taken to reflect the views of the European Union