

Unclassified

GOV/PGC/SBO(2008)7

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

27-May-2008

English - Or. English

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

Working Party of Senior Budget Officials

BUDGETING IN GREECE

29th Annual Meeting of Senior Budget Officials

**Vienna, Austria
2-3 June 2008**

For further information, please contact Ian HAWKESWORTH at OECD Headquarters
Tel. +33 1 45 24 16 32; Fax +33 1 44 30 63 34; Email: ian.hawkesworth@oecd.org

JT03246560

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format



**GOV/PGC/SBO(2008)7
Unclassified**

English - Or. English

TABLE OF CONTENTS

FOREWORD	3
EXECUTIVE SUMMARY OF RECOMMENDATIONS	5
CHAPTER 1: GENERAL CHARACTERISTICS	9
CHAPTER 2: BUDGET FORMULATION	13
2.1 Key characteristics	13
2.2 Annual budget process	18
2.3 National plan of programs – pilot	20
2.4 Recommendations	24
CHAPTER 3: PARLIAMENTARY APPROVAL	27
3.1 Pre-budget consultations	27
3.2 Approval of the annual budget	28
3.3 Lack of in-year oversight	29
3.4 Support for budget reform	30
3.5 Recommendations	30
CHAPTER 4: BUDGET EXECUTION	32
4.1 The Organization of budget execution	32
4.2 Execution steps	33
4.3 Budget flexibility and re-allocation	34
4.4 Overspending	36
4.5 Special accounts	36
4.6 Cash and debt management	36
4.7 Service delivery – organization of general government	38
4.8S ocial security and Special accounts, off budget funds	38
4.9 State-owned enterprises	39
4.10 Public-Private Partnerships	39
4.11 Organization and financing of sub-national governments	41
4.12 Human resource development	42
4.13 Public procurement process	43
4.14 Recommendations	44
CHAPTER 5: ACCOUNTING, AUDIT AND ACCOUNTABILITY	46
5.1 Accounting	46
5.2 Development of internal audit	47
5.3 External audit	48
5.4 Parliamentary oversight and accountability	49
5.5 Recommendations	50
APPENDIX	52
REFERENCES	55

FOREWORD

This review of Budgeting in Greece was carried out at the request of the Greek authorities and concentrates on the national government only.

The report is divided into five sections. The first chapter gives a brief overview of Greece's recent economic and fiscal performance. The second chapter focuses on the budget formulation process. The third chapter discusses the role of parliament. The fourth chapter reviews various aspects of budget implementation and management issues. The report concludes with discussing accounting and audit issues. An executive summary of recommendations is provided at the beginning of the report.

An OECD mission visited Athens in December 2007 to prepare this review. During its visit, the mission met with senior officials from the various parts of the Ministry of Economy and Finance as well as from spending ministries and agencies. The mission also met with senior representatives of the Greek Parliament and the Greek Court of Audit.

The mission would like to express its gratitude and appreciation to Dr. George **ALOGOSKOUFIS** Minister of Economy and Finance for his support and interest in the mission. The mission would also like to thank Mr. Eleftherios **FOUKAS** General Director of Treasury and Budget, Mrs. Stavroula **MILIAKOU** Head of the Government Budget Reform Unit and her staff at The Ministry of Economy and Finance for organizing the mission's visit and for their invaluable and tireless assistance during its stay in Athens and throughout the preparation of this report. The mission would also like to thank Mr. Stylianos **PETSAS**, Counsellor, Greek Permanent Delegation to the OECD, for assistance in preparing the mission and discussing central topics.

The mission would also like to thank Mr. Loukas **PAPAZOGLOU**, Secretary General for Fiscal Policy; Mr. Ploutarchos **SAKELLARIS**, President of the Council of Economic Advisers; Ms. Eleni **LOURI- DENDRINO**, Head of the Prime Minister's Fiscal Office; MP Mr. Athanasios **BOURAS**, President of the Fiscal affairs committee of Parliament; MP Mr. Konstantinos **AGORASTOS**, Vice president of the committee; MP Mr. Giorgos **PAPAKONSTANTINO**, Member of the committee; MP Mr. Ioannis **DRAGASAKIS**, Member of the committee; MP Mr. Mavroudis **VORIDIS**, Member of the committee; Mr. Christos **NTZIOUNIS**, Director D20 Budget Directorate; Mr. Konstantinos **SPILIOTOPOULOS**, Head of Unit A for Ordinary Budget Expenditure D20, Mrs. Dimitra **FRAGOU**, Head of Unit B for Ordinary Budget Expenditure D20; Mr. Filopimin **SPIROPOULOS**, Head of Unit C for Revenues D20; Mr. Dimitrios **TSIKLITARIS**, Head of Unit D for Public Investments Budget D20; Mr. Christos **GIANNAKOPOULOS**, Head of Unit E for Fiscal Data and Reporting D20; Mr. Stylianos **PANAGIOTOU**, Head of Unit for civil servants' remuneration; Mrs. Panagiota **SPIROULOPOULOY**, Director D23 Directorate for Public Debt; Mrs Panagiou **SPIROPOULOU**, Head of Unit, D24-Directorate for Public Accounts; Mrs. Eleni **LIGOURI**, Head of Special Cashier of the State, D24-Directorate for Public Accounts, Mr. Nikolaos **FRAGOUDAKIS**, D24-Directorate for Public Accounts; Mrs. Anna **DASKALAKI**, Head of Unit, D26-Directorate for the Co-ordination and the Application Control of the Fiscal Law; Mrs. Olga **CHARALAMPAKI**, D26-Directorate for the Co-ordination and the Application Control of the Fiscal Law; Mr. Nikolaos **KOSTOULAS**, Head of Unit for Financial Planning D49 Directorate for Financial Planning & State Liquidity Management; Mrs. Maria **DANAKA**, D49 Directorate for Financial Planning & State Liquidity Management; Mrs. Efstathia **GRAVIA**, Head of Unit C D50 Directorate for Remuneration Payment; Mr. Georgios **MANOLAS**, Director, Directorate of Macroeconomic Analysis and Forecasting; Mrs. Theano **TAKOU**, Head of Unit for Public Investment Budget Directorate for Public Investments; Mrs. Vasiliky **VLAHO**, Director for Financial Affairs General Directorate for Culture; Mrs. Marianthi **AHLIOPTA**, General Directorate for Culture; Mrs. Maria

CHRISOSTOMIDOU, Director for Financial Affairs Secretariat General for Sports; Mr. Konstantinos **ARGIROU**, General Director of personnel status Secretariat General for Public Administration Ministry of Interior, Public Administration & Decentralisation; Mrs. Paraskevi **DRAMALIOTI**, Secretariat General for Public Administration; Mrs. Konstantina **STEFPOULOU**, Secretariat General for Public Administration; Mr. Georgios **STEFANAKIS**, Unit for Local Government's Fiscal Affairs- Employee, Directorate General for Local Government; Mr. Konstantinos **KOSTOPOULOS**, Judge Counsellor Supreme Audit Court; Mrs. Georgia **MARAGOU**, Judge Counsellor Supreme Audit Court; Mr. Ioannis **KARKALIS**, Second Rank Judge Supreme Audit Court, for the generous time they shared with the mission during its stay in Athens. The warm and cordial reception by the Greek authorities is gratefully acknowledged.

The views contained in this report are those of the OECD Secretariat and should not be attributed to governments of OECD member countries, or to any organization or individual consulted for this report.

This report was prepared by Mr. Ian **HAWKESWORTH**, Administrator, Mr. Daniel **BERGVALL**, (then) Project Manager, Budgeting and Public Expenditures Division OECD, Mr. Richard **EMERY**, independent consultant, and Dr. Joachim **WEHNER**, Lecturer, London School of Economics.

EXECUTIVE SUMMARY OF RECOMMENDATIONS

Developments to date

The recommendations of each of the succeeding chapters are summarized below. It is important to present these recommendations in the context of what Greece has accomplished to date. The Greek program budgeting pilot (2008 budget) is an excellent first step that clearly will be a great help in making the budget a more modern strategic policy document. In addition, it strengthens transparency in its clear overview presentation of the special accounts and the budget appropriations. The reduction of the special accounts and the very cautious use of accruals should also be commended. *It is recommended that a program budget pilot for all ministries is developed as planned for the budget for 2009 and that the program budget reform be implemented as quickly as possible after this. Greece should delegate responsibility to the line ministries as part of the reform so that increased responsibility is mirrored by increased autonomy*

There seems to be strong bipartisan support in Parliament on the need for reform of the role of Parliament in the budget process. There also seems to be broad support for the modernization of the budget, in particular the introduction of program budgeting. It is essential to ensure that this support is sustained in order for the reform to have the greatest possible effect.

Greece has a new framework law, which acknowledges the need to shift from pre controls to a new more modern system of ex post controls, decentralized responsibility, and focus on evaluation, efficiency and effectiveness. Despite the lack of detailed plans concerning implementing this law, it reflects the direction of the future.

Budget preparation

1. The first priority should be given to introducing a program budget with a focus on policy objectives. The program budgeting system should reduce the number of line items from 14,000 to about 1,000. Some input controls and caps on administrative expenditures should be maintained as in most OECD countries. The current institutional structure should be used as the basis. Lessons from other OECD countries warn against using budget reforms to change institutions. In addition, use of some form of performance information for programs based on quantitative indicators should be implemented.
2. Line ministry autonomy and accountability should be strengthened. As part of the increased transparency that a new program budget will attain, it is important that accountability and responsibility is decentralized. The line ministries should be given a strong mandate to manage within the new system and be held accountable for the results. Each line ministry should establish a central budget office to coordinate budget and financial management functions of the ministry.
3. The top down element in budget preparation needs to be increased. The top down procedure could involve the Council of Ministers early in the preparation process setting overall fiscal targets, setting expenditure ceilings for each ministry, highlighting areas of reforms in the budget and the funds available for reforms. A ceiling for ministries will give ministers the incentive to look at reallocation as a source of funding for new initiatives within their area of responsibility thus weakening the impetus to submit unrealistic budget proposals.

4. The comprehensiveness of the budget should be increased. Special accounts should be brought on budget. The use of net budgeting (i.e. the budget only containing the transfer of funds, not the total expenditure) in funding Public Law Entities and hospitals creates transparency problems and should shift to a gross budgeting basis as is recommended in the OECD best practices for budget transparency. The split between the ordinary and the investment budget should be abolished and full cost commitments of public investment programs should be published. As a first step toward integration, investment budget data should be included in top down ceilings and investment data should be included in program budget presentations.
5. The use of the economic assumptions should be streamlined. A full set of data for making forecasts should be added to the circular sent out in the spring. Such data include: projected GDP growth, inflation, unemployment, social security insurance take up, demographic developments, and other variables or indicators that are of importance in the forecasting process.
6. The budget documentation should include multiyear estimates (year t+2 and t+3) on the basis of maintaining current policy. These estimates should be at program level and should be continually updated in light of new policy decisions.
7. The General Accounting Office's capacity to conduct ex ante and ex post value for money analysis should be strengthened as well as other functions needed in a modern budget bureau. The responsibility for the investment budget and ordinary budget should be integrated institutionally.
8. It is important to ensure that political commitment to the reforms is clearly and strongly communicated. In order to secure the institutional strength of the modernization process it would be beneficial if the unit responsible for the budget reform is given status as a directorate. The Government Budget Reform Unit of the GAO should be expanded to support an ambitious schedule for implementation of program budgeting and medium term budgeting..
9. Ensure value for money focus when considering using PPPs. Public-private partnerships (PPPs) can be an efficient way of delivering public service if affordability and value for money is in focus. PPPs should not however be initiated for their own sake or in order for the volume of PPPs to reach some specific target. Creating a PPP unit with knowledge of the PPP process is often a good thing, but at the same time it is important that the unit manages to keep apart its roles as promoter of PPPs and scrutinizer of which projects are good candidates for PPPs.

Parliamentary approval

10. A stronger role for parliament in the pre-budget consultation should be introduced. In comparison with other OECD countries, the Greek Parliament has an exceptionally limited role in the budget process. A debate on a pre-budget policy statement by the Government, which sets out fiscal policy objectives and budget priorities over the medium term, should be introduced.
11. Sufficient time for parliamentary scrutiny should be secured. It is recommended that the tabling of the budget happens no less than three months prior to the start of the fiscal year.
12. Access to analytic capacity should be built up. The establishment of a small budget research unit within the Parliament, of five to ten researchers, should be considered.

13. Parliament should take a strong role in reviewing the budget on a program basis. As part of the program reform, the budget documentation will contain program objectives and performance indicators. This should serve as the basis for Parliamentary program review.
14. In-year control by the Greek Parliament should be enhanced. The in-year reports should be strengthened and a parliamentary procedure could be added.

Budget execution

15. Control procedures should be made more efficient. The Greek budget execution system focuses an extraordinary amount of attention on ensuring the legality and propriety of expenditure. Staff resources at all levels are used to process transactions rather than to analyze budget policy or performance. To address these issues, we recommend the following actions be taken:
16. The accountability of ministries should be strengthened. Shifting to a results-oriented program-based budget will require the delegation of budget responsibility to program managers and/or ministries. Ministries and agencies should have primary responsibility for program management and for budget execution. Agencies should demonstrate performance of their programs and eventually meet program objectives. Detailed review of budget adjustments should be substantially reduced.
17. The primary responsibility for budget execution should be transferred to spending units. The Ministry of Economy and Finance should provide agencies with clear guidance on budget execution requirements and deadlines for budget reports.
18. GAO staff should be reviewed and reallocated. All phases of budget workload, in particular budget execution functions, should be reviewed to consider what functions are duplicated and what functions add value. This will certainly entail fewer tasks for the Fiscal Audit Offices (FAO) of the GAO. Excess FAO staff could be reallocated to the new strengthened financial directorates of the line ministries or within the MOEF, perhaps as temporary facilitators of the program budget reform. Staffing for ministry budget and finance offices should be expanded to assume responsibility for budget execution and provide oversight to program budgeting within the ministries. Similarly, the GAO will need to expand its budget analytical staff to strengthen its policy review, program analysis and program evaluation skills. The GAO also needs to build a staff to provide training within the GAO and in ministries in program budgeting, evaluation, and program review.

Accounting and audit

19. The most important recommendation in this chapter is to institute an in-depth dialogue on the reform of audit and accountability that brings together all relevant actors – in particular the GAO, the Court of Audit, as well as Parliament – to consider the following issues:
20. Public sector accounting should be improved. Though central government accounts need to be modernized, they generally appear to be reliable, but this does not apply to other parts of the public sector. The GAO should standardize the public sector accounting systems and impose standards on all off-budget entities. These should be in line with international standards and prescribe enforceable deadlines for financial reporting to allow the GAO to produce consolidated financial reports for the Greek Government.

21. The implementation of the new accounting and financial information system should be divided into short-term deliverable functional components. Thus the contract should be specified with detailed project specifications. If necessary the contract should be renegotiated to ensure this.
22. It is paramount to focus on enhancing the quality, timeliness and comprehensiveness of cash-based accounts before considering a move to accrual accounting, which should not be a priority at this stage.
23. Pre-audit activities should be reduced. A more modern approach is for pre-audits to be part of internal control processes within the ministries. The Court should review their effectiveness, but otherwise focus on post-audits. Pre-audit work by the GAO is appropriate in the short term, but long-run improvements in the quality of financial management will require greater involvement of line ministries.
24. Public management would benefit from a shift towards assessing the performance of public services. The GAO should invest in the development of program review capacity that would support prioritization within a medium-term framework. In addition, the Court of Audit should develop capacity for ex post performance audits and receive adequate assistance and resources for this purpose.
25. The Court of Audit and Parliament should engage in a dialogue on how their interaction should be strengthened. The role of the Special Standing Committee on the Financial Statement and the General Balance Sheet of the State should be reviewed.

Process challenges

26. In order to encourage support in line ministries for the modernization of the budget process outlined above, in particular the new program budget, the line ministries need to be involved and it must be ensured that they are given increased decision making autonomy. Ensuring the line ministries and agencies support is dependent on them recognizing that the reform will help them do their job well. It is important to identify the modernizers in the line ministries and make them an integral part of the steering group of the modernization taskforce for the relevant area.
27. The use of pilots is a good idea, although it is important that the reforms are not bogged down in discussions of detail. A firm and published timetable with deadlines for the various actions that has political backing is important to drive the process forward. Line ministries should be made responsible for implementing clear reforms goals at a specified time. Mistakes will be made and should be tolerated within reason for the first budget under the new rules.

CHAPTER 1

GENERAL CHARACTERISTICS

1. Greece, also formally known as the Hellenic Republic, is a peninsular country, possessing an archipelago of about 2,000 islands. It measures about 131,940 sq km and has about 11.21 million inhabitants. In 1972 Greece became a parliamentary republic and abolished the monarchy. In 1981 Greece joined the EC (now the EU); it became the 12th member of the euro zone in 2001. Greece is among the founding member-countries of the OECD.

Economic development

2. Greece has a modern market economy with the public sector accounting for about 40% of GDP and with per capita GDP (PPPs) at 89% of the euro-zone average. The sector of agriculture, forestry and fishing employs 10.5 %, the industry and construction sector 19.4 %, and services 70.1 %². Immigrants make up nearly one-fifth of the work force, mainly in agricultural and unskilled jobs. Greece is a net beneficiary of EU support, equal to about 2.4% of annual GDP (in 2007).

3. Growth in GDP per capita over the last decade has been among the most rapid in the OECD and the EU. The Greek economy grew on average by more than 4.0% per year between 2002 and 2007. Most of the explanations for this strong growth performance – in particular the effect of a large reduction in competition curbing product market regulation and financial markets deregulation – are of a transitory nature. The risk that the current period of strong growth will end with a hard landing is however reduced by factors such as: the absence of currency risk, household credit is still relatively low in relation to income and the increasing diversity in export markets. The recent reduction in the government's deficit to below 3% of GDP is important, but further fiscal consolidation is needed, while growth remains strong, because of the high level of government debt and prospective costs of ageing. The latest OECD Economic Survey of Greece indicated a number of structural reform priorities: pensions, reduction of labour market rigidities, strengthening of the competition in key network industries and tertiary education³.

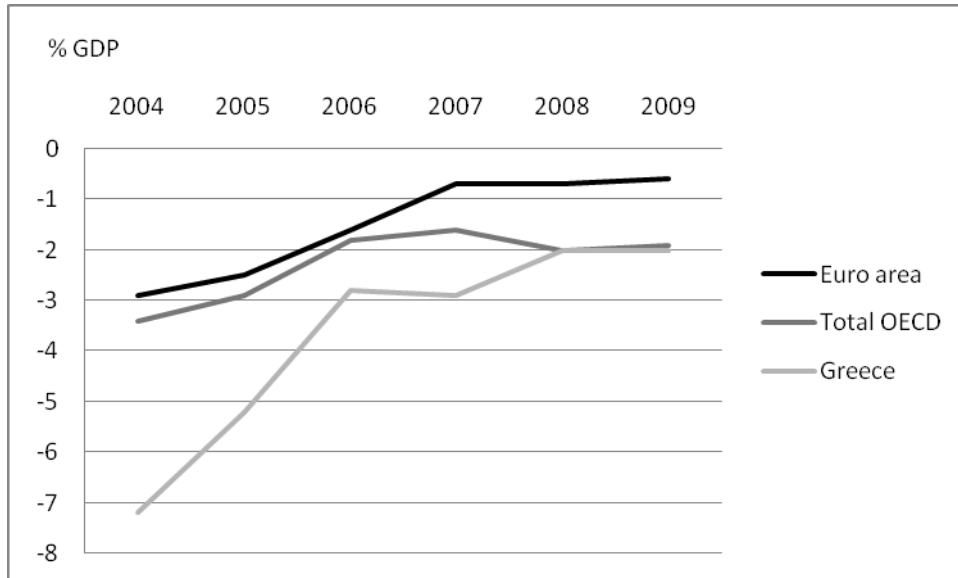
4. Economic performance has been strong in 2007, despite the impact of forest fires and a slowing of housing investment towards a more sustainable level. According to the OECD projections, growth is set to weaken in 2008 before edging up again to around 4% in 2009. Growth is expected to continue to outpace the euro area average.

¹ General Secretariat of National Statistical Service of Greece, www.statistics.gr (statistical.data/demography).

² General Secretariat of National Statistical Service of Greece, www.statistics.gr (statistical.data/national accounts/employment).

³ OECD Economic Survey of Greece (May 2007/5) p. 21; OECD Economic Outlook (December 2007/2) p. 124.

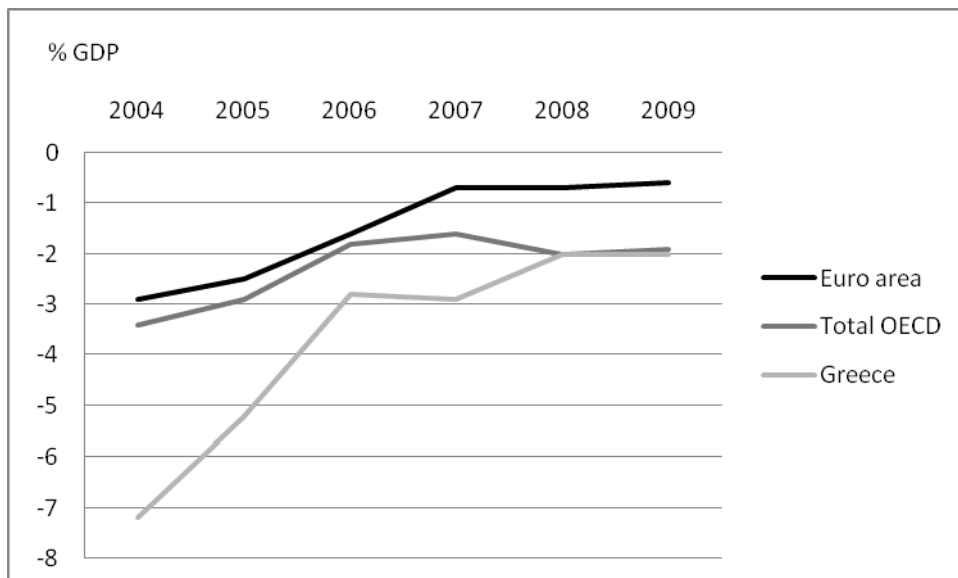
Figure 1. Growth in real GDP, Percentage change from previous year



Source: OECD Economic Outlook, Vol. 2007/2, No.82, December.

5. Since the current government took office in 2004, reversing the relentless rise in the deficit that has been occurring since the late 1990s has been the overriding objective of economic policy. In 2004, Greece was placed under the EU's Excessive Deficit Procedure (EDP) with the requirement to bring the deficit to below 3% of GDP by 2006. This requirement has been met with measures leading to a general government deficit of 2.8% of GDP in 2006, leading to the termination of the EDP (see figure 2).

Figure 2. Greek General balance comparison with Euro area and OECD, % of GDP



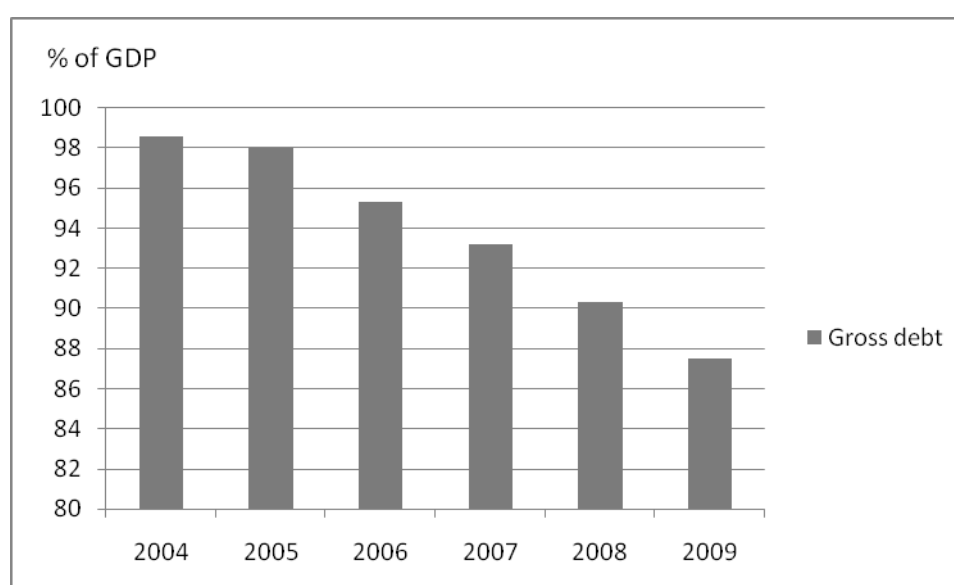
Source: OECD Economic Outlook, Vol. 2007/2, No.82, December.

Table 1. General government gross and net financial liabilities, % GDP (SNA)

	2004		2005		2006		2007		2008		2009	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Euro Area	75.8	51.3	76.9	51.2	74.8	48.5	72.4	46.1	71.2	44.8	70.0	43.5
Total OECD	75.8	44.0	77.6	44.2	77.1	43.1	76.6	42.6	77.1	43.2	77.4	43.5
Greece	114.4	88.8	112.3	83.8	106.0	76.6	103.8	74.4	100.8	71.7	98.1	68.8

Source: OECD Economic Outlook, Vol. 2007/2, No.82, December.

6. This important improvement has coincided with a marked reversal of the previously strong pro-cyclical fiscal stance between 2004 and 2006 from 7.2% of GDP to 2.8% of GDP. The most important factors that have contributed to this achievement are: 1) a fall in capital expenditures – much of which is due to the ending of Olympics-related expenditures; 2) an increase in other revenues – partly related to one-off items and partly to the inclusion of revenues from taking over a bank pension fund; and 3) a reduction in debt service payments.

Figure 3. Greece's Gross Debt, Maastricht definition

Source: OECD Economic Outlook 82 database.

7. Although the general government debt burden (using the Maastricht definition), has fallen from 98.6 % of GDP in 2004 to around 93.2 % of GDP in 2007, and it is expected to be reduced further to 87.5 % of GDP in 2009, it remains among the highest in the OECD area (see figure 3). The main reason for this reduction has been the strong growth of nominal GDP and the lower interest rate paid on debt, with the primary balance playing a smaller role. In the current risk averse financial market environment the risk premium for Greece appears to have grown compared to e.g. Germany. Reducing the price of borrowing reinforces the imperative for fiscal consolidation. Better tax collection is thus also necessary for reducing the price of borrowing

8. Note, that in 2007 the Greek GDP of 2000 was upwardly revised by 9.6%. The level of GDP for the years 2000-2006 was correspondingly revised, but growth rates were little changed. The timing of the revision was a result of the fact that the European System of Accounts (ESA) requires a revision of the

base year every five years. Most of the revision was needed because of improved measurement of the fast growing service sector⁴.

Table 2. Unemployment rate

	2004	2005	2006	2007	2008	2009
Unemployment rate	-	10.4	9.3	8.6	8.4	8.3

Source: OECD Economic Outlook, Vol. 2007/2, No.82, December.

9. From 2005 to 2007 the unemployment rate has fallen from 10.4% to 8.6%. However, it remains rather high if compared to other EU countries. This is especially true for young people, first-time labor market entrants, and re-entrants (mainly women).

10. In order to guarantee long-term fiscal sustainability, the Greek Government has to deal with the future public expenditures flowing from the ageing of the population, the burden of which is estimated to be among the largest in the OECD. Fiscal consolidation is to be fostered and this requires a better control of primary spending, wide-ranging reforms of the pension and health care systems, and the increase of tax revenues. Related to these objectives, other important steps to be taken are the improvement of the efficiency of the Greek administration and the reduction of tax evasion.

11. In this context the new law (March 2008) reforming the pension system is a welcome development. The key feature of the law is to address the fragmentation of the pension system. At the moment, the social security system includes 155 main and auxiliary public funds monitored by 5 Ministries. The law provides for substantial consolidation of these funds aiming at the realization of efficiency gains. Among other things this is to be achieved through: effective monitoring; introduction of common rules; limiting contribution evasion; reducing health insurance expenditures; better management of assets and the publication of financial reports according to international accounting standards. These initiatives are promising although their effect has yet to be seen.

12. Any delay of the fiscal consolidation would spread longer-term costs in terms of higher taxes, additional debt service costs, and would increase the risk premium paid on government debt and distort the tax burden towards future generations.

[Note that the OECD is in the process of updating the projections for the Economic Outlook no. 83. New figures will be available in June 2008].

⁴ OECD Economic Survey of Greece (May 2007/5) p.22.

CHAPTER 2 BUDGET FORMULATION

13. The formulation phase of the Greek budget process while functioning could benefit from adjustments based on best practices in some other OECD countries. As in many countries, the budget lacks strong top down procedures, it does not cover all government expenses, and has a very detailed input focus. The Greek government is aware of the problems and is rolling out a number of reforms to remedy this. The reform agenda touches on many aspects of the budget process, with the primary focus of introducing a program based budget. A pilot program budget for the Ministry of Culture and a functional classification of the whole budget was part of the 2008 budget (as an appendix to the annual budget)⁵. The current plan is to include a similar pilot for all ministries on a program basis planned for the 2009 budget.⁶

14. This section begins by highlighting important features in the Greek budget formulation process. Next, the budget formulation cycle will be described. The final part of the section concludes by discussing the Greek budget formulation process and planned reforms vis-à-vis other OECD countries.

2.1 Key characteristics

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

Weak top-down budgeting process

15. 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.

16. 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 on ministerial level. Ministerial spending ceilings are not set at this stage nor at a later stage of the budget process except the more or less formulaic calculation of personnel expenditure. The initiative for new policy and

⁵ Greece Program Budgeting 2008 Executive Summary: http://www.mof-glk.gr/en/budget/pb_2008.pdf.

⁶ The pilot is planned to include tables with appropriations on a program basis. In legal terms, appropriations in the 2009 budget will still be according to the detailed input structure of today.

fiscal measures is left to the line ministers. The overall Stability and Growth Pact targets are discussed. This organization of the budget preparation process gives little incentive for the line ministers to think in terms of reallocation and prioritizing 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 shown to be more effective in containing costs and making the line ministry feel ownership for fiscal decisions within the ministry's area of responsibility.

Lack of a unitary budget

17. The OECD Best Practices for Budget Transparency states that 'The budget is the government's key policy document. It should be comprehensive, encompassing all government revenue and expenditure, so that the necessary trade-offs between different policy options can be assessed.' (OECD 2002 p. 8) The Greek budget still has a way to go to attain this in that: 1) there is a split between the 'ordinary' annual budget and the investment budget; 2) special accounts belonging to line ministries, agencies and other budget users are excluded from the ordinary budget process and 3) The scope of the budget is not sufficiently inclusive.

18. 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. This means that 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 to a large extent (about 70%) determined 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.

19. A number of OECD countries, such as France, have previously had a ministry of planning (Commissariat Général du Plan) that focused on investment and countries such as the United Kingdom and the Netherlands maintain a separate process for capital budgeting, but integration of capital and current budgets has become the norm in OECD.

20. Before 2002 the split 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 cooperation between the budget office (the General Accounting Office of the Ministry of Economy and Finance) and the Directorate for Public Investment is limited and a real merger of the responsibilities of the ordinary and the investment budgets has not occurred. The split in responsibilities goes for both budget preparation and budget execution.

Special accounts

21. Part of central government activities is financed through special accounts. These 130 accounts are not incorporated in the budget. They are financed through earmarked revenue, but also partly (about 25%) financed 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 the detailed ordinary budget is governed by a tight fiscal law, line ministries appreciate the discretionary freedom in spending from the special accounts. Since 2004, a table containing a gross overview of the special accounts (by ministry) has been part of the budget

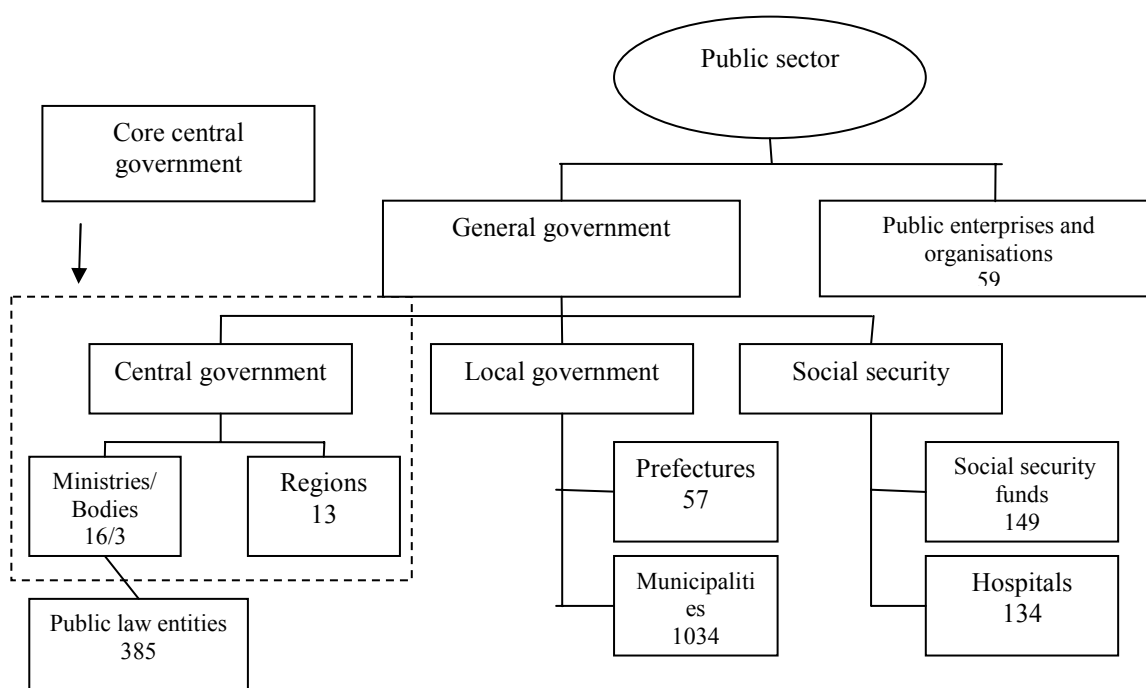
documentation, so some transparency concerning these funds has been introduced. The revenues from the funds amounted to € 4.5 billion in 2006, € 5.2 billion in 2007, and are expected to be € 5.0 billion in 2008. For 2007 their revenue amounts to 2.3% of GDP. A trend in recent years has been an accumulation of unspent funds in the special funds; in 2006 it was € 2.8 billion, and it is expected to have increased further in 2007 by about € 0.3 billion. About € 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, it represents approximately 25% of total expenditures from the ordinary budget, the investment budget and special accounts. The Ministry of Economy and Finance has to approve the opening and closing of the special accounts.

22. Although special account revenues have to be spent within the legislated purpose for each one, the legislation can be quite vague in some cases. This means that special account revenue can be spent by the relevant line minister with fewer restrictions than what 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 overruns or new spending during budget implementation involves a complex administrative procedure with the Ministry of Economy and Finance, while using funds from special accounts is an internal line ministry exercise.

Central government sector and the budget

23. The scope of the budget is not sufficiently inclusive (Figure 4). The ‘core’ central government – which together comprises the central government budget – consist of the ministries and regions. Not included are public enterprises and organizations, Social security funds and hospitals and Public law entities. However, budgetary transfers to these organizations are included.

Figure 4. Demarcation of sectors in the public domain



24. Public enterprises and organizations 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 organized 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. What is visible in the budget is only the amount transferred from the central government. That means that what is noted in the budget is a net-transfer to the entity, not the gross expenditure. The OECD best practices for budget transparency state that expenditures should be presented in gross terms in the budget. In addition ear-marked revenue and user charges should be clearly accounted for separately. This should be done regardless of whether particular incentive and control systems provide for the retention of some or all of the receipts by the collecting agency.

25. It is mandatory for all employees to belong to a social security fund. These are financed through employees' contributions and a mix of employer contributions and transfers from the central government. The social security sector is governed by two systems. With regards 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. The social security costs (including health expenditures) for the private sector are financed via a number of extra budgetary funds and pension funds. Every social security fund draws up its own budget. The budgets of these funds are approved by their boards and by the Minister of Employment and Social Protection. The state contributes to their 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 provided information on, and asked approval on, the total transfer of grants and contributions to these funds from the state budget, without a due presentation of the funds' budgets. While this is not an unusual way of financing social security etc. in OECD countries there is a need to coordinate decision-making concerning expenditure in the budget process and secure transparency through a clear presentation of general government data in the budget documentation.

Detailed input orientation

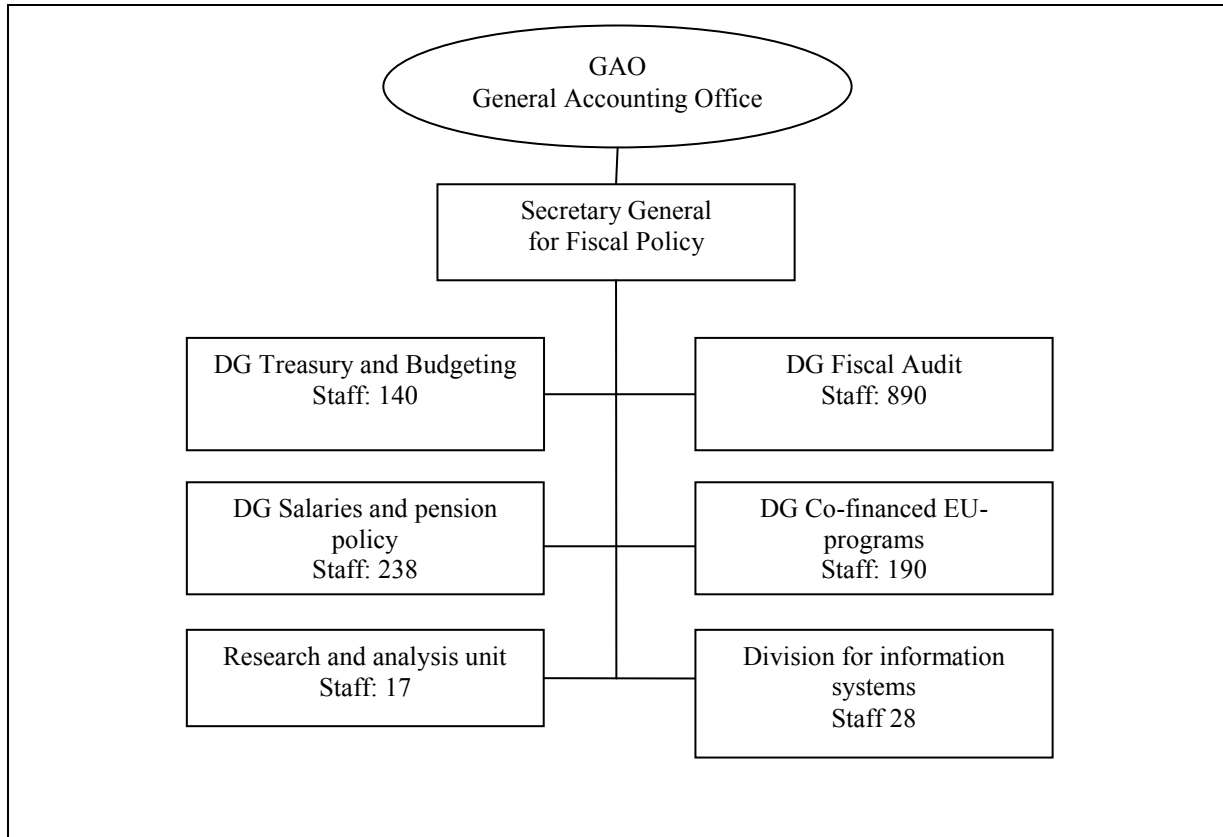
26. The Greek budget is very detailed and input oriented. There is practically no use of output information and performance information in the budget process. At present, the Greek budget contains some 14,000 line items. Appropriations are currently specified according to an institutional hierarchy and an economic classification. The institutional classification is in several layers, starting with responsible ministry down to spending units. The appropriations of the ordinary budget (the investment budget specifies investment expenditures) is in turn specified according to economic classification, i.e. what funds can be spent on: 1) salaries and wages; 2) other operating expenditures; 3) subsidies and grants; 4) returned resources; 5) pensions; 6) miscellaneous expenditure; and 7) interest on public debt.

Box 1. 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. From the perspective of the budget process, the GAO is the central part of the Ministry of Economy and Finance in the budget process and has the function of the central budget authority despite its name. This is so both in terms of budget preparation and budget execution. The overall responsibilities of the GAO are:
- 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 of state assets.
- Manage debt and guarantees.
- Issue payroll regulations and payments of wages and pensions for civil servants/ pensioners.

27. 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 analyze 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 light of changed circumstances (see also below on budget execution). Third, it gives managers of spending units little room for maneuver to organize the activities as efficient 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.

Figure 5. Organization of the General Accounting Office



2.2 Annual budget process

28. 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 special accounts’ revenue and expenditure, which is discussed above, is not part of the budget. These accounts are however noted in the pilot program budget for the Ministry of Culture.

29. The budget preparation process starts in January/February in the year before the budget year with the Macroeconomic Analysis and Forecast Directorate (MADI) updating the macroeconomic forecast for the budget year (t+1) and the following two (t+2 and t+3) years. Forecasts for the short-term (t+1) are done twice annually (spring and autumn) and for the medium-term (t+2 and t+3) annually for the Stability and Growth Program that the Greek government has to deliver in the autumn each year to the EU. The medium-term forecast is not updated as part of the budget preparation process in the spring. The overall position of central government finances are 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 Pact forecasts. In case 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.

30. Note that as mentioned below the macro economic forecasts are not used in the line ministries’ budget preparations, instead they develop their own forecasts. This naturally hampers the usage 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 it does not contain any estimates for out years. Most OECD countries use multiyear 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 on the proposals are taken. The meeting concerns the main political priorities for the government as a whole. Each line minister will -- at this meeting or later during the budget submission phase -- bring forward their own policy suggestions. The updated Stability and Growth Program 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.

31. Later in the spring (May) the Budget Directorate (part of the GAO) sends out 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: 1) main fiscal policy targets and overall targets for the overall deficit (the ones already discussed in the Cabinet meeting); and 2) 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 macro-economic forecast and line ministries are not obliged to use specific parameters, like price and volume indexes, prescribed by the Ministry of Economy and Finance, or agreed on together with the Ministry of Economy and Finance when they submit their budget proposals. Each line ministry, or their spending departments, develop and use their own indicators that influence appropriations under their responsibility, and there is no overall coordination. Sometimes, line ministries do this in a discussion with MADI but that is not mandatory (e.g. unemployment benefits). This creates a situation where it is difficult for the GAO to oversee and evaluate the submissions from line ministries. It 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.

Box 2. Budget formulation timetable	
January-February	Update of macroeconomic forecast
Early spring	Council of Ministers discusses and decides on main fiscal parameters (deficit and debt).
Spring (May)	MOEF circular is sent to line ministries and regions. The circular contain two parts: 1) main fiscal policy targets and overall fiscal policy parameters (deficit and debt); and 2) a technical part specifying deadlines for, and what information that shall be included in line ministries budget submissions.
Spring (June)	Investment budget circular
Mid-June	Deadline for line ministries and regions budget submissions.
October, 1st Monday	Preliminary Draft budget submitted to Parliament
No later than November 21	Draft budget submitted to Parliament
No later than December 31	Budget is voted on in Parliament

32. In June, the Directorate for Public Investments sends out their 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.

33. As soon as submissions from the line ministries have been received by the GAO and the Directorate for Public Investments, they are scrutinized by the respective directorates and overall assessment is done on the size of submissions compared to what can be managed given the deficit target and revenue estimates. As mentioned earlier the capital expenditures are mainly based (70%) on the amount required to co-finance projects with EU funds, the projects that have already been launched and finally the new projects that are decided on a case by case basis.

34. The deadline for budget submissions, both for the ordinary budget and for the investment budget are in mid-June. Submissions within the ordinary budget are sent to the GAO and for the investment budget to Directorate for Public Investment. As line ministries get no limits in the initial phase of the budget preparation process, submissions come in higher than what is possible, given revenue estimates and the targeted deficit. This is the start of the political prioritization process. The spending proposed by the ministries can be quite substantial compared in the final results. Spending proposals are first discussed at lower levels, and if they cannot be resolved they 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 during the budget cycle. The lack of top down ceilings means the finance ministry has less time to focus on thorough analysis of major expenditure areas in that the weeding out of expenditure increments is very time consuming.

35. Parallel to the process of discussing appropriations, tax legislation is discussed. Even though tax-legislation is separate from the annual budget, both 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, can result in the government not knowing how large overall expenditures will be. This can complicate the task of adhering to the Stability and Growth Pact deficit limit of 3% of GDP.

36. The deadline for submission of the preliminary draft budget executive summary to parliament is the 1st Monday of October. The preliminary draft budget is scrutinized and discussed in parliament (see the role of parliament). The parliament gives feedback to the government and ministries. The Ministry of Economy and Finance then prepares and submits its draft to Parliament no later than 21st of November (see also Box 2). Proposals from the parliament practically never lead to increased or decreased expenditures and/or revenues.

2.3 National plan of programs – pilot

37. The Greek budget for 2008 included for the first time a program pilot budget for the Ministry of Culture as well as a functional classification for the entire budget⁷. These was not a legally binding document, but was added in an appendix to the budget documentation.

38. The basis for the new overall program classification is the internationally used COFOG-classification (Classification of Functions of Government). To adapt the COFOG classification for domestic circumstances, Greece use 13 functions instead of the original 10 in COFOG8.

⁷ See http://www.mof-glk.gr/en/budget/pb_2008.pdf

39. The functions in the National Plan of Program are (the two digits are the Greek functional code):

- 00 Revenue
- 01 External affaires
- 02 Governments specific domestic actions
- 03 Local governing
- 04 Education
- 05 Culture, religion and sports
- 06 Defence
- 07 Public safety and justice
- 08 Economic affairs and development
- 09 Rural development
- 10 Environment and housing
- 11 Infrastructure and transport
- 12 Health and social policy

40. The National Plan of Programs will classify all expenditure according to: 1) functions; 2) programs; 3) actions; and 4) economic classification (see table 3). In addition there will be an institutional classification (ministries). The line item level has not been determined. Present appropriations will be grouped to programs and matched with program goals. At present the draft program budget contains 73 programs. A reduction from about 14,000 line items to about 1,000 line items is expected.

41. The investment budget and the special accounts will use the same classification as the ordinary budget. As the reform does not at this point envisage a removal of the specifications for economic classification, each action will have specifications for: 1) compensation of employees; 2) use of goods and services; 3) interest; 4) subsidies and grants; 5) social benefits; and 6) other expenses. The economic classification will be the same for the ordinary budget, the investment budget and the special accounts. This new economic classification is in accordance with the Government Finance Statistics Manual (GFS) of the International Monetary Fund (IMF).

⁸ The 10 functions of the Classification of Functions of Government (COFOG) are: 01 General public services; 02 Defence; 03 Public order and safety; 04 Economic affaires; 05 Environmental protection; 06 Housing and community amenities; 07 Health; 08 Recreation, culture and religion; 09 Education; and 10 Social protection.

Box 3. Program budgets

A program budget is a budget in which expenditures are classified according to programs or output areas. While there are many types of budget formats, it is the program budget that yields the most information for planning and decision-making. It benefits strategic planning, and focuses on results within the ministry and government at large, but does not necessarily require performance measurement.

Introducing program budgeting can provide a substantial reduction of the number of line items (e.g. in the Netherlands, the new program budget reduced the number of line items by more than 75%, from around 800 to around 200). Output-oriented account reclassification is a first step that does not require the abolition of all input controls. In particular, budgets for administrative expenditures need to be ring fenced.

A program budget typically includes:

- A line item set towards a policy goal;
- A qualitative description of the activities and their relations to the goals, but not necessarily in the budget documentation;
- Some kind of measurements that are reported on, but not necessarily in, the budget documentation; and,
- Less input detail in the appropriations.

42. In the same appendix, a pilot program budget, using 2006 outturn data, for the function “05-Culture, Religion and Sports” was introduced. The functional area broadly covers the ministry of Culture. This contained a breakdown of each program in actions, which involved grouping expenditures of the ordinary budget, the investment budget and the special accounts into programs. The pilot project also includes the human resources breakdown per action. The pilot is basically the model for how Greece plans to pursue reform in the area of program budgeting.

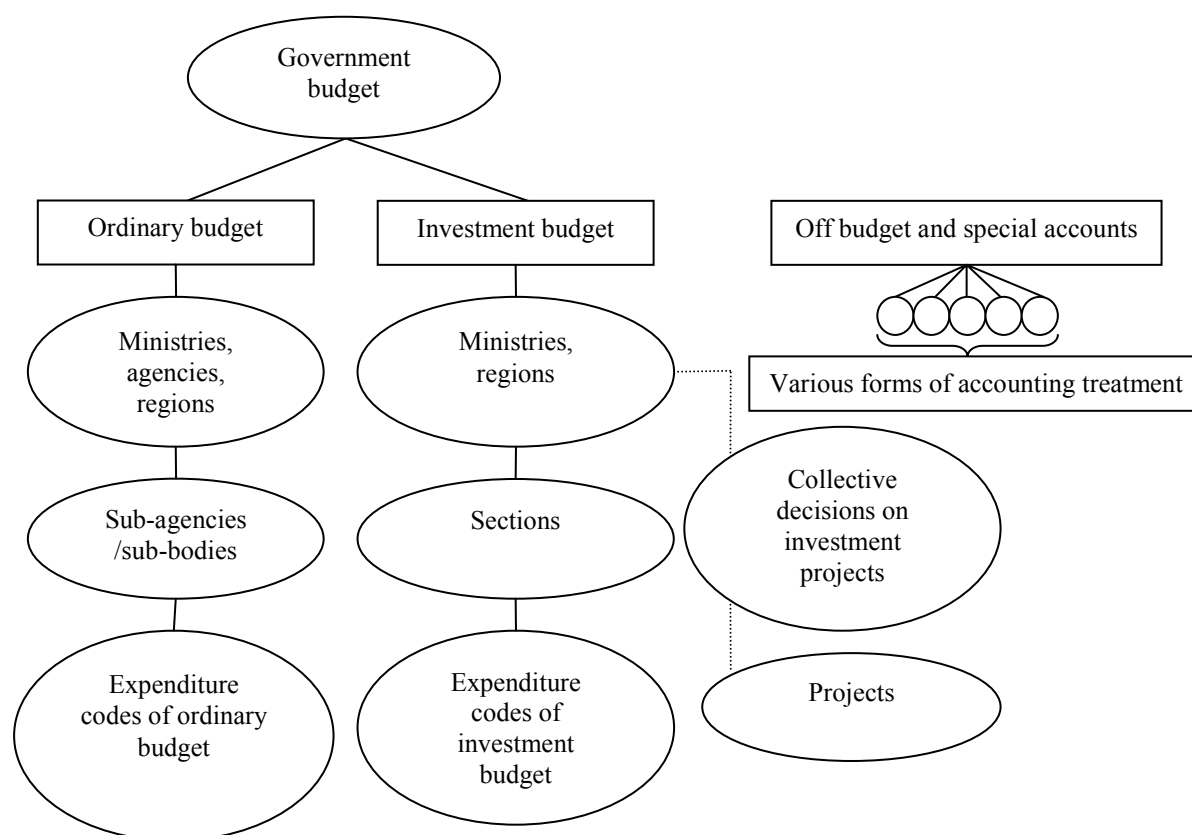
43. The present organization of line items in the budget is a hierarchy of institutional, functional and economic classification and could not always serve as the new classification (see figure 5). Other problems during the 2008 pilot include lack of information on specific purposes of some expenditure, how to allocate operating or administrative expenditures to different functions and programs, and how to match the investment budget to programs. The pilot phase concerning the “Culture, Religion and Sports” area was driven by the Ministry of Economy and Finance, but in close cooperation with the line ministries. To get their involvement and ownership, the involvement of line ministries will be essential.

44. In presentational terms, the framework used in the pilot improves the situation significantly compared to the present situation. A number of overview tables presenting all expenditures (investment budget, ordinary budget and expenditure from special accounts revenue) will be available both in terms of functional breakdown – programs well as ministerial – functional program breakdown.

Table 3. Future national plan of programs: Hierarchy of functions, programs, and actions

	Investment budget	Ordinary budget	Special accounts	Total
Functional classification				
XX Functions				
XX.XX Programs				
XX.XX.XX Actions				
Economic classification				
1) compensation of employees				
2) use of goods and services				
3) interest				
4) subsidies and grants				
5) social benefits				
6) other expenses				

Figure 5. Existing budget system



2.4 Recommendations

45. The first priority should be given to introducing a program budget. The present budget is too focused on input details, which effectively hinders the use of the budget as a strategic political steering document. The number of line items should be reduced from 14,000 to about 1,000. The suggested reforms towards program budgeting are going in the right direction, but present plans seem to keep the line item specification in terms of economic classification which could make it difficult to reduce the total number of line items to around 1000. As line ministry appropriations get less specified the need for flexible special accounts diminishes. Importantly though, input controls, and caps on administrative expenditures should be maintained, as in most OECD countries. Less specification would free capacity in the Ministry of Economy and Finance, in that the vast number of reallocation requests would no longer be necessary. Importantly the current institutional structure should be used as the basis in this reform towards program budgets. Lessons from other OECD countries warn against using budget reforms to change institutions; that is, it is better to modify the program and account structure than to force through institutional changes in order to fit existing program and account structures. Indeed the pilot reflects that this fact is well known in Greece.

46. As part of the introduction of this reform, the budget documentation should be revised to present qualitative explanations of the programs. In particular, budget proposals for new programs should be easy to view and treated in some detail - i.e. focus on the policy objectives and how this is to be attained. It should also include some form of performance information for ongoing programs based on quantitative indicators, but at this time it would not be advisable to tie the appropriation directly to the performance indicators. Indeed very few OECD countries do this, and then only for very specific area such as some education and health services. The purpose is transparency, not to point fingers at bad performers. The performance objectives should give information to relevant parties, but should also be a management tool for the line ministries and agencies. Because 'what gets measured, gets managed', particular attention has to be paid to the format of the indicators. A tradeoff between inclusiveness and information overload has to be carefully managed. An area where a number of countries use performance indicators is higher education, which could possibly be worth studying with a view to develop a pilot program.

47. As part of the program reform, line ministry accountability should be strengthened and the line ministries should be given a strong mandate to manage. Responsibility is only meaningful if there is autonomy in decision making. As part of this, ministries should be required to assume responsibility for accuracy of the budget. This would make it easier to review effectiveness of the ministries and agencies in context of their performance.

48. Strengthen the top down element in budget preparation. The bottom up procedure for expenditures other than salaries should be modified, as indeed is the trend in OECD countries. The bottom up procedure encourages line ministries to make unrealistic demands for new spending and to ignore prioritizing within the relevant line ministry's baseline appropriation. It results in a considerable burden on the budget department in the Ministry of Economy and Finance in that it has to get involved in a multitude of policy details where there is massive information asymmetry vis-à-vis the relevant line ministry. By using a more top down macro approach labor capacity could instead be spent on focused program budget analysis (ex ante and ex post), which should be one of the core tasks of a modern Central Budget Authority. The top down procedure could involve the Council of Ministers early in the preparation process setting overall fiscal targets, setting expenditure ceilings for each ministry, highlighting areas of reforms in the budget, and the funds available for reforms. A ceiling for ministries will give ministers the

incentive to look at reallocation as a source of funding for new initiatives within their area of responsibility – in effect making each minister his own finance minister. That implies less detailed control from the centre of a line ministers' budget and less input control - as envisaged in the program budget reform. A number of OECD countries, like Sweden and the Netherlands, have positive experience with top down budgeting and the use of expenditure ceilings.

49. Strengthen the comprehensiveness of the budget. As is clearly acknowledged in Greece, special accounts reduce transparency, weaken the annual budget as the main policy document for the government, and reduce the government's and parliament's role in making policy judgments. It should be applauded that the Ministry of Economy and Finance has already started the process of abolishing special accounts, although the next steps are a bit unclear. It should be noted that the program budget pilot (Ministry of Culture and Sport) explicitly notes expenditures from special accounts and thus improves transparency. However, this still excludes them from regular ex ante and ex post scrutiny compared to regular appropriations. In addition, the problematic use of net-budgeting in funding Public Law Entities and hospitals creates transparency problems as the gross expenditures are not made public. In addition there are problems for central government monitoring of these institutions.

50. The split between the ordinary and the investment budget and the separation of responsibility within the Ministry of Economy and Finance for these two groups of expenditures hampers an efficient tradeoff between different types of spending. The unification of the Ministry of Economy and Finance in 2002, when the responsibility of the ordinary and investment budget was moved under the same umbrella of the Ministry of Economy and Finance, was a good step forward. The key is to make sure that the decisions on current and capital expenditure are not developed independently of each other; this could perhaps be secured if the central budget authority in the form of the GAO, as in nearly all OECD countries, was given overall responsibility for all expenditures in the budget. Full cost commitments of public investment programs should be published.

51. The use of the economic assumptions should be streamlined. The information provided to line ministries from the macro-economic forecasting process seems not to be coordinated fully. Line ministers using their own indicators and estimates, without central coordination from the Ministry of Economy and Finance, might lead to a situation where the budget is not internally consistent, with the same figures used as a basis of calculation. A full set of data for making forecasts, such as projected GDP growth, inflation, unemployment, social security insurance take up, demographic developments and other variables or indicators that are of importance in the forecasting process, could be added to the circular sent out in the spring (and in the investment circular). Also, as the development of many expenditures, both entitlements and others, are often linked to certain price and volume developments, the indicators used for calculating a baseline scenario for expenditures could be developed with GAO oversight. That would make it easier to oversee cost development of old policy and discretionary policy in the budget process.

52. To further strengthen the top-down process and fiscal discipline some form of medium-term perspective should be added when the program budget has been introduced. The budget documentation should include out year estimates (year t+2 and t+3) on the basis of maintaining current policy. These estimates should be at program level and should be continually updated in light of new policy decisions. Making the estimates at program level ensures that they are realistic and "living" documents. They then serve as the basis for the top down allocation of the ceilings for the budget year, and will often be identical to the ceiling. Most OECD countries have estimates that contain two or three years beyond the budget year. Australia considers their multiyear estimates to be one of the most successful reforms they

have undertaken, and many other OECD countries agree that it is well worth the effort. A distinction should be made between having multiyear estimates and multiyear ceilings. Multiyear ceilings are budget caps that the government has set for more than the budget year, possibly as part of a fiscal rule⁹. Some countries include entitlements under the ceilings (Sweden) and some do not in that this might be pro cyclical. In addition tax expenditures should be included. More details on medium term fiscal frameworks are provided in Annex 1. The introduction of a program budget should go first, followed by the introduction of fixed multiyear ceilings in a year or two. The Netherlands has had success in promoting fiscal sustainability by using expenditure caps within the constraints of the Stability and Growth Pact.

53. Concerning the MOEF organization some changes could be considered: first, strengthening the General Accounting Office's capacity to focus on budget and policy analysis rather than checking details. The responsibility for the investment budget and ordinary budget should be integrated institutionally. As mentioned above, the use of top down budgeting should be introduced. This would necessitate developing the skills and procedures for setting overall caps for each ministry, conduct ad hoc efficiency and effectiveness reviews – program evaluation, budget monitoring, defining appropriate reporting criteria for new legislation, develop briefing formats for new initiatives (e.g. Australia's green briefs).

54. The Government Budget Reform Unit currently has a staff of five analysts with each analyst working with three to four ministries. In order to meet the ambitious reform agenda, the staff should be approximately doubled. The reform unit will provide leadership to establishment of top down controls, implementation of program and multi-year budgeting, and to the integration of the investment and operating budgets. The reform unit will provide assistance to the Budget Directorate as it shifts its focus from budget administration to budget policy review, and provide support to line ministry budget offices as they assume new responsibilities. Finally it is important to ensure that political commitment to the reforms is clearly and strongly communicated. In order to secure the institutional strength of the modernization process it would be beneficial if the budget reform unit is given status as a directorate.

⁹ Greece is part of the euro zone and subject to the EU Stability and Growth Pact.

CHAPTER 3
PARLIAMENTARY APPROVAL

Box 4. The Hellenic Parliament

The origins of the Hellenic Parliament date back to 1843. It is a unicameral legislature with 300 members elected for a four-year term under a complex system of reinforced proportional representation. Greece is divided into 8 single and 48 multi-member constituencies for 288 seats, and one multi-member nationwide constituency for the 12 remaining seats. Voters can choose different candidates from within a party list. To enter Parliament, parties must achieve a minimum of 3 per cent of total votes. In the 2007 elections, five political parties gained representation: New Democracy (ND; 152 seats), the Panhellenic Socialist Movement (PASOK; 102 seats), the Communist Party of Greece (KKE; 22 seats), the Coalition of the Radical Left (Synaspismos; 14 seats), and the Popular Orthodox Rally (LAOS; 10 seats). Following elections, parliamentarians form Parliamentary Groups. These consist of the parliamentarians who belong to the same political party. Parliament has six large standing committees: Cultural and Educational Affairs; Defense and Foreign Affairs; Economic Affairs; Social Affairs; Public Administration, Public Order and Justice; as well as 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.

Sources: www.parliament.gr and www.eiu.com

3.1. Pre-budget consultations

55. The Greek Parliament is formally consulted prior to the tabling 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.

56. The Standing Committee on Economic Affairs of Parliament reviews the preliminary draft budget. The committee is comprised of 49 members and reflects the party political composition of the 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 this debate are forwarded to the Ministry of Economy and Finance for consideration.

57. 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 tabled in November are broadly the same. Box gives examples of pre-budget consultations in other countries that enable more substantial parliamentary involvement.

Box 5. Pre-budget involvement of Parliament in Sweden and Canada

Several OECD countries have taken steps to involve Parliament prior to the tabling of the annual budget. In Sweden, budget reforms in the mid-1990s instituted a two-step process whereby Parliament first decided on a Spring Fiscal Policy Bill with aggregate expenditure ceilings for the upcoming budget plus two further years, as well as indicative ceilings or 'frames' for 27 expenditure areas. This bill was tabled for the first time in April 1996, preceding the presentation of the draft budget by five months. The Finance Committee received responsibility for scrutiny of the Spring Fiscal Policy Bill. Following parliamentary approval of the bill in June the executive would proceed to finalize a draft budget to be presented to Parliament in September, more than three months before the beginning of the fiscal year in January. In recent years, the Spring Fiscal Policy Bill has provided only general guidelines for budget policy, and the Budget Bill in September is used to propose aggregate expenditure ceilings for the medium term.

Canada in 1994 introduced a pre-budget consultation process with Parliament to broaden participation and as a vehicle for educating the public about difficult fiscal choices. Starting in late September, the House of Commons Standing Committee on Finance begins public hearings on budget policy. In mid-October, the Minister of Finance appears before the committee to outline the current and prospective economic situation and broad budget policy objectives. This is a major event that is televised nationally. Concurrently, the Ministry of Finance releases the Economic and Fiscal Update, which provides supporting material. During this presentation, the Minister of Finance outlines a number of specific questions for the committee to report back on. In a typical year, the committee holds a total of 20 public hearings in ten different locations throughout Canada, following which it presents a report in early December that the executive considers in finalizing its budget proposal. The Estimates must be presented to Parliament no later than 1 March, one month prior to the start of the fiscal year.

Sources: Blöndal (2001a and 2001b), Wehner (2007).

3.2 Approval of the annual budget

58. 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 table the budget at least forty days before the beginning of the fiscal year. Article 8(1) of the budget 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 tabling the budget is adhered to in practice. Current Members of Parliament interviewed by the mission do not recall instances of delays.

59. 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 organizational classification. For the first time for the 2008 budget, the Ministry of Economy and Finance published an appendix that attempted to structure the budget on a program 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 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.

60. Following the tabling 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 chairperson 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 at most four consecutive sessions. 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.

61. Following the conclusion of the committee’s discussions, a report is transmitted to the chamber at least three days prior to the opening of the debate in the plenary. The debate of the Finance Bill in the plenary takes at least five consecutive days. The format of the debate is regulated by article 123 of the standing orders and 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 of the Finance Bill has to 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 summarized the debate on the floor as ‘a very imperfect process’.

62. 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. It is the standing orders of Parliament that 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 tabled by the executive.

63. Article 9 of the budget law and article 79 of the Constitution regulate reversionary provisions for the case that 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 authorizes interim provisions, the previous budget can be extended by decree for a further four months. In practice, the budget is approved prior to the beginning of the relevant fiscal year.

3.3 Lack of in-year oversight

64. 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 might be used to ensure parliamentary oversight of implementation on a more continuous basis during the fiscal year, but this opportunity is not utilized. Hence, only a minimal degree of oversight of execution occurs with a substantial delay during the parliamentary debate on the accounts, which is described in more detail in the audit section.

65. Article 8(2) of the budget law regulates the conditions under which adjustment appropriations have to be tabled for approval. It 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 over-spending is not uncommon. For instance, actual spending on the ordinary budget has exceeded the voted total by more than 5 per cent 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 not submitted a supplementary budget.

3.4 Support for budget reform

66. Perhaps the most striking observation from the consultation of the mission with Members of Parliament on the Standing Committee on Economic Affairs is their awareness 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 the introduction of medium-term planning and program 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.

67. 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 proposal tabled by the Minister of Economy and Finance. This would allow shifts between different items, but in a way that an increase of one item would have to be offset by a decrease of another item. Several members also voiced support for the creation of a non-partisan parliamentary budget analysis unit to support their deliberations on the budget.

3.5 Recommendations

68. In comparison with most other OECD countries, the Greek Parliament has a very limited role in the budget process. It has little time to scrutinize the budget, no powers to amend the executive proposal and no access to independent analytic support. In addition, its role of authorizing the budget is undermined by the degree to which the executive can reallocate and increase expenditures during execution without having to directly notify Parliament and table an adjustment budget. Hardly any other OECD legislature is sidelined to such an extent (Wehner 2006).¹⁰ While the role of legislatures in the budget process reflects political dynamics and normative choices in the context of individual countries, there are several specific aspects that merit reconsideration which are discussed below.

69. *Meaningful pre-budget consultation:* In Greece, interaction on fiscal and budget policy between the Ministry of Economy and Finance and Parliament is limited. The current pre-budget consultations in particular are not an effective mechanism for dialogue. These could be developed into a debate on a pre-budget policy statement by the Government, which sets out fiscal policy objectives and budget priorities over the medium term. This would tie in well with a move to program budgeting within a medium-term

¹⁰ According to one recent comparison, taking into account the institutional features listed above, the Greek Parliament is second to last in terms of its institutional capacity for legislative control of the budget among a group of national legislatures in 27 OECD countries (Wehner 2006: Figure 1). Only the Irish Parliament ranked marginally below the Hellenic Parliament.

framework. The pre-budget debate could focus on the overall direction of medium-term policy, rather than the details of the upcoming budget.

70. *Sufficient time for parliamentary scrutiny:* The OECD Best Practices for Budget Transparency state that tabling of the budget “[i]n no case should... be less than three months prior to the start of the fiscal year”. The constitutional provisions for the tabling of the budget would allow for it to be brought forward, although this would require adjustments to the timing of pre-budget consultations.

71. *Access to analytic capacity:* Access to independent and non-partisan analysis on the budget can improve parliamentary scrutiny (Anderson 2005). Only the US Congress has a research unit as large as the US Congressional Budget Office, which has about 230 staff. However, a growing number of legislatures in the OECD have created smaller analytic units, for instance Sweden and the Netherlands. The Canadian Parliament has recently decided to create such a unit. A small budget research unit with between five to ten researchers could significantly strengthen the scrutiny capacity of the Greek Parliament and the Standing Committee on Economic Affairs in particular.

72. *A new focus of parliamentary scrutiny:* Parliament should take an active role in reviewing the budget on a program basis, including program objectives and performance indicators. Consideration could be given to dividing oversight of program performance among the committees of the Parliament on the basis of sectoral mandates and expertise. This presupposes that the program budget reform goes ahead.

73. *Binding budget totals:* In-year control by the Greek Parliament should be enhanced significantly. The ambiguity of the legal requirement relating to adjustment budgets (i.e. defining “significant”) needs clarification, since current practice undermines parliamentary authority as well as fiscal discipline. It should be obligatory for the Ministry of Economy and Finance to notify Parliament of any adjustments to the voted allocations beyond an explicit numerical threshold. Moreover, an increase in whole of government aggregate spending above the voted total amount should require parliamentary approval.

CHAPTER 4 **BUDGET EXECUTION**

4.1 The Organization of budget execution

74. 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 Audits.

75. 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, 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.

76. 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:

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

77. The ministries oversee the finances of executive agencies and public institutions within their control, such as special decentralized services: e.g. hospitals, and universities.

78. 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 are appropriately documented. Total staff of the FAO is 850 personnel, the majority distributed among 16 ministries, other government bodies (Presidency of the Republic, Secretariat General for the Communication/ Secretariat General for the Information, municipality of Athens, law entities supervised by the Ministry for Rural Development and Food), and 57 prefectures (including the 13 regions). The Court of Audit (CAO) 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 CAO has an authorized staff level of 650, with 180 current vacancies. The CAO expects the retirement of 250 additional personnel over the next few years.

79. Once the expenditure has been approved by the FAO and the CAO, 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.

4.2 Execution steps

Ordinary budget

80. 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 GAO sets limits within which, for broad categories of expenditure, budget holders can create obligations (appropriations 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 GAO as it sets monthly limits for payments by each ministry and region to manage the cash requirements of the government.

81. Implementation of expenditure – The budget holder (minister, general secretary of region, regional director, or other official authorized 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.

82. Control of expenditure, cash payment – After receipt of the documentation, the FAO reviews the expenditure for 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.

83. Note that 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 being that there is basically next to no discretion concerning these expenditure items. Appropriations for salaries, pensions and rents are mandated centrally by the Budget Directorate of the GAO.

Investment budget

84. 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.

85. In January of every year, the Directorate of Public Investment (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 investments and gives instructions to the involved parties on making their proposals about the amounts that they will need for new projects or projects that are continued. 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 authorized to make payments and afterwards submit all the supporting documents to the FAO in charge for ex post control.

86. 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. DPD makes decisions to approve funding. The DPI then approves a collective decision allocating funding for specific projects.

87. 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 them directions for closing the year and the beginning of the following year.

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

4.3 Budget flexibility and re-allocation

89. 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".

90. For 2006 and 2007 the table below 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 5,000 Euros.

Table 4. Number of budget adjustment decisions in 2006, 2007

Amount per Decision	2006	2007
<5.000 €	2538	2587
>5.000 and <10.000 €	853	839
>10.000 and <20.000 €	549	783
>20.000 and <50.000 €	699	757
>50.000 and <100.000 €	396	441
>100.000 and <500.000 €	623	671
>500.000 €	511	572
Sum	6169	6650

91. Usually about € 6-8 billion are reallocated during the year.

Ordinary budget

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

93. 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), and 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 make transfers of appropriations within the same group, to modify line items, according to their needs.

Box 6. International Experience with In-year flexibility

In New Zealand, section 5 of the Public Finance Act governs the “transfer of resources between classes of outputs” within the same vote or ministerial budget during the fiscal year (also known as *virement*). The amount transferred may not increase an appropriation for a class of outputs in a fiscal year by more than 5 per cent. Furthermore, no other transfer under this section to that class of outputs may have occurred during that fiscal year, and the total amount appropriated for all classes of outputs in that vote must remain unaltered. Any such transfers must be included in an appropriation bill for the succeeding fiscal year. Similarly, section 43 of South Africa’s Public Finance Management Act allows ministerial accounting officers to shift of up to 8 per cent between main divisions (programs) within a vote (ministerial budget), with some additional restrictions and unless the Treasury directs otherwise.

In the United States, language is included in the legislative general provisions of appropriations bills providing transfer authority to specific agencies. For example, in 2007, the ministries of Justice and State were authorized to transfer up to 5% of any appropriation and could increase any account by no more than 10%. The Ministry of Defense was authorized to transfer up to \$4.5 billion in working capital funds. The Ministries of Health and Human Services and Education could transfer up to 1% of any account as long as the transfer did not increase any account by more than 3%. The Executive Office of the President was authorized to transfer up to 10% of White House Offices funding.

94. For the remaining discretionary expenditures in the budget, the spending ministry can address unforeseen expenditure with reallocations of 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.

95. The leadership of Ministry of Economy and Finance has limits on its discretion to approve budget adjustments, as follows:

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

Investment Budget

96. For the investment budget reallocation between different projects can only be made by the Minister of Economy and Finance, Directorate for Public Investment. 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.

97. Transfers between the investment budget and ordinary budget are not allowed.

4.4 Overspending

98. 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 that it is 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 presented in the budget documentation. In special circumstances, there are exceptions to these rules:

- a) Obligations that have been undertaken and exceed the year's total appropriation limit (but not the budget's appropriation total) can be paid with a decision of the Minister of Economy and Finance.
- b) Obligations that have been undertaken and exceed the year's appropriation total can be paid with a decision that is issued both by 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 appropriations. Any such payments are submitted to the Parliament for approval, after the fact, with the approval of the Annual Financial Statement of the Government.

99. 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.

4.5 Special accounts

100. 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. The Ministry of Culture and Sport has an account titled "Greek Organization of Football Prognostics" financed by sports fees which provides funding for sports expenses and infrastructure. Included in expenses are salary supplements for Ministry of Culture and Sport employees.

4.6 Cash and debt management

101. The GAO Directorate for Financial Planning & State Liquidity Management is responsible for the 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.

102. The "*budget expenditure implementation plan*" shows monthly forecasts of expenditures. It is prepared for the entire fiscal year, and it 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.

103. The “*cash plan*” puts the “*budget expenditure implementation plan*” in the context of the revenue forecasts. It is on a pure cash basis and it shows daily cash inflows and outflows from the “Single Treasury Account” (STA). Revenue forecasts are based on previous period historical data, 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.

Box 7. 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 sub-accounts), 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 sub-accounts.

In the hybrid model, budgetary institutions are allowed to have their own bank accounts with a single commercial bank, but any positive balances on 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 and the hybrid model realise efficiency gains through consolidation of balances and centralisation of short-term debt management at the Treasury.

104. 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 certain amount are made (€ 3 million). The limits are controlled against the monthly outcome data and cross-checked by information received on a daily basis by the central bank.

105. Cash balances are centralized 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 STA is held within the Central Bank. The daily balances of the account bear an interest, the rate of which is defined by a contractual agreement between the Ministry of Economy and Finance and the central bank.

106. The Directorate for Financial Planning & State Liquidity Management invests the daily surpluses in the commercial banks, when the interest rate offered by them 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.

107. The bulk of the payments are made through the STA by 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 the budget expenditure and controls individual transactions above certain limits (€ 3 million). However, there are accounts in the STA which are not fully controlled by the Ministry of Economy and Finance.

4.7 Service delivery – organization of general government

108. The government of Greece has four major levels of organization: ministries, regions, prefectures, and municipalities. The central government functions are primarily carried out through ministries and regions (see figure 4). According to the National Accounts, 60% of the general government's spending is carried out by the ministries and regions, 3% by public entities, 6% by local government, and 31% by social security funds.

109. The central government is responsible for national defense, environment and housing, rural development, public safety, education staffing, culture, external affairs, and transfer payments to individuals. The regions are decentralized units of the central government. Their primary function is planning and coordination. 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 of local roads, parks, waste management, and provision of local public buildings including schools.

110. In addition to the direct operation of the ministries, there are public entities which are either mostly dependent on subsidies provided by government grants or by revenues regulated by law. Most of the expenditure of these public entities is 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 Labor and Social Services supervises 94 of these social insurance funds. The 13 regions are decentralized units of the central government, which oversee a number of prefectures organized geographically.

4.8 Social security and Special accounts, off budget funds

111. 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 entities 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, it can be difficult to get a clear picture of the fiscal situation.

112. The government of Greece has 149 social security and pension funds which are extra-budgetary. The social insurance funds are organized 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 are included in the budget. The Minister of Labor and Social Affairs supervises these funds.

Social security funds are managed by management boards the chairman and members of which are appointed or approved by the Minister of Labor and Social Affairs. Financial information about the social security funds should be included in the budget. On April 3, 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, the new law did not address the budget treatment of social security

113. In addition, there are a number of special accounts, as mentioned above, that finance normal government activities. It is the intention of the Greek government to revise its budget documents so that appropriations are given on a program basis. As mentioned one of the first steps in that process, a program budget was developed for the functional area 05 "Culture, Religion and Sports" as a pilot project. The pilot budget amounted to € 1.1 billion, 24% of which was from special accounts¹¹ and 23% from the investment budget. The program budget 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 the Sport ministry is primarily for competitive sports, which could be incorporated within the budget.

4.9 State-owned enterprises

114. 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 subsidized 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 subsidize these enterprises through state guarantees, not directly through grants from the state budget.

115. The major public utilities enterprises (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 Organization 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 2008 Greek Budget 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.

4.10 Public-Private Partnerships

116. In 2005, Greece passed a law to establish a new legal framework for the implementation of Public - Private Partnerships. This legal framework aims to promote the implementation of PPP projects, taking into consideration the experience gained from concession agreements that were successfully

¹¹ The pilot budget figures were based on the 2006 outturns for the special accounts

implemented in Greece. Other important information considered includes recent attempts to implement privately funded projects. Many of these, however, were not successful because of the inadequate preparation of the contracting authority, the incomplete business justification, or the unrealistic estimation of their feasibility. For the first time, the PPP law introduces a stable legal framework designed to overcome the above mentioned obstacles.

117. The law defines the public entities (Central Administration, local government organizations, and legal entities under public law) that can implement partnership contracts with private entities, in areas falling within the scope of their competence. The private sector undertakes a significant part of risk, related with financing, constructing and providing infrastructure or services. Their investment is repaid either by the Contracting Authority or by the end users. This means that these projects are funded, in total or partly by funds and resources of the private sector. PPPs are not allowed to engage in projects or activities that are the direct and exclusive province of the State, under the terms of the Constitution of the Hellenic Republic, such as national defense, police work, the award of justice, and the execution of judicially imposed penalties and sentences. The law defines the minimum content of a PPP contract, with a clear description of the rights and obligations of both parties, regulating particular issues such as financing, the participation of public entities in partnerships, the payment mechanism, granting of permits, protection of the environment, treatment of archeological findings, expropriations and cases of projects undertaken by Public Utility companies. Moreover, legal issues related to these partnerships, such as the transfer of claims, validity of sureties, taxation and resolution of disputes are clearly defined.

118. The PPP law established two new administrative bodies to improve the effective preparation and management of PPP projects.

- The Inter-Ministerial Committee for Public-Private Partnerships (IM PPP Committee), a collective governmental body that defines and specializes PPP policy, approves PPP projects that fall under the PPP law for the provision of infrastructure and the delivery of services by private funds, and coordinates and monitors the implementation of PPP projects; and,
- The Special Secretariat for Public-Private Partnerships (PPP Unit) within the Ministry of Economy and Finance, that identifies projects that can be delivered via a PPP scheme, promotes their implementation and provides support and assistance to the IM PPP Committee and to the Public Entities in the context of all necessary procedures for the finalization of a PPP project. The PPP Unit is currently staffed with 12 professionals (legal, technical and financial advisors), who come both from the public and the private sector. The functions of the PPP unit include:
 - the identification of the works or services which might be constructed or provided through Partnerships and be included under the provisions of the PPP law,
 - the evaluation of the proposals submitted by public entities and their subsequent forwarding to the Inter-Ministerial PPP Committee for approval,
 - the promotion in general of the construction of works or the provision of services through the Partnership framework,
 - the facilitation and support of Public Entities in pursuing contract award procedures, as defined in the PPP law, for the selection of Private Entities,
 - the monitoring of the implementation of Partnership Contracts.

119. The evaluation criteria that the PPP Unit takes into consideration, when evaluating a proposal submitted by a Public Entity, are the following:

- the competence of the Public Entity to implement the project;
- the maturity of the proposed PPP project;
- financial criteria, namely the feasibility, bankability and value for money of the project vs. a public sector comparator;
- socio economic criteria, such as the necessity of the project, the consent of the public opinion, boost to entrepreneurship, etc.;
- technical criteria, such as improved quality of services to the end-users, etc.

120. According to the new legal framework, parliament ratification of PPP contracts is no longer needed. Greek PPP procurement procedures are in line with the EC Directive 2004/18, aiming at the customization and standardization of relevant procedures and the improvement of the efficiency of public administration.

121. According to a procedure set by the Inter-Ministerial PPP Committee, the annual payments for PPP projects are presented in the budget under a separate category in the Public Investments Program. These amounts provide the timely payment of private sector partners, since funds that have been reserved for the reimbursement of a private partner of a PPP project cannot be used for any other purpose. Since no PPP project has been completed to date this procedure has not been used yet.

122. As mentioned above the evaluation is based on a number of criteria such as value for money and the amount of risk. These evaluations are carried out for each PPP project, but the Greek *budget* does not include a risk assessment for PPP projects, or an analysis of the potential long-term costs of the projects. The long term obligations that the government enters into, and the risk associated with the contract is important to take into account both when deciding to do a PPP or not, and in budgeting and reporting. Due to the off-budget nature of PPPs, this is especially important so that PPPs are not pursued for the sake of the off-budget nature, but for reasons of value for money. As noted by the OECD (Public Private Partnerships in OECD Countries, forthcoming 2008) the budget documentation should include transparent reporting of risk, fees, guarantees and contingent liabilities. Due to the long-term nature of PPP contracts, this should preferably be done together with long-term fiscal sustainability analysis.

123. Greece sets a limit on the amount of PPPs as a percentage of the Public Investments Program. This limit is set at 15%. The United Kingdom has for many years been using PPPs and on average the last years PPP projects have amounted to 10-15% of the UK's investment expenditure (government investment expenditure). Given the longer experience of the UK with PPP projects, capping PPPs in Greece should a bit lower than the present 15% may be appropriate, but by far the most important concern should be value for money. The UK has further limited PPP funding by the determination that the device should not be used for IT projects. This restriction was based on the poor performance of PPP IT projects. The Inter-Ministerial PPP Committee has currently approved 34 projects, with a total indicative budget of € 4 billion. This figure accounts for 3-4% of the annual Public Investments Program.

4.11 Organization and financing of sub-national governments

124. The Greek government is dominated by the central government and is a centralized unitary country. Total expenditure by sub-national governments amounts to less than 3% of GDP. The 13 regions are part of central government, the head of each region is appointed by central government. The regions supervise sub-national government activities focusing their supervision on the legality of prefecture and

municipal actions. There are 57 prefectures – elected after 1994, part of local administration assigned significant central government functions, financed mostly (95%) by tax revenue of central government. At the most local level there are 1,034 municipalities, elected locally. Prior to 1997, there were 5,751 local municipalities. The municipalities are financed in part (about 60%) by central government (tax revenues). The primary functions of the municipalities are mainly local roads, garbage collection, public cleaning, medical dispensaries, provision of shelters for homeless people, cultural events and care for the elderly and nurseries.

125. 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: 1/2 VAT for operational and other expenses, 1/2 VAT for investments financed exclusively by national resources, 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 for Internal Affairs after consultation with the Union of Prefectures of Greece (ENAE). In 2002, 96% of the prefecture revenue came from the CAR.

126. The CAR for municipalities come from 20% of the tax levied on interest on deposits, 19.5% of individuals and legal entities' income tax, 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 specialized programs, and improve quality of service delivery to the citizens. In 2002, 58% of municipal revenue came from CAR. Local taxation and non-tax revenues accounted for the remainder. The distribution of CAR among prefectures and municipalities is primarily based on population and geographic distribution.

127. The local government's 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 € 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.

4.12 Human resource development

128. In June 2006 the civilian public sector employment including personnel of the ministries, the regions, the prefectures, and the hospitals, but excluding military personnel, totaled 486,580, including 436,557 permanent staff, 16,215 open-ended contract staff, and 33,808 fixed term contract staff. Salaries are determined by the GAO Directorate for Salaries and are established for 18 categories of public sector officials, including civil servants, judges, school teachers, university professors, priests, and doctors of the National Health System. The salary budget is treated as a mandatory expenditure and for budget execution purposes is not subjected to extensive pre-payment reviews. Note that in addition to the on budget salary expenditures about € 1 billion is added via the special accounts (about 25% of the total special accounts expenditure). Public enterprises have their own salary levels based on collective bargaining agreements between boards of directors and unions.

129. Management of the Development of Human Resources is the responsibility of the Secretariat General for Public Administration and E-Government of the Ministry of the Interior. The Greek system is based on the employee spending his whole career in the authority that first hired him and in practice it is

very difficult to fire civil servants. There is very limited mobility within the Greek public sector, employees may be reassigned from unit to unit within the same authority (e.g. ministry, agency) or may be transferred between authorities upon request where there is a vacancy. Secondment from one authority to another is possible, upon the request of the employee. Reassignments to border areas are promoted by financial incentives, but require a ten year commitment from the employee. The central human resource authority (there are also Human Resources Directorates within ministries) has overall responsibility for defining the rules and procedures governing recruitment of public employees and contract personnel, for assessment, promotions and training and selection of heads of units, directorates and general directorates for the public sector. The authority is also responsible for the main part of the procedure concerning the general civil service exams, which is the main entrance to a career in the civil service.

130. Greek public salaries are set by five employment ranks (based on educational level), on time of service and a satisfactory personnel appraisal. In the past personnel assessments have not involved realistic evaluation of performance. The assessment criteria have been updated to make them more transparent and substantive: knowledge of subject, effectiveness, behavior, interest and creativity, and participation in committees and working groups. Due to a number of circumstances such as: initial salary limitations, the existence of special accounts, the “clientistic-populist” tradition that exists in many other cases and not only in salaries, bonuses are given to all staff rather than to individuals based on performance. Salary limitations have resulted in the creative use of special accounts to augment salaries. Salary limitations present problems in keeping good staff. This is particularly the case after about 10-15 years experience. This is not an issue for the new public servants, because their overall “compensation packages” are well placed to compete with the private sector. It is the Ministry of Economy and Finance’s view that strict employment contracts, the low mobility and real wage rigidity are problems in the efficient allocation of human resources.

131. The law 3230/2004 introduced the “management by objectives” system in order to enhance the strategic orientation of Greek Public Administration and provided for the establishment of Quality and Efficiency Units in every ministry and region. The Directorate of Quality and Efficiency of the Ministry of Interior has a special coordinating and planning role in the procedure. These units, with the cooperation of the services of the General Accounting Office and the economic departments of the bodies, could have a supportive role in the performance budgeting procedure.

4.13 Public procurement process

132. Greece has adopted the EU procurement directives and harmonized them by the law. Greek procurement regulations were imposed by a Presidential decree in 2007.

133. The Ministry of Development – Secretariat General for Commerce 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 Program is presented annually, based on the proposals of the agencies.

134. Major procurements, those above € 1 million, are subject to pre-agreement audits by the Court of Auditors. Both the FAO and the CAO subject payments for procurements to pre-payment controls targeted at ensuring that all payments are legal and proper.

4.14 Recommendations

135. *Control procedures should be made more efficient.* The Greek budget execution system focuses an extraordinary amount of attention on ensuring the legality and propriety of expenditure. The functions of the ministries financial divisions, Fiscal Audit Offices, and Court of Audits frequently overlap. The current detailed budget structure results in excessive budget adjustments. Detailed review of pre-payments and budget amendments by the GAO are not productive. The fragmented budget structure creates an impediment to a comprehensive programmatic or policy view of the budget and the implications of the budget on fiscal policy. Staff resources at all levels are used to process transactions rather than to analyze budget policy or performance. To address these issues, we recommend the following actions be taken:

136. *Strengthen accountability of ministries:* Shifting to a results oriented program based budget will require the delegation of budget responsibility to program managers and/or ministries. Reducing the number of budget line items from thousands to hundreds of programs should reduce the need for detailed Ministry of Economy and Finance oversight and increase the program flexibility of program managers. Ministries and particularly agencies should be required to have primary responsibility for program management and for budget execution. Each line-ministry should have a central budget office to coordinate budget and financial management functions of the ministry. Pre-payment reviews should be mainly the responsibility of the agencies, not the Fiscal Audit Office. Ministries and agencies, depending on their decision making powers, should be held legally accountable for the legality and sufficiency of expenditures. In some OECD countries, failure to meet the requirements for legal accountability can result in criminal prosecution.¹² Shifting to a results focus should initially require agencies to demonstrate performance of their programs and eventually to meet program objectives. Detailed review of budget adjustments should be substantially reduced, as program managers assume responsibility over spending and appropriations are shifted to program categories. The Ministry of Economy and Finance should organize training for ministry staff on delegated budget responsibilities.

137. *Transfer primary responsibility for budget execution to spending units:* The Ministry of Economy and Finance should provide ministries with clear guidance on budget execution requirements and deadlines for budget reports. Funds should be apportioned or distributions approved on a program basis with funding distribution implemented on an automatic quarterly basis, unless specific program requirements warrant an alternative distribution. Distribution of the funds could require program requirements, such as submission of implementation plans or evaluation structures. The GAO should shift its focus from detailed monitoring of transactions to analyses of budget execution anomalies, and reviews of program effectiveness and performance.

138. *Review and reallocate GAO staff:* All phases of budget workload, in particular budget execution functions, should be reviewed to consider what functions are duplicated and what functions add value. This will certainly entail fewer tasks for the FAO. Excess FAO staff could be reallocated to the new strengthened financial directorates of the line ministries or within the MOEF, perhaps as temporary facilitators of the program budget reform. Staffing for ministry budget and finance offices should be expanded to assume responsibility for budget execution and provide oversight to program budgeting within the ministries. Similarly, the GAO needs to expand its budget analytical staff to strengthen its

¹² The Anti-Deficiency Act in the United States of America provides for individuals to be held accountable for failure to maintain budget accountability with penalties ranging from reprimand, to removal, to criminal penalties for non-compliance. See <http://www.gao.gov/ada/antideficiency.htm>

policy review, program analysis and program evaluation skills. The GAO also needs to build a staff that provides training within the GAO and in ministries on program budgeting, evaluation, and program review.

139. *Ensure value for money focus when considering using PPPs.* Public-private partnerships can be an efficient way of delivering public service if affordability and value for money is in focus. PPPs should not however be initiated for their own sake or in order for the volume of PPPs to reach a specified target. Creating a PPP unit with knowledge of the PPP process is often a good thing, but at the same time it is important that the unit manages to keep apart its roles as promoter of PPPs and scrutinizer of which projects that are good candidates for PPPs.

CHAPTER 5
ACCOUNTING, AUDIT AND ACCOUNTABILITY

5.1 Accounting

140. Accounting for the Greek budget is on a cash basis. According to the General Accounting Office (GAO) of the Ministry of Economy and Finance, a move towards accrual accounting is ultimately envisaged, but the authorities are proceeding very cautiously in this direction. There are five different public sector accounting systems, one each for hospitals, social security funds, municipalities, law public entities (including prefectures), local authorities and the central government. The annual accounts for the central government cover all transactions at the Bank of Greece, as well as some other specific accounts, for instance for debt and guarantees, defense projects and participation in international organizations.

141. Responsibility for annual accounting for the central government is centralized in GAO's Directorate of Public Accounts. Line ministries have no independent role in the preparation of the annual accounts. The Tax and Payment Offices and the Special Cashier of the State (a Unit under the GAO's Directorate of Public Accounts) record accounting entries for payments and receipts. On the basis of its budget execution data, the GAO compiles monthly reports and an Annual Financial Statement and Balance Sheet of the State. The classification of the annual accounts is the same as for the budget, as required by article 73(2) of the budget law. In accordance with article 76(1) of the budget law, the Annual Financial Statement and Balance Sheet of the State have to be submitted to the Court of Audit by the end of September following the end of the relevant fiscal year, and the Court has to return them together with its declarations to the GAO within one month of receipt. In practice, delays are common with both steps of this procedure. Investment expenditures in particular are often not recorded until April after the end of the fiscal year and cause delays in the preparation of final accounts (see Table 5).

142. The National Statistical Service of Greece produces fiscal information on the consolidated general government that is used for the preparation of national accounts, drawing on GAO data as well as a survey of public entities. In the past, this information has proved unreliable (Koen and Van den Noord 2005). In 2004, the Government initiated a fiscal inventory with the co-operation of Eurostat, the statistical agency of the European Union. This led to the discovery of a number of errors in the data used to assess Greece's compliance with the fiscal rules in the Stability and Growth Pact. For example, the reported budget balance was affected by off-budget military spending and overestimated surpluses in social security funds. The Greek Government is now co-operating closely with Eurostat to strengthen the quality of its consolidated accounts.

143. In order to create a modern accounting system for the central government and to achieve connection with other entities of the public sector, GAO has created a special Unit for Government Accounting System Reform to oversee this project.

144. To modernize its reporting, the Government has entered into an € 11 million contract for the design and implementation of a new accounting and financial information system. There is a very poor track record worldwide for the development of large-scale budget and accounting IT systems. Clearly specified requirements are essential to success. Thus far the GAO has not defined detailed requirements for this new system.

Table 5. The timing of the annual accounting process

Financial Year	Annual Financial Statement and Balance Sheet forwarded by the GAO to the Court of Audit	Audit results forwarded by the Court of Audit to the GAO
1998	7 September 1999	11 October 1999
1999	21 September 2000	20 October 2000
2000	9 October 2001	5 November 2001
2001	11 October 2002	19 November 2002
2002	2 October 2003	11 November 2003
2003	7 October 2004	11 November 2004
2004	11 October 2005	14 November 2005
2005	10 October 2006	8 November 2006
2006	11 October 2007	5 November 2007

Source: Data supplied by the Hellenic Court of Audit and GAO.

5.2 Development of internal audit

145. The focus of the current control arrangements is on the pre-audit of expenditures as part of the budget execution process (see previous chapter). Law no. 3492/2006 aims to reorganize financial control and provides for the establishment of internal audit units in ministries and agencies. Article 1 creates the Directorate General for Fiscal Audits (DGFA) at the Secretariat General of Fiscal Policy of the Ministry of Economy and Finance. Its mission is to ensure sound management of the state budget and the budgets of bodies receiving public money.

146. According to article 2 of the law, the DGFA is responsible for controlling the financial management of bodies receiving public money, so as to verify whether allocated amounts are used for the purposes for which they were given, disbursements adhere to budgetary and legal commitments and sound financial management, and revenue is collected efficiently and according to the relevant provisions. The DGFA is also charged with ensuring adequate management and control systems, and it can impose sanctions.

147. The law requires internal control units at every ministry and region of the country as well as at the agencies under the supervision of the ministries and the regions which have a budget that exceeds € 3 million (article 12). The DGFA is charged with issuing the standards and methodologies for the management and control systems. Moreover, it is to develop standards for the organization, internal operation and the responsibilities of internal audit units of ministries, the regions and other agencies. Article 15 contains a detailed list of the specific responsibilities of internal auditors, which also includes a mandate to evaluate agency performance.

148. In order for the provisions of this law to be fully enacted a number of presidential decrees and ministerial decisions have to be issued. The DGFA will have three new directorates and absorb some existing structures, including the Fiscal Audit Offices. To implement the legislation, the GAO is currently planning the recruitment of about 250 additional staff.

5.3 External audit

149. The Hellenic Court of Audit is the Supreme Audit Institution (SAI) of Greece. Its origins date back to 1833, when it was created along the lines of the French *Cour des Comptes*. In 1887, the Court acquired responsibility for pre-audit or preventive audit, which has remained an important component of its work. Article 98 of the Constitution establishes the main responsibilities of the Court, supplemented by the provisions of Presidential Decree no. 774/1980, which has been amended several times.

150. The Court of Audit is part of the judiciary and is the highest judicial authority for matters pertaining to public finances. It has the authority to impose sanctions on officials who misused funds. The Court's jurisdiction includes central government ministries, local government and other public sector bodies, but it excludes private law legal entities (National Audit Office 2001: 133-134). In discussions with the mission, the Court noted that many special accounts 'escape' effective control. Moreover, for national security reasons secret defense and foreign affairs expenditure is excluded from external audit and parliamentary scrutiny, including defense procurement. Box 8 provides an example of more effective oversight of secret spending items.

Box 8. The audit of secret and politically sensitive activities in Germany

In 1969 the German Parliament amended the Basic Law to establish the principle of full audit coverage of all government activities. However, special procedures can apply to secret matters. Audit by the Federal Court of Audit is ensured, but restrictions apply to the number of auditors and the nature of reporting. Defense expenditure is fully audited. However, public reports may omit or contain only generalized information on a small number of highly sensitive items. Moreover, the federal budget sets out only the totals appropriated by Parliament for the three secret services. A confidential sub-committee of the parliamentary Budget Committee discusses these in detail and communicates to the main committee the totals to be provided, which are approved without further discussion. The auditors examine the secret services in a similar way as any other government agency. However, the audit findings are only reported to the confidential sub-committee, the responsible ministry and the Ministry of Finance. Finally, the President of the Federal Court of Audit personally audits the secret and special purpose fund of the Foreign Ministry and the discretionary fund of the Federal Chancellor and communicates the findings to the Permanent Secretary of the Foreign Ministry and the Head of the Federal Chancellery. If the President of the Court judges the findings to be of major parliamentary interest they may be communicated only to the presidents of the two chambers of Parliament, the Chancellor and the Minister of Finance.

Source: SIGMA (1996).

151. The Court maintains a decentralized structure, with 245 of its staff located in its headquarters, a further 160 in other units in Athens, and the remaining 245 in regional offices. Of the total 650 staff, 400 are auditors and the remainder is administrative staff. One of the issues raised during the discussions with the mission is the adequacy of the current staffing level. At present, the Court reports 180 vacancies, partly due to lack of funding. The Court fears that its capacity will be further undermined when a substantial share of staff retires within the next few years.

152. The focus of audit work by the Court is on the legality and regularity of spending. The Court maintains that there are good reasons why thus far it has not developed performance audit capacity, notably its inability to hire appropriately qualified staff as well as the constraints imposed by its existing legal mandate. Moreover, the structure of the budget, which lacks a program basis, does not lend itself to a performance perspective. In principle, however, the Court is aware of international developments that include an increasing focus on performance audit in the work of SAIs (Pollitt 2003). It also agrees on the necessity for it to develop a capacity to carry out such audits.

153. The constitutional framework obliges the Court to carry out both pre- and post-audits, i.e. audits before and after the fact respectively. In practice, pre-audits absorb about half of its audit capacity, and in 2003 this role of the Court was extended to cover local authorities. The Court's pre-audit work relating to the central government focuses on non-mandatory items in the state budget, excluding the majority of spending for instance on salaries, pensions and debt servicing costs. According to the Court, there has been a steady decline in the number of rejected payment orders relating to the state budget, but problems at the local government level are more persistent. Data provided to the mission indicate that the fraction of transactions detected as problematic is in general less than one per cent. Nonetheless, the Court regards pre-audits as an important part of its work.

154. A key characteristic of auditing in Greece's public sector is the extent of overlapping activities by various bodies. The Fiscal Audit Offices (FAO) of the GAO as well as the Court of Audit is involved in pre-audits. Moreover, the Court is not the only organization to carry out post-audits. For example, a special unit within the GAO carries out post-audits of salary payments, which can lead to the recovery of funds, for instance due to the incorrect application of salary increments or bonus payments. The implementation of law no. 3492/2006 may further complicate audit arrangements.

5.4 Parliamentary oversight and accountability

155. Parliamentary Standing Order 31A establishes a Special Standing Committee on the Financial Statement and the General Balance Sheet of the State, which is a sub-committee of the Standing Committee on Economic Affairs and consists of 13 members. In practice, the Special Standing Committee meets only once a year prior to the debate on the Financial Statement and Balance Sheet on the floor of the house. It does not call witnesses. Parliament debates the Financial Statement and Balance Sheet for two days, which can involve dialogue with the Minister of Finance. In practice, this debate and the following vote are always along party political lines. The audited Financial Statement and Balance Sheet are considered within 12 months after the end of the financial year.

156. The Court also prepares a separate annual report, as required by article 42 of presidential decree no. 774/1980. This report contains a summary of its audit work and may include commentary on possible improvements and reforms in the management of public finances. The annual report is addressed to Parliament and delivered by the President of the Court of Audit to the Speaker of Parliament. This is followed by a short press conference. According to the Court, there is "no real dialogue" with Parliament on its annual report, partly because it relates to spending which occurred about two years before. For instance, the annual report relating to the 2004 financial year was published in October 2006 and the 2005 report in December 2007. The Court notes that it often receives relevant data late, particularly on investments and sub-national expenditures, and that it is further delayed by a lack of computerization and what it described to the mission as 'outdated' data processing procedures. It has recently invested in new information technology and expects this to result in improved timeliness, which may increase parliamentary interest. Box 9 provides examples of more extensive parliamentary scrutiny of audit findings.

Box 9. Parliamentary audit scrutiny in the United Kingdom and France

Relations between Supreme Audit Institutions and legislatures vary greatly across OECD countries, but there is an overall trend towards increased parliamentary scrutiny of audit findings. In many Westminster type parliamentary systems; there is extensive interaction between Auditor Generals and a specialized Public Accounts Committee (PAC). In the UK, the Comptroller and Auditor General is an Officer of Parliament and reports to the PAC of the House of Commons, which was created in 1861. The PAC sits twice a week while Parliament is in session. The Chairperson of the PAC is a member of the opposition. The focus of the PAC is on the achievement of 'value for money' – which refers to 'the three Es' of economy, efficiency and effectiveness. The National Audit Office produces about 60 value for money audits per year, most of which are discussed by the PAC. The PAC does not question underlying policy, and it is rare for the committee to debate financial audit findings. The principal witness questioned during meetings is the accounting officer of a ministry or agency, i.e. the most senior civil servant. Meetings are public and attract a substantial amount of coverage in the media. Many Commonwealth countries have similar institutions and procedures, including Australia and Canada.

In systems that follow Napoleonic traditions, relations between audit courts and the legislature have historically been less extensive, but this is changing. In France, relations between the Court of Accounts and Parliament traditionally were at arm's length and mainly limited to the annual reports. In 1999, the National Assembly decided to establish the Mission of Evaluation and Control (MEC), which is a sub-committee of the Committee on Finance, General Economy and Planning. The MEC has two co-chairs, one from the main governing party and another from the main opposition party. Its reports are based on audit results from the Court as well as other information gathered by the MEC, including during hearings. The MEC produces about three reports per year. Its inquiries have dealt with a diverse range of topics such as the governance of universities in the context of public financial management reforms, defense procurement, trends in the cost of processing asylum applications as well as railway financing. Since 2004, there has also been a separate Mission of Evaluation and Control focusing on social security finances (MECSS), which reports to the Committee on Cultural, Family and Social Affairs.

Sources: SIGMA (2002), Wehner (2003), www.assemblee-nationale.fr

5.5 Recommendations

157. There is a pressing need to review the existing arrangements for audit and accountability in Greece before adding to the partly overlapping and overly complex assignment of responsibilities through the creation of new structures. It appears that there is insufficient consultation and co-operation between the GAO and the Court of Audit in particular, and parliamentary oversight is not effective. Hence, the most important recommendation based on the discussion in this chapter is to institute an in-depth dialogue on the reform of audit and accountability that brings together all relevant actors – in particular the GAO, the Court of Audit as well as Parliament – to consider the following issues:

158. *Improvement of public sector accounting:* Central government accounts generally appear to be reliable, even if there are still aspects that need to be modernized, but this does not apply to other parts of the public sector. The GAO should standardize the public sector accounting systems and impose standards on all off-budget entities (including local authorities). These should be in line with international standards and prescribe enforceable deadlines for financial reporting to allow the GAO to produce consolidated financial reports for the Greek Government. The implementation of the new accounting and financial information system should be divided into short-term deliverable functional components. Thus the contract should be specified with detailed project specifications. If necessary the contract should be renegotiated to ensure this. It is paramount to focus on enhancing the quality, timeliness and comprehensiveness of cash-based accounts before considering a move to accrual accounting, which should not be a priority at this stage.

159. *Streamlining pre-audit activities:* The heavy emphasis by the Court of Audit on pre-audit work is old-fashioned and an obstacle to its modernization. As the International Organization of Supreme Audit Institutions (1998: section 2.3) cautions, pre-audit “has the disadvantage of creating an excessive amount of work and of blurring responsibilities...”. A more modern approach is for pre-audits to be part of internal control processes. The Court should review their effectiveness, but otherwise focus on post-audits. Pre-audit work by the GAO is appropriate in the short term, but long-run improvements in the quality of financial management will require greater involvement of line ministries.

160. *Assessing performance:* Public management would benefit from a shift towards assessing the performance of public services. At present, neither the Court of Audit nor the GAO have a clear understanding of the requirements for and approaches to the assessment of performance. As a first step, the GAO and the Court should convene a joint working group to reach consensus on their respective roles and to develop the structures and procedures for such work on a pilot basis. The Court should receive adequate assistance and resources to develop capacity for ex post performance audit, which would provide input to Parliament and the public on the achievement of value for money. The GAO should invest in the development of program review capacity that would support prioritization within a medium-term framework.

161. *Effective parliamentary scrutiny:* The Court of Audit and Parliament should engage in a dialogue on how their interaction might be strengthened. At present, Parliament does not engage sufficiently with audit findings. The role of the Special Standing Committee on the Financial Statement and the General Balance Sheet of the State should be reviewed. While the creation of a separate Public Accounts Committee may not be appropriate, the Special Standing Committee could carry out a number of investigations on specific topics per year, similar to the Mission of Evaluation and Control in the French Parliament. In addition, parliamentary oversight of secret spending items should be ensured.

APPENDIX

1. Medium term expenditure frameworks

The IMF defines a medium term expenditure framework as a framework for integrating fiscal policy and budgeting over the medium-term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies. Forward estimates of expenditures become the basis of budget negotiations in the years following the budget and the forward estimates are reconciled with final outcomes in fiscal outcome reports¹³.

In more detail, a medium term expenditure framework could be said to consist of a set of ceilings and/or estimates for total expenditure, budget chapters (usually ministries and constitutional bodies) and social security funds in the medium term: the budget year plus 1, 2 or 3 out-years. From a conceptual point of view the distinction between estimates and ceilings is important. Estimates are descriptive and should permanently be updated to fit reality. Ceilings are prescriptive and should be as stable as possible. In many countries the framework will contain a one year ceiling for the budget year combined with estimates for the out years.

Most OECD countries work with some form of medium term expenditure frameworks. The framework is decided at the beginning of the annual budget cycle and provides a top-down direction to budget preparation. This does not mean that ministers may not put forward proposals for new spending. However, such proposals have to be accommodated either within the ministerial ceiling or in the ceiling for the total (through reallocation between the ministerial ceilings). Typically the ceiling for the total is unalterable during budget preparation, but the ceilings for the ministries and social security funds are flexible and allow reallocation.

Apart from the discipline that follows from the early decision on the totals the main advantage of a medium term expenditure framework is that it allows planning in the medium term. Under a fiscal framework the medium term consequences of new initiatives have to be made visible from the beginning. Multi-annual estimates for the new initiative have to be accommodated under the multi-annual ceiling. It is thus important that multi-annual estimates for new initiative are realistic.

Medium term expenditure frameworks are also important for the planning of retrenchments in terms of fiscal restraint. Major cuts can usually not be implemented in the upcoming budget year, because they more time to be realised: changes of entitlement laws, organizational overhaul, downsizing personnel, etc. Medium term expenditure frameworks allow the inclusion of such reforms in the budget documentation via using the out year ceilings and estimates.

Medium term frameworks can be used in two fundamentally different ways: either they can be constructed at the beginning of every budget cycle (i.e. yearly) or they can be maintained over a number of years. In the first case the framework can be called flexible because it allows adjustment. In the second case it can be called fixed because the total of expenditures is maintained over a number of years. Some OECD countries such as Sweden, the Netherlands and the UK have moved to fixed frameworks and some are considering it (France, Hungary, and Turkey). Many OECD countries combine one year ceilings with

¹³ IMF, 2007, Manual on Fiscal Transparency, IMF, Washington DC, Glossary.

estimates of the out years.¹⁴ Fixed frameworks are not entirely unalterable. They typically allow reallocation between ministries from year to year, as well as updating for new inflation estimates. Moreover, the total can be changed from year to year under the strict condition of compensation by structural tax measures (tax relief must lower the ceiling; the rise of ceilings must lead to new taxes). Some fixed frameworks do not cover entitlements. However, apart from these possibilities, the total of a fixed framework is unalterable from year to year. In this light a fixed framework can be seen as a fiscal rule: it imposes a multi-annual constraint on an important macro-budgetary parameter (expenditures). This further contributes to budgetary discipline, provides stability and predictability to the budget users and has an automatic macro-economic stabilization effect.

Fixed frameworks can be rolling or periodical. A rolling framework is updated from year to year (the unalterable total is confirmed) and a new out-year at the end of the planning period is added in each budget cycle. A periodical framework is also updated from year to year, but no new out-year is added. A periodical framework expires at the end of the planning period (usually coinciding with a cabinet period) and then a new framework is put up for the next planning period. Sweden has rolling fixed frameworks; the Netherlands and the UK have periodical fixed frameworks.

2. Australia's Green Briefs

For each submission concerning a new policy measure from any ministry, the Australian Ministry of Finance prepares a so-called "Green Brief," named for the color of their covers. The Greens summarise the proposals and brings together all available information, as well as providing the Ministry of Finance perspective on policy issues. A total of 78 Greens were produced in for the 2007/2008 Budget compared to 44 for the 2006/07 Budget. Line Ministries will get to see their respective Green before the relevant meeting of the ministerial Economic Review Committee in order to prepare their own ministerial briefs. Greens reflect the Ministry of Finance professional civil servant view. Ministers will lobby the Minister of Finance once they know of the Greens' contents. Even the Finance Minister may sometimes disagree with the contents of a Green. The Ministry of Finance will submit an overview Green, which summarizes the contents of the individual Greens. This provides the framework for Economic Review Committee discussion.

3. Performance information

The programme budget is meant to secure a political strategic focus in the budget process, and performance information enhances this effect by offering transparent indicators of progress. Although one can function without the other, it is recommended that they be viewed as a package in order to maximize the overall impact of the reform.

Performance information is information concerning government results in the form of outputs and outcomes, measured against goals and targets. Outputs are defined as goods and services provided by government agencies. Some examples include: teaching hours delivered, immunizations provided, or welfare cases treated. Outcomes describe the impact of a government program on social or economic indicators. Examples include the change in student test scores following an increase in hours taught, the change in the incidence of a disease following an immunization program, or the change in road fatalities. Data on outcomes is often difficult to obtain and to verify, and the causal relationship between government policy and societal effect may be difficult to establish. Concerning goals and targets, there is

¹⁴ OECD Budget Practices and Procedures Database, www.oecd.org/gov/budget/database

a hierarchy running from those that refer to high-order objectives to those that refer to specific outputs to be achieved by a government organization. Despite the advantages of performance information, a number of caveats should be taken into account. For example, information about the contribution of government programmes to policy objectives is often unclear; goals are sometimes formulated in too abstract form; what gets measured gets managed – so measurement needs to be inclusive; information overload and a lack of political interest in the performance measures.

In general, experience in OECD countries suggests that performance oriented reforms have led governments to focus on achieving tangible results (Box 10). If successfully implemented, such reforms enable politicians to clarify objectives, to set priorities over the short and medium term, and to better communicate what results are expected from the public sector. For instance, in Australia, Canada, the UK, and the US, all individual ministries are required to produce strategic plans, including medium-term performance goals. This approach also makes it easier to show how individual programmes fit into the government’s wider policy strategy. Most OECD countries have opted for a pragmatic and gradual approach to the use of output information. All OECD countries have moved to a performance-oriented budget system to at least some extent, and nearly three quarters of OECD countries include non-financial performance data in their budget documentation (although many of them do not link expenditure to output/outcomes).

Box 10. Examples of performance-oriented budget reforms in selected OECD countries

In Denmark, universities receive between 30 and 50% of their funding in proportion to their educational “production”. For each student who passes an exam, the university receives a grant which it can allocate internally. The budget is therefore calculated as an activity multiplied by various tariffs.

In the United Kingdom, the government in 2007 listed a number of targets such as: 597,000 people of working age to achieve a first level (or above) literacy qualification, and 390,000 to achieve a first entry level (or above) numeracy qualification; 130,000 apprentices to complete the full apprenticeship curriculum; increase participation in higher education towards 50% of those aged 18 to 30 with an increase of at least a percentage point every two years to the academic year 2010-2011. The measured results play a role in determining resource allocation the following year.

In the Netherlands, the budget line “youth policy” has one general objective (“children grow up healthy and safe”) and five operational goals (e.g., parents will receive help in time to bring up and care for their children; parents whose children have problems with their development will receive support). The operational goals are accompanied by a multi-year funding table and performance indicators. For instance, targets include a reduction of school drop-outs in 2010, a shortening of waiting lists for youth care, and a reduction in crime by 20-25% in the period 2008-2010.

REFERENCES

Anderson, B. (2005). "The Value of a Nonpartisan, Independent, Objective Analytic Unit to the Legislative Role in Budget Preparation." Paper presented at the Annual Meeting of the Southern Political Science Association, New Orleans.

Anderson, B. and Minarik, J., "Design Choices for Fiscal Policy. Rules," OECD Journal on Budgeting," vol 5, no. 4 (September 2006)

Blöndal, J. R. (2001a). "Budgeting in Sweden." OECD Journal on Budgeting 1(1): 27-57.

Blöndal, J. R. (2001b). "Budgeting in Canada." OECD Journal on Budgeting 1(2): 39-84.

Blondal, J; Bergvall D.; Hawkesworth I. "Budgeting in Australia" OECD Journal on Budgeting, forthcoming

International Monetary Fund (2005). Greece: Report on the Observance of Standards and Codes – Fiscal Transparency Module – Update. Washington, D.C., IMF.

International Monetary Fund 2007, Manual on Fiscal Transparency, IMF, Washington DC, Glossary.

International Organization of Supreme Audit Institutions (1998). The Lima Declaration of Guidelines on Auditing Precepts. Vienna, INTOSAI.

Koen, V. and P. van den Noord (2005). "Fiscal Gimmickry in Europe: One-Off Measures and Creative Accounting." OECD Economics Department Working Paper 417.

National Audit Office (2001). State Audit in the European Union. London, NAO.

Pollitt, C. (2003). "Performance Audit in Western Europe: Trends and Choices." Critical Perspectives on Accounting 14: 157-170.

Organisation for Economic Co-operation and Development (2002). "OECD Best Practices for Budget Transparency." OECD Journal on Budgeting 1(3): 7-14.

Organisation for Economic Co-operation and Development (2007). Performance Budgeting in OECD Countries, OECD Paris.

Organisation for Economic Co-operation and Development (2007). Economic Survey of Greece (May 2007/5)

Organisation for Economic Co-operation and Development (2007). Economic Outlook (December 2007/2)

SIGMA (1996). The Audit of Secret and Politically Sensitive Subjects: Comparative Audit Practices. Paris, Organization for Economic Co-operation and Development.

GOV/PGC/SBO(2008)7

SIGMA (2002). Relations Between Supreme Audit Institutions and Parliamentary Committees. Paris, Organization for Economic Co-operation and Development.

Wehner, J. (2006). "Assessing the Power of the Purse: An Index of Legislative Budget Institutions." *Political Studies* 54(4): 767-785.

Wehner, J. (2007). "Budget Reform and Legislative Control in Sweden." *Journal of European Public Policy* 14(2): 313-332.

Wehner, J. (2003). "Principles and Patterns of Financial Scrutiny: Public Accounts Committees in the Commonwealth." *Commonwealth and Comparative Politics* 41(3): 21-36.