



OECD Public Governance Reviews

GREECE

REVIEW OF THE CENTRAL ADMINISTRATION



OECD Public Governance Reviews

Greece: Review of the Central Administration



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Foreword

Greece faces an immense, perhaps unique, and increasingly urgent challenge today. It needs to find the will and the way to reform in depth, to reconcile emergency measures with long-lasting reforms. Deep reforms may seem less urgent compared with the agenda to restore public finances, but they are critical. In the face of growing social and political discontent, the future crucially depends on the government's ability to link short-term austerity measures with a long-term vision aimed at restoring growth and improving the population's welfare, backed up by wide-ranging structural reforms.

These structural reforms depend crucially on a well-functioning public administration to carry them through. Some limited progress has been made in a few areas, but this is nowhere near enough to stimulate real change. Strong measures, starting now, to improve the effectiveness, accountability and integrity of the public administration so that it is "fit for purpose" are a priority, perhaps even the first of the reform priorities facing Greece. Failure to implement a major and integrated public governance reform in Greece is likely to jeopardise the broader reforms required to put Greece back on the path to sustainable growth. The success of key reforms such as privatisation, fiscal consolidation, debt reduction, tax collection, and enhanced competitiveness is at stake.

This report analyses the issues, sets out the evidence, and makes specific recommendations for moving forward rapidly to strengthen Greek public governance. The overall conclusion of the report is that the urgency of public governance reform for Greece, and its importance, cannot be overstated.

The report was developed and written by Caroline Varley and Reza Lahidji, supported by Jean-François Leruste and Sophia Katsira, within the overall context of the OECD's Public Governance and Partnerships Programme directed by Martin Forst and under the oversight of Rolf Alter. The report was partly based on significant preparatory work and analysis led in an earlier phase by Edwin Lau and supported by Audrey O'Byrne. A number of OECD colleagues provided comments and advice including Zsuzsanna Lonti, Ian Hawkesworth, Lisa Arnold, Maria Varinia Michalun and Edward Donelan. Very special thanks are due to the officials in the Greek Ministry of Administrative Reform and E-Governance, in particular Vassiliki Moustakatou and Panagiotis Karkatsoulis, and the officials who participated in the Greek mapping teams for this project, for their tireless supporting work. Jennifer Allain prepared the manuscript for publication. The report reflects the views of the OECD Secretariat.

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Abbreviations and acronyms

ASEP (Gr)	Supreme Council for the Selection of Personnel <i>Ανώτατο Συμβούλιο Επιλογής Προσωπικού</i>
BR	Better regulation
COFOG	Classification of the Functions of Government (applied internationally)
EAP	Economic Adjustment Programme
ELSTAT	Hellenic Statistical Authority
EMU	European Monetary Union
GAO	General Accounting Office (Ministry of Finance, central budget authority)
GEMI	General commercial registries
GBRU	Government Budget Reform Unit (Ministry of Finance)
GDP	Gross domestic product
GSG	General Secretariat of the Government
HR	Human resources
ICT	Information and communications technology
KEPs (Gr)	Citizen service centres <i>Κέντρα Εξυπηρέτησης Πολιτών</i>
MOU	Memorandum of understanding
MTFS	Medium-Term Fiscal Strategy
NCPA	National Centre for Public Administration
NSRF	National Strategic Reference Framework
OP	Operational programme
RIA	Regulatory impact assessment
SAI	Supreme audit institution

Glossary

Administrative structures	The Greek law establishes four levels of the administration: general secretariats and single administrative sectors, general directorates, directorates, and departments. When considered indiscriminately, these levels are designated as “administrative structures”.
Branch	This designates job categories, or classifications, in the Greek public administration.
Centre of Government	A small set of institutions at the core of the state, which between them have the authority, responsibility and capacity to lead the development of a strategic vision and direction for public policies, and the effective implementation of this vision in practice and over time. The key function of the Centre of Government is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go, and how it will get there. In the current Greek system, two entities can be cited – the newly established General Secretariat of the Prime Minister and the Secretariat of the Government. The Finance Ministry and the Ministry of Public Administration Reform are also key players.
Civil law	Civil law traditionally emphasises the need for a comprehensive and detailed structure of laws and regulations to cover all issues. Jurisdictions based on civil law (also known as code law because it is traditionally based around codes) give less weight to precedent than common law systems. Interpretation of the legal text is paramount in civil law systems. Academic legal experts can play a significant role in the interpretation of legal texts. Civil law statutes tend to be more detailed than statutes under common law systems. The Greek legal system belongs to the continental European civil law tradition and has been especially influenced by German and French law. See also code.
Clientelism	This may be defined as a relationship between (political) patrons and clients, which is considered mutually beneficial, and under which the clients receive some form of benefit in return for providing political support.
Code	Group of related laws, under the system of civil law.

Codification	Consolidating all the amendments made over time to a given law which are often implemented through additional laws.
Competency	The concept of competency derives from the principle of legality. In Greece, an administrative body's competency is the ability provided to it by the rules of the legal system to enact legally binding rules (of an individual or general nature) or to contribute to the enactment of such rules, or even to undertake physical operations (Yannakopoulos, 1997). Thus the missions and responsibilities of the Greek state, comprising both the political class and the public administration, are defined at a very detailed level by the law and are termed "competencies". Competency is not to be confused with "competences" which in public management terms mean the capacities and skills of individual civil servants.
Effectiveness	The extent to which an activity's stated objectives have been met.
Efficiency	Achieving maximum output from a given level of resources used to carry out an activity.
E-government	The use of information and communication technologies (ICT), and particularly the Internet, as a tool to achieve better governance. It is more about government than about "e". E-government initiatives refocus attention on a number of issues: how to improve the efficiency, of internal government consultation, communication and decision making; how to collaborate more effectively across ministries, agencies and other entities of the public administration to address shared problems; how to enhance customer focus; how to build relationships with private sector partners.
Function	In this report, the terms "function" and "functional" refer to the actual (real and observed) activities and output of the central public administrative structures, as opposed to the formal competencies attributed to them by the law. See also competency.
Functional review	Data-driven, evidence-based analysis of the public sector, with a view to identifying and perhaps quantifying efficiency savings, and the actions necessary to improve public sector productivity. To keep the exercise manageable, functional reviews are usually carried out on parts of the public sector rather than the whole, by type of institution such as central ministries or executive agencies, or by sector programme, or by focusing on central or sub-national elements of the public sector. The objective of this functional review has been to identify the key issues relating to the central public administration which require attention in order to raise the efficiency but also the long-term effectiveness of Greek public policy making, reforms and their implementation.

Government	This is generally taken to define the individuals and institutions that exert political power over the state at a given time. In democracies, states are served by a succession of different governments.
Indicator	Quantitative or qualitative measure derived from a series of observed facts. When evaluated at regular intervals, an indicator should be able to point out the direction and pace of change, for example in a public policy area. The EU guidelines for the European funds define an indicator as the measurement of an objective to be met, a resource to be mobilised, an effect obtained, a gauge of quality or a context variable.
Legal formalism	Legal formalism has a formal meaning in the philosophy of law. In this report, it designates a Greek culture and framework that emphasises the pre-eminence of laws, regulations and formal processes to shape the work of the public administration.
Medium-Term Fiscal Strategy	The Medium-Term Fiscal Strategy was adopted by the Greek Parliament end-June 2011. The MTFS outlines a set of measures for the period 2011-15 totalling EUR 28.3 billion (12% of GDP) which are forecasted to reduce the general government deficit from 7.5% of GDP in 2011 to 1% of GDP in 2015. Government expenditure is expected to be reduced by EUR 14.8 billion and revenue is to be increased by EUR 13.4 billion over the same period. The approval of the MTFS through Parliament guaranteed the disbursement of the fifth tranche of the May 2010 financial assistance package and met the preconditions for an additional financial assistance package to cover the 2012-15 period.
Mission	See competency for the meaning of the term. The term mission is interchangeable with the term competency for this report.
National Strategic Reference Framework	The NSRF 2007-13 constitutes the reference document for the programming of European Union funds at national level for the 2007-13 period. It was elaborated within the framework of the new strategic approach to the Cohesion Policy of the European Union, according to which NSRF “ensures that the assistance from the funds is consistent with the Community Strategic Guidelines on cohesion and identifies the link between community priorities, on the one hand, and the national reform programme, on the other.” The NSRF is given practical shape through operational programmes (OPs). There are a smaller number of OPs for Greece than in the previous 2000-06 period: 8 sectoral OPs, 5 regional OPs, and 12 European Territorial Co-operation OPs. Greece has been allocated EUR 20.4 billion (current value, agreed December 2005). These funds will be used to finance interventions through the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund.

Operational programme	<p>The Operational Programme (OP) “Public Administration Reform 2007-13” is one of the sectoral OPs agreed with Greece for the NSRF programming period 2007-13, reflecting part of Greece’s strategic choices for the use of European funds in this period. One set of priority axes of this OP is “the enhancement of public policies quality through the modernisation of the regulatory framework and the operational structures of public administration”. Four specific objectives have been identified to carry this forward: strengthening the mechanisms for strategic planning, enforcement and control of public policies; improving accountability and transparency; better regulation; and improving the quality of public services to citizens and enterprises. The other set of priority axes concerns the development of human resources in the public administration. The specific objectives for this are strengthening human resource development policy through structural and institutional change; and improvement of the quality and effectiveness of the educational and training system to support the institutional and structural changes in public administration. A range of activities and projects support the achievement of these objectives. Evaluation of progress is through a set of output and result indicators.</p>
Performance assessment	<p>Assessment against a set of predetermined criteria for the economy, efficiency and effectiveness with which an organisation carries out a particular activity or range of activities. Organisations may be set regular targets on particular aspects of their performance – financial returns, efficiency, quality of services supplied, etc. – against which their performance is monitored and evaluated.</p>
Performance budgeting	<p>Performance budgeting generally refers to the use of performance information to: <i>i</i>) inform budgetary decisions (by providing contextual information or inputs to strategic planning); and <i>ii</i>) instil greater accountability throughout the budget process (e.g. by ensuring that activities are aligned with policy objectives). Performance information can be generated by both government and non-governmental organisations, and can include such information as: statistics; data from the financial and/or operational accounts of line ministries/agencies; performance reports generated by line ministries/agencies; evaluations of policies, programmes or organisations; or Spending Reviews).</p>
Performance management	<p>This can take different forms, but usually includes the annual elaboration of goals and targets, and the adoption of performance indicators. Performance management can be at the level of the organisation and its ability to meet objectives, and it can also be applied to individual civil servants in the context of an HR strategy.</p>

Political/ administrative interface	The political/administrative interface is the point through which the government's key political messages and agenda are communicated to the senior levels of the public administration for action. Some OECD member countries make a clear and formal distinction between the political level of government (appointed or elected ministers and their political advisers), and the civil service, made up entirely of non-political officials who stay in post regardless of changes in government (the United Kingdom is an example). In some other OECD member countries (such as Germany), the higher reaches of the civil service hierarchy are political appointees, who change with changes in government. In both cases, however, the senior civil service, whether politically appointed and not, sits at the critical juncture between the political agenda and civil service implementation of that agenda. It needs the credibility and competence to be effective in that role and to be the steward of sustainable policies across political cycles.
Primary balance	The primary balance is the difference between the government's revenues and its expenditures apart from interest payments on its debt. When this primary balance is negative, there is a public deficit.
Public debt	Public (or national) debt, is the total stock of government debt (borrowing) which has built up over the years and which the government has not yet paid back. It is often expressed as a percentage relative to gross domestic product (GDP).
Public deficit	See primary balance.
Public governance	The framework of institutions, policies and tools in which the different actors that affect public policy, and have a legitimate interest in public policy, find their place, under the stewardship of the state. Public governance may also be defined in terms of its component issues. For the OECD, it includes long-term political and policy stability and coherence; regulatory quality; the rule of law; integrity and the control of corruption; the framework for private initiative and economic development; effectiveness and efficiency of the public administration; trust in public institutions and government; and transparency, accountability and ethical standards. The European Commission's 2004 <i>White Paper on Governance</i> defines it as the rules, processes and behaviour that affect the way in which public power is exercised, particularly as regards openness, participation, accountability, effectiveness and coherence.
Public policy	A public policy defines a consistent course of action designed to respond to an issue or problem identified by the state as requiring action or reform, and implemented by a public body (ministry, agency, etc). An example might be a public policy to tackle climate change or educational reform. A public policy is often given a formal framework through legislation and/or secondary regulations, especially in countries with a system of civil law.

An important public policy subset consists of those public policies designed to respond to issues within the public administration itself and to promote the effective and efficient functioning of state institutions, such as HR management for the public administration.

Regulatory impact analysis

Ex ante regulatory impact assessment of new regulations is a tool that aims to assist policy makers in adopting the most efficient and effective options to support a public policy – including the “no regulation” option – using evidence-based techniques to justify the best option and identify the trade-offs involved when pursuing different policy objectives. It is usually considered that the cost of regulations should not exceed the benefits, and that alternatives to regulation (including the “no regulation” option) should be examined, alongside the “regulation” option.

Rent seeking

In the public administration context, rent seeking defines situations where resources of the public administration (human or other) are appropriated for political, economic or social advantage, without generating any added value for the economy or society.

Stability and Growth Programme (SGP)

Greece’s Stability and Growth Programme (SGP) represents the government’s response to the challenges that country faces: consolidate the country’s fiscal position through effective fiscal and structural policies aimed at drastically reducing the public deficit, and lowering the overall public debt to GDP ratio.

State

A set of enduring institutions through which public power is distributed.

Troika

In the Greek context and for this report, the Troika is the term used to designate the European Commission, European Central Bank and International Monetary Fund. This review is part of the May 2010 memorandum of understanding (MOU) between the Greek Government and the Troika, which sets requirements on the Greek Government, in the form of specific actions and reforms to be completed within specified timelines, as a condition for quarterly disbursements of financial assistance. The MOU specifies, among other actions, that the Greek Government should “reform and modernise its public administration”, which includes a functional review of the central public administration.

Key recommendations

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

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

Key reforms

Secure a strong centre, designating clear leadership to take clear ownership of reforms and with the power to steer, arbitrate, and decide at the political level. Keep structures simple and, especially, avoid building an architecture full of committees. Ensure that the leadership is empowered with the essential functions of a strong centre (strategic planning, communication, public administration reform and strategic HR management, strategic budget management, better regulation, e-government, EU regulatory management and ICT/data management).

Steps for immediate action

- Set up a high-level reform steering group at the centre of the Greek Government, reporting directly to the Prime Minister, to supervise the reform process and to ensure its coherence. It would define the vision and the reforms needed; establish a roadmap, milestones and monitoring system to track progress; identify key players across the administration (central and local) for effective reform; and communicate that Greece “means business” with reform. The group should be empowered to govern the reform process and arbitrate between options, and take decisions. It should act as a gatekeeper: initiatives, policies, laws, would not progress without its agreement.
- Shape and implement a strategy for regular communication on reform progress, internally, as well as to the wider public. Consider how this needs to be linked to fiscal statements.

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

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

Key reforms

Establish an HR strategy that is based from top to bottom on non-political appointments and meritocratic criteria, relying on more independent and stabilised structures, building on and clarifying the reforms that have been started in this direction. Establish a strategy to tackle the complex legal and administrative process framework, by simplifying it and by making it more transparent. Develop data and knowledge management capacities at all levels of the administration and disseminate data and good practices widely, both within and outside the administration.

Steps for immediate action

- Confirm and elaborate as necessary this report's diagnosis of the systemic faults or weaknesses in the public administration framework which provide the conditions for corruption, as the basis for development and rapid implementation of an anti-corruption strategy.
- Identify immediate actions, and communicate them involving the highest level authorities. Providing examples of good governance.
- Promote a code of ethics that enhances integrity in the public sector.

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

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

Key reforms

Steps for immediate action

Develop a streamlined but complete strategy to strengthen the Centre of Government, the strategic centre of ministries and the inter-ministerial co-ordination that needs to link them together. Establish and roll out a complete strategy for shared internal ICT systems and the related rationalisation of government buildings.

- Establish a stable structure responsible for inter-ministerial co-ordination at the highest level with clearly defined responsibilities. This structure would deal with the ongoing inter-ministerial issues. But, in a first phase, it should also be in charge of the implementation of the decisions issued from the high-level reform steering group mentioned above.
- Establish strategic units at the centre of each ministry, covering strategic planning, HR, budget, better regulation, data and ICT issues, to secure intra-ministerial co-ordination within each ministry, an effective interface across ministries, and support for the steering group and inter-ministerial co-ordination group. These units should ideally include secondees from other ministries. No outsourcing of external appointees, if possible.
- Establish an ICT plan to secure interoperability between ministry systems and boost data collection and sharing, starting with core ministries and buildings (pending rationalisation of the latter).

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

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

Key reforms

Steps for immediate action

Establish a strategy to address the issues that block the implementation of reforms. Monitor reform implementation, with a measurement system that identifies policy priorities and expected results, through the establishment of indicators/thresholds/best international practice, when feasible. Strengthen the structures that link the central administration with the rest of the public sector. Identify and enable leaders in the rest of the public sector to deliver on key policy initiatives.

- Require that any new law or policy includes an implementation plan, with milestones and quantitative fact-based indicators of results, and the clear identification of those actors who need to play a part in the implementation process.

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

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

Key reforms

Steps for immediate action

Rationalise and clarify the budget framework. Continue to strengthen the reforms to install programme and performance linked budgeting, with the focus on policy objectives.

- Move the focus from central *ex ante* to *ex post* controls on budget management and execution. Do this by strict monitoring and enforcement of budget ceilings on line ministries, and by dismantling inefficient *ex ante* controls currently executed by the Ministry of Finance. *Ex ante* controls should be the legal responsibility of the line ministries.

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

The senior civil service needs the credibility and competence to be effective as the steward of sustainable policies across political cycles. The distinction between the political level and a technically competent, objective public administration needs to be drawn clearly. The current hierarchy is top heavy, with senior civil servants sometimes in charge of “ghost” departments. There is no effective structure of middle management. Ministries are affected by organisational sprawl, redundant structures and too many units. There is little scope or incentive for ministries to allocate and manage their resources according to need. There is very limited mobility within the Greek public sector. Mobility involves heavy and difficult procedures. Reforming the current framework that prevents ministries from shifting human resources towards priority areas is fundamental.

Key reforms

Confirm and strengthen a non-political senior civil service and empower middle managers. Rationalise and strengthen the institutional framework to support an effective HR strategy. Establish a complete HR strategy. Establish performance assessment of top managers, linking this to the milestones for public administration reform. Confirm and strengthen clear rules and processes for key issues such as nomination procedures and length of appointment. Tackle mobility problems, not least by rationalising job categories.

Steps for immediate action

- Establish practical principles to guide immediate actions in support of more efficient and effective administrative structures, pending deeper reforms. These should include the principle of “units with a purpose” (tackling “ghost” departments and merging duplicative support units), and the principle of a well-defined hierarchy with defined leadership and management roles, starting with a simplified top management (rationalising the duties, number and scope of work of secretaries general, identifying the civil service leadership of a ministry, and clarifying roles among the top level).
- Make the necessary links between HR and budget reforms. Programme budgeting based on policy objectives to be achieved should be clearly linked to the development of performance management by objectives. The latter in turn should be clearly connected to individual performance appraisals.

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

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

Key reforms

Steps for immediate action

Establish a strategy to address data collection and management, with appropriate institutions, funding, and training at all levels of the administration. Implement a government-wide knowledge management system.

- Identify essential data for collection by ministries, via the strategic central ministry units proposed under issue 3 above.

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

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

Key reforms

Steps for immediate action

Address the underlying issues that drive the continuous development and use of laws and processes so as to simplify the legal structure and processes. Identify and analyse the parts of the legal framework which require reform in order to change the focus of the work of the administration from formal compliance with detailed requirements, to the achievement of strategic objectives and policies.

- Accelerate the processes for cleaning up and simplifying the legal and regulatory stock, and ensure that any new law related to the public administration reforms is coherent with the overall reform.
- Adopt and implement the Better Regulation Law.

Introduction

This OECD report presents the results of a functional review of the central administration in Greece. Its focus is on the organisation and operation of the central administration; it does not discuss the objectives of government policies, but rather it aims to assess the efficiency and effectiveness of the central government administration in reaching those objectives.

The report uses the results of the functional review as a starting point for making a series of wide-ranging proposals for the reform of the central public administration.

The report was commissioned by the Greek Ministry of Administrative Reform and E-Governance in support of the public governance reform effort in Greece. Its conclusions and recommendations have been discussed and reviewed.

The report is set in the context of the reforms which the government has been developing under the EU Operational Programme “Administration Reform 2007-13”, and of the internal public administration reform – “Reforming the state: towards a strategic state” – which the government has been taking forward over the last year. The overall objective of these reforms is to create a “Strategic State” – one that is able to set, steer, monitor and crucially, implement strategic and policy objectives. The report is also part of the May 2010 MOU between the Greek Government and the so-called Troika composed of the International Monetary Fund, the European Commission and the European Central Bank. The report is therefore a component of these strategies, along with the two other functional reviews underway in Greece’s public sector.¹

The report builds on the results of a detailed mapping of the central administration undertaken by the Greek Ministry of the Interior (Ministry of Administrative Reform since June 2011), with the support of the OECD Secretariat, between February and June 2011.² In addition, the report draws on a range of investigations into particular aspects of public governance conducted by the OECD Secretariat in Greece between 2008 and 2011. These methodological anchors have permitted the development of a report and recommendations based on hard data and evidence in order to identify the reforms needed for a stronger central public administration.

The report reflects the situation as of 15 July 2011, the date at which the data collection process for the report was closed. Major developments since then have been referenced briefly, but not evaluated.

The scope of the mapping and, to a large extent, of this report, covers the central administration, specifically its central services. Although the central administration represents only a fraction of the Greek public sector, it is at the heart of the reform agenda because of its formal authority and potential influence over other parts of the public sector.

The report does not address directly the relations between the central administration and the rest of the public sector. This is, however, an important issue, which merits further attention, alongside the overall institutional structure of the public sector and whether this is

optimal for progress on public policy reforms. Some of the reforms required to strengthen Greek public governance extend beyond the scope of this report.

Box 1. Structure of the Greek public sector and scope of the report

The Greek public sector is structured into two main components, as illustrated in Annex A. These are “general government” and “public enterprises and organisations”:

- General government comprises central government, local government, and social security entities.
- Central government is further split between the central administration (ministries’ central and decentralised services), legal entities of private law, and legal entities of public law.
- The central administration is made up of the President, ministries, independent authorities, and decentralised authorities.
- Ministries are split between central services and decentralised services.

The scope of the mapping, and to a large extent of this report, was limited to ministries’ central services (see the list of ministries at Annex B), except for a small number of indicators which also concerned the decentralised services. In terms of employment, the mapping covered 53 440 employees of the central government (23 736 at central level and 29 704 in decentralised services). This represents about a fifth of the total number of central government employees according to available figures, although the measurement of public employment in Greece involves substantial methodological issues and uncertainties (see Chapter 3, in particular Box 3.1).

The report is organised in five chapters. The first chapter sets the report in the context of the public debt crisis, and the role of the Centre of Government. It is followed by four chapters addressing respectively the general organisation of the central administration, human resource management, budgetary management, and policy development and implementation.

Notes

1. In parallel with this review, the OECD is conducting a functional review of social programmes in Greece. In addition, the Greek Government is reviewing the situation of public law entities.
2. See the description of the mapping methodology in Annex D.

Executive summary

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

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

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

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

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

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

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

In several core areas, structural reforms fell short of addressing public governance issues. Basic functions of the government such as tax collection or budgeting were not operating properly. Many ambitious reforms were not appropriately implemented.¹ The apparent inability of successive Greek governments to implement measures that were enacted can be traced back to important weaknesses, which were allowed to persist in the functioning of the public administration. In particular, Greece's central administration was plagued with inefficient structures, inadequate access to information and lack of co-ordination. Such problems had become a hallmark of the Greek government system long before the financial crisis, with considerable costs for the Greek economy and society.

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

At the turn of the new century, the declared aim of the Greek Government was to build on its achievements in order to develop a "social state". Although there was, in principle, unprecedented convergence between the main political parties on the country's reform agenda (Featherstone and Papadimitriou, 2008), in practice the EMU's favourable economic and financial conditions became opportunities to expand the state's umbrella without showing too much concern for its inefficiencies.

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

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

The central administration is fundamental to the supervision, steering and management of the public sector as a whole. Figure 0.1 shows the key role played by ministries, which are formally responsible for the supervision of all other entities of the public sector. Annex C provides details on the nature of the links between ministries and other public entities, and illustrates this with the case of the Ministry of Education and Religious Affairs and its thousands of supervised entities.

The conclusions of this report, as well as a number of other studies² of the Greek public sector, indicate that in many cases, these supervision and control functions are not effectively fulfilled and further, that shortcomings and inefficiencies in the functioning of the central administration tend to spread over to the whole of the public sector.

Figure 0.1. Supervision of the ministries over the other entities of the public sector



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

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

Recent initiatives are not clearly inscribed within a coherent and joined up framework which would truly enable the Greek Centre of Government to function effectively, and not least in support of the urgent reforms which are needed. For now, it is not clear how existing and new entities of the Centre of Government will work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication. Fundamentally, **there is no obvious ownership of the reform agenda** either with specific entities at the Centre of Government, or shared by these entities. **The capacity to co-ordinate with key ministries is also weak.**

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

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

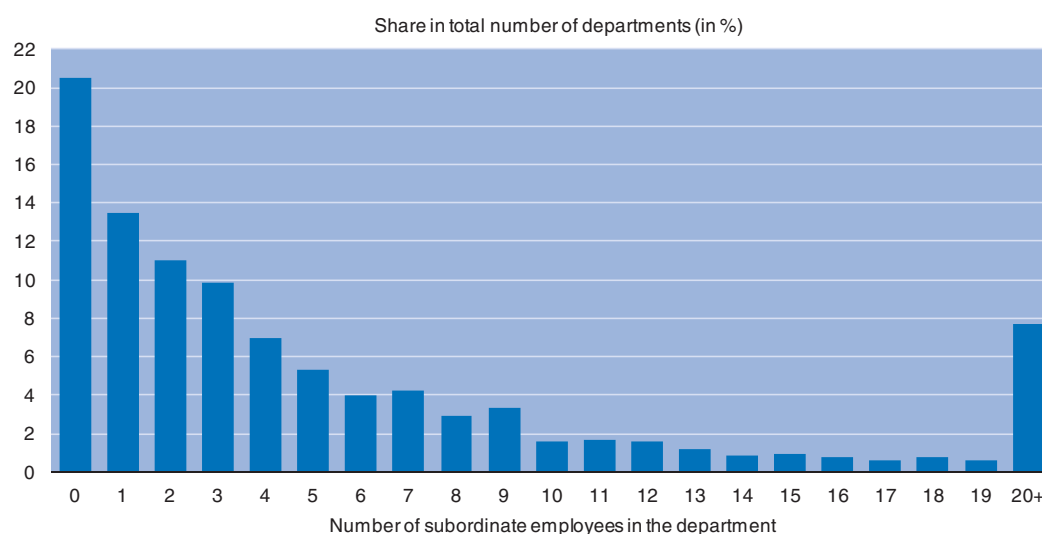
The central administration lacks the management, oversight and co-ordination structures to support effective implementation and long-term management of policy measures, including structural reforms to support sustained economic growth. This is a fundamental obstacle upon which many reforms have already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

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

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

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

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



Source: Ministry of Administrative Reform and E-Governance.

As a result, administrative work is fragmented and compartmentalised within ministries. Ministries are not able to prioritise their competences and are handicapped by co-ordination problems. In cases where co-ordination does happen, it is *ad hoc*, based on personal initiative and knowledge, and not supported by structures.

The implementation of policies and reforms is especially weak. The public sector at large is affected by the inadequate capacity of ministries to carry reforms into the implementation stage.

Examples of weaknesses in the implementation of ambitious reforms abound, particularly when they require co-ordination among different parts of the public administration. The health care reform of the 1980s was unanimously hailed as a major step in the modernisation of the country's health system, but some of its most important elements were never implemented. An important 2003 law on civil protection was never properly implemented. This weakness of implementation has also affected reforms aimed at strengthening the central administration itself, notably the introduction of regulatory impact assessments in 2006 and the 2004 law on performance management.

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

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

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

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

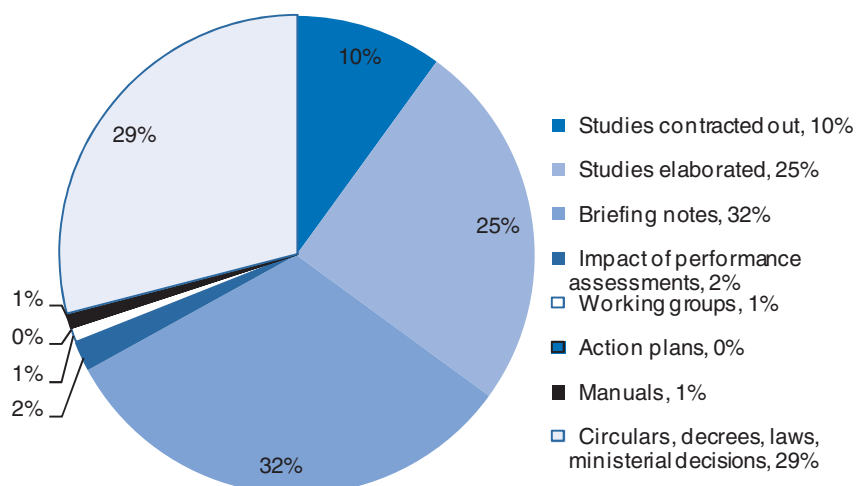
Legal formalism has generated a culture and legal framework which provides no incentives for initiative on the part of civil servants, discourages any policy actions which are not accompanied by a legal text, privileges the observance (and development) of administrative processes rather than attention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

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

Legal formalism is partly the by-product of a legal system based on civil law, which traditionally emphasises the need for a comprehensive and detailed structure of laws and regulations to cover all issues. However, the corrective action taken in some other OECD member countries with a similar tradition, to secure clarity in legal texts, to update the codes³ which structure this type of legal system, and to periodically clean up the law by removing redundant texts and by consolidating others, is undeveloped or even absent in Greece.

Legal formalism also reflects the excessive use of internal administrative processes to frame the work of the administration, so that more attention is paid to these processes than to underlying policy work. This is an issue for some other OECD member countries, but in the Greek case, legal formalism has been carried so far that it covers, for example, HR policies and the career of civil servants. This has generated a framework which is both very detailed and very inflexible. As a consequence among many others, the mobility of personnel across ministries is seriously compromised.

Figure 0.3. Output of general directorates in 2010

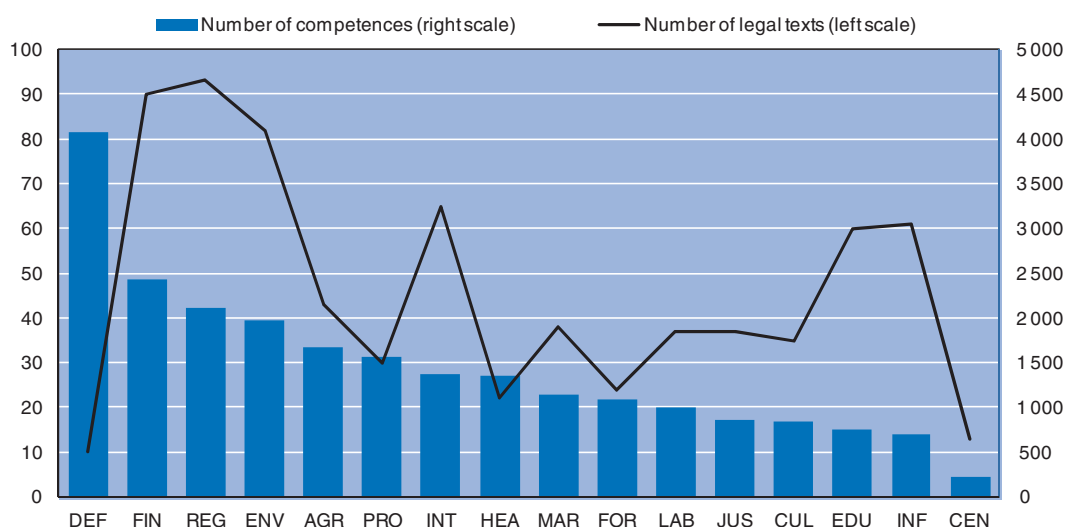


Note: This figure covers the output of the general directorates with executive competencies, and thus excludes the output of general directorates with support competencies.

Source: Ministry of Administrative Reform and E-Governance.

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

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



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

Source: Ministry of Administrative Reform and E-Governance.

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

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

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

A crucial shortcoming of public governance in Greece is the lack of factual evidence and data as a basis for policy decisions – including day-to-day administrative management. Processes to collect, collate and analyse data are far from adequate. The administration does not have the habit of keeping records or the ability to extract information from data (where available), nor generally of managing organisational knowledge.

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

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

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

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

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

The weakness of evidence-based approaches to policy making is one of the seriously negative effects of legal formalism, which disconnects the public administration from the economy and society. The development of laws rests on a largely internal “conversation”

within the government. It is thus carried out without any strong sense of their impact on the real world, or – crucially – of how they will be implemented on the ground.

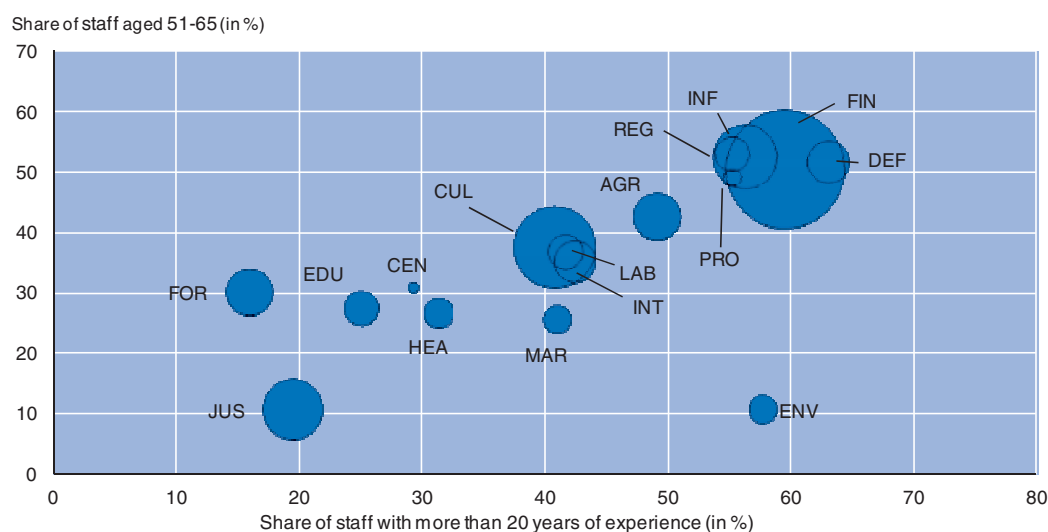
Ex ante impact assessments, whilst now compulsory in principle, are mostly of very poor quality, or not done at all. *Ex post* assessments, which would be instrumental in the monitoring and evaluation of regulatory initiatives, are virtually non-existent.

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

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

Years of hiring limitations have not substantially reduced the central government's payroll, but they have led to a considerable demographic shift among central civil servants. Today, Greece has a fairly old and rapidly ageing workforce in its central government by OECD standards. If strict hiring constraints are applied as planned in the coming years, government staffing at central level is bound to shrink very significantly. The management of this transition will be particularly challenging in certain ministries (see Figure 0.5).

Figure 0.5. Age and experience trends in ministries



Note: The size of the bubbles is proportionate to each ministry's staff numbers (central and decentralised services).

Source: Ministry of Administrative Reform and E-Governance.

There are, at the same time, serious impediments to the mobility of employees within the civil service, and poor incentive mechanisms to support individual performance. A very detailed and rigid budgetary process leaves HR and line managers little room for manoeuvre. No linkage is made between the attempts to introduce performance-based management of human resources and performance measurement at the level of structures.

A relatively high (but not unusual for many OECD member countries) ministerial turnover rate undermines the continuity of policy implementation and exacerbates the political dimension of policy decision making, in the absence of a strong and independent senior civil service.

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

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

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

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

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

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

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

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

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

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

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

Notes

1. Chapter 5 describes several cases of wide-reaching reforms which were adopted by the government in the last decade but not properly implemented: Law 3 013/2003 for civil protection, the 2006 introduction of regulatory impact assessments, or Law 3 230/2004 on performance management.
2. See, in particular, OECD (2009) regarding fiscal relations between the central government and other parts of the general government, OECD (2007) regarding the supervision and regulation of network industries, OECD (2009 and 2005) regarding public health care and OECD (2002) regarding the auditing and control functions of the government.
3. Groups of related laws.

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Chapter 1

The debt crisis and the role of the Centre of Government

This chapter describes the background to the public finance crisis in Greece. It looks at the structural adjustment plan undertaken by Greece in 2010-11 and at the country's medium-term financial strategy. It then examines efforts to strengthen the Greek Centre of Government and to facilitate co-ordination and collaboration across the Greek central administration.

The public finance crisis

The years of unbalanced growth

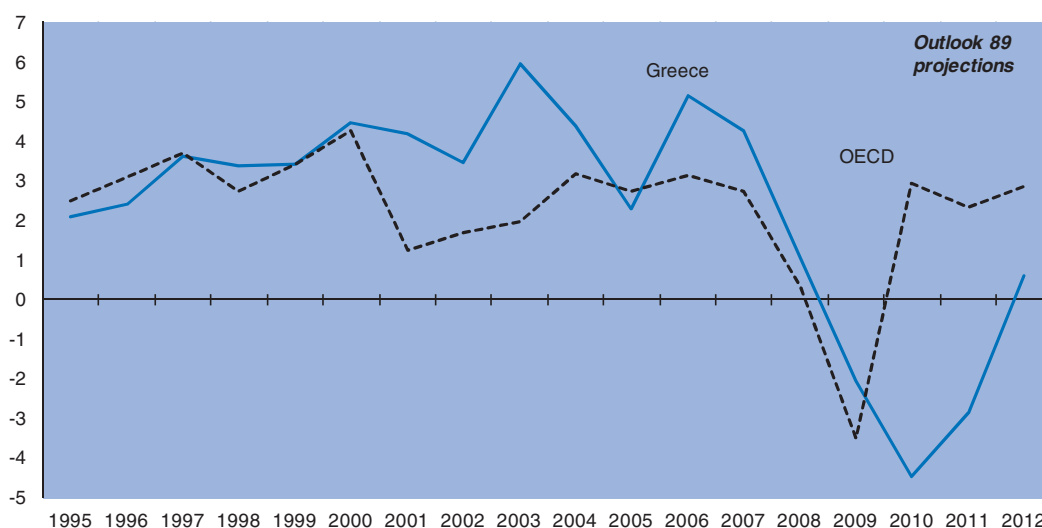
Even though the outbreak of Greece's ongoing public finance crisis coincided with the global economic downturn, the situation had paradoxically developed as the country was experiencing one of the most dynamic episodes of growth in its post-war history.

Economic activity in Greece already grew at a fast pace between 1995 and 2000, on a par with the OECD average. However, as the momentum of the economy slowed down in the rest of the OECD between 2000 and 2007, it accelerated in Greece, with an average growth rate of 4.2% per year. The country was then quickly catching up with the OECD average in terms of GDP per head.

However, during this period of sustained economic growth, Greece accumulated a number of macroeconomic imbalances, notably a current account deficit which reached 15% of GDP in 2008.

Admittedly, the sharp deterioration in Greece's external accounts was in part caused by the large differential of internal demand between the country and its main trading partners, as well as by a loss of price competitiveness in the fixed exchange rate context of the euro zone (see Figure 1.1).

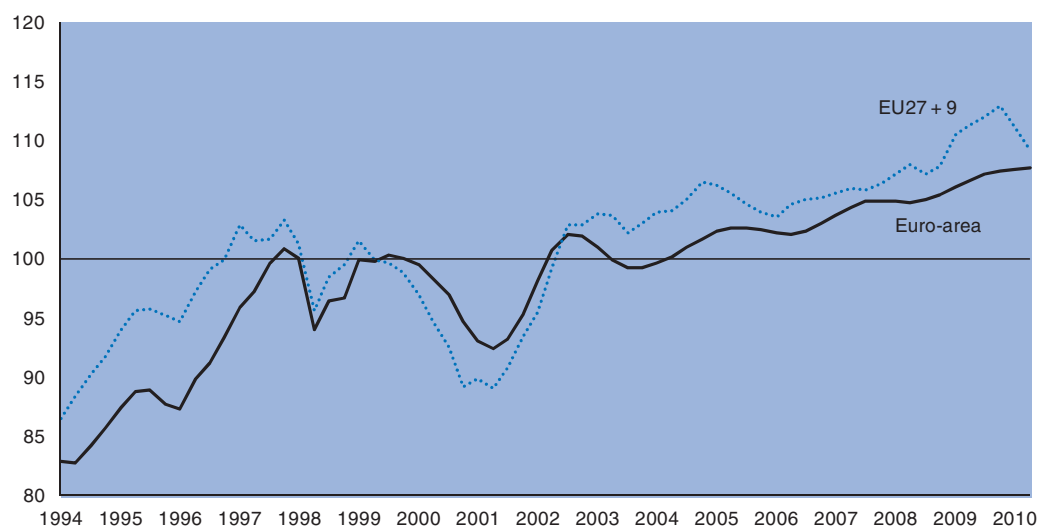
Figure 1.1. Real GDP growth



Source: OECD (2011), "OECD Economic Outlook No. 89", *OECD Economic Outlook: Statistics and Projections* (database), OECD Publishing, Paris, <http://dx.doi.org/10.1787/data-00539-en>.

Figure 1.2. Greece's real effective exchange rate

Adjusted for unit labour costs, 1999=100



Note: “+9” refers to Australia, Canada, Japan, Mexico, New Zealand, Norway, Switzerland, Turkey and the United States.

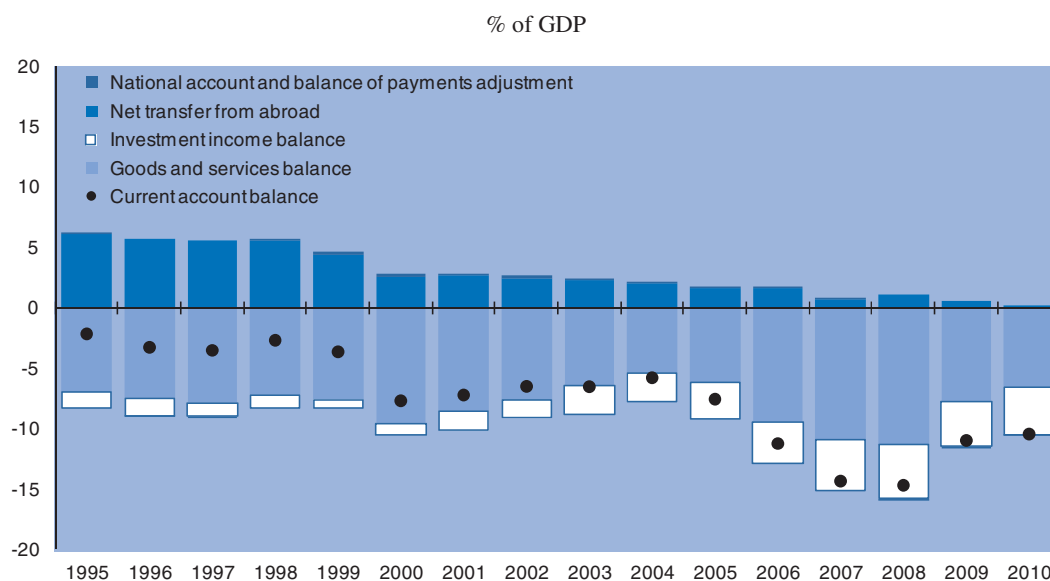
Source: Eurostat.

At least as important, however, was the extinction of the income transfers from abroad, which the country had come to rely upon. Figure 1.3 shows that:

- the balance of goods and services has been structurally in deficit over the past 15 years, and actually had one of its best performances in 2010;
- net transfers from abroad were covering a large share of this deficit until the turn of the century, before they gradually ran dry as Greece's net receipts from the EU budget decreased, while remittances sent abroad by immigrants were rising steadily (see also OECD, 2009i);
- the weight of interest payments to non-resident holders of public bonds has dramatically increased in recent years.

To offset this loss, **Greece should have undertaken major efforts to close the gap between national savings and investment.** The contrary happened, in particular due to a substantial (and pro-cyclical) increase in the public deficit (see Figure 1.4). Between 2000 and 2008, public expenditure increased by an annual average of 5.5% in real terms, 1.5 points faster than both GDP and government revenues every year. Tax revenues, which had been substantially raised between 1997 and 2000, continually decreased as a share of GDP thereafter. The unsustainable dynamics of public finances became evident when, with the additional impact of the economic downturn, the public deficit soared to 10% of GDP in 2008, and almost 16% in 2009.

Figure 1.3. Decomposition of Greece's current account



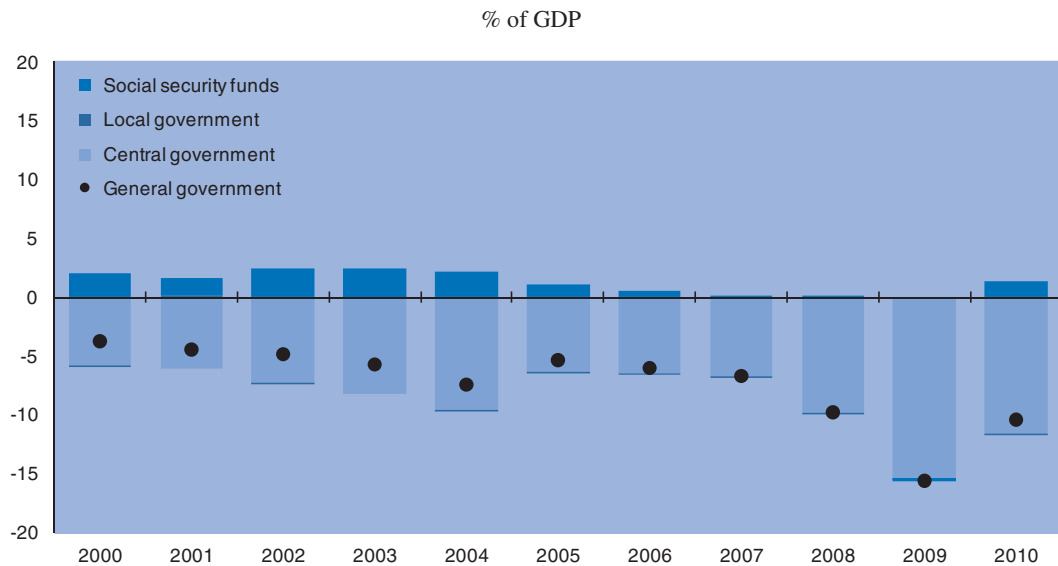
Source: Eurostat, OECD calculations.

The years of hardship

Such a deterioration of public finances rapidly raised concerns over the solvency of the Greek state, and led to a sharp widening of the interest rate spread between Greek and German bonds, which had been inferior to 100 basis points since the entry of Greece in the euro zone. In April 2010, the Greek Government decided to call on its European Union partners and the International Monetary Fund for financial support. A EUR 110 billion rescue package was put in place and, in order to ensure that the sustainability of Greece's public finances would be restored, an Economic Adjustment Programme (EAP) comprising a number of short-term and structural measures was established. The government signed a memorandum of understanding with the Troika (European Commission, European Central Bank, International Monetary Fund) on the monitoring of the EAP's implementation.

In 2010, the Greek Government took important measures in the framework of the EAP, which substantially reduced the public deficit (see Box 1.1). Once account is taken of the effect of the recession on public accounts, the magnitude of Greece's fiscal adjustment programme is estimated at 10.2% of GDP in 2010 and 5.8% in 2011, **which probably makes it the largest structural adjustment plan ever undertaken by any OECD member country** (OECD, 2011d).

Naturally, these measures have had a large pro-cyclical effect, as a mirror image of the lax fiscal policy of the years 2000-08. In 2011, the country is experiencing its third year of severe recession. Since the outburst of its sovereign debt crisis in 2009, it has lost altogether about 10% of its output, so that by the end of 2011, the Greek GDP will be approximately at the same level as in 2004. Households' real disposable income shrank by 2.5% per capita between 2008 and 2009, and probably fell further in 2010; the unemployment rate had reached 16% in June 2011, and was estimated at 38.8% in March for the under 25 age group (Eurostat).

Figure 1.4. **Decomposition of the government deficit**

Source: OECD (2010), "OECD Economic Outlook No. 88", *OECD Economic Outlook: Statistics and Projections* (database), OECD Publishing, Paris, <http://dx.doi.org/10.1787/data-00533-en>.

Box 1.1. Fiscal consolidation in 2010-11

The Greek sovereign debt crisis was triggered by the revision of official public deficit estimates from less than 4% to 12.5% of GDP between April and November 2009. The figure was finally established at 15.4%. Almost a third of the general government's expenditures were not financed by revenues that year. In order to avoid a default on its debt, the new government was left with no other choice than to ask for external financial assistance and to implement a radical fiscal consolidation programme.

The Economic Adjustment Programme

Under the auspices of the Troika (composed of the European Commission, the European Central Bank and the International Monetary Fund), an Economic Adjustment Programme for Greece was designed in May 2010, which the country had to implement in order to obtain the payment of successive tranches of a EUR 110 billion financial assistance package. The three underlying objectives of the programme were to bring public finances back on a sustainable track, to stabilise the financial sector and to implement structural reforms to strengthen competitiveness and economic growth. By July 2011, a number of the programme's measures had been implemented, as documented by the last revision to the memorandum of understanding between Greece and the Troika, and five tranche payments have taken place for a total of EUR 85 billion. The final disbursement was planned to take place in early 2012, under the assumption that Greece would regain access to international capital markets by that time.

Box 1.1. Fiscal consolidation in 2010-11 (*cont'd*)

The 2010 budget

Although not all the programme's targets for 2010 were met, the fiscal consolidation achieved by the government during this first year of austerity was impressive: the budget deficit was cut by 5 points of GDP, from 15.4% of GDP in 2009 to 10.4% in 2010. Once the impact of that year's deep economic recession on public accounts is taken into consideration, the magnitude of the government's measures is evaluated at 9.1% of GDP (OECD, 2011d), which makes it the biggest reduction in the structural public deficit ever realised by an OECD member country. Sixty per cent of this total (5.5% of GDP) consisted of measures on the revenue side of the budget, in particular tax increases (excise duty taxes, VAT and direct and property taxes for 3.2% of GDP). The remaining 40% (3.5% of GDP) were on the expenditure side, most notably substantial cuts in public servant pensions (1.3% of GDP) and salary allowances (1.1% GDP).

Although the 2010 fiscal consolidation was mainly financed by revenue measures, there were large deficiencies in tax collection. State revenue fell short of the original target (set in May 2010) by EUR 4.5 billion. This was not only due to domestic demand being less dynamic than expected, but also to the limited success of measures to fight tax evasion. To compensate this shortage of revenue, additional expenditure revisions and resulting cuts were made during the year, especially at the central government level. However, these efforts were impaired by the Ministry of Finance's lack of control over spending of non-central government entities such as hospitals, local governments and state-owned enterprises.

The 2011 budget

The 2011 budget sets a budget deficit target of 7.5% of GDP. The accompanying measures are slightly more focused on increasing revenue (3.4% of GDP) than on cutting spending (2.9% of GDP). Expenditure savings are to a large extent expected to be realised through measures initiated after the May 2010 programme (e.g. cuts in hospital spending). Measures included in the May 2010 programme are expected to reduce overall expenditure by EUR 1.5 billion, of which reforming local government (EUR 0.5 billion) and reducing public investment (EUR 0.5 billion) are the most significant. The carry-over of other measures taken in 2010 is expected to provide the remaining EUR 1.2 billion expenditure savings. In terms of revenue, most gains are expected from measures taken in the May 2010 programme (EUR 4.1 billion/1.8% of GDP). Of these, taxes and special levies contribute the largest share of revenue (EUR 3 billion for combined property and direct tax, VAT and excise duties, and special levies on business profits). Measures against tax evasion have been strengthened as those initiated in the May 2010 programme are only expected to generate EUR 0.3 billion in revenue, whereas those initiated after are expected to generate EUR 1.6 billion.

Structural measures

The Adjustment Programme contains a large variety of structural reforms, designed to strengthen the supply side of the economy by improving internal competition and external competitiveness. A crucial pension reform was passed early in 2010, and a new wave of structural reforms is currently being implemented in areas such as the labour market, competition policy, the exercise of professions, administrative simplification, investment and export promotion and restructuring of state-owned enterprises. The effectiveness of these structural reforms will depend on the quality and the implementation of the resulting legislation.

The *OECD Economic Survey of Greece 2011* estimates that the impact of the fiscal consolidation plan in 2010 and 2011 reduced GDP by approximately 3.5% percentage points in 2010 and 2.25 percentage points in 2011.

The persistent weakness of economic activity has, in turn, made fiscal adjustment more difficult, notably by eroding tax bases. At the same time, the government has faced difficulties in implementing certain structural reforms (European Commission, 2011). Measures seeking to reduce tax evasion and to improve control over expenditures have not produced the expected effects. For example, one-stop shops for business services and licensing are making very slow progress. A new law on e-government has been adopted, but with few practical developments, while the draft Law on Better Regulation still has not been presented to the Parliament.

After a short period of relative quiet in financial markets, concerns started to grow again during the first half of 2011 regarding Greece's long-term ability to serve its sovereign debt, which is close to 160% of the GDP. In June 2011, the government tabled a Medium-Term Fiscal Strategy (MTFS) aimed at preventing a slippage of the deficit through a mix of additional expenditure cuts and revenue increases, structural reforms and a large privatisation programme, to be implemented between 2011 and 2015 (see Box 1.2).

The critical factors that will determine whether the government, through the MTFS, succeeds in bringing public debt back on a sustainable track are GDP growth and the country's ability to maintain a high primary budget surplus for many years. Both factors depend, in turn, on the country's capacity to swiftly reform and modernise its public governance practices. This in turn depends critically on a reinforced Centre of Government, the subject of the next section.

Box 1.2. The 2011-15 Medium-Term Fiscal Strategy

In order to achieve the 2011 fiscal targets set in the Economic Adjustment Programme, the Medium-Term Fiscal Strategy was adopted by the Parliament end-June 2011. The MTFS outlines a set of measures for the period 2011-15 totalling EUR 28.3 billion (12% of GDP) which are forecasted to reduce the general government deficit from 7.5% of GDP in 2011 to 1% of GDP in 2015. Government expenditure is expected to be reduced by EUR 14.8 billion and revenue is to be increased by EUR 13.4 billion over the same period. The approval of the MTFS through Parliament guaranteed the disbursement of the fifth tranche of the May 2010 financial assistance package and met the preconditions for an additional financial assistance package to cover the 2012-15 period.

Impact in 2011

For 2011, the MTFS identifies EUR 4.8 billion worth of measures to be implemented in the second half of the year. Revenue measures are expected to generate EUR 2.55 billion, of which 95% are to be raised through tax policy reform. High-value properties, luxury products, tobacco, soft drinks and vehicles will see their taxation levels increase and many types of goods will be transferred from the 13% VAT to the 23% VAT category. Expenditure measures were designed to make cost savings of EUR 2.25 billion, of which EUR 1.15 billion are to be made by reforming the public wage bill, reducing operational expenditures, lowering grants to local governments and closing or merging public entities. As these measures only cover 75% and EUR 4.8 billion of the EUR 6.4 billion fiscal gap, an additional EUR 1.6 billion will be required. The remaining EUR 1.1 billion of cost savings are to result from measures reforming the various social security funds, from streamlining health and pharmaceutical expenses to rationalising criteria for pension and welfare beneficiaries.

Box 1.2. The 2011-15 Medium-Term Fiscal Strategy (*cont'd*)

Impact in 2012-15

Over the 2012-15 period, a total of EUR 22 billion worth of measures is required to bring down the fiscal deficit to 2.6% of GDP by 2015. The MTFS identifies measures equal to EUR 19.2 billion, therefore additional measures worth EUR 2.9 billion still need to be identified. Most revenue would be generated by strengthening tax compliance (EUR 3 billion), modifying or creating new taxes (EUR 2.5 billion) and by improving social security fund revenues and tackling social security evasion (EUR 2.4 billion). Expenditure savings would essentially be made by cutting social spending (EUR 2.6 billion), restructuring state-owned enterprises (EUR 1.5 billion), reducing operational expenditures (EUR 1.2 billion) and by rationalising the public sector wage bill (EUR 1.2 billion). The May 2010 Economic Adjustment Programme had originally set the replacement rate of public sector employees to one in five. The MTFS extended the one in five rule over the 2012-15 period, and hardened it to one in ten in 2011, implying an overall reduction of 150 000 in the number of employees, from 727 000 in 2010 to 577 000 in 2015.

The privatisation programme

In addition to the measures described above, the MTFS sets the grounds for large-scale revenues through an ambitious privatisation programme. The assets listed under this programme are valued at EUR 50 billion, suggesting a potential reduction of Greece's public debt by 20 percentage points of GDP. The programme provides an inventory of assets and a timetable for the National Wealth Fund – a newly created independent agency – to proceed with the privatisation scheme. The targeted assets include shareholdings in state enterprises, banks, public infrastructure, monopoly rights and real estate. The programme is expected to generate EUR 5 billion by the end of 2011, EUR 10 billion in 2012 and EUR 35 billion over the 2013-15 period.

Debt/GDP projections

Three simulations of public debt have been put forward by the Ministry of Finance.¹ In the first and worst case scenario, GDP growth after 2014 stays below 2% and the primary deficit does not exceed 3.2% of GDP: growth in public debt becomes unsustainable in the long run and will inevitably require restructuring. In the second scenario, GDP growth stays above 3.5% and the primary surplus remains above 5.5% of GDP: the level of public debt will be sustainable but will not drop below 100% of GDP before 2025, resulting in the need for additional measures and fiscal strategies. In the third and most desirable scenario, though GDP growth and the primary deficit share the same characteristics as in the second scenario, the EUR 50 billion privatisation and asset management programme is considered fully implemented and successful. Public debt will decrease below 100% before 2025, assuming nominal interest rates stay below 5.5%. If the privatisation and asset management programme is not fully realised, the primary surplus would have to remain above 7.5% beyond 2014 for public debt to achieve the same outcome.

1. Greek Ministry of Finance (2011), "Medium-Term Fiscal Strategy", presentation, 23 May.

Moving forward: the role of the Centre of Government

The nature and importance of the Centre of Government

Across OECD member countries, the centre of government defines the small set of institutions at the core of the central administration which have the authority, responsibility and capacity to lead the development of a strategic vision and direction for public policies, and the effective implementation of this vision in practice and over time.

Box 1.3. The Centre of Government: a definition and explanation

Functions of the Centre of Government

The key function of the Centre of Government is to act as a central leadership hub in order to facilitate co-ordination, collaboration and co-operation across the public administration, with the objective of securing a strong, coherent and collective strategic vision of where the country needs to go, and how it will get there. Leadership is needed to champion and promote reforms, and to generate and manage interdependencies across the administration so that collaboration is the default option, not the exception. Leadership is also needed to change the way in which the public administration conceives its role and to encourage widespread “buy-in”, so that the strategic vision for a country is implemented.

An effective Centre of Government is critical for:

- **Strategic vision.** The Centre of Government needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might be an objective to minimise poverty and unemployment, to promote a sustainable environment, or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a “whole-of-government” vision.
- **Accountability.** The Centre of Government is the steward of the strategic vision. It is accountable for overall results, and oversight of delegated responsibilities. It is important, however, to avoid over rigid “command and control” structures and micro management, but instead, to work toward a system where the Centre of Government can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared collective commitment.
- **Strategic planning,** policy coherence and collective commitment. The Centre of Government needs the capacity to give the strategic vision specific shape, to secure its coherence, and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a “dead letter”. The doctrine of collective responsibility is crucial to bind line ministries as well as the Centre of Government to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

Box 1.3. The Centre of Government: a definition and explanation (*cont'd*)

- **Communication.** The Centre of Government needs the capacity to communicate the strategic vision, how it is being taken forward, and its implementation. Transparency and openness helps to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important, so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

Institutional structures for the Centre of Government

It is rare to find just one institution covering all these functions in OECD member countries. It is far more common that a small set of key players share the task. The Centre of Government structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country.

In most countries, however, they can be identified in a combination of those units of the central administration that:

- **Provide direct support to the head of the government** (Prime Minister/President/Chancellor's Office). In many countries, however, these offices are not equipped, and do not seek to, cover the whole of the Centre of Government function. They need the capacity to project the authority and reputation of the Prime Minister/President "above the fray", without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their usual role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.
- **Manage the budget.** This is normally vested in the Ministry of Finance. The budget can be viewed as the key operating system of government. It is the key economic document, which allocates a significant share of a country's GDP – over half in some OECD member countries. It is the key programme policy document, where governments establish their policy priorities in concrete terms through the allocation of funding. It is the key management document, in that the basic operational aspects of government ministries and agencies are established in the context of the budget. In short, the budget provides the basic operational architecture for the work of government.
- Are responsible for key horizontal policies including public administration reform and central HR policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, Ministry of the Interior, and Ministry of Justice.
- For EU member countries, the participation of any dedicated EU **oversight unit for the negotiation and implementation (transposition) of EU directives** is essential, since these play a major part in shaping the legislative and policy landscape of member countries.

Box 1.3. The Centre of Government: a definition and explanation (*cont'd*)

Some of these units or institutions need to co-ordinate especially closely (or be the same unit). Examples include:

- **Regulatory policy and the management of the Cabinet agenda**, since a well-functioning regulatory policy implies the development of regulatory impact assessments (RIAs) on draft legislation. In countries where policies are usually synonymous with laws, the unit responsible for RIAs needs to work closely with (or be the same unit as) the unit that sets the Cabinet agenda.
- **HR management, and budget management**, in that performance budgeting and staying within fiscal targets implies staying within budget for HR managers. Top-down budgeting requires that top-down ceilings are imposed on line ministries, that these ceilings are monitored and strictly enforced during budget execution. This also implies a new approach to HR management in which managers have both the constraint of staying within budget for HR expenses, but at the same time should have greater freedom in the management and deployment of staff.

The sustainability of the Centre of Government across political cycles is important. Centre of government institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the strategic vision is taken seriously and that the country will have the institutional capacity, over time, to carry out the vision.

External oversight and audit helps to ensure that the strategic vision and its implementation stay on track and that the Centre of Government – together with other actors – is accountable for progress, and can be challenged for the lack of it. In many European countries, national audit offices provide valuable independent perspectives not only on the efficiency but also the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

Source: OECD Public Governance Reviews; OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264116573-en>.

Progress is being made to strengthen the Greek Centre of Government

As in other OECD member countries, there is no single hub for the Centre of Government in Greece. Key functions lie across different institutions. Progress is being made to put in place elements of a better functioning Centre of Government. This includes:

- The decision to upgrade the Prime Minister’s office into a “General Secretariat of the Prime Minister” and to staff it with graduates of the National School of Public Administration.
- The establishment of the Ministry of Public Administration Reform, which has been given the responsibility for strategic planning, and is specifically responsible for drafting a law for the institutional reform of the Greek state (as well as piloting the Law on Better Regulation).

- The creation of two offices within the Ministry of Finance to pursue reforms in accounting and budgeting respectively (the Accounting Office, and the Government Budget Reform Unit – GBRU). In order to strengthen the implementation of the financial management reform initiative, co-ordination committees have also been created to work on budget preparation, fiscal reporting and the roll out of commitment registers.
- The reinforcement of the institutional framework for better regulation (BR) through the establishment of a central BR Unit, located in the General Secretariat to the Government (GSG), in charge of overseeing, supporting and co-ordinating the operation of BR units in all ministries. These units are responsible for the preparation of regulatory impact assessments.
- The creation of a General Directorate for Economic Affairs in each ministry, with a single Secretary General in charge.

The creation of a Parliamentary Budget Office is also noteworthy, aimed at enhancing the oversight of Parliament.

This emerging institutional framework remains very weak: it now needs to be joined up, strengthened and sustained over time

These recent initiatives are not clearly inscribed within a coherent and joined up framework which would truly enable the Greek Centre of Government to function effectively, and not least in support of the urgent reforms which are needed. Some aspects, such as the need to take account of the EU legislative dimension, are not addressed directly. For now, it is not clear how existing and new units and entities of the Centre of Government will work together in order to secure the leadership needed for reform, including the necessary strategic vision, accountability, strategic planning, policy coherence and collective commitment, and communication (Box 1.3). Roles and responsibilities have been allocated, but the initiatives remain disjointed. Fundamentally, **there is no obvious ownership of the reform agenda** either with specific entities at the Centre of Government, or shared by these entities.

The capacity to co-ordinate with key ministries is also weak. The Governmental Committee, chaired by the Prime Minister, with the support of the General Secretariat to the Government (GSG), co-ordinates the execution of decisions taken by the Council of Ministers, and their implementation. Overall, however, the system of committees which helps many other OECD member countries to conduct business effectively and to secure policy coherence, is undeveloped and not part of the Greek administrative culture. Whilst inter-ministerial co-ordination and monitoring structures exist in principle, their role consists of little more than formal high-level exchanges of information. Contacts between ministries at operational level are exceptional, even as regards issues of common interest. This means that policy making is rarely joined up effectively across ministerial boundaries.

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Chapter 2

General organisation of the central government

This chapter reviews the general organisation of the Greek central Government. It offers an overview of the “state of play”, then concludes with eight recommendations for better, more efficient central government.

Overview of findings

The legalistic approach to the definition of central government responsibilities has considerable costs

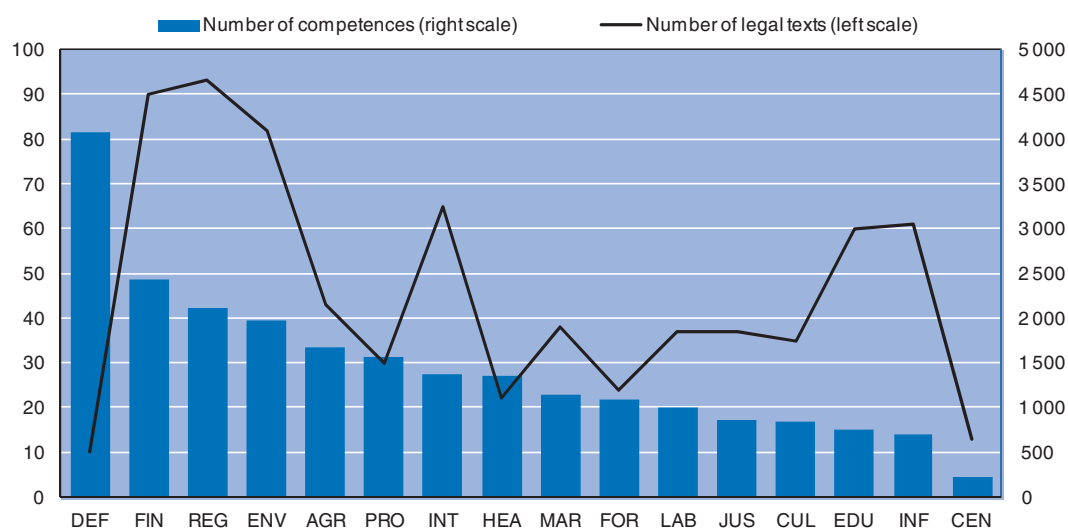
In Greece, the missions of the state are defined at a very detailed level by the law, and termed “competencies”. It is virtually impossible to take a significant policy or administrative decision, at any level of government, if it does not fall within the scope of a legally provided competence.¹

A variety of legal instruments are used to define the administration’s powers and responsibilities: laws, which have to be adopted by the Parliament; presidential decrees, which are examined by the Council of State for their legality; and ministerial decisions, which entail a lighter adoption procedure.²

The law considers four levels of the administration: general secretariats and single administrative sectors, general directorates, directorates, and departments.³

In addition to defining official competencies for each of these, legal texts usually provide a host of organisational details such as the number of employees and their qualifications. At the level of their central services alone, Greek ministries have their missions, organisational structure and resources defined by hundreds (often thousands) of competencies spelled out in dozens of legal texts (Figure 2.1).

Figure 2.1. Number of competencies and of reference legal texts by ministry in 2011



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

Source: Ministry of Administrative Reform and E-Governance.

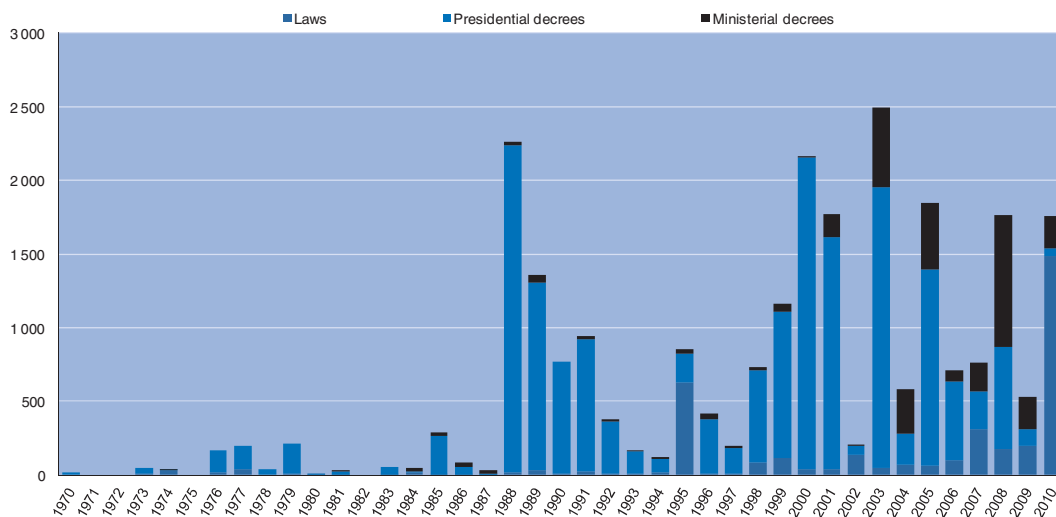
In the Greek legal framework, any change in the organisation or competencies of a structure entails the adoption of a new law, presidential decree or ministerial decision. The general rule is that presidential decrees are required when a new competency is introduced or when major organisational changes are undertaken. In other words,

a ministerial or high-level reshuffle of responsibilities cannot be carried out until the corresponding legal change has been enacted. But even day-to-day decisions regarding a unit's staff numbers or composition have to conform to the specific provisions of the law.

The definition of the competencies of the government is, on its own, the source of constant and considerable activity for both the executive and the legislature: for the Ministry of Finance alone, 537 competencies have been defined or modified through laws, 1 449 through presidential decrees and 284 through ministerial decrees between 1996 and 2011. For the whole central government the corresponding figures are 2 890 competency changes through laws, 11 018 through presidential decrees and 3 191 through ministerial decrees, in other words **an average of 1 140 changes of government competencies per year**.

As shown by Figure 2.2, two periods of intense recasting of government competencies have coincided with important steps of the European integration process: the establishment of the Single Market by the European Single Act (1987-92) and the launch of the European Monetary Union (1999-2001). In recent years, however, high levels of recasting seem to have become chronic.

Figure 2.2. Number of government competencies defined through legal texts per year



Source: Ministry of Administrative Reform and E-Governance.

Excessive legal formalism is the likely cause of a range of dysfunctions and inefficiencies among the central administration, which are pinpointed and illustrated throughout this report:

- It leads to a waste of scarce resources, notably qualified human resources, in tasks which do not contribute to public welfare but are simply justified by bureaucratic procedural necessities.
- It induces a considerable degree of inertia in the implementation of government decisions: it is not uncommon to see important acts held up pending the adoption of the appropriate presidential decree or ministerial decision.
- It is favourable to a sectoral partitioning of policy making, often described as the silo approach, and complicates pragmatic co-operation between ministries or units over issues of common interest.

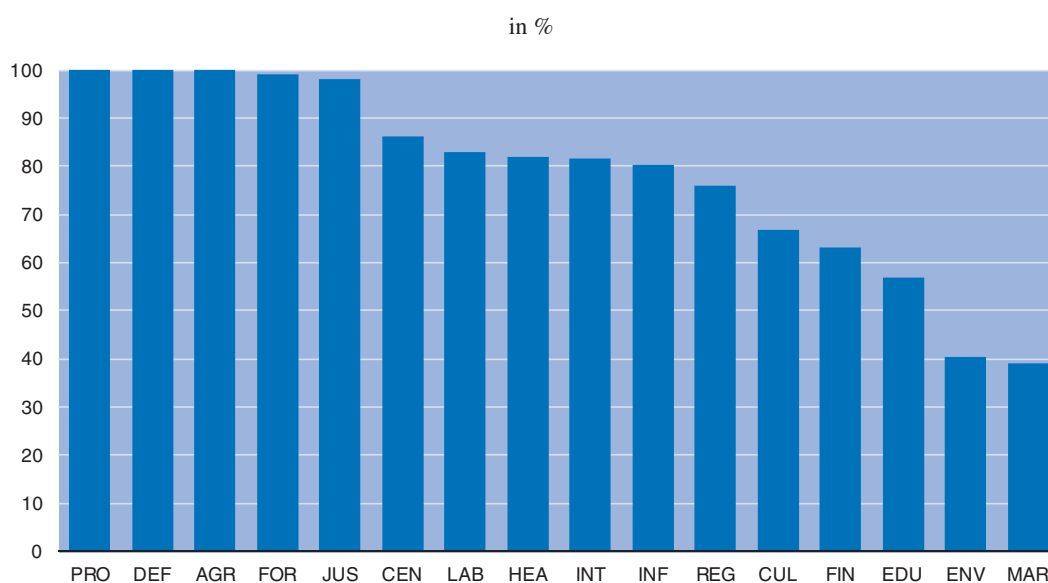
- It generates adaptive behaviours which in turn lead to inefficiencies. For instance, staff numbers included in legal texts over-estimate personnel needs in order to leave some room for manoeuvre in case of unforeseen needs; but the number of positions which are left vacant in each unit can then be used by its managers as an argument for increasing their staff numbers.
- It feeds the gap between formal structures (as reflected, for instance, by ministries' organisational charts) and the reality of the public administration, making it difficult for citizens, businesses and even civil servants themselves to interact with the public administration.

There is a critical need for better co-operation and co-ordination between ministries

Formal division of labour within the government is based on sectoral silos

Through the legal definition of competencies, it is possible to map the division of labour inside the government, in other words to analyse how the Greek legislator has distributed policy-making responsibilities in the various policy fields among ministries. For this, legal competencies have to be classified according to policy fields. Figures 2.3 and 2.4 indicate the share of each ministry's most important policy field in its overall competencies and, conversely, the share of the most important ministry in the government-wide competencies associated with each policy field.⁴

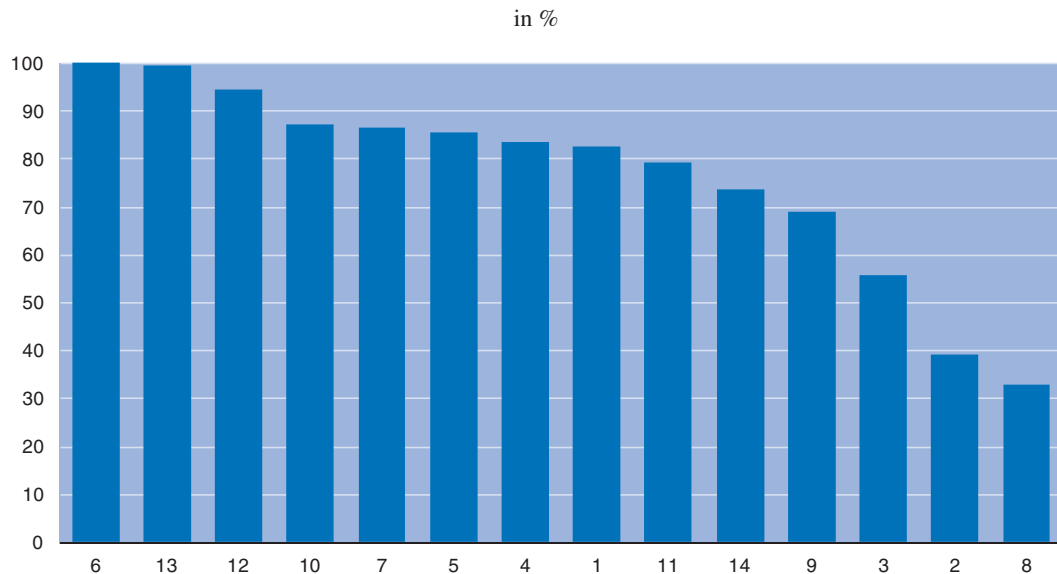
Figure 2.3. Share of main policy field in each ministry's competencies



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

Source: Ministry of Administrative Reform and E-Governance.

Figure 2.4. Share of lead ministry in the government competencies associated with each policy field



Note: The description of policy fields is provided in Annex B.

Source: Ministry of Administrative Reform and E-Governance.

The image is one of fairly specialised ministries, which focus on a certain policy field and concentrate the corresponding policy-making responsibilities. There are only few exceptions to this rule: ministries which typically share competencies are Maritime Affairs,⁵ Environment and (to a lesser extent) Education; policy areas for which competencies are fragmented across different ministries are, understandably, the special activities of the government (which include, among others, administration, public information and R&D) as well as financial relations and development.

In the highly legalistic background described in the previous section, this degree of specialisation means that **ministries “own” policy areas, which discourages co-operation with other parts of the government.**

Admittedly, specialisation can also be interpreted as the consequence of a rational and consistent allocation of policy responsibilities to ministries. In other words, there is no substantial evidence, **at the level of formal definitions**, of a fragmentation of competencies between ministries. This, however, is not necessarily the case when it comes to **actual practices**. Qualitative information gathered through focus group discussions and bilateral interviews suggests that because of inadequate co-operation mechanisms, ministries tend to develop “shared-competence” activities on an *ad hoc* basis, thus resulting in an overlap of responsibilities.

Government structures are not conducive to inter-ministerial co-operation and co-ordination

Several inter-ministerial co-ordination structures exist at political level. The most important of these is the Governmental Committee, which is chaired by the Prime Minister, with the support of the General Secretariat to the Government (GSG), and gathers the most

prominent members of the Cabinet. The Governmental Committee is supposed to co-ordinate the execution of decisions taken by the Council of Ministers, and in particular to ensure that all necessary measures are taken for their practical implementation. The GSG does not participate in other inter-ministerial committees, although it is informed about the agenda and the minutes of their meetings.

In other OECD member countries, such Cabinet or sub-Cabinet committees are often associated (for instance through the “shadowing” model) with meetings of high-level civil servants, which are efficient ways of preparing the ground and of sharing information across ministries. In Greece, however, there is no widespread network of committees which group together ministries with related interests in a cross-cutting policy area (for example, environment, social affairs, defence, etc.). A consistent comment heard during the focus group discussions, as well as during various OECD missions held between 2009 and 2011, was that these were unique opportunities for staff from different ministries to meet face-to-face and discuss policy issues of mutual interest. At a senior level, the GSG meets with his counterparts from other ministries twice a year, for approximately two hours, usually to address them on the most pressing horizontal policy issues. In other OECD member countries, by contrast, the Secretary General to the Government meets weekly with her/his counterparts in order to prepare Cabinet meetings or to follow up on decisions.

The Greek administration’s compartmentalised approach to policy making is particularly inefficient in areas that cut across ministerial boundaries. Two examples are set out in Box 2.1.

Box 2.1. Examples of compartmentalised policy making

An OECD investigation in the area of food safety in 2009 found that policy responsibilities at central level were shared primarily between the Ministry of Rural Development and Food, the Hellenic Food Authority (EFET), the former Ministry of the Interior (as the supervising authority of local government) and the Ministry of Health (with regard to potable water). However, there did not seem to exist any formal structure for the staff from these institutions to meet on a regular basis, share information, and discuss how best to address policy issues (OECD, 2009b).

In a similar vein, analysis in the area of civil protection showed that five authorities within the central government were involved in evaluating the safety reports submitted by hazardous installations in the framework of the EU “Seveso II” directive. Each of them is supposed to focus on a particular aspect of safety, and to provide its conclusions to the Licensing Authority, which compiles the overall evaluation. But no co-ordination mechanism exists to verify that these various elements are consistent and together constitute an appropriate assessment of the installation’s risks and, if needed, to require the necessary complements from the relevant parts of the administration (OECD, 2009a).

These examples show that even when formal competencies are well defined and separated between different ministries, co-operation is still necessary in order to share information and to ensure that all in all, the government’s approach to a particular policy issue is coherent and effective. **This type of information-sharing, co-ordination and integrated approach to policy making is seriously deficient** in the Greek central administration. The Centre of Government, in particular, does not have the authority nor capacity to impose a common vision of policy making to line ministries. As a consequence, the involvement of different ministries in a certain policy area inevitably opens the door to policy failures.

Box 2.2. Policy coherence and the importance of joined up government

Policy coherence refers to the efforts of governments at ensuring that increasingly complex and globalised policy objectives can be met, and that the achievement of high-level policy goals are not undermined by a failure to deal with this complexity. The simplest expression of policy coherence is “**joined-up government**” (within and beyond national boundaries).

Some tensions across policies and programmes are inevitable, due to the complexity of managing public affairs in modern pluralist societies. Policy competition may also be promoted to generate the benefits of creative tension and enhance the contestability of policy advice. However, a united (if not coherent) position is essential at the end of the process, if governments are to sustain their credibility, and if goals are to be achieved without wasting resources.

It does not serve the public interest if one part of government fails in its role in policy delivery; and it is directly contrary to the public interest if one action of government is counteracted or undermined by an action taken by another part.

Recent OECD reviews and experiences confirm that there are a number of challenges with achieving policy coherence:

- **Initial plans and programmes can be blown off course** by events, new information, and not least, crises, which require an adjustment to original plans. This can complicate the efforts to maintain coherence with initial high-level goals. The ability to adapt to changes needs to be anticipated.
- **Capacities and mechanisms do not always function effectively**, especially when the political context becomes highly charged and at certain parts of the election cycle. This too needs to be anticipated.
- **Policy coherence may be achieved at the stage of policy development and decision, only to be lost at the stage of implementation**, which is usually in the hands of different actors (for example, regulatory agencies, local governments, and not least for some key issues, at the international level and via the actions of other governments).

As the term “trade-off” implies, policy coherence is not necessarily attainable, if the meaning of policy coherence is to fully satisfy the attainment of all high-level policy goals in equal measure. Some “incoherence” may be unavoidable. Policy trade-offs may only become apparent once the process of developing policies in detail has been engaged.

Policies are becoming more complex and interrelated. For example, it is impossible to tackle policy for climate change without addressing issues related to transport, energy and housing policies, as these are the three main sources of greenhouse gas emissions. **This means that policies need to be assessed at an increasingly aggregate level, and that related laws and regulations cannot be addressed in isolation. In this context, it is no longer adequate to consider whether a single policy or regulation is “fit for purpose”, or even whether a whole regulatory regime attached to a policy (considered in isolation) is adequate.**

The experience of recent OECD country reviews suggest that governments pursue policy coherence in terms of:

- Seeking to meet the high-level policy goals that feature in government programmes or coalition agreements after an election.
- Giving more detailed effect to these high-level policy goals through the development of more specific, detailed policy proposals, which usually emanate from the responsible ministries.

Box 2.2. Policy coherence and the importance of joined up government (*cont'd*)

- Ensuring that policy proposals are weighed up and discussed collectively by the government so that the effects of a course of action can be evaluated, which has increasingly involved some **form of analysis (such as impact assessment)** to capture costs, benefits, trade-offs and consequences (including unintended) of the proposed action.
- Having in place a **mechanism at the Centre of Government** for reaching a decision as to whether a policy proposal should go ahead, or not, or should be adjusted.
- Applying the **doctrine of collective responsibility**, that is to say, binding all the government members to a decision once it has been reached collectively.

Sources: OECD Public Governance Reviews; OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264116573-en>.

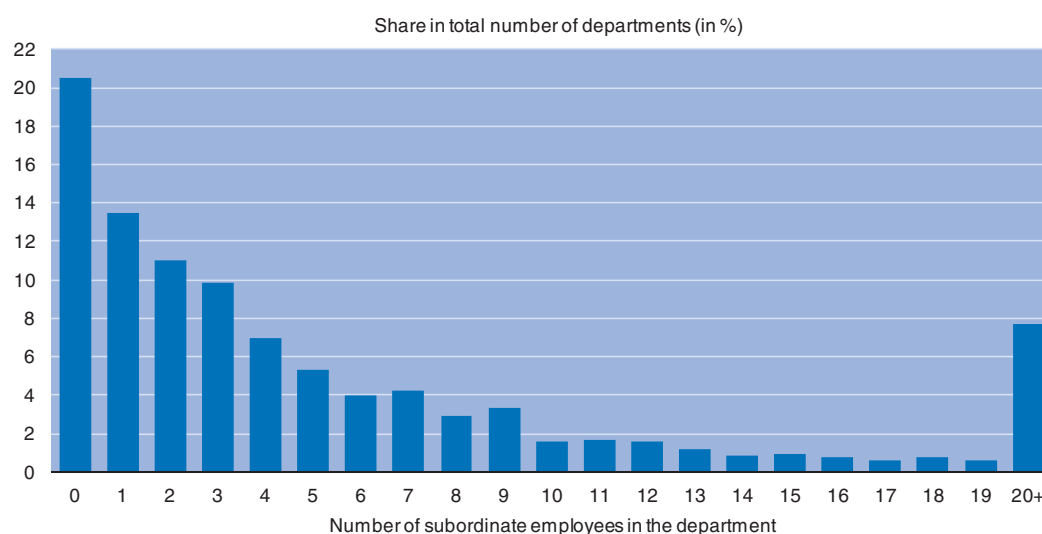
The following section shows that the problem of policy coherence also exists within ministries.

Organisational structures within ministries are fragmented and obsolete

There is an equally urgent need to strengthen policy coherence within ministries. **The administration is affected by organisational sprawl.** On average, a ministry has almost five general secretariats or single administrative sectors; each of these has two general directorates; a general directorate has six directorates; and a directorate has four departments. These structures add up to a total of 302 on average per ministry at central level; in addition, a ministry has on average 137 decentralised structures at regional level.

Throughout the ministerial services, one department out of five does not have any employees (apart from the head of department); one out of three has one employee or less and a majority has three employees or less (Figure 2.5).

Figure 2.5. Distribution of the number of departments according to their staffing



Source: Ministry of Administrative Reform and E-Governance.

The present situation is the outcome of several decades of gradual expansion of the organisational layout of ministries, where new structures have been created in response to new needs or funding opportunities, but obsolete structures have seldom been removed.

Single administrative sectors, for instance, were first created to manage EU-funded programmes, in conformity with the EU requirement that a programme’s manager be clearly separated from its beneficiaries. A number of single administrative sectors have since been established to fulfil particular operational needs, on an *ad hoc* basis, with each time a special secretary at their head. There is a perception, among civil servants, that as a single administrative sector is created, it takes away the most strategic competencies of the pre-existing administration, as well as some of its most qualified personnel. The old structures, however, are often maintained, and their formal competencies overlap with those of the single administrative sector. Although there are no legal differences between single administrative sectors and general secretariats, the former are often seen as smaller, more flexible, in closer interaction with the political level and playing a more strategic role than the latter.

Organisational sprawl is well illustrated by the current structures of the Ministry of Labour and Social Security, which relate to 15 different “generations” of laws and decrees and have developed over 20 years, as indicated by Figure 2.6.

According to the focus group discussions, actual administrative work differs – sometimes to a large extent – from the competencies defined by the law. In addition, the organisation charts provided by ministries, for instance on their websites, differ from both the legal and the actual structures.

The substantial body of evidence gathered through the mapping demonstrates the necessity of **a general update of organisational charts and formal competencies**, as defined in the law, in order to bring them in line with reality.

More importantly, however, it shows that the bulk of the existing departments probably do not have the critical size to be efficient, which undermines productivity; that the number of employees in managerial positions is also inefficiently large compared to the number of employees under their supervision.

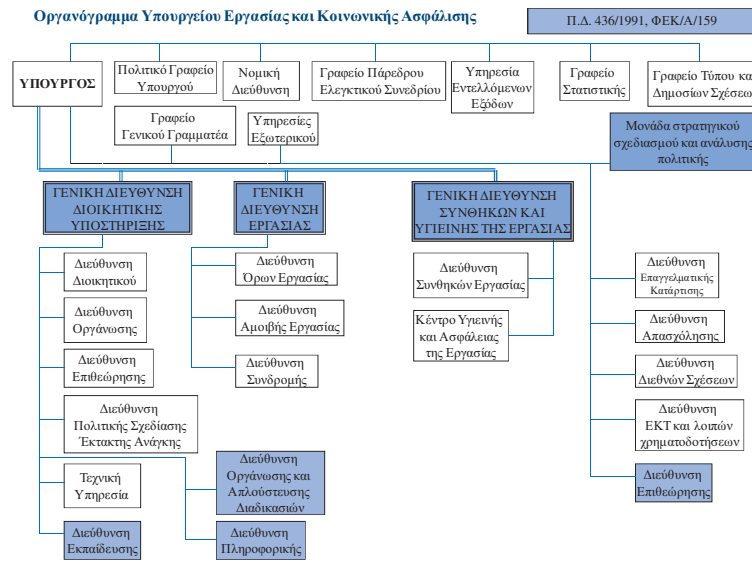
Last but not least, **administrative work is fragmented and compartmentalised also within ministries**. As a result, ministries are not able to prioritise their competencies and are handicapped by co-ordination problems. In cases where co-ordination does happen, it is *ad hoc*, based on personal initiative and knowledge, and not supported by structures.

A rationalisation of administrative structures is therefore an absolute necessity. The number of departments should be drastically decreased through mergers and elimination of unnecessary structures. In addition, a reduction of the number of hierarchical levels (single administrative sectors and general secretariats, general directorates, directorates, departments) would improve effectiveness by shortening command lines and flattening ministries’ organisational structures. The current hierarchy is top heavy, in that senior civil servants are sometimes in charge of “ghost” departments.

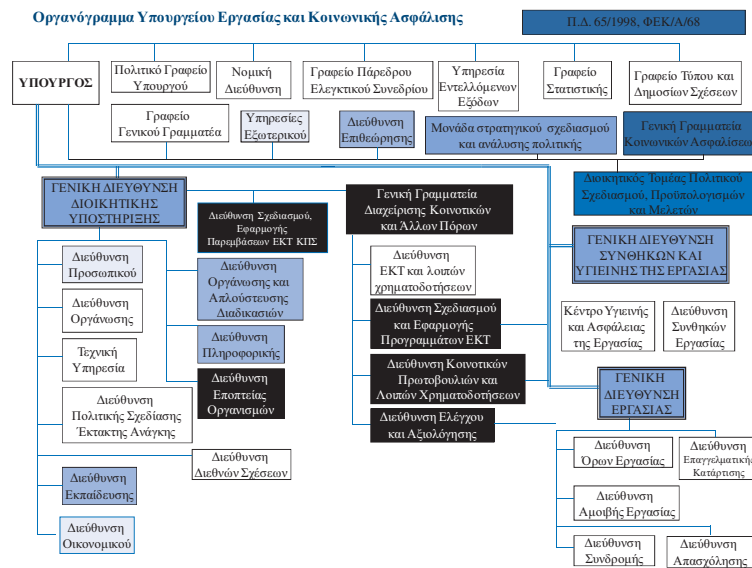
If such a restructuring is based on a functional⁶ approach and conducted with the aim of developing synergies and ensuring that departments have a critical size, it will very likely lead to a dramatic increase in the productivity of the central administration.

Figure 2.6. Organisational chart of the Ministry of Labour and Social Security

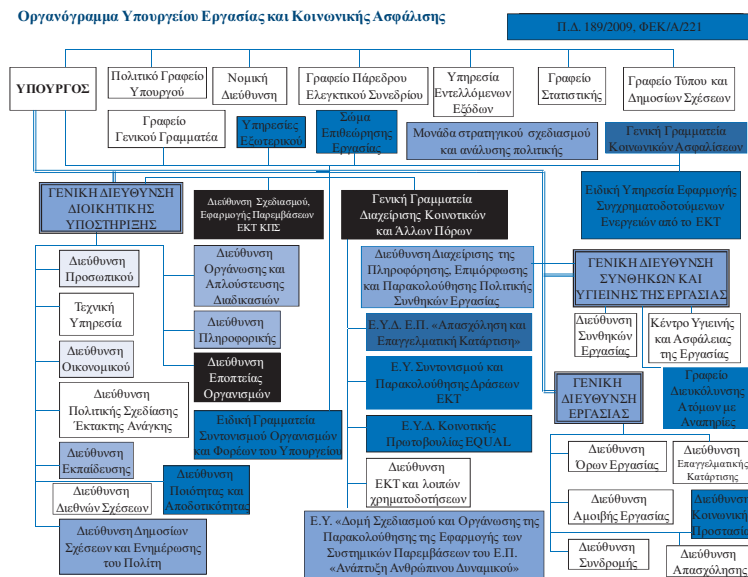
1991



1998



2009



Source: Ministry of Administrative Reform and E-Governance.

Despite recent progress, substantial resources are still devoted to support functions

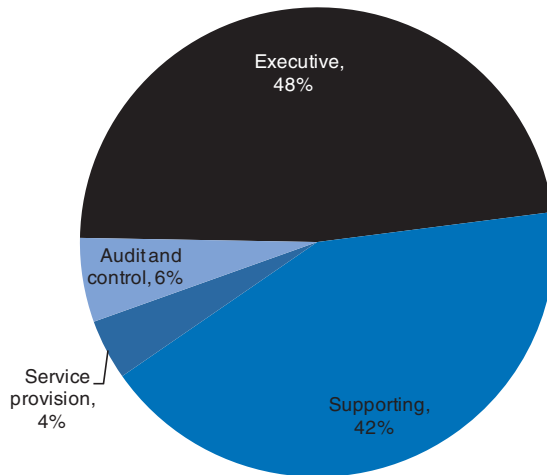
In recent years, the government has made several steps in the direction of improving “the strategic function of ministries”, in the words of the Operational Programme for Public Administration Reform 2007-13. The aim has been in particular to devolve the provision of public services and direct interactions with their users to decentralised services and local government.

The creation of the citizens’ one-stop shops (KEPs) has been an important achievement in this regard (see Chapter 5).

The results of this policy appear clearly when the competencies of departments at central level are classified according to the department’s final output (see Figure 2.7 and Annex D for methodological details). Service provision functions represent only 4% of the total. Nearly half of the departments have executive functions, but the share of departments with supporting functions is almost as high.

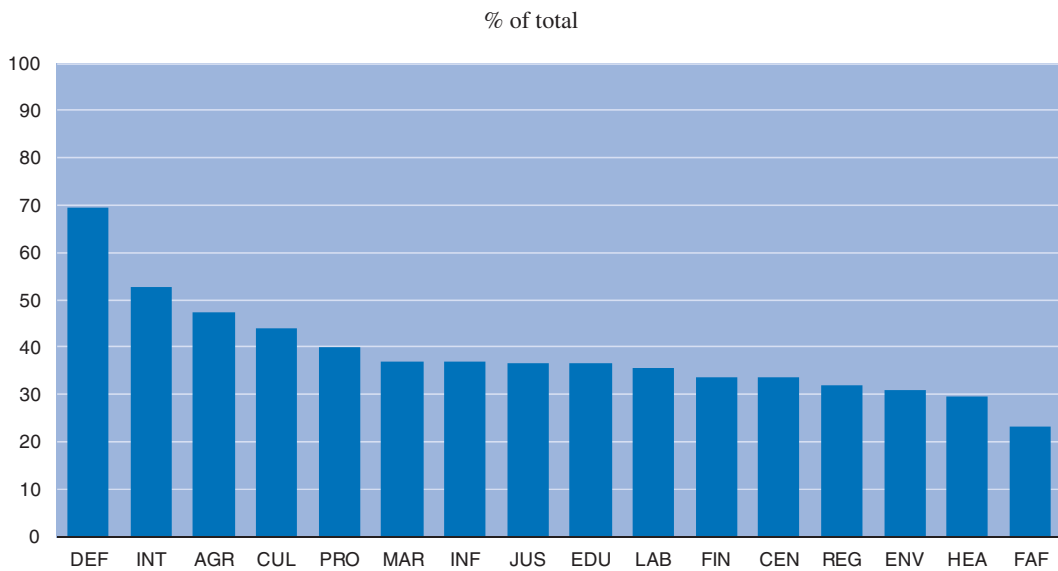
The high share of supporting competencies can be seen as a source of inefficiencies, especially in certain ministries where the function of a majority of departments is to provide support to the others (see Figure 2.8).

Figure 2.7. A typology of the central administration’s competencies in 2011



Source: Ministry of Administrative Reform and E-Governance.

Figure 2.8. Share of departments with supporting functions



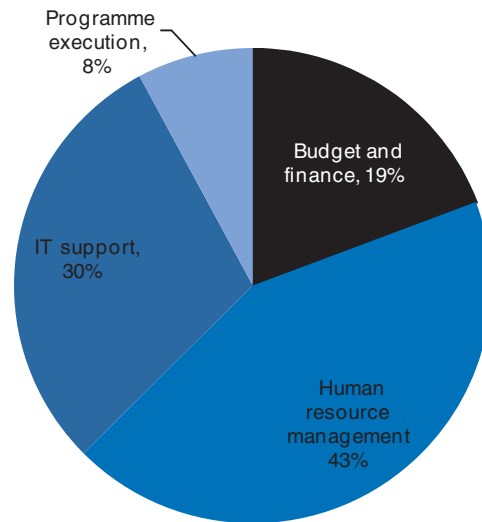
Note: The complete names of the ministries are provided in Annex B.

Source: Ministry of Administrative Reform and E-Governance.

Given the largely virtual nature of legal competencies, however, such a result should be taken as indicative, and backed by additional analyses.

The two most prominent functions among supporting competencies are human resource management and ICT services (see Figure 2.9), which together represent almost a third of the central administration’s total competencies. It appears that such functions are very seldom consolidated at the level of ministries.

Figure 2.9. Types of supporting functions



Source: Ministry of Administrative Reform and E-Governance.

The relative importance of support services in the central administration is associated with inadequate ICT systems and the dispersion of many ministries' services among dozens of sites.

The trend among an increasing number of OECD member countries is to establish shared service centres for support functions (such as HRM, ICT services, accounting, security, transport, facilities management) across central government. The evidence from these reforms has been that while some ministerial flexibility is reduced and standards are unified at an average level, substantial savings and increased professionalism have been achieved (OECD, 2010b).

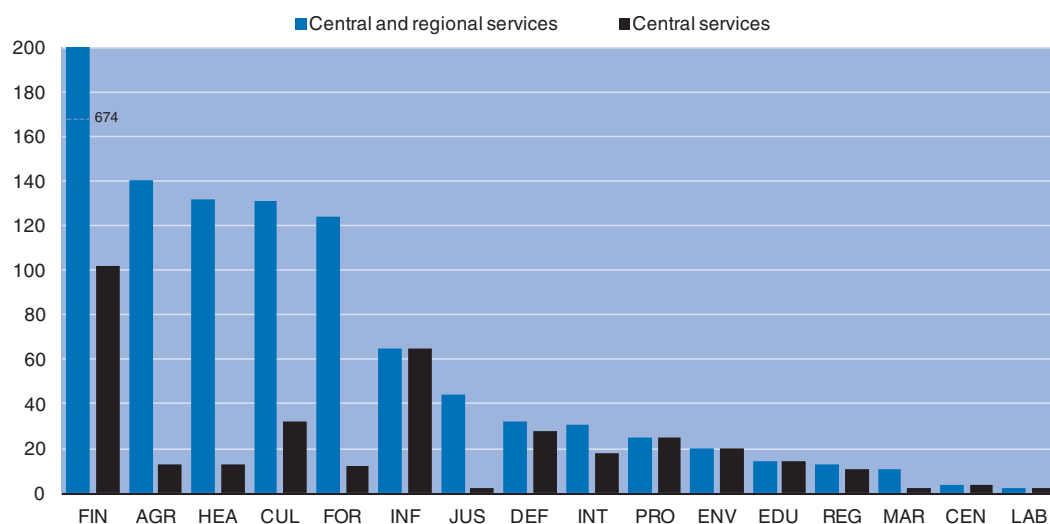
The government's management of its infrastructures hampers productivity

ICT applications and e-governance within the public administration are still too limited to deliver their full potential

The current state of ministries' ICT infrastructure does not facilitate information sharing and collaborative work between ministries. It has been observed, for instance, that civil servants working on business licensing issues within a region do not have access to the same database regarding businesses operating in their area (OECD, 2009h).

Figure 2.10 suggests that the inadequacy of ICT systems is not due to the scarcity of equipment, thanks to substantial investments made in the past decade, but rather to the limited number of applications. It has been indicated that the root cause for the shallow development of IT infrastructures in the central administration is the lack of interoperability between ministries' systems and the absence of a common vision of knowledge and data sharing across the government.

Figure 2.10. Number of IT servers and applications per ministry



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

Source: Ministry of Administrative Reform and E-Governance.

The Ministry of Administrative Reform and E-Governance is currently conducting a top-down taxonomy analysis in order to develop a central knowledge base for the central administration, as an electronic expansion of its project “Reshaping the state: towards a strategic state”. The aim is to develop efficient information-sharing, knowledge management and decision-making systems, along with a business process reengineering of the public sector based on the e-government Interoperability Framework developed by the UK Government.

Well-applied, e-government can be a powerful driver of public governance reforms and culture change within public administrations. It is, however, resource intensive, and the technical architecture can easily become fragmented without a strong central direction. Staff also need to be adequately trained in the technical competences required to make effective use of ICT systems.

The public administration’s interface with external users also remains limited

The uptake of e-government services is still limited. The percentage of citizens using the Internet to interact with public authorities was close to 12% in 2010, one of the lowest rates among OECD member countries. The uptake by businesses is higher – and close to the OECD average, but it decreased between 2005 and 2010 (OECD, 2009c). This shows that the early e-government initiatives oriented towards businesses were successful, but need to be deepened.

Key developments in this regard include the launch of an electronic business register (the General Commercial Registry, GEMI) which is used as a platform for the digitalisation and the automation of corporate registration procedures, and as a network of almost 60 chambers and 1 800 notaries working as one-stop shop services for business start-ups. In an assessment conducted in 2009, the OECD estimated that GEMI was not yet ready to become operational because of the disparities between the chambers’ digitalised registers (OECD, 2009h).

In addition, the government portal ERMIS is planned to provide from a central point all available information to citizens and enterprises with regard to all their transactions with the public administration (natural or electronic), as well as selected electronic transactions.⁷

Two important initiatives are also underway to enhance public consultation and improve the transparency of public decisions.

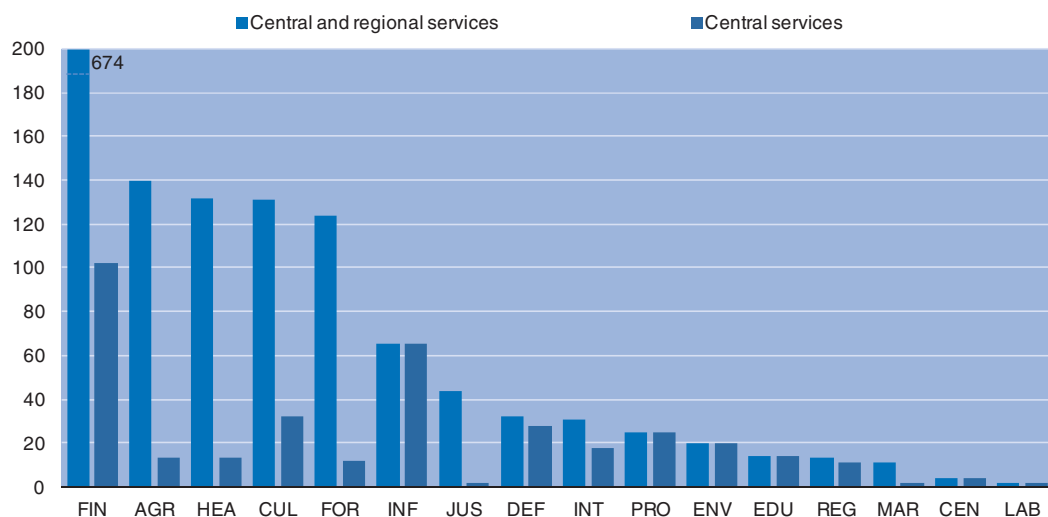
Since October 2009, the Prime Minister’s Office has been implementing the “Open Government” project, which consists in making all draft regulations (laws, presidential decrees, ministerial decisions, etc.) available online on a central government website⁸ for public consultation. The consultation process is open for a period of at least ten days, during which everyone (citizens, trade unions, NGOs, etc.) can submit comments and objections. All results of the consultation are assessed by competent authorities and fed back into the regulation drafting process.

A new law (Law 3 861/2010) has also been enacted that mandates the online publication of all decisions from the central government, local government and public administration bodies, including commitment of funds and financial decisions.⁹ Under the law, decisions are not applicable until this requirement is fulfilled. The programme is called “Diavgeia” (lucidity) and is under the co-ordination of the Ministry of Administrative Reform and E-Governance. It also grants free access to all *Government Gazette* issues¹⁰ and requires public entities to publish specific pieces of information (i.e. organisation charts, competences) on their portals. However, **the mapping exercise showed that the information provided online can be inaccurate and/or out of date.**

Government sites and buildings are not managed rationally

The central government occupies a total number of 1 552 buildings, including 348 for its central services alone (see Figure 2.11). The mapping has revealed a number of anomalies in the management of the government’s building stock.

Figure 2.11. **Number of buildings occupied by ministries**



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

Source: Ministry of Administrative Reform and E-Governance.

Scattered office locations contribute to the segmentation of administrative work and the silo logic. This complicates communication and co-ordination between administrative services, and artificially increases the need for support services. It also complicates the task of citizens and businesses in their interactions with the administration.

The state and equipment of the buildings does not seem conducive to high levels of productivity. Over 90% of the buildings do not have a lunch area, and civil servants need to leave the workplace at lunchtime. Moreover, almost 83% of the buildings do not have a conference room. Therefore, there is a lack of places for the staff to meet either informally or formally, which hinders the development of team spirit and complicates co-ordination and information-sharing within and between services.

More than half of government buildings are rented. **The annual rent paid by the government for housing its central services, at almost EUR 50 million, is excessive.** Indicative of the underlying issue is that it is, for instance, 25 times higher than the amount paid for regional offices, even though there are 3 times more buildings at regional level, and a comparable number of employees. This strongly implies an imbalance, even if real estate prices and rents are naturally higher in the capital.

The trend in OECD member countries is to encourage the use of market rates for government buildings. It makes the costs transparent and they are on an accrual basis (i.e. rarely do huge renovations come unexpected as these costs are included in the rent). Many countries have set up a single property agency (under the Ministry of Finance) that “owns” all government buildings and is responsible for: *i*) selling them if required; *ii*) renting to government (or private) at market rates; *iii*) maintaining and managing heritage properties.

Efforts to rationalise management of government buildings have already started through the approved project “Reforming the state: towards a strategic state”, within the framework of the Operational Programme “Administrative Reform”. The project comprises actions for: *i*) a review of the current situation of central government buildings, based on comprehensive data collection and analysis; *ii*) considering potential utilisations of state-owned buildings, in order to satisfy current or future housing needs for central services; and *iii*) an integrated approach to the development of a new administrative centre (“Government Park”).

Recommendations

- **Recommendation 1:** Identify and analyse the relevant administrative laws which frame government activity and competencies, in order to reform these so as to alleviate the rigidity of organisational structures, allowing them to be adapted rapidly to changing needs, budget procedures and decision-making schemes, and delegation of responsibility to managers.
- **Recommendation 2:** Identify and analyse the parts of the legal framework which require reform in order to change the focus of the work of the administration from formal compliance with detailed requirements and constraints to the achievement of strategic objectives and policies. Establish a plan to transfer to powerful and competent audit authorities the checks and balances that the current legal framework seeks to provide at considerable cost and with very limited results.
- **Recommendation 3:** Invest in the interoperability of internal government ICT systems, and in ICT applications in order to reduce paperwork, improve co-operation between ministries and to raise the productivity and effectiveness of the central administration. Ensure that adequate ICT training is in place to support this. Allocate

clearly the responsibility to oversee internal ICT strategy to one of the units of the Centre of Government. Consider whether this unit should also be responsible for reform of spatial planning (rationalisation of government offices) in order to secure coherence with the ICT strategy and architecture (see also Recommendation 7).

- **Recommendation 4:** Intensify the exchange of information and policy co-ordination within and between ministries, and with the Centre of Government, notably by creating strategic antennae units in charge of strategic planning and policy co-ordination, BR management, and other key issues such as knowledge and data management (the full and exact list to be determined) in each ministry.
- **Recommendation 5:** Reinforce forward programming and planning mechanisms for taking forward policies and the related legislative agenda within ministries.
- **Recommendation 6:** Develop a strong and capable data collection, management and processing function linked to the Centre of Government, and allocate this responsibility to a unit of the Centre of Government, with the technical support of the National Statistics Office. Consider how data management within ministries should be strengthened. Give mandates and resources to the strategic line ministry units for doing so.
- **Recommendation 7:** Review and rationalise the geographical location of government offices and centralise the management of state-owned buildings. Consider which institution, with the appropriate capacities and independence, should be put in charge of the rationalisation, and who should have the longer term management responsibility.
- **Recommendation 8:** Accelerate the development of e-government services for external users. Reengineer the government portal ERMIS as a starting point for creating a shared ICT infrastructure and back-office system across the relevant parts of the public sector, in order to improve sharing of information, reduce duplication and administrative burdens, and enable businesses to transact electronically with government.

Notes

1. An administrative body's competency is the ability provided to it by the rules of the legal system to enact legal (individual or general) rules or to contribute to the enactment of such rules, or even undertake physical operations. The concept of competency derives from the legality principle (Yannakopoulos, 1997).
2. As a consequence of the principle of separation of powers, only the Parliament has a general legislative power under the Constitution. All other state institutions only have special powers awarded to them by either the Constitution or by law. The Constitution gives regulatory power directly only to the President of the Republic. According to its Article 43, "the President of the Republic shall issue the decrees necessary for the execution of statutes; he may never suspend the application of laws or exempt anyone from their execution. The issuance of general regulatory decrees, by virtue of special delegation (procuration) granted by statute and within the limits of such delegation, shall be permitted on the proposal of the competent minister." Ministerial decisions, finally, are in principle limited to matters of enforcement or implementation of existing laws, since the Constitution does not explicitly give the executive power the ability to issue primary regulations.
3. When considered indiscriminately, we will designate these levels as "administrative structures".
4. The policy fields are those considered in the 2009 programme budgeting proposal, which are similar to the international classification of the functions of government (COFOG), with only two minor alterations.
5. Which has since been merged with the former Ministry of Regional Development and Competitiveness.
6. In this report, the terms "function" and "functional" refer to the actual activities and output of administrative structures, as opposed to their formal area of competence.
7. At the same time ERMIS acts as an official member of the Eugo Network, and as the government's single point of contact for the implementation of Service Directive 2006/123.
8. *www.opengov.gr*.
9. Decisions are published both centrally on the Government Printing Office site (*http://et.diavgeia.gov.gr*) and on the concerned public entity's site.
10. *www.et.gr*.

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Chapter 3

Human resources

This chapter examines human resources management in the Greek public administration. It looks at the ongoing efforts to change prevailing practices in the civil service and outlines the challenges that lie ahead. It concludes with ten recommendations to reform and strengthen HR within the Greek Government.

Overview of findings

Efforts to adapt the civil service have started to bear fruit, but important challenges lie ahead

Past efforts to change prevailing practices in the civil service have not been pursued in recent years

The civil service has played an important role in the development of Greece's modern democracy, not least in symbolic terms. The Constitution of Greece emphasises the protection of civil servants from political interference and arbitrariness. It forbids appointing a person to a civil service position that has not been provided by the law, with specific exemptions (Article 103, paragraph 2); it dictates that, apart from those exemptions, all civil servants be employed on a permanent basis and protects them against imposed transfers, lowering in rank or dismissal (paragraph 4); and it rules out appointing civil servants to other positions within the central or local administrations, public enterprises or public utility agencies (Article 104, paragraph 1).

As in other areas, these provisions were gradually turned into merely formal requirements which have reduced the civil service's capacity to adapt to changing circumstances, while being at the same time diverted from their original purpose. Until at least the mid-1990s, the rules governing the Greek civil service were clientelistic, opaque and arbitrary. The relatively high levels of unemployment in the previous years had led the political system to continuously increase the number of civil servants, with little attention to the match between the recruits' profiles and the administration's needs. Nothing was done to encourage civil servants to move within the public sector; declining activities were maintained, and the development of parts of the administration (for instance, local governments in periods of decentralisation) mechanically translated into net increases in public employment. Not surprisingly, the civil service was characterised as over-staffed and inefficient (OECD, 2002).

In 1994, the government took an important step towards modernisation with Law 2 190/1994, which introduced a formal recruitment system in order to curb clientelism. Selection criteria based on skills and qualifications were adopted, and a High Council for the Selection of Personnel (ASEP) was established as an independent authority, in order to oversee the selection process and make sure that it was impartial and transparent. Contractual appointment possibilities were enlarged. Although many amendments to the law passed in subsequent years introduced a number of exceptions which restricted its impact, the reform can be considered a success. Several of its aspects have survived to this day – and even extended to contractual appointments with Law 3 812/2009.

Some efforts were also undertaken to improve the training of civil servants, mainly through the National Centre of Public Administration. The centre has been in operation since 1985. One of its units is the National School of Public Administration, in charge of pre-entry training for high level cadres for the civil service, who are incorporated into the normal career system upon graduation. The second unit of the centre is the Institute for In-service Training, which ensures continuous professional training. In 1991, a third component named the Institute for Introductory Training was created to assist ministries in providing initial training for newly recruited staff.

In the late 1990s, Greece's efforts to qualify for the European Monetary Union translated into quantitative restrictions on public employment policy. Recruitments were tightened and on several occasions, the replacement of retiring personnel was limited to one out of three or one out of five (although these measures did not apply to the public sector as a whole, were implemented unevenly, and in some cases even gradually abandoned). The hiring of personnel without secondary education was severely restrained.

As a consequence, government employment was almost maintained at a constant level in the years preceding and immediately following Greece's entry in the EMU (+6 000 employees of the general government between 1997 and 2002 according to international statistics, but public employment data are notoriously uncertain – see Box 3.1).¹ At the same time, the definition of priority areas allowed human resources to be re-allocated at the margin, in particular to the benefit of the health sector and of local government.

Between 2002 and 2008, however, the general government staff numbers increased again substantially (+51 000 employees of the general government).² This trend supports the general observation that qualification for the European Monetary Union provided Greece an opportunity to stabilise its macroeconomic performances and engage some significant reforms, but that these efforts were subsequently interrupted.

Since 2009, a strict replacement rate of one out of five has been implemented. The government's Medium-Term Fiscal Strategy has extended the rule to the years 2012-15, and hardened it to one out of ten for 2011.

Box 3.1. How large is public employment in Greece?

According to some sources,¹ Greece has quite a low level of employment in the general government, with 392 000 civil servants in total working for the central government, local government units and social security institutions in 2008. At 7.9% of the active workforce, government employment was then lower than in any other OECD member country except Japan. The central government itself employed three-quarters of the general government total workforce (292 000 persons in 2008).

Still according to the same sources, the image changes radically when the whole of the public sector is considered. Greece is – by far – the OECD member country with the highest share of its active workforce employed in public corporations (12.8% in 2008, for a total of 692 000 employees), so that, all in all, the size of its public sector is slightly higher than the OECD average (1.0 million employees, 22.3% of the workforce in 2008).

The mapping of ministries' services, which provides a large share of this report's factual basis, concerned some 54 000 employees. If the above statistics are taken as a reference, the mapping therefore covered about a fifth of the central government employment. However, those figures are affected by an unusually high degree of uncertainty.

On one hand, some sources point towards lower levels of public employment. This is in particular the case of official government documents. The Medium-Term Fiscal Strategy document, for instance, mentions a total "public sector workforce" of 727 000 in 2011, but does not provide methodological details regarding this figure (Ministry of Finance, 2011).

On the other hand, there are indications that public employment is actually underestimated in official statistics, in particular in the general government. For instance, the costs of general government employee compensations represented 13% of the GDP in 2009, about 2 percentage points above the OECD average.²

Box 3.1. How large is public employment in Greece? (cont'd)

A likely source of this uncertainty is the coexistence of a variety of legal statuses and contractual forms throughout the Greek public sector. Public sector employees have four types of legal status:

- permanent civil servants hired under public law, tenured and integrated in the career system;
- civil servants on an indefinite-term contract under private law, who are assimilated to the preceding category during their office;
- employees hired under private law for a fixed period, to deal with unforeseen and urgent or temporary (seasonal/occasional) needs;
- non-tenured employees, appointed to ministerial cabinet offices, who can be dismissed at any time without special guarantees and compensation.

A recent OECD study estimated that official employment statistics largely understate the number of central or local government employees hired on private law contracts (OECD, 2009c), but there are indications that this type of employment has been reduced in 2010.

The inconsistency in public employment statistics has been long noticed,³ but has persisted. It is one indication (among many) of the imperative necessity of improving the statistical coverage of the public sector in Greece in both breadth and quality.

1. The employment statistics of the first two paragraphs are taken from the *ILO Labour Statistics* database.

2. From *OECD National Accounts*. According to provisional accounts for 2010, this figure was reduced by more than a percentage point, to 11.8%, mainly as a result of the government's decision to cut compensations.

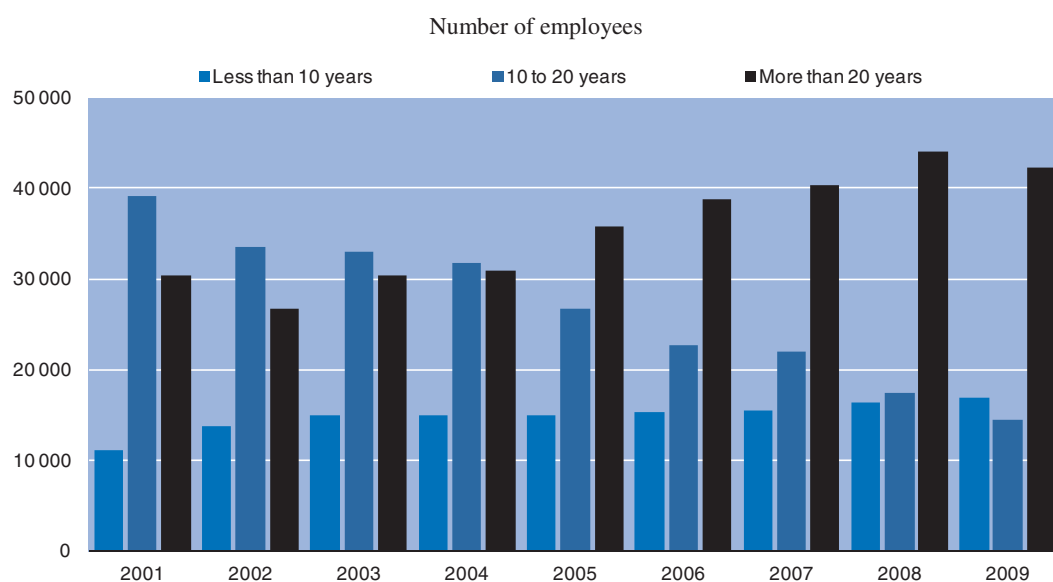
3. Discrepancies between public employment and remuneration statistics are common to many countries, but particularly important in Greece. For instance, the OECD noted in 2002: "the exact measurement of public employment is problematic. Given the range of employment status, activities in which the public sector is engaged directly or indirectly as provider and institutional arrangements, there are many obstacles to constructing an internationally consistent data set."; and: "The available data show that expenditure on public administration in Greece absorbs a much higher percentage of total government expenditures than in most other OECD countries. Though difficult to prove directly, the likelihood is that this arises from over-staffing and other sources of inefficiency rather than a high volume of services delivered." (OECD, 2002)

Source: *ILO Labour Force Statistics* (database); *OECD National Accounts* (database); Greek Ministry of Finance (2011), "Greece: Medium-Term Fiscal Strategy 2012-15", presentation document; OECD (2002), *OECD Economic Surveys: Greece 2002*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eco-surveys-grc-2002-en>; and OECD (2009), "Human resource management in government", OECD Working Paper H5, unpublished.

Qualitative changes in the civil service generate opportunities and challenges

Years of hiring limitations have not substantially reduced the central government's payroll because of a low number of exits, but they have led to a **considerable demographic shift among central civil servants**. Today, Greece has a fairly old and rapidly ageing workforce in its central government by OECD standards. In 2009, 38% of central government civil servants were aged 50 years or older, compared to 23% in 2000.³ Almost 60% had been working for the government for more than 20 years (see Figure 3.1).

Figure 3.1. The evolution of central civil service in terms of years of experience



Source: Ministry of Administrative Reform and E-Governance.

Therefore, if strict hiring constraints are applied as planned in the coming years, the government staff at central level is bound to shrink very significantly. This observation probably applies across the general government, with the exception of local government and the health sector.

The situation, however, is highly uneven across ministries.

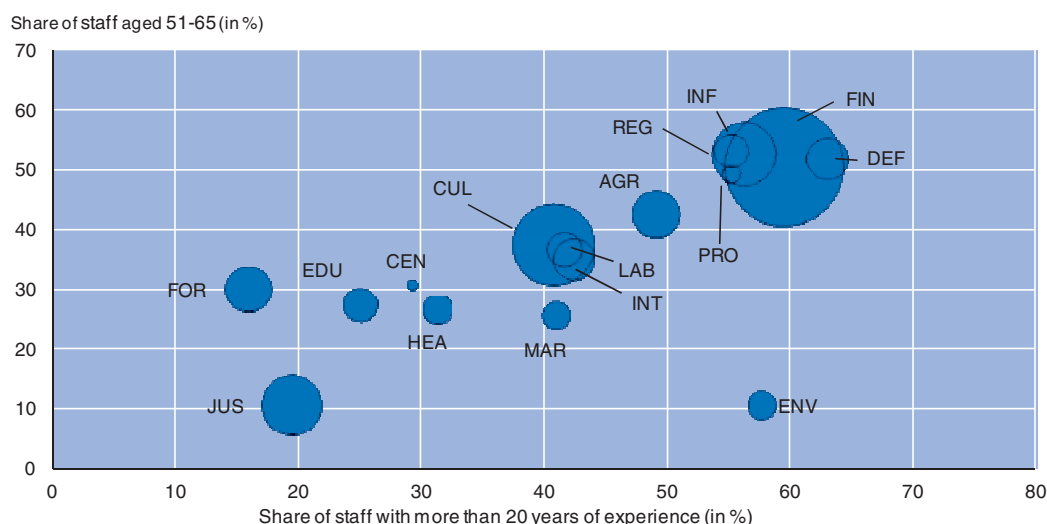
The problem of ageing is particularly acute in the Ministry of Regional Development and Competitiveness; the Ministry of Infrastructure, Transport and Networks; the Ministry of Defence; and the Ministry of Finance (see Figure 3.2). In all these ministries, a majority of the employees is more than 51 years of age and has 20 years of experience. Hiring restrictions can be expected to have a dramatic effect. In order to avoid shortages of skilled workforce in the near future, **it is absolutely necessary to adopt an anticipative approach in re-organising these ministries and orienting their human resource policies.**

From a whole-of-government perspective, the heterogeneity in the ministries' exposure to labour shortage issues shows that there is an obligation to organise mobility inside the civil service and to gain some room for manoeuvre through a restructuring of the central administration.

Human resource management lacks a vision and overall strategy

Meeting these challenges will require a step change in the government's human resource management (HRM) policy and the development of a complete and coherent HR strategy. In the past, government HRM has been criticised for the lack of a strategic vision and near-absence of workforce planning, a short-term focus on stand-alone reforms, and the absence of linkages with other areas of public management (OECD, 2009).

Figure 3.2. Age and experience trends in ministries



Note: The size of the bubbles is proportionate to each ministry's staff numbers (central and decentralised services). In 2011, the Ministry of Finance is the largest ministry with 39% of the total staff, but its share is reduced to 19% if only central services are considered.

Source: Ministry of Administrative Reform and E-Governance.

One of the important side effects of the legalistic traditions of the Greek administration is the problem of vacant statutory posts. Statutory positions are provided in the legal text defining a ministry's (or general secretary's) competencies (see Chapter 2), but do not correspond to actual needs (or are not adjusted to account for the evolution of those needs) and remain vacant. In the Ministry of Finance, for instance, 11 485 posts, or 36% of the total number of posts, are vacant. In the Ministry of Citizen Protection's rural police department, all of the 156 statutory posts are vacant.

All in all, the government's HRM system entails a high degree of direct staff management by the centre, little empowerment of the top management in ministries and agencies, and the prominence of a formal approach. Beyond the quantitative restrictions outlined above, **there is no clear overall HR strategy**. This has left **little scope or incentive for line ministries and agencies to develop their own strategy regarding their human resources, to improve the management of their staff and to promote organisational innovation** by changing the mix of staff competences or resource inputs.

Recently, a more holistic approach to HRM policy has been adopted as part of the Operational Programme "Administrative Reform 2007-13" (Priority Axis 2). Actions have been engaged to reinforce the capacity of HRM directorates in ministries, as well as that of the General Directorate for Personnel Status in the Ministry of Administrative Reform and E-Governance. A new system of job profiling in the public administration has been designed, including and integrating elements such as the recruitment and selection process, training, career planning, and mobility of the workforce and job evaluation. A new public remuneration scheme with a more unified pay scale, promotion linked (at least to some extent) to individual performance assessment, is under preparation.

However, this does not amount to a strategy. The elements are not joined up, and some elements are missing.

The institutional arrangements for HR management need urgent attention, in support of an effective strategy

The current institutional HR system is spread across different bodies (Box 3.2):

- The selection of public servants is overseen by the Supreme Council for the Selection of Personnel (ASEP).
- Decisions about the allocation of staff are made by a quadripartite Ministerial Committee headed by the Vice-President of the Government and comprised of the Minister of Administrative Reform and E-Governance, the Minister of Finance and the Secretary General of the Government.
- Wages are determined separately by the Ministry of Finance’s Directorate for Salaries.
- Most other aspects of HRM in the public sector are under the responsibility of the Ministry of Administrative Reform and E-Governance.
- As described in Chapter 2, each ministry has one or more human resource directorates.
- The National Centre of Public Administration is in charge of training.

Box 3.2. Current central institutional structures for public sector HRM in Greece

Supreme Council for the Selection of Personnel (ASEP)

The selection of public servants takes place through comprehensive examination or a points system, depending on the skills and qualifications required. The Supreme Council for the Selection of Personnel (ASEP), which was established by Law 2 190/1994, is a constitutionally guaranteed independent authority overseeing the selection process. Its mission is to ensure that principles of merit, impartiality and transparency are respected. It has authority for selecting the permanent staff of the wider public sector, controlling the legality of non-permanent staff hiring procedures followed by agencies of the wider public sector and identifying cases of illegal hiring. Vacancies for permanent posts are always filled following a nation-wide announcement, in which the required qualifications and the relevant procedures are mentioned. The key requirement of transparency is met by publicising, for every candidate, all the stages of the staff selection procedure. The ASEP is also responsible for the civil service examinations, which are the main entrance to a career in the civil service.

Ministry of Administrative Reform and E-Governance

Most other aspects of HRM in the public sector are under the responsibility of the Ministry of Administrative Reform and E-Governance. The ministry’s General Directorate of Personnel Status has overall responsibility for performance assessment, promotions and training, as well as selection of executive staff in the public sector.

Box 3.2. Current central institutional structures for public sector HRM in Greece
(cont'd)

Ministerial Committee

Decisions about the allocation of staff are made by a quadripartite Ministerial Committee headed by the Vice-President of the Government and comprised by the Minister of Administrative Reform, the Minister of Finance and the Secretary General of the Government. The committee determines the number of posts for each administrative structure, based on annual proposals submitted by line ministries. It appears that these decisions are more influenced by past allocations and legal entitlements than by strategic considerations. When posts are eventually allocated, it can take several years for the recruitment process to be completed and the position to be filled. **Recruitment procedures therefore seem far too long and uncertain to allow for adequate workforce planning.**

Ministry of Finance Directorate for Salaries

Wages are determined separately by the Ministry of Finance's Directorate for Salaries. This concerns salaries of civil servants along with those of 17 other categories of public sector officials including judges, school teachers, university professors, priests, and doctors of the National Health System.

National Centre of Public Administration

In 1983 the National Centre of Public Administration (NCPA) was founded to provide training to civil servants. Pre-entry training is more particularly the mission of the NCPA in order to produce high-level cadres for the civil service. Graduates of the school's programme are then incorporated into the normal career pattern, benefitting from some acceleration along their way. The Institute for In-service Training constitutes the second unit of the centre, ensuring continuous professional training as well as initial training for newly recruited staff.

For an HR strategy to be developed, implemented and effective, the institutional framework needs to be rationalised and strengthened. The General Directorate for Personnel Status in the Ministry of Public Administration Reform could be adapted to give it a clearer, stronger, more professional, autonomous and visible mandate to direct and steer HR strategy (Box 3.3).

In addition to a more strategic and anticipative approach at central level, government human resource policy should delegate HR management responsibilities to line ministries and agencies. This will require improved co-ordination with budget aspects (see Chapter 4) in order to create incentives for ministries to search for efficiency improvements and to allow greater flexibility in the allocation of resources.

There are strong impediments to the mobility of civil servants

From a whole-of-government perspective, the heterogeneity in the ministries' exposure to labour shortage issues shows that there is an obligation to organise mobility inside the civil service and to gain some room for manoeuvre through a restructuring of the central administration.

Box 3.3. Strengthening the central HR function

The mandate and tasks of central HR institutions (employer offices) varies across OECD member countries. Broadly, however, they are responsible for promoting professional human resource management with budget users at arm's-length from the political level, and they are themselves a professional HRM body. Core responsibilities may include:

- strategic workforce planning across the whole-of-government;
- the design, promotion and enforcement of shared systems such as job classification, competence management, career management, and performance assessments;
- the oversight and promotion of public service values and ethics;
- whole-of-service training;
- recruitment and retention;
- management of the senior civil service.

Responsibilities may also include budget related elements of HRM, although these are often allocated to Ministry of Finance. These would include wage setting, representation of the government as an employer in central bargaining covering some or all groups of budget users, and setting the parameters for decentralised bargaining, either unilaterally or through a central collective agreement.

If HRM responsibilities are shared in this way, it is very important to establish a close and effective co-ordination between the Finance Ministry and the central employer office.

A central employer office implies a clear delegation of human resource management powers from the political level to a separately managed professional body. It remains responsible to the political hierarchy, and central collective agreements may have to be approved by the political level.

A central HR institution typically does not centralise all decisions and processes, however. It usually operates within a framework of significant decentralised HR responsibilities to managers across the administration, providing them with advice and support in their decisions, as well as enforcing shared systems. A strong centre in fact enables the more effective delegation to line ministries and others of certain aspects of HR management.

In essence, therefore, the function of the central HR institution is to design and oversee the application of core HR policies, whilst leaving implementation to line ministry HR bodies and line managers.

Such institutions can be found in many OECD member countries, for example Australia (Australian Public Service Commission), Belgium (*Service Public Federal Organisation et Personnell/Fédérale Overheidsdienst Personnel en Organisatie*), Denmark (*Personalestyrelsen*), Finland (*Valtion työmarkkinalaitos/ Statens Arbetsmarknadsverk*), France (*Direction générale de l'Administration et la Fonction publique*), New Zealand (State Services Commission), Sweden (*Arbetsgivarverket*) and the United States (Office of Personnel Management).

In principle, government employees may be reassigned from unit to unit within the same ministry or agency, or may be transferred between ministries upon request where there is a vacancy.⁴ 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.

In practice, **there is very limited mobility within the Greek public sector.** Mobility involves heavy and difficult procedures, including within a general directorate.

One of the most serious obstacles to mobility within the civil service is the system of branches, which designates job categories in the Greek public administration. The law provides for a total of 1 448 branches throughout the central and regional services of central government included in the mapping exercise. A presidential decree stipulates a number of branches common to all ministries (e.g. university-educated administrator) and provides for customisation of branches according to specific skills required in a certain ministry (e.g. university-educated archaeologists in the Ministry of Culture). In each branch, the organisational legislation of each ministry (usually presidential decree) assigns a number of statutory posts. For 358 of the current branches, all of the available positions are actually vacant, so that the branch does not exist in practice. Each branch gives access to specific work and pay conditions, and it is deemed very difficult for a civil servant to change the branch in which he or she was first appointed. All branches do not exist in all ministries, and it is almost impossible to move to a ministry which does not have a person's branch.

The overall structure of branches needs to be rationalised into a more streamlined scheme of job classification, if possible with some (carefully defined) flexibility for the allocation of individual posts to specific categories. There needs to be a dramatic reduction in the number of categories accompanied by a harmonisation of wage and work conditions.

In addition, there is a high degree of aversion to mobility among civil servants, in particular in the oldest generations. Younger generations (for example, the graduates of the NCPA) are keener on changing positions, but in their case resistance seems to come from the management, which does not want to lose dynamic and well-educated elements of the workforce.

Finally, there is **no consistent system of job classification across the central administration** (not to mention the general government), and present mobility decisions are perceived as being linked to political decisions and unrelated to actual needs.

Training has an important role to play. Continuous training and capacity building within government helps administrations to be effective and efficient in their work. It also enhances motivation and shared ownership of strategic goals. Beyond the technical need for training in certain processes such as impact assessment, training communicates the message to administrators that this is an important issue, recognised as such by the administrative and political hierarchy. It can be seen as a measure of political commitment.

Attempts at enhancing individual incentives have been incomplete

In principle, the Greek public administration uses an individual appraisal system based on certain assessment criteria, including the knowledge of work topics, administrative capacity, effectiveness, appropriateness of behaviour, interest and creativity (Presidential Decree 318/1992).

In practice, however, there is no individual performance assessment and the assessments related to the overall performance of the organisation have not been fully implemented in all departments and do not appear to play a role in the discussion of objectives and achievements between managers and their staff. There are also hardly any incentives aligned with the results of the assessments, notably in terms of pay, career and mobility. The salaries of Greek civil servants are supposed to depend on an appraisal of the civil servant's performance (along with educational category and time of service), but these appraisals are not considered

as realistic evaluations of performance. Bonuses are meant as general salary complements, and given to all staff rather than to individuals based on performance. The promotion system has long been opaque and is still deemed to be politically motivated, though the Law 3 839/2010 introduced a set of objective criteria.

Focus group discussions indicate that there is a pervasive problem of trust between civil servants and political managers. Secretary Generals, who are the hierarchical links between the civil service and the government, were traditionally appointed by ministers, and despite the current government's decision to open the positions to competition, their nomination is still highly political. More generally, although some progress has been made regarding the transparency of nominations to senior posts by introducing more objective criteria and improving transparency in the selection process, there are still reports of political interference.

All in all, **a number of pre-conditions for the successful implementation of performance are not met in the central administration.** These include: related pay schemes and pay flexibility, transparency and merit in recruitment and promotion, dialogue and trust between managers and staff, and the development of a cadre of professional non-political civil servants (senior civil service).

The (self-)image of the central administration is seriously damaged

According to a recent Eurobarometer opinion survey, 98% of the population estimates that corruption is a major problem in Greece – this is the highest score among EU27 countries (Eurobarometer, 2009). Perceptions of corruption affect all of the public sector, although in relative terms, they are higher with regard to the central government and health services, and lower concerning regional and local authorities.⁵ Interestingly, the share of the population that actually experiences problems related to corruption in a given year is significant but not amongst the highest in Europe. This can be related to the dominant sources of corruption in the Greek population's perceptions: a lack of commitment from the government and the Parliament to combat corruption, inadequate enforcement of laws, and a lack of transparency in the way public money is spent.

The survey conducted by the mapping teams among civil servants⁶ reveals that they **share the general population's negative image of the administration.** Almost one civil servant out of three believes that the administration's principal problem is cronyism (14%), clientelism (10%) or corruption (6%). A majority of civil servants also believes that the quality of the regulations elaborated by the administration is not good, and has deteriorated (or at least not improved) over the past 20 years. Given that regulations constitute the bulk of the administration's output (see Chapter 5), this indicates that the civil service has a negative opinion of its own work.

Seventeen per cent of the surveyed persons believe that the main problem is **the poor utilisation of staff capacities.** Also in focus group discussions, the level of qualification of the personnel (particularly the younger generations) was often mentioned as one of the strengths of the administration – but one that is under-utilised. At the same time, however, **there is evidence of inadequate technical competences in specific areas** such as budget management and accounting (see Chapter 4) or regulatory impact assessment (see Chapter 5). This shows how important it is, both for the overall performance of the administration and for the morale and well-being of its employees, to increase the efforts for a better educated and trained civil service and to improve the allocation of qualified personnel through better human resource management.

Civil servants seem to be in need of a reform process that would increase the administration's effectiveness and efficiency, free up their initiatives and rehabilitate their sense of mission – as long as they are involved in that process. For instance, **bilateral interviews and focus group discussions indicate that there is a high degree of support among civil servants for major re-organisation of the branch system**, even though all employees would be affected by it.

The issue is to positively change the perspective in which civil servants perform their activity. This is crucial, because these persons have chosen a certain career path based on a pre-existing contract with society or their employer – aspects of which could now become inadequate or even obsolete. Career-based systems, in particular, organise a clear scheme of evolution and valorise compliance with the formal and informal rules structuring bureaucratic communities. It has to be understood that the possible internal resistance to the reform of the civil service is not purely based on rent-seeking behaviours of bureaucrats. The latter may obviously prefer the *status quo* because they benefit from established and most often secure positions that result in rents of all kind. However, they also *de facto* signed a contract with their employer, which can essentially be voided by the reform (OECD, 2009).

Recommendations

- **Recommendation 1:** Reform and strengthen the senior civil service to address the negative aspects of the current political-administrative interface. Establish performance assessment of top managers by the non-political head of the new central HR office, linking this to the milestones established for the overall public administration reform strategy, in order to build an independent, institutional cadre of well-anchored and neutral civil servants to help carry forward the strategy. Establish clear rules and processes for key issues such as nomination procedures and length of appointment.
- **Recommendation 2:** Promote mobility. Create a unified system of job classification for the general government and support the mobility of civil servants, including between the central administration and other parts of the general government (regional services, public entities), by providing appropriate incentives and training schemes. To do this, drastically reduce the number of branches. Harmonise service requirements (for salaries, pensions, leave, allowances, etc.), with a view to merging it with the job classification system. Extend the system of secondments to the general government, publicise job openings and organise open competitions for every post.
- **Recommendation 3:** Strengthen the institutional framework to define and carry forward a comprehensive HR strategy. Establish a central employer's office for strategic HR issues, and ensure that this is effectively co-ordinated with the Finance Ministry budget responsibilities. Recruit a non-political head for this office.
- **Recommendation 4:** Promote HR networking. Establish a dialogue among civil servants on the modernisation of the administration, and particularly on strengthening the values of public service and integrity. Establish a network of managers who perform the same HR functions to meet regularly, for shared learning, mutual support, and connect them to the central HR office for encouragement and advice.

- **Recommendation 5:** Develop a coherent and comprehensive HR strategy, systematically relating it to measures in other areas of governance, notably budget management and strategic policy planning. Prioritise HR actions to implement the strategy, once the latter is established, along the following lines.
- **Recommendation 6:** Establish workforce planning. Adopt an anticipative approach in re-organising ministries and orienting their human resource policies. Hiring restrictions can be expected to have a dramatic effect. In order to avoid shortages of skilled workforce in the near future, this issue needs attention.
- **Recommendation 7:** Enhance training, building on the NCPA. Establish strong and continuous management training, covering the range of issues for HR and line managers: budget management, HR, evidence-based decision making. Very low mobility can also be partly countered by training to support flexibility and adaptability. Enhance training for all officials, to strengthen competences.
- **Recommendation 8:** Increase the autonomy of line ministries and managers in HR matters. Consider carefully the pace at which this should be done, taking account of the need to build up competences and capacities for delegated HR responsibilities. Consider the order of reforms, for example introducing performance pay once performance management is effectively embedded.
- **Recommendation 9:** Reform the overall central administration recruitment system in order to better account for personnel needs at operational level and to better anticipate quantitative and qualitative changes in those needs. Systematically reduce vacant positions when they do not correspond to anticipated needs.
- **Recommendation 10:** Reform the appraisal and promotion system with a view to creating strong incentives for performance building reforms which have been started in this direction. Performance appraisals are an effective tool for feedback, identifying skill gaps, and improving motivation. Take the process in steps. Start with two or more pilots (based in different types of unit) for performance management. Take into account that performance management can only be implemented with proper managerial training. A necessary condition for performance pay is that it can only be effectively applied if individual performance can be objectively measured.

Notes

1. Based on *ILO Labour Statistics*.
2. Based on *ILO Labour Statistics*.
3. Based on OECD (2010).
4. Whilst civil servants are protected against imposed transfers to other locations, and reassignments that entail a loss of salary or a lowering of grade, they can be moved from unit to unit within the same ministry.
5. These results are in contradiction with the report of the General Inspector of Public Administration, in which identified cases of corruption mainly concern local government (20.5%), other public services (19.2%) and prefectures (17.3%), while the percentage for ministries is only 6.1%.
6. See methodological details in Annex D.

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Chapter 4

Budget

This chapter looks at budget, financial and accounting structures in the Greek central government, as well as at recently proposed reforms and the challenges ahead. It concludes with six recommendations for improving the budget process.

Overview of findings

Data collection has been a challenge

On budgeting, the objective of the mapping was to collect expenditure data at the level of general secretariats and general directorates, and to follow their evolution over recent years. The mapping faced a number of difficulties:

- Budget data at the level of general secretariats was not readily available; in most cases, expenditures were difficult to allocate to specific structures despite the very detailed nature of the budget; in a few cases, the data could not be provided.
- Data collection was further complicated by the existence of numerous “special budget entities” and/or special expenditure categories in most ministries.
- In some cases (Ministries of Justice, Education, Culture, Rural Development, and Infrastructure), budgets at ministry level include expenditures for the compensation of employees in other public entities (e.g. local government or public agencies), and do not make a clear distinction between these expenditures and normal staff compensation.

These observations are consistent with the conclusions of various recent studies of budget processes in Greece.¹

In the last months, the government has announced a number of key financial, budgeting and accounting reforms which could lead to major improvements

Among the measures included in the MOU between Greece and the Troika, public financial management and budgeting reform have been prioritised, with the declared aim to address both the short-term fiscal challenges and longer term performance, accountability and transparency issues. In this context, Law 3 871/2010 for Fiscal Management and Responsibility has set the new framework for the budget preparation, execution and monitoring/reporting obligations. The new law has introduced a three-year fiscal and budgetary strategy (including government goals) as well as top-down budgeting, with expenditure ceilings and frequent fiscal reporting. It has taken steps to modernise audits and strengthen accountability and transparency. Some of its elements already became effective for the preparation of the 2011 budget, but some are still dependent on implementation decisions.

The reform process is far from complete

The July 2011 review of the Economic Adjustment Programme (European Commission, 2011) considers that required public financial management reforms have been partly implemented and that measures to strengthen expenditure controls still need to be improved. Although considerable progress has been made in strengthening budgeting, with the introduction of a first medium-term framework and a new budget code, significant challenges remain in the spending control and reporting areas.

It is, as yet, unclear to what extent and how it will eventually transform existing budgetary procedures and practices. With this caveat in mind, the following sections analyse the reforms in light of long-standing deficiencies in budget procedures, and aim at evaluating to what extent they could improve the situation.

The Centre of Government and the Ministry of Finance do not have a strong control over budget formulation

Starting with budget formulation, two traditional features of the Greek Government's budget have been the lack of strong top-down mechanisms and a very detailed input orientation. Together, these have resulted in the weakness of the Centre of Government's capacity to monitor and control expenditures and to ensure the co-ordination of ministerial initiatives.

Budget formulation is largely bottom-up

The budgetary process usually starts with the elaboration of the macroeconomic forecasts for the budget year, as well as for the following two years, by the Ministry of Finance's Macroeconomic Analysis and Forecast Directorate. Line ministries, however, are not required to use this framework and can base their budget submissions on their own forecasts. As a result:

- at best, skilled human resources, which are not over-abundant in the Greek administration, are wasted on duplicating macroeconomic forecasting in each ministry; at worst, the technical expertise is inadequate in some ministries, whose budget preparations are then based on wrong assumptions;
- the overall budget is not consistent.

In previous years, the budget preparation process was to a large extent a bottom-up exercise. Line ministries enjoyed 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 Finance. This lack of early guidance primarily concerned funds for new policy initiatives, since salary expenditures of current policy were centrally controlled.

The meeting of the Council of Ministers was a general discussion on the budgetary position but with no specifications of overall political priorities or budgetary developments at ministerial level. Ministerial spending ceilings were not handed down at that stage (or at a later stage of the budget process), except the more or less formulaic calculation of personnel expenditure. The initiative for new policy and fiscal measures was left to the line ministers.

This organisation of the budget preparation process gave little incentive for the line ministers to think in terms of reallocation and prioritising instead of asking for additional funds; and indeed often led 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 take ownership for fiscal decisions within the ministry.

As long as line ministries did not receive limits in the initial phase of the budget preparation process, submissions were systematically above the levels which, given revenue estimates, would be consistent with the deficit target. This was the start of the political prioritisation process. The spending proposed by the ministries could be quite substantial compared with the final results. Spending proposals were first discussed at lower levels, and

if they could not be resolved, they would be raised – ultimately to ministerial level. If the line minister and the Minister of Finance could not agree, ultimately the Prime Minister would decide. This would not be common but would happen occasionally during the budget cycle.

The lack of top-down ceilings meant that the Ministry of Finance had to focus on weeding out expenditure increments, which left it less time to focus on thorough analysis of major expenditure areas. In some cases, the Ministry of Finance – and the government at large – could even ignore the overall magnitude of budgeted expenditures.

In addition, the budget was prepared for a single year; when the fiscal targets included in the Stability and Growth Programme were not reached under the medium-term macroeconomic forecasts, the gaps were filled with unspecified or indicative measures which were not related to actually projected measures. There was a tendency, in the budget elaboration, to use stop-gap measures.

The consequence was a weakening of the Centre of Government's capacity to impulse new orientations and to implement a strategy for the whole of the government through the budget.

Within the framework of the MOU's fiscal-structural reforms, the Medium-Term Fiscal Strategy, ratified by Parliament in June 2011, has set **multi-annual expenditure ceilings for line ministries and the overall state budget for the first time in Greece**. It also specifies estimates for revenue, expenditures and deficits across various areas of general government.

Further, in order to strengthen the implementation of the financial management reform initiative, co-ordination committees have been created to work on budget preparation, fiscal reporting and the roll out of commitment registers. These committees will follow various performance targets, such as publishing the Medium-Term Fiscal Strategy, reducing fiscal discrepancy in fiscal reports, completing the implementation of commitment registers, and reducing arrears. They will be overseen by a central co-ordinator and will report on their progress to the Ministry of Finance.

The budget is very detailed and input oriented

There has been practically no use of output information and performance information in the budget process. At present, the Greek budget contains some 14 000 line items specified according to an institutional and 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. expenditure classes on which funds can be spent: *i*) salaries and wages; *ii*) operating expenditures; *iii*) subsidies and grants; *iv*) returned resources; *v*) pensions; *vi*) miscellaneous expenditure; and *vii*) interest on public debt.

All in all these detailed specifications have created a number of problems:

- The annual budget consists of many thick books of detailed tables where too much detail makes it difficult to have an overview and analyse the budget, even if there are summary tables included in the budget introductory report.
- Second, detailed specifications make it difficult for spending units, without reallocation approval from the Ministry of Finance, to face changed circumstances during budget execution (see also below on budget execution).

- Third, it gives managers of spending units little room for manoeuvre to organise the activities as efficiently as possible (i.e. to decide on the input mix) as appropriations are tied to specific economic spending categories. Also, it might lead to lesser responsibility and accountability of managers, as they feel that everything is decided for them, and no responsibility is given to them to fulfil their task.

Indeed, the rigid and complex system of continuous monitoring by the Budget Directorate and the Fiscal Audit Offices of the Ministry of Finance is viewed by many to be **a response to a less than adequate degree of responsibility and accountability in the line ministries.**

Since 2008, the Ministry of Finance has begun to take a more active reforming role in promoting programme budgeting (see Box 4.1). In 2009, it presented a review of the ministries' programme budget submissions and offered suggestions to define objectives and performance measures, which were necessary to provide implementation incentives to line ministries. As a result, budgeting has now shifted from input allocations in a detailed economic classification to a focus on results.

Box 4.1. The introduction of programme budgeting in Greece

Beginning with the 2008 budget, the Greek Government launched reforms of its budgeting, accounting, and auditing processes and procedures in order to increase spending efficiency and effectiveness. Two offices were established within the Ministry of Finance to pursue reforms in accounting and budgeting respectively. The Accounting Office was charged with establishing a new accounting system to facilitate timely and accurate financial reporting. The Government Budget Reform Unit (GBRU) was established to lead the transition from input budgeting to results-oriented programme budgeting. The GBRU also had the broader mission of introducing changes to the Greek budget system designed to move toward top-down budgeting and medium-term budgeting.

As a first step in implementing programme budgeting, the GBRU developed a prototype programme budget structure which was included in the 2008 budget. The prototype budget presented the Greek budget by function, by major economic category and according to a National Plan of Programmes by ministry. The functional classification was based on the Classification of Functions of Government (COFOG) with one function for revenues and 12 for expenditures. Seventy-three major programmes were identified. Estimates were presented for ordinary expenditures, the investment budget and total spending. The programme budget display for culture, religion and sport in the appendix of the 2008 budget was the first consolidated budget presentation for a function presented by the Greek Government.

In the 2009 budget, the Ministry of Finance presented a National Plan of Programmes structured in 12 functions, 80 programmes and 710 actions. The Ministry of Finance provided budget estimates on a programme basis for every ministry and detailed programme budgets defining goals, actions, and performance indicators for four pilot programmes: the Ministry of the Interior's Hellenic Police and Fire Brigades, the Ministry of Education and Religious Affairs Primary and Secondary Education and the Ministry of Culture's General Secretariat of Sports. For the 2010 budget, the ministry developed 27 programme pilots, with at least 1 pilot programme presented for each ministry.

The experience among the pilots was reported in an addendum to the 2010 budget. Some services such as the Police and Fire Brigade in the Interior Ministry made significant progress in defining programmes and measuring results, others less.

However, **most measures reported in the 2010 budget are programme outputs, not outcomes**. Improvement in the programme budget structure demands a change of the current budget classification (economic classification) in accordance with international standards. In addition, the experience of programme budgeting led to two important conclusions which remain relevant:

1. There is a serious shortage of human resources devoted to co-ordinating and reviewing budgets at the ministerial level. The Ministry of Justice, for example, has only one budget official at the ministerial level.
2. There is a lack of co-ordination on the budget among the sub-divisions of ministries.

The Parliament has a merely formal role in budget approval

The role of the Parliament budget process is regulated by article 79(3) of the Greek Constitution.

According to the article, the Parliament has to be formally consulted prior to the tabling of the budget. On the first Monday of October the Minister of Finance submits a preliminary draft of the budget (executive summary) to the competent committee for comments, which are to be taken into account in finalising the budget proposal. In practice, however, 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.

The article then requires the Minister of Economy and Finance to table the budget at least 40 days before the beginning of the fiscal year. 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 organisational classification.

The budget was traditionally accompanied by an introductory report on economic developments and government policy. The documentation also included information on state guarantees and tax expenditures. There were no multi-year forward estimates. Moreover, **Parliament did not receive comprehensive information on the consolidated public sector, including local government, social security and other public entities**. There was information on some off-budget funds, but Parliament only approved contributions to their revenues in the form of grants from the budget. Hence, the available documentation was not comprehensive and of limited use for scrutinising government policy.

Following its tabling by the Minister of Finance, the budget was sent to the Standing Committee on Economic Affairs for examination. There was no independent research capacity in Parliament to provide analytic support during this process.

Finally, following the conclusion of the committee's discussions, a report was transmitted to the chamber at least three days prior to the opening of the debate in the plenary. The Minister of Finance would start the debate with an opening statement, following which the different parties would be given an opportunity to present their views on the budget. The debate of the Finance Bill had to conclude at midnight of the day of the last session, and was immediately followed by a vote in the plenary. Rejection would bring down the government, but this has never occurred. The voting procedure in the plenary, which is fixed by the standing orders of Parliament, took the form of an accept-or-reject block vote on the executive proposal. **This eliminated the possibility of amendments, and the parliamentary process did not generate any changes to the budget as tabled by the executive**. The debate could be characterised as an essentially formal process.

Law 3 871/2010 has introduced a number of changes to enhance the Parliament's role in budget preparation and execution (Articles 11 and 15), including the creation of a Parliamentary Budget Office. It remains to be seen how its provisions will be implemented.

There is a lack of effective oversight over a complex budget execution process

The control of budget execution is focused on legality

The implementation of the Greek budget is the responsibility of the ministries, but the Ministry of Finance exerts a much tighter control than during the elaboration phase. The Ministry of Finance is heavily involved in the quarterly allocation of the budget and in consideration of modifications to the budget.

Execution of the budget varies depending upon the category of spending. Payments of wages, salaries and pensions follow simple procedures established by regulation. As stated in Chapter 3, salaries of public officials are determined by the Ministry of Finance. The salary budget is treated as a mandatory expenditure and for budget execution purposes is not subjected to extensive pre-payment reviews. 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.

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

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

The ministries oversee the finances of executive agencies and other public entities within their control, such as hospitals and universities (see Annex C).

All budget transactions are reviewed for legality and regularity by the Ministry of Finance and by the Court of Audit. 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.

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 misuse funds. The court's jurisdiction includes central government ministries, local government and other public sector bodies, but it excludes private law legal entities. Moreover, for national

security reasons secret defence and foreign affairs expenditure is excluded from external audit and parliamentary scrutiny, including defence procurement. Its staff in 2008 consisted of 650 people, 400 of which are auditors. The focus of audit work by the court is on the legality and regularity of spending. The constitutional framework obliges the court to carry out both pre- and post-audits, i.e. audits before and after the fact respectively. A key characteristic of auditing in Greece's public sector is **the extent of overlapping *ex ante* controls by the Ministry of Finance (Financial Audit Office) and the Court of Audit.**

Until the adoption of Law 3 871/2010, there was little parliamentary involvement in budget execution. The Standing Committee on Economic Affairs did not consider the monthly actual spending and revenue updates released by the Ministry of Finance, nor the mid-year report.

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% in some recent years. Yet, these deviations have been interpreted as not meeting the test of “significant”. In practice, the Ministry of Finance has not submitted a supplementary budget.

Recent reforms have emphasised fiscal reporting, notably through the introduction of sanctions. Ninety-eight per cent of general government spending is now covered in terms of fiscal and arrears data. However, the quality of arrears reporting may still be improved. To this end, inter-ministerial co-ordination committees have focused on arrears data collection in critical areas, such as health and social protection.

The General Accounting Office (GAO) of the Ministry of Finance is currently conducting inspections on arrears across all line ministries and government entities to identify where registers need to be set up in priority. The government is expected to have cleared payment arrears accumulated until end-2010 and to guarantee that no payment arrears will be accumulated as of Q3-2011.

Spending control was expected to become more efficient by September 2011, with the full appointment of permanent financial accounting officers and the creation of general directorates for financial services in all line ministries. These will have the responsibility to ensure sound financial controls. Commitment registers have also been implemented, but only partially.

Substantial budget adjustments are needed

The 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. Table 4.1 shows the number of decisions and the total amounts reallocated after approval of the budget in 2006 and 2007. Particularly noteworthy is that almost half of the approved adjustments were for reallocations of less than EUR 5 000.

Table 4.1. Number of budget adjustment decisions in 2006 and 2007

Amount per decision	2006	2007
< EUR 5 000	2 538	2 587
> EUR 5 000 and < 10 000	853	839
> EUR 10 000 and < 20 000	549	783
> EUR 20 000 and < 50 000	699	757
> EUR 50 000 and < 100 000	396	441
> EUR 100 000 and < 500 000	623	671
> EUR 500 000	511	572
Total	6 169	6 650

Source: Ministry of Administrative Reform and E-Governance.

Usually, about EUR 6 to 8 billion are reallocated during the year.

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 Ministry of Finance.

Ministries do not yet have the capacity for performance budgeting

Greek line ministries can generally be described as having relatively weak staff in their central corporate units. The operational entities of ministries are relatively independent. One of the keys to the implementation of performance budgeting efforts will be to strengthen the co-ordination of performance budgeting within ministries. The OECD Budget Review of Greece (Hawkesworth et al., 2008) recommended establishing a ministerial office with responsibility for budgeting, accounting and audit in each line ministry. The intent of this structure would be to give each minister the equivalent of an internal Ministry of Finance reporting to the minister and overseeing all financial management functions of the ministry.

Budget staff have little experience in programme review and evaluation. To implement programme budgeting, all budget personnel will be required to acquire new skills focused on the substance of budget formulation and management. A major issue identified during the OECD seminars conducted in 2009 was the need for hands-on skills for programme budgeting: defining programme goals and objectives, identifying appropriate programme measures, and analysing results.

One of the major challenges facing the performance budgeting initiative going forward is **building the capacity of ministries to accept responsibility and accountability for their budgets**. The Greek public service is accustomed to detailed input controls for budgets with detailed oversight from the centre and primarily focuses on *ex ante* controls of the legality and propriety of expenditure. Implementing performance budgeting will require greater delegation from the Ministry of Finance, budget proposals by ministries to fund essential programmes, and increased flexibility to use budget allocations at the ministry and programme/action level. Increased flexibility will need to be developed hand in hand with increased accountability by ministries for budget outcomes. One idea under consideration is to provide increased flexibility to transfer funds, contingent upon ministries demonstrating their capacity to account and audit outcomes.

Recommendations

- **Recommendation 1:** Increase top-down budgeting procedures in budget preparation and streamline the use of economic assumptions. Develop a long-term economic and fiscal framework for the budget.
- **Recommendation 2:** Prioritise, in the ongoing modernisation of the budget process, the introduction of a programme budget with a focus on policy objectives. Change the current budget classification in accordance with the international standards.
- **Recommendation 3:** As part of the increased usage of top-down budgeting, strengthen line ministry autonomy and accountability. Transfer the primary responsibility for budget execution to spending units, without compromising the overall strategic authority of the Centre of Government. At the same time, ensure that a part of the Centre of Government is allocated responsibility for overseeing the reforms. Build capacities for decentralised budget responsibility and accountability.
- **Recommendation 4:** Establish an in-depth dialogue on the reform of audit and lines of accountability that brings together all relevant actors – in particular the Ministry of Finance, the Ministry of Administrative Reform and E-Governance, the Court of Audit, and the Parliament.
- **Recommendation 5:** Strengthen the GAO's capacity to conduct *ex ante* and *ex post* value for money audits.
- **Recommendation 6:** Further enhance the role of the Parliament in controlling general government and public sector accounts. Reinforce the Parliament's analytical and investigation capacities.

Note

1. See, for instance, Hawkesworth et al. (2008).

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Chapter 5

Policy development and implementation

This chapter describes the Greek policy-making process. It focuses on recent efforts to improve the quality and coherence of policy making, identifying areas for further reform and development. It also offers seven recommendations for better policy making in Greece.

Overview of findings

Policy making is often limited to developing new regulations and largely ignores implementation

New regulations constitute the bulk of ministries' final output

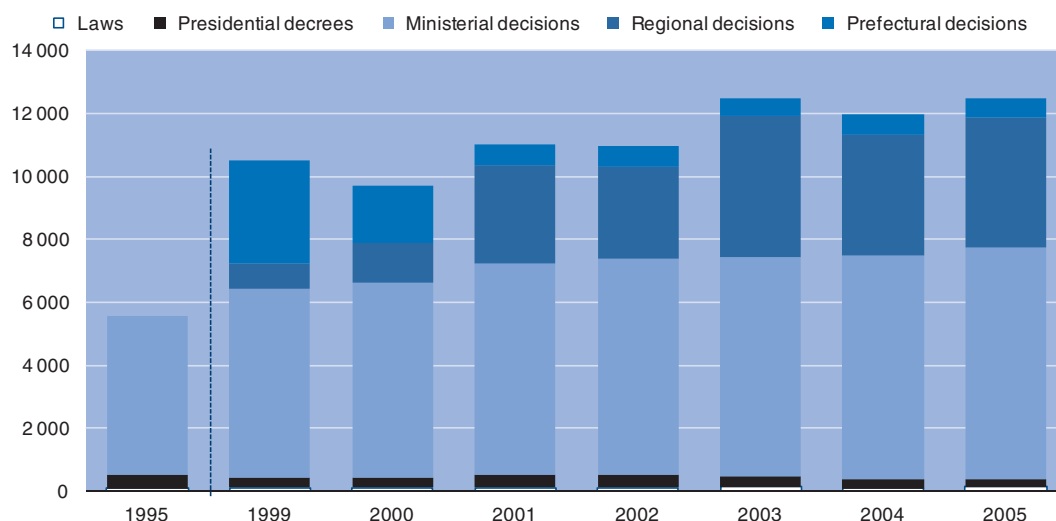
There are four categories of government regulations in Greece:

- **Primary laws** are first presented as law proposals by ministers, possibly amended and adopted by the Parliament, sent to the President of the Republic for promulgation, and published in the *Gazette of the Government*.
- **Presidential decrees** are issued on the initiative of a minister, after their draft has been checked by the Council of State; they are also published in the *Gazette of the Government*.
- **Ministerial decisions** or decrees are issued by ministers under the requirement of subsequent ratification by the Parliament.
- Regions and prefectures, finally, also make **subordinate regulations** designated as decisions.

In addition, members of the cabinet, including the Prime Minister, can also state policy intentions and recommendations in circulars, which do not constitute a binding legal requirement but rather a form of soft law.

The volume of regulations sharply increased at the turn of the century due to local governments' newly gained right to issue regulations (thanks to the 1997 Kapodistrias reform increasing their autonomy), and to a lesser extent to the inflation in ministerial decisions. In recent years, it has stabilised at a high level (see Figure 5.1).

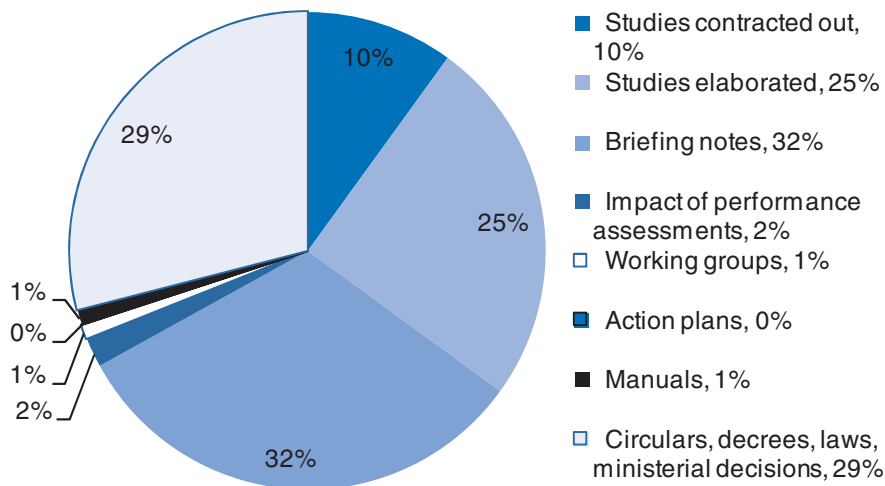
Figure 5.1. Number of regulations issued since 1995



Source: Ministry of Administrative Reform and E-Governance.

Policy making in Greece has a strong bias towards regulatory interventions (OECD, 2009i). This can be confirmed by an analysis of the types of output that ministries produce. The general directorates with executive competencies issue a range of policy documents which constitute their intermediate (research, briefings and assessments) or final (action plans, information to the public or to businesses, regulations) output. As shown in Figure 5.2, **regulations have represented the lion’s share of the central administration’s final output.**

Figure 5.2. Output of general directorates in 2010



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

Source: Ministry of Administrative Reform and E-Governance.

Many ambitious measures and plans have been adopted and never implemented

While almost 8 000 public decisions of a regulatory nature are made by the central government every year, the implementation of these decisions has traditionally been an area of weakness, in particular when it comes to important measures which entail the co-ordination of different parts of the public administration.

Examples of Greece’s weaknesses in the implementation of ambitious reforms abound. The health care reform of the 1980s was unanimously hailed as a major step in the modernisation of the country’s health system, but some of its most important elements were never implemented, including the family doctor scheme and the urban health centres (OECD, 2009j). More recently, in 2003, the reform project known as Xenokrates planned an ambitious overhaul of the country’s prevention, mitigation and response to major risks, from natural disasters to pandemics. The reform was to be implemented through 11 sectoral plans. Unfortunately, **the project did not envision any reporting or control mechanism for monitoring the development of these plans.** As a result, it never became fully operational (OECD, 2009a).

To some extent, the Operational Programme (OP) “Public Administration Reform 2007-13”, elaborated in the framework and currently conducted with the support of the European Social Funds, has been another case in point – one that highlights some of the

structural deficiencies of policy implementation in Greece. The OP seeks to address several of the key challenges identified in the present report, not least the need to reform the institutional environment of the public administration in order to use existing resources more effectively and efficiently. It also establishes some implementation provisions regarding the operational programmes of the National Strategic Reference Framework, focused on defining the authorities for the co-ordination, management and control of the programmes.

The OP document's provisions are essentially limited to the administrative procedures for co-ordination and management. There is no concrete definition of medium-term objectives, no criteria for assessing the implementation process, and no provision regarding the resources (financial, material, human and informational) needed for implementation. There is neither a definition nor a timeline of the different implementation activities. **This seems to be due, in large part, to the lack of a clearly-stated strategy that sets the vision of the reform programme.**

Box 5.1. The policy and regulatory governance cycle

Effective policy and regulatory governance requires the co-ordination of actions, from the design and development of policies and regulations, to their implementation and enforcement, closing the loop with monitoring and evaluation which informs the development of new policies and regulations, and the adjustment of existing policies and regulations. **Public governance needs to be envisioned as a dynamic and continuous process.**

For this to happen, different functions need to be met, and different institutions need to be fully engaged. **Joining up is not just a matter of processes, but of institutions.** How are they joined up? What are the gaps? What are the weaknesses?

Achieving effective policy and regulatory governance requires attention to a number of issues:

- overall Centre of Government leadership and oversight;
- changing the culture of the administration, and strengthening capacities;
- the need to engage all players in the administration and the wider public sector;
- balancing public and private stakeholder inputs;
- integrating the international dimension of governance, and for EU member countries, the EU perspective.

Countries often fail to make strong connections between the design, implementation, monitoring and evaluation phases of the policy cycle. Nearly all countries have principles, standards, procedures, criteria and mechanisms for the effective preparation of draft policies and regulations (*ex ante* impact assessment of new proposals). There is, however, an important task of challenge, co-ordination and supervision to ensure that these principles and procedures are applied, before a final decision is reached on whether to go ahead with a draft proposal.

Ex post evaluation is observed to be the weakest current link in the governance cycle across OECD member countries. Yet evaluation of progress and outcomes needs to be assured in order to ensure that public governance is delivering on its promises, and to inform the next stage in the policy-making cycle. This entails the evaluation of individual policies and regulations; and the evaluation of broader policy outcomes.

For evaluation to be well grounded, **performance measures** will also be required. This is still at an early stage of development in the OECD community.

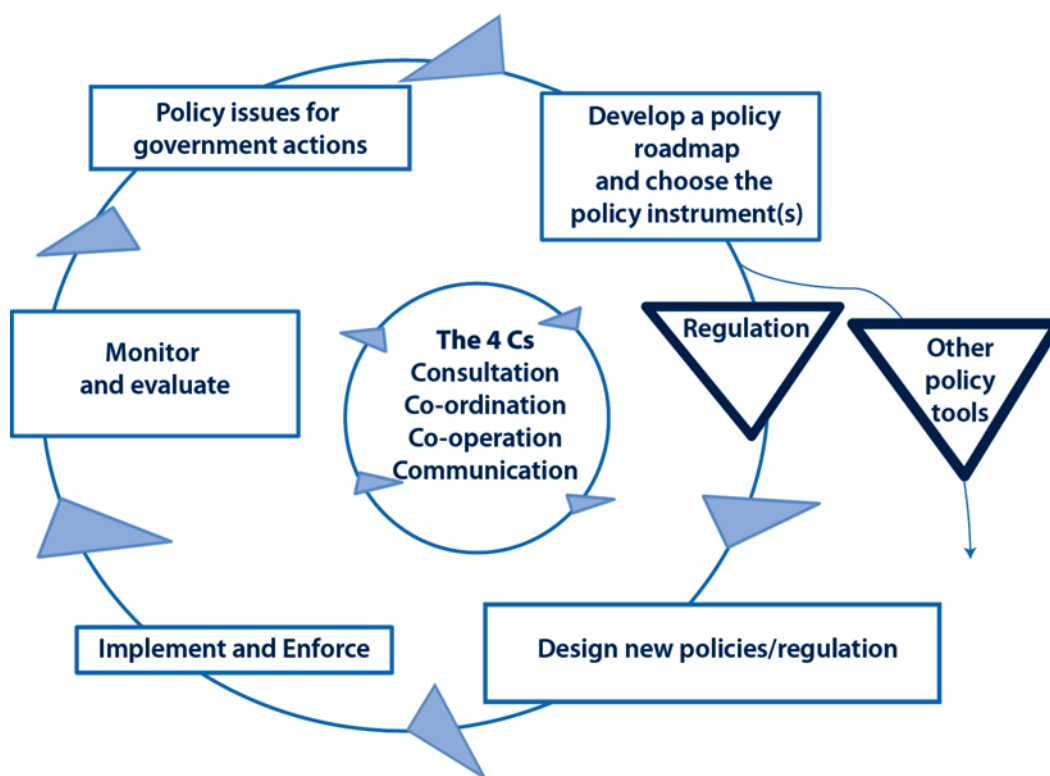
Box 5.1. The policy and regulatory governance cycle (*cont'd*)

The best placed **institutions for evaluation** will vary according to the country (and according to the nature of the evaluation). Most countries have not assigned this function to a particular body. It may be useful to build on existing institutions such as audit offices (which already review the efficiency and effectiveness of government spending).

Source: OECD Public Governance Reviews; OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264116573-en>.

Figure 5.3 shows how the different parts of the policy cycle form a continuous loop.

Figure 5.3. The policy and regulatory governance cycle



Policy and rule making lack coherence in Greece

This was a key finding of Chapter 2 on the general organisation of the central government. There is no evidence of a shared collective approach by ministries to the development and implementation of policies or regulations. The absence of common principles and procedures for rule-making responsibilities reinforces a silo-based approach to policy development. There is little horizontal co-operation and no evidence of a “joined-up” or “whole-of-government” approach to policy development and implementation in the interests of Greece as a nation. Individual ministries focus on advancing with work on their own priority issues without reference to how these fit into any broader programme or to the synergies with work being advanced in other parts of the government.

The situation seems to be further burdened by the multiple split of competencies among the organisations in charge of developing the regulatory framework. As a result of insufficient horizontal co-ordination mechanisms (see Chapter 2), **laws and regulations are established solely within existing legal entities and traditional sectors with a limited effort to ensure horizontal coherence.** This makes it challenging to obtain a cross-cutting overview of the impact of the regulatory framework as a whole, and instead leads to a piecemeal development of regulations.

The multiplicity and fragmented character of the regulations is aggravated by limited scientific legal skills and know-how among civil servants, as well as their limited know-how of regulatory enactment. Further, the inaccuracies and conflicts arising from the fragmented legal and regulatory framework, coupled with the lack of codification and the existence of obsolete regulatory provisions (which have not been adjusted to ICT progress) are additional issues requiring the attention of the Greek Government as part of its effort to develop a modern legal framework.

The government’s initiatives to improve policy and regulatory quality have had merit, but remain too superficial

Successive Greek governments have taken a number of preliminary steps aimed at improving the quality and coherence of policy making through the management of performance in the general government, and the Better Regulation (BR) agenda (see Table 5.1 for a synthesis of measures taken in the latter area over the past two decades). Unfortunately, these efforts have been subdued by the deficiencies that they were trying to address, namely the lack of co-ordination in policy development, inadequate implementation, and a narrow legalistic approach to policy making. However, they have also prepared the ground for more ambitious reforms in the present context.

The reform on performance management has not produced the expected results, partly because it is not yet connected to performance budgeting and HR strategy

Performance management was introduced in the Greek public sector by Law 3 230/2004, mandating the yearly elaboration of goals and targets, the adoption of performance indicators and the creation of “quality and efficiency units” at all levels of government. The law required ministries to submit annually their performance forecasts for the following year to the Ministry for the Interior, Decentralization and E-Governance (now the Ministry of Administrative Reform and E-Governance). Its aim was to upgrade overall strategic and managerial operational effectiveness. The mechanism was supposed to provide both a measure of the effectiveness and efficiency of public services and a governmental system of management by objectives.

Despite the initial reticence of some ministries, the law has been rather well implemented – at least formally. Ministerial decisions have set general and special performance indicators for 9 ministries, 13 regions and 4 other public entities (e.g. the Labour Inspectorate and the National Centre for Public Administration and Local Government) as well as 10 prefectures (after consultation with the Union of Prefectoral Authorities of Greece). Quality and efficiency units are established in 14 ministries and all regions. Four implementation circulars have been issued regarding the introduction of management by objectives in the public administration, methodological guidelines for the elaboration of performance indicators, guidelines on strategic planning, reporting procedures, and a series of

training seminars were held by the Institute of Training. Law 2 839/2007 also introduced the measure to municipalities, though without practical application.

Table 5.1. Milestones in the development of better regulation policies in Greece

1994	Requirement of competitive public sector recruitment Decentralisation of government competencies Harmonisation of Greek policy making with EU processes
1996	Management independence enhanced by a change in the legal framework of public enterprises Development of Citizens Charters for public services
1998	Decentralisation of 139 competencies from central government to 13 regions Creation of the Greek Ombudsman to receive complaints about public services and make the necessary investigations
2002	Draft law on regulatory reform prepared by a committee chaired by the Vice President of the Council of State, not enacted
2004	Draft law on the quality of regulations, not enacted
2005	Second draft law on regulatory reform, discussed twice and accepted by a governmental committee, but not enacted
2006	Prime-Minister's <i>Circular on Better Regulation</i> introducing the requirement of a regulatory impact assessment for all new laws
2007	Adoption of the objective to reduce administrative burdens by 25% by 2013 Establishment of the Better Regulation Committee to implement the provisions of the 2006 Circular and evaluate impact assessments
2009	All regulatory bills are uploaded to the website www.opengov.gr for consultation Establishment of a Regulatory Control Unit in the General Secretariat of the Government and of Co-ordination Units in each ministry
2010	Transposition of the EU Services Directive in national law (Law 3 848/2010) Simplification of administrative procedures to start up a business (operational measures are still needed for Law 3 853/2010 to be fully functional) Modification of the Parliament's statute requiring each draft law to have a RIA and a consultation report Bill on codification and e-rulemaking approved by the Council of Ministers, submitted to public consultation, but not yet enacted Mandatory online publication of all government, local government and public administration bodies decisions, including commitment of funds and financial decisions ("Diavgeia", Law 3 861/2010)
2011	Draft Law on Better Regulation to be presented to the Parliament, not yet enacted

In practice, however, it appears that the performance measures were largely disconnected from the actual functions and output of the ministries and too superficial to produce any significant change. In certain ministries (e.g. education), outcome-based indicators have been introduced through the law, but actual implementation has been partial at best. Altogether, the indicators and objectives have simply been integrated into the administration's system of formal requirements or, in Spanou's (2008) terms, its "bureaucratic-legalistic culture of 'executing norms'".

As an illustration of the tendency to design reforms in a piecemeal (hence ineffective) manner, the transition towards programme budgeting (see Chapter 4) was conducted in parallel and without any link to the introduction of performance management. However, the existing performance management system and structures are currently under review in order to support:

- the new framework for budget formulation and execution, linking strategic planning (three-year and annual) and performance evaluation with economic programming and resource allocation; and
- public sector HR performance appraisal.

Despite the introduction of regulatory impact assessments, evidence-based policy making is still a distant target

A landmark development in the Greek Government's attempts to introduce and implement a comprehensive regulatory policy was the adoption in July 2006 (after previous attempts in 2004 and 2005) of the Prime Minister's Circular "Regulatory Policy and the Assessment of Quality and Effectiveness of Legislation and Regulation".

The circular adopted a broad and ambitious approach to regulatory policy. It referred to the "OECD Principles for Regulatory Quality" and to the EU Inter-Institutional Agreement on Better Law-making. It emphasised regulatory impact assessments (RIA), simplification (via tools such as codification), and administrative burden reduction efforts, as well as the effective transposition of EU law. It also introduced for the first time the concept of better regulation in a legal text. One of its principal objectives was to improve the quality and coherence of law making through RIA and other regulatory tools.

As circulars do not have a binding nature in Greece, the 2006 Circular did not, in itself, significantly alter the regulatory approaches of the ministries. However, it was followed by a number of positive developments, notably the modification of the Parliament's standing orders in 2010, which made it necessary for draft laws to be accompanied by a RIA and a consultation report. The Ministry of the Interior, Decentralisation and E-Governance produced supporting documentation (impact assessment template and guidelines) for the ministries.

As a result, a significant number of RIAs were produced in 2010 (out of 68 laws presented to the Parliament, 48 had a RIA). The results were mixed. **While some RIAs are of reasonably good quality, most of them are narrow in scope, and suffer from the lack of both expertise and data.** Most ministries do not have adequately skilled human resources for developing high-quality impact assessments at present. In addition, because of the lack of extended, reliable and readily accessible databases on social, economic and environmental issues and policy outcomes, the factual information available to ministries' staff is often too limited for them to realistically assess the impact of regulations. By the end of 2010, only one-third of the RIAs accompanying draft laws contained quantitative data on the relevant issue. The cost of gathering consistent data is, in itself, sufficient to hamper the adoption of RIAs as a meaningful tool for policy elaboration.

The challenge, however, goes beyond technical issues of expertise and data availability. The adoption of an evidence-based approach to policy making amounts to a paradigm change for Greece's central administration and political personnel. Casual evidence suggests that **the preparation of RIAs can be subject to important political interferences and that RIAs are perceived not as a tool for developing appropriate and proportionate measures, but as a formal hurdle in a regulation's approval process.** Admittedly, such perceptions are common in many other countries. In Greece, however, they are reinforced by the presence of a strong legalistic tradition and lack of a comfortable co-operative relationship between the political managers and the administration.

Solid groundwork on administrative burden reduction has not yet been followed by concrete action

Government projects on administrative burden reduction have gained momentum in recent years with the support of the Operational Programme "Administrative Reform 2007-13".

In 2008, a pilot programme was conducted to make a baseline measurement of the cost of starting up a limited liability company in Greece. It estimated the administrative burden at close to EUR 4.5 million. A simplification proposal was drafted, using IT platforms and the citizen service centres (KEPs) as one-stop shops. The proposal reduced the number of administrative steps from 15 to 2, and decreased the administrative burden by 70%.

In 2009, a partial assessment of the administrative burden was undertaken in eight policy areas using the European Standard Cost Method. It covered the following sectors: company law, labour relations, agricultural subsidies, VAT, public procurement, transport and fisheries.

Even though these efforts did not lead to immediate decisions to simplify administrative procedures and reduce burdens, they laid sound policy foundations by collecting data and producing information on administrative burdens and identifying priority areas of action. As part of the effort, a national Standard Cost Model Methodology was developed and relevant templates were put in place. The 2008 measurement of start-up costs later inspired Law 3 853/2010 on the “Simplification of procedures for setting up personal and capital companies”.

As a consequence, Greece is in a position to achieve the EU structural target of a 25% reduction in total administrative burdens by 2013. As an intermediate objective, Law 3 845/2010 (“Implementing measures regarding the support mechanism of the Greek Economy set by the euro zone’s member states and the IMF”) has set a target of a 20% reduction in administrative burdens by the end of September 2011 (with the 2008 level as a benchmark). **It does not appear, however, that practical measures have been taken to reach this target.**

The better regulation agenda is, however, still under development

An important Law on Better Regulation (BR) is being prepared by the government in accordance with its memorandum of understanding with the Troika, and should be presented to the Parliament before the end of the year. The draft law introduces a number of improvements in regulatory policy (Box 5.2).

Certain aspects of the draft law are still under discussion within the government, in particular with regard to:

- the sharing of responsibilities between the newly created Ministry of Administrative Reform and E-Governance and the General Secretariat of the Government; and
- the substantive and institutional linkages between law codification and recasting and BR.

The main risk at this stage is that of ill-defined responsibilities and diluted authority, which would significantly reduce the capacity of BR units to deliver the warranted changes in policy design and implementation, and leave very little room for structural improvements in governmental policy making.

The draft law does not cover all aspects of a well functioning policy- and law-making cycle, notably as regards monitoring and evaluation of the impact of laws once enacted and implemented. It is also silent on the need for intra-government consultation. Linking up with Finance Ministry budget oversight is also important. Across OECD member countries, in nearly all cases, the Finance Ministry is involved at some stage before the final decision, in order to assess the budgetary and financial consequences (in countries where impact

assessment is well developed, this assessment becomes part of the overall impact assessment).

Box 5.2. The draft Better Regulation (BR) Law

- It states the principles of BR, including the necessity, suitability, proportionality, effectiveness and efficiency of the regulation.
- It mandates the regulator to comply with these principles by providing a description of the problem that the regulation aims at addressing, assessing the adequacy of existing regulations in dealing with it, documenting the negative effects that the absence of a regulation would have and briefly analysing alternative options for achieving the desired objectives.
- In addition to *ex ante* RIA, it requires an *ex post* evaluation of the regulation's consequences after it has been implemented.
- It defines the steps and deadlines of public consultation procedures for new legislation.
- It includes a section on the transposition of community law and calls for the avoidance of gold plating in that process.
- It reinforces the institutional framework for BR through a central BR unit in charge of overseeing, supporting and co-ordinating the operation of BR units in all ministries. These units prepare both *ex ante* and *ex post* RIAs, and submit these to the central unit; the central unit evaluates the quality of draft laws; its conclusions are made public.
- Finally, it enhances the legal status of BR policy, which to date still relies on the 2006 Prime Minister's circular.

Recommendations

- **Recommendation 1:** Enact the Better Regulation Law and ensure that it is fully implemented. Ensure that the law clearly delineates responsibilities for BR measures, whilst not creating unnecessary administrative structures and formalities.
- **Recommendation 2:** Set up the network of BR units proposed by the law within the network of strategic antennae units within each line ministry, and give the central BR unit appropriate powers to effectively conduct its mission, including capacity and resources to co-ordinate BR units in ministries and “gatekeeper” authority to reject inadequate draft laws. Ensure an appropriate relationship with the Ministry of Finance budget assessments of draft proposals.
- **Recommendation 3:** Include, in the provisions of the BR Law, a requirement that all draft laws be accompanied by a detailed implementation plan clearly stating responsibilities at all relevant levels of the administration, as well as a requirement that the impact of the most important laws be evaluated by the Parliament, based in particular on the *ex post* impact assessment prepared by the central BR unit.
- **Recommendation 4:** Ensure that all important policy proposals undergo a serious RIA, including those promoted in the context of the Troika MOU. Work with the Troika on the development of RIAs for the 2012-15 package of measures, both to highlight their appropriateness, and to improve the government's capacity for effective impact assessment.

- **Recommendation 5:** Establish a government-wide knowledge management system in connection with the administrative data collection capacity in order for the administration to store and use data as appropriate for policy design and evaluation.
- **Recommendation 6:** Connect the existing goal setting and performance measurement system to ministries' outputs and policy outcomes.
- **Recommendation 7:** Establish an early date for review of the Better Regulation Law in order to address gaps and issues, such as the need to secure effective long-term management of EU directives, and enhanced efforts at simplification of the existing stock of legislation and regulations.

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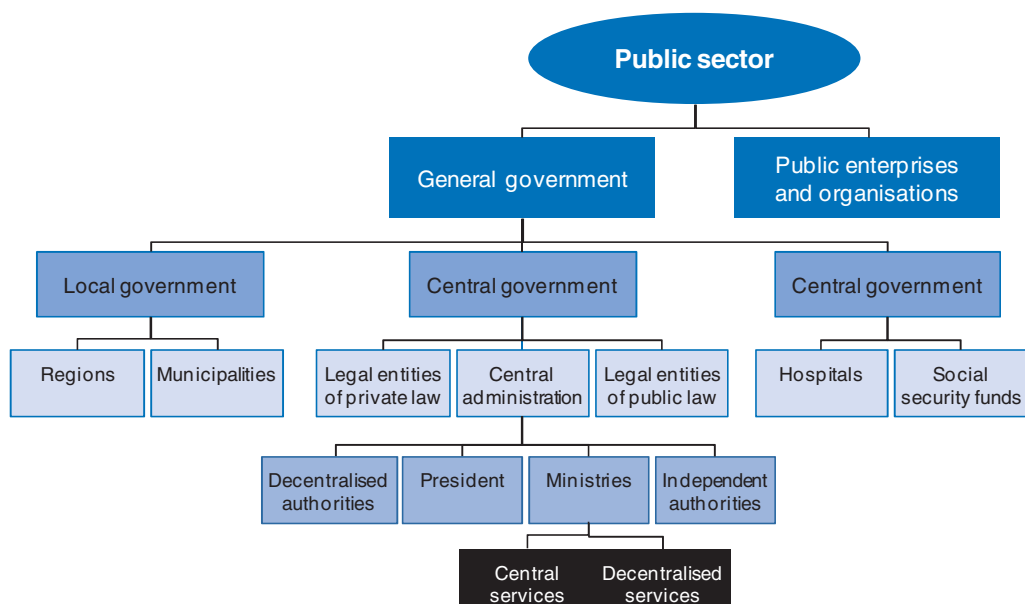
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Annex A

Map of Greece's public sector



Annex B
**List of ministries and policy fields
 considered in the mapping**

Ministries

ARG	Ministry of Rural Development and Food
CEN	Centre of Government ¹
CUL	Ministry of Culture and Tourism
DEF	Ministry of National Defence
EDU	Ministry of Education, Lifelong Learning and Religious Affairs
ENV	Ministry of Environment, Energy and Climate Change
FIN	Ministry of Finance
FOR	Ministry of Foreign Affairs
HEA	Ministry of Health and Social Solidarity
INF	Ministry of Infrastructure, Transport and Networks
INT	Ministry of the Interior, Decentralisation and E-Governance ²
JUS	Ministry of Justice, Transparency and Human Rights
LAB	Ministry of Labour and Social Security
MAR	Ministry of Maritime Affairs, Islands and Fisheries ³
PRO	Ministry of Citizen Protection
REG	Ministry of Regional Development and Competitiveness ⁴

Policy fields

01	Overseas activities	08	Economic affairs
02	Domestic special activities	09	Agricultural development
03	Local governance	10	Environment protection
04	Education	11	Infrastructures and transport
05	Recreation, culture and religion	12	Health
06	Defence	13	Justice
07	Public order and safety	14	Social policy

Notes

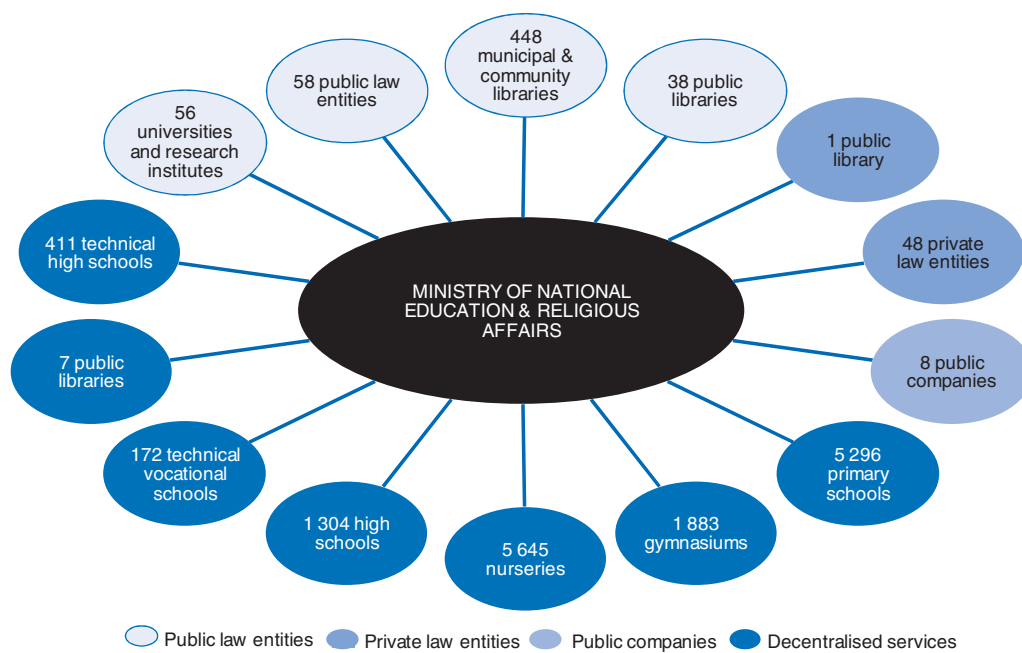
1. Consisting of the General Secretariat of the Prime Minister and the General Secretariat of the Government. For practical reasons, the data for these two secretariat generals were added together.
2. Separated in June 2011 into the Ministry of the Interior and the Ministry of Administrative Reform and E-Governance.
3. Merged in June 2011 into the Ministry of Development, Competitiveness and Shipping.
4. Merged in June 2011 into the Ministry of Development, Competitiveness and Shipping.

Annex C

Aspects of the links between the central government and its supervised public sector entities

	Legal entity of public law	Legal entity of private law	Public corporation
Objective	Service and performance of a state/public function or service.	Achievement of beneficial and other public causes.	Undertaking of commercial activities on behalf of an owner government.
Legal framework	Established through a presidential decree, law or (in exceptional cases) through a ministerial decision. Their function is defined by the state law.	There is no set legal framework that defines the form or establishment and no constitutional framework for any reforms of a legal entity of private law. A number of common decrees for private sector are applied <i>ad hoc</i> . Established through a presidential decree, law or (in exceptional cases) through a ministerial decision. Their function is defined by the civil law.	Co-owned by the state through ownership of percentage of the stocks. The state can be directly or indirectly involved in the decision-making process of the public corporation.
Management	Generally managed by a board of directors but in some cases an executive secretary is appointed.	Generally managed by a board of directors.	Managed by a board of directors which is appointed by the competent minister.
Nature of supervision	The supervision is carried out by the competent ministry, and in some cases by a ministry that provides funding. The supervision is carried out at two levels: – Operational level: senior employees of the competent ministry are part of the board of directors for matters that concern the operation of the entity and the decision-making process. – Financial.		The state supervises the operation and activities of the company. Public companies carry out their financial reporting based on the EU standards as foreseen in the EU regulation 1 606/2002.
Funding	The main funding of the legal entities of public law is part of the state budget. Other funding sources may be generated through income of entity, EU resources and/or private donations.	The state co-owners of these entities and the level of ownership vary. Other funding sources may be generated through income of entity, EU resources and/or private donations.	Funding varies amongst different companies.
Procurement procedures	The financial operation of the entity is carried out according to the public accounts, and needs approval by the Ministry of Finance.	Private-law entities are governed by the provision of private goods.	
Related legislation	Legislative decree 496/1974 Presidential decrees 118/2007, 60/2007, 470/1975, 465/1975; 656/1975		

Figure C.1. The case of the Ministry of Education and Religious Affairs



Annex D

Mapping methodology

Between February and June 2011, the Ministry of the Interior, Decentralisation and E-Governance conducted a detailed mapping of the Greek central administration with the methodological support of the OECD Secretariat. The mapping covered all of the Hellenic Government's 14 ministries (considered at the level of general secretariats and single administrative sectors), as well as the General Secretariat of the Prime Minister and the General Secretariat of the Government. It sought to systematically gather information regarding the administration's structures, procedures and practices in the following five areas:

- organisational structures;
- human resource management;
- infrastructures (buildings and ICT);
- budgetary management; and
- decision making.

The mapping was structured in three parts:

- Collection of descriptive data concerning the current situation: a specific mapping team was responsible for gathering data concerning the organisation, human resources, infrastructure equipment, budgetary spending and decision processes of each ministry.
- Survey of civil servants' perceptions: a survey was conducted among a sample of 4% of the staff of all services covered in the mapping, clustered by ministry (4% of each ministry and 4% of the Centre of Government). A total of 1 054 questionnaires were sent out, and 904 responses were collected. The questionnaire addressed the satisfaction of civil servants with regard to their work environment and their assessment of the central administration's performances.
- Focus group discussions: problem areas identified through each of the two previous parts and possibly remaining issues were investigated and analysed in greater detail through focus group discussions.

The data collected through the three parts of the mapping has been stored in an electronic database organised according to ministries and administrative structures.

The mapping process was co-ordinated by a team including members of the Ministry of the Interior, Decentralisation and E-Governance (EYSSEP); the Ministry of Economy, Regional Development and Competitiveness; the General Accounting Office (GAO); and the Hellenic Statistical Authority (ELSTAT).

Descriptive data

Sixteen mapping teams were responsible for the collection of descriptive data (one per ministry, one for the General Secretariat of the Government and one for the Prime Minister's Office). The teams consisted of between 9 and 17 civil servants (altogether about 200 civil servants had volunteered for the project), representing 3 ministries, including the mapped ministry.

Because of the lack of data collection and knowledge management procedures in the Greek administration, the mapping teams could not follow a standardised approach, but instead had to find specific solutions for information gathering in each area and ministry. In general, the teams used a mix of desk and field research, the former focusing rather on legal and formal aspects and the latter on actual situations. Thanks to the cross-referencing of the collected data, it was then possible to compare actual administrative practices to their legal and regulatory basis.

The information on organisational structures and human resources was systematically recorded for all levels of the central administration: general secretariats and single administrative sectors, general directorates, directorates and departments. Information on infrastructures and budget operations was gathered for ministries and, when possible, broken down to the level of general secretariats and single administrative sectors. Information on decision making, finally, was collected for all general directorates with executive competences (see below). To the extent possible, the data was also separated between central and decentralised services.

Organisational structures

The legal or regulatory definition of the competencies of each structure was identified and recorded. Competencies were then classified by policy field,¹ by administrative type (exclusive or shared, decisive or advisory), and according to the following operational categories and subcategories:

Executive:

- strategic planning;
- simplification of procedures;
- outcome assessment;
- financial programming;
- co-ordination;
- communication/knowledge management;
- monitoring of policy results.

Supporting:

- financial operation and resource management;
- organisational operation of service/HR management;
- IT support.

Service provision:

- licensing to citizens;
- licensing to businesses;
- certification;
- approvals for citizens;
- approvals for businesses;
- information.

Audit:

- inspections;
- internal audits.

The classification made it possible, among others, to examine how a ministry's overall (and shared) competencies were distributed across policy fields and conversely, how competencies in a certain policy field were distributed among ministries (see Chapter 2, in particular Figures 2.3 and 2.4).

Regarding human resources, the following information was gathered:

- number of posts (legally provided, filled, vacant);
- legally provided and filled positions by category of education;
- percentages by gender and by age category.

Regarding financial operations, budgeted and reported expenditures for 2007-11 were recorded with the following breakdown:

- wages of political employees;
- wages of employees with contracts of determined time and special cases;
- wages of militaries;
- supplementary allowances;
- other operational expenditures (payments for services, supply of resources and equipment, etc.).

In this area, however, the mapping faced a number of difficulties:

- Budget data at the level of general secretariats was not readily available; in most cases, expenditures were difficult to allocate to specific structures despite the very detailed nature of the budget; in a few cases, the data could not be provided.
- Data collection was further complicated by the existence of numerous “special budget entities” and/or special expenditure categories in most ministries.
- In some cases (Ministries of Justice, Education, Culture, Rural Development, and Infrastructure), budgets at ministry level include expenditures for the compensation of employees in other public entities (e.g. local government or public agencies), and do not make a clear distinction between these expenditures and normal staff compensation.

Regarding IT infrastructures, collected data concerned the number of databases and applications, servers, and terminals in each ministry (and general secretariat), as well as the number of employees who have a personal email. Regarding buildings, the number of central government buildings, their location, their status in terms ownership and the annual rent were recorded.

Finally, the operational and regulatory outputs of all general directorates with executive competencies were mapped for the years 2009 and 2010.

The civil servants' survey

A questionnaire was elaborated to gather information directly from the civil servants, and to survey their opinions, on issues pertaining to the five areas of the mapping.

A large sample of employees of the central services of the government was randomly selected, with a clustering by ministry in order to ensure representativeness. A pilot test was carried out to identify possible understanding and interpretation issues.

The questionnaire was sent out electronically to almost 8 000 civil servants' personal mailboxes, and printed copies were also made available. The recipients were told that they could choose either form, and they were assured that anonymity would be preserved, including in the online recording of responses. Nearly 1 600 civil servants responded to the questionnaire.

The challenges raised by such a survey and the opportunities that it offers could hardly be overstated, in particular in the current situation of Greece. A difficult issue, in particular, is to account for the biases that the ongoing structural reforms and budget restrictions might induce in the way employees understand and respond to the survey's questions.

In any event, it needs to be emphasised that the results of the survey should be as a measure of perceptions in the civil service, which usefully complement the other elements of the mapping.

Focus groups discussions

The aim of the focus group discussions was to further investigate issues of interest which had emerged in the other two parts of the mapping, to examine the degree of consensus or controversy on these issues and possible responses, and finally to initiate a dialogue with senior staff and managers on the merits and deficiencies of the central administration.

After a pilot experience which helped to improve the design and conduct of the discussions, four focus groups were constituted at the Ministry of Administrative Reform and E-government, each representing one of the largest ministries of the Greek Government: Finance; Regional Development and Competitiveness; Education and Religious Affairs; Interior, Decentralisation and E-Governance. The focus group exercise covered two main ministerial "typologies": horizontal (line) ministries and vertical (thematic) ministries which deal with key policy areas. In each group, two levels of structures were represented (generally directorate and department), all selected participants had university education, and there was at least one manager from each the operational categories "executive", "supporting", and "service providers".

The agenda for discussion was made up of ten questions which focused on four strategic issues: human capital of the central public administration, competencies/structures and operational function. There were also questions which dealt with identity issues of the participants and suggestions for improvement of the central public administration.

Overall assessment

The mapping exercise carried out for this report was a significant and largely successful effort to identify and examine the evidence needed to support the case for reform of the central public administration.

In addition to the wealth of data that it has produced (only part of which was used in this report), the mapping has revealed that managers find it difficult to produce information, and often rely on *ad hoc* ways and resources. The mapping teams themselves have had considerable difficulties, in some cases, in gathering the information.

The exercise is of particular significance in a country where policy decisions as well as day-to-day administrative management choices are generally made without being adequately grounded in evidence and data. In spite of its limitations, the mapping exercise shows that these deficiencies can be addressed, and that both the information itself and the competencies for collecting, collating and processing that information are available in the central administration.

Successful as it has been, however, the mapping exercise was conducted as a project, at the end of which no structure has been maintained. Data management in the Greek central administration should not be treated as an *ad hoc* project. It now needs to be put on a sustainable long-term footing, with appropriate institutions and funding.

Note

1. The policy fields are those considered in the 2009 programme budgeting proposal, which are similar to the international classification of the functions of government (COFOG), with only two minor alterations (see Annex B).

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GREECE

REVIEW OF THE CENTRAL ADMINISTRATION

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