February 2006
IMF Country Report No. 06/49

Greece: Report on Observance of Standards and Codes— Fiscal Transparency Module

This Report on the Observance of Standards and Codes on Fiscal Transparency for Greece was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **January 19, 2006.** The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Greece or the Executive Board of the IMF.

The policy of publication of staff reports and other documents by the IMF allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

Copies of this report are available to the public from

International Monetary Fund ● Publication Services
700 19th Street, N.W. ● Washington, D.C. 20431
Telephone: (202) 623 7430 ● Telefax: (202) 623 7201
E-mail: publications@imf.org ● Internet: http://www.imf.org

Price: $15.00 a copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

GREECE

Report on the Observance of Standards and Codes (ROSC)
Fiscal Transparency Module

Prepared by the Fiscal Affairs Department

Approved by Michael Deppler and Teresa Ter-Minassian

January 19, 2006

Executive Summary

This report provides an assessment of fiscal transparency practices in Greece in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on discussions with the authorities and other organizations, the authorities' response to the IMF fiscal transparency questionnaire, and other sources of information. The IMF *Manual on Fiscal Transparency* (http://www.imf.org/external/np/fad/trans/manual/) should be consulted for further explanation of the terms and concepts discussed in this report. This assessment focuses primarily on central government, given its predominance in the public sector. Transparency of fiscal management processes at other levels of general government is not discussed in detail; the non-central government (particularly social security funds and hospitals), which represents a significant fraction of overall general government spending, has been a source of revisions to fiscal statistics and could pose transparency issues ahead.

In recent years Greece has made progress in meeting the requirements of the fiscal transparency code. This has been most marked in the area of **public availability of information**, with increased publications and use of the internet. At the central government level Greek budget processes give **assurances of integrity** about fiscal data through independent audit and recently strengthened statistical reporting, although much still needs to be done on improving accounting and audit systems and extending coverage to the rest of general government. In other areas of the transparency code greater challenges remain arising from two main sources. First, the basic organic budget law prescribes a traditional detailed control-oriented budget management system providing little insight into government policies, activities or performance. Secondly, Greece has not modernized its fiscal institutions and systems. As a result major reforms are still necessary in improving **clarity of roles and responsibilities** and advancing more **open budget preparation, execution, and reporting.**

Main recommendations: (1) Present a fully consolidated budget, unifying the ordinary and investment budgets, and providing full information on the activities of extrabudgetary funds, local governments, and relevant public entities. Estimates of contingent liabilities and quasi-fiscal activities should also be included; (2) Central government should execute its budget through a more transparent treasury single account structure, and provide consistent and regular financing data for both central and general government to Parliament and public; (3) Inject a policy perspective into the budget by introducing a program structure that clearly identifies the government's objectives, encouraging an evaluation of the efficiency and effectiveness of government activities; (4) Develop a detailed medium-term budget framework that would move the budget process away from its narrow incremental annual basis, supported by a more comprehensive mid-year review of budget developments and fiscal sustainability analysis; (5) Move in a phased way from present detailed centralized controls, and strengthen the internal financial management in budget institutions so that they can be made more accountable for managing their own budgets; (6) Phase out the pre-audit of the MEF's fiscal accounting offices, and at the same time redeploy Court of Audit resources away from pre-audit to ex post systems and value-for-money audits, increasing the relevance of their annual reports and the effectiveness of parliamentary oversight; (7) Strengthen the present accounting system, especially in the area of reconciliation between ledger and bank records, followed by the introduction of a computerized financial management system and a phased move to at least a partial accrual accounting basis; (8) Strengthen transparency in tax administration by moving away from a system of universal control to a modern risk-based system through streamlining the internal organization of the tax administration, its audit procedures, compliance regulations and appeal processes, thereby curtailing the degree of discretion of tax administrators; (9) More closely monitor and report on the operations of the social security funds, in a consolidated manner, bringing forward the publication of the Social Budget, with a timely publication and analysis of outturns; (10) Make more transparent quasi-fiscal activities, and when deemed necessary for public policy, introduce explicit public service agreements, clarifying the implicit subsidies involved, with estimates of any contingent liabilities; (11) Better define responsibilities of lower level governments with more complete reporting on their operations, especially with regard to their borrowing, an area where strengthened regulations and improved central monitoring and supervision is recommended.

Contents Page

ACRONYMS AND ABBREVIATIONS

BOG	Bank of Greece
COA	Court of Audit
DFS	Department of Financial Services
DPI	Tax and Payment Offices
ECB	European System of Central Banks
EMU	European Monetary Union FAO
FAO	Fiscal Audit Office
FMIS	Financial Management Information System
GAO	General Accounting Office
GDP	Government Finance Statistics
GFS	Government Finance Statistics
MEF	Minister of Economy and Finance
MTBF	Medium-term Budget Framework
MLSA	Minister of Labor and Social Affairs
MOD	Ministry of Development
NSSG	National Statistical Service of Greece
OSE	Hellenic Railways Organization
PDMA	Public Debt Management Agency
PPP	Public Private Partnerships
QFA	Quasi-Fiscal Activities
ROSC	Reports on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
SGP	Stability and Growth Pact
TPO	Tax and Payment Offices
TSA	Treasury Single Account
YPEE	Special Inspections Service, General Directorate

I. Detailed Description of Practice

A. Clarity of Roles and Responsibilities

Definition of government activities

1. **General government is largely defined consistently with Government Finance Statistics (GFS) principles, but is not well covered in the budget process.** The units of general government are listed in Box 1. Government activities are clearly distinguished from those of financial and nonfinancial corporations. However, not all fiscal activity of general government is well reported. Consolidated information on municipal expenditure and revenue, the social security sector, and public entities part of general government, is not available in the budget documentation. The budgets of 11 "off-budget" funds are co-published with the budget, but the rationale for the presentation outside the budget of most of them is unclear. The budget of these funds is not subject to normal parliamentary authorization. General government also comprises some 149 extrabudgetary social security and pension funds. The budgets of these funds are approved by their boards, and by the Minister of Labor and Social Affairs (MLSA) and the Minister of Economy and Finance (MEF).

Box 1. General Government in Greece

	Expenditure as Percent of GDP 2004 (gross)	Expenditure as Percent of GDP 2004 (consolidated, net of transfers to other general government units)
General government in Greece comprises the following :		
Central Government Units Covered by the Budget		
1. Parliament, the Presidency, the Judiciary, 17 ministries, 13 regions	**39.2**[1]	**29.1**
2. Public Entities with Individual Budgets Classified Within Central Government Sub-sector		
Social Securities Funds and Hospitals	**20.8**	**17.9**
3. 149 social security and pension funds		
5. 133 medical establishments		
Local Government		
6. **1033** municipalities and villages	**2.9**	**2.8**
		===
Total General Government		**49.8**

[1]Including transfers to central government units with individual budgets and transfers to local government.

2. **Parliament is only provided information on, and asked for approval of, the transfer of grants and contributions to these funds from the state budget, without a due presentation of their overall budgets**.[1] This is despite the fact that the activities and funding of these funds are fully regulated by central government. In fact this practice disregards the possibility to change benefits and or contributions, and thus influence the fiscal position of central government. During the budget year, Parliament is informed about the planned expenditure, revenues, and balance sheet of these funds for the ongoing year, however, still without much descriptive analysis (see Box 2 on the Social Budget on page 18). The larger public sector contains some 2,600 public entities. A substantial part of these entities are either mostly dependent on grants from central government, or their revenues are largely regulated by law or lower legislation, and, in terms of the expenditure, they are engaged in implementation of government policy. Examples of such public entities are universities and hospitals. While best practice does not require such institutions to be incorporated individually in the state budget, there should be consolidated information on expenditure and revenues—in some detail—of distinct groups of these entities, not only of the individual grants received, to make an assessment of the appropriateness of the grants possible. The consolidated, gross expenditure and revenues of these public entities is now only prepared ex post for reporting to Eurostat and IMF. The definition of government activities is consistent between the MEF and the central bank, the Bank of Greece (BOG). To facilitate parliamentary oversight, apart from consolidated information, data should be included on individual categories of key revenue and expenditure categories, the overall balance, key financing sources (including arrears and debt), as well as the financial position of the entities including reserves and capital base.

3. **The relationship between government and public nonfinancial and financial enterprise is generally well defined, but specific policies and interventions need to be made more transparent.** In general public enterprises have been established as companies under private law (societés anonymes), with the government as full or partial shareholder. A number of public enterprises are further regulated by their founding acts, describing the rights of the sectoral minister and or the minister of finance to direct, control, and limit their activities. Importantly, these rights imply the ability to have public corporations carry out quasi-fiscal activities (QFAs), i.e., activities supporting government policy aims, which would not be undertaken if the corporation was solely functioning on the basis of commercial incentives. An obvious way to effect QFAs is by regulating pricing policies and influencing investment and operational decisions. For example, the Hellenic Railways Organization (OSE) has numerous obligations toward the Minister of Transport on the basis of its establishment act. It is required to submit its operational plan and budget, its medium-term investment plan, and any borrowing decision to the Minister of Transport and the Minister of

---

[1] The 2005 budget contains summary information only for the six funds receiving grant transfers from the budget to cover operational deficits.

Finance for approval. Pricing of tickets, routing and major personnel decisions are also only taken with approval by the Ministers of Transport and Finance (if the decision has financial repercussions). It is clear that a policy decision has been taken whereby OSE is not allowed to price according to costs. As consequence, the company is structurally loss-making, providing implicit subsidies to its passengers and other customers. The financial relationship between OSE and central government is made even less transparent by the use of both grant transfers (operational and investment grants) from central government as well as guarantees on its borrowing to provide yearly financial support. Both grants and guarantees are reported in the budget, but the provided guarantees have the character of postponed grants as the underlying loan obligations are systematically taken over by government in exchange for an increase in equity capital of the company.[2] The total annual subsidy of the government to OSE can thus not easily be deduced from the budget or other government documents.

4. **The recently adopted legal framework for Public Private Partnerships (PPPs) does not provide adequate protection yet against unwarranted fiscal risks and costs for government.** A number of PPP infrastructure projects have been initiated in recent years. The new PPP law is not very explicit about reporting and accounting requirements of line ministries and agencies which supervise PPPs. Also, the share of government in total project risk can still be very substantial as the government can participate up to 49 percent in the "special purpose vehicles" which take on the private sector risk (with public sector risk leaning completely on the public sector). Another area of concern in the new legislation is the lack of clarity about linkage to the government's procurement framework. PPPs should not undermine a competitive bidding for the construction of publicly used-assets. Finally, the governance structure and the tasks of the PPP taskforce, set up to guide the PPP process, should provide assurances on its technical independence to optimize the effective and efficient use of government resources.

5. **The Greek government still has equity holdings in a substantial number of economic sectors, but has indicated its intention to withdraw from those companies that are or could operate on a purely commercial basis.** The Greek State has major holdings in the utilities and transport sector, but also, amongst others, in banking, defense, gaming and tourism. In telecommunications, banking, and in oil refinery the government has already reduced its holdings substantially. From a public choice perspective, there seems to be little rationale for maintaining equity holdings in these highly competitive sectors. In other sectors where public good aspects and potential market failures are more relevant, as in public transportation, the government is developing plans to make the relationship with public enterprises more transparent, for example by working through public service contracts. If these plans are implemented, it will enable government to divest its shareholder position, and thus avoid being both principle and agent in service delivery. A more limited step has been

---

[2] In recent years these equity injections were initially not classified as expenditure, i.e., as a capital grant, but as a financing transaction. In consultation with Eurostat this has now been amended.

taken recently with the new Olympic Airlines (the successor of the Olympic Airways). The government has stopped its traditional public enterprise governance based on an establishment act with the Minister of Transport taking most of the decisions. The government now only exerts influence as shareholder (which can still be considerable depending on the stance of the government). Pricing policy is however now, for example, purely based on market conditions. The government has also recently auctioned nonprofitable domestic routes to the domestic airline willing to accept the lowest remuneration, and has—reportedly —not given any preferential treatment to Olympic Airlines. The relationship has thus become more arms-length, but full transparency will be realized only through full privatization in the coming years. Improvements in transparency are also planned in other sectors, such as the state railways, OSE, where separation of the infrastructure and transportation functions is planned. Aim should be to make transparent any explicit or implicit subsidy to the railway system, including appropriate accounting for the instrument of loan guarantees.[3]

6. **The management of state equity holdings is clearly defined with responsibilities being shared between a sectoral ministry and the MEF, or managed solely by the MEF.** Companies scheduled for privatization are—in most cases—transferred with respect to management and ownership to the privatization agency DEKA. The direct supervision of individual companies is carried out by their management boards, which tend to have representation from various segments of society, including the unions, and also usually include substantial sectoral expertise. The selection procedure of management board members could, however, be determined with a greater degree of transparency on the basis of clear guidelines regarding required competences, and less on the discretion of individual ministers. Reporting by the government on the management of equity holdings is very summary in nature. The budget document contains an overview of the equity holdings of the state-owned enterprises and those transferred to DEKA. Little insight is provided to Parliament or the public on the budgets of public enterprises, nor on the government's policy intentions and interventions in the coming fiscal year, even of those companies receiving government grants. Final accounts, including balance sheets, are published in the State Gazette, but not presented to Parliament in a consolidated manner with supporting descriptive analysis. A positive development is that the government is planning to impose the International Financial Reporting Standards (IFRS) on public enterprise financial accounting, which will improve comparability with the private sector. Government policies and interventions towards public enterprise are at most alluded to in the budget memorandum. Given the financial involvement of, and fiscal risk for, government arising from public

[3] This instrument has often been misused, because guarantees were given that were expected to be called, with no financial repercussions for the railway company. Normally, a company that has called a guarantee should not be allowed to receive any other guarantee on other financing until the financial situation of the company has been restructured. Guarantees were in effect used as delayed subsidies.

enterprises, a yearly report on the policies and interventions in this sector, with financial details, should be included in the budget documentation.

Government relations with nonfinancial public corporations and the private sector

7. **Public nonfinancial corporations are involved in providing some QFAs in a number of sectors, but the extent of nonmarket activities and prices has decreased.** Quasi-fiscal activities are, for example, still present in the urban transport sector with regard to price setting, investment and operational activity, and similar in nature to those described for the state railways. Public enterprises in the energy, telecommunications, defense, banking, and real estate sectors, as well as the postal services, are also to some extent still engaged in pricing or corporate activity in support of government policies. Conversely, loss making public enterprise is, especially in the transport sphere, still actively supported through the budget. However, partly under influence of EU policies and regulation, partly through a domestic change of policy, there has been an increasing effort over the past 15 years to bring public enterprises at a more arms-length relation to the state and to have them operate on commercial terms. Both the present and past governments have embarked on full and/or partial privatizations of those public corporations most connected with competitive markets. A somewhat rough indicator of quasi-fiscal activity is presented in Table A1, namely the amount of government subsidies to nonfinancial public enterprise over the past 15 years. Clearly the amount of subsidies as percentage of GDP has declined over that period.

Table A1. Recurrent Grants and Subsidies from the State Budget Aimed at Public Enterprise Activities[1]

Year	1990	1995	2000	2004
In million Euro	285	358	303	210
As percent of GDP	0.6	0.5	0.2	0.1

[1] Data supplied by the Ministry of Economics and Finance; Capital grants and loan guarantees not included.

8. **Arrangements regulating profit transfers from state enterprises to the budget are not clearly specified.** As indicated, policies and interventions with regard to public enterprises could be more transparent. In the case of a traditional public enterprise established through own legislation the sectoral minister will also have an important voice in the decision. In practice the profit transfer from the public enterprise sector has been rather minimal reflecting the low profitability of the sector in the past, and the present focus on strengthening public enterprises to prepare them for future privatization.

9. **The legal framework for privatization is not very detailed on process and procedures, leaving leeway for discretionary decision-making; privatization processes have been fraught with political considerations and union resistance.** The privatization policies of government are periodically discussed in budget documents and in Parliament. The institutional framework for privatization is formed by the law establishing the Privatization Agency, DEKA. The law stipulates elements of the transfer of state-owned enterprise to DEKA in preparation for their full, partial, or phased sell-off to the market. In that process DEKA can use funds obtained from previous privatizations to clear debts and bolster equity of the companies to be privatized. In the past not all privatization processes have been channeled and managed by DEKA, leading to uncertainty over responsibility, process, and procedures. For example, DEKA is governed by a managing board appointed by the MEF and also has representations from sectoral ministries, the banking sector, and DEKA reports on its activities through a yearly report to the Minister of Economy and Finance. This report is discussed in Cabinet but not transmitted to Parliament. The process of privatization has often encountered strong societal and especially union opposition, partly caused by the more generous worker benefits in public enterprises than in the private sector, and partly by the arrears of public enterprises towards their respective worker's pension funds.

10. **Privatization revenues have not been transparently transferred to the budget but have been retained in a special privatization account and subsequently spent outside the normal budgetary process.** In general revenues, although again with a number of exceptions, are not reimbursed to the budget, but left at the disposal of DEKA on a special privatization account at the Bank of Greece (BOG) (which is part of the overall account of the government of Greece at the BOG).[4] Utilization of these funds takes place without due approval of Parliament. The government has argued that transactions on the privatization account are financing transactions transforming one asset into another. However, it appears that overhead expenditures of privatization are also partially covered by this account. Even if only used for financing transactions, the impact of these transactions should be presented on the balance sheet of central government. In the past there has also been a discussion with Eurostat whether DEKA could be considered a body external to central government. It has in recent years been agreed that DEKA is an integral part of central government, even if it is set up as a public corporation, as it clearly does not operate in a market environment and is fully involved in the implementation of government policy.

[4] Surprisingly, this account is shared with the MEF which uses it to deposit separate receipts which are also used outside the budget process.

11. **Laws and processes governing government regulation of the nonfinancial private sector have been made more transparent under influence of EU directives, but issues remain regarding the lack of clarity of the legal framework and of its application by the administration.** Laws and regulations governing private sector activity have been streamlined under the influence of EU directives. Company law, tax legislation, labor market regulation, sectoral regulation, procurement law; all broadly conform to harmonized EU standards. However, the business community still views that certain areas of legislation, for example laws regulating the establishment of new companies, are marred by excessive detail, numerous exceptions, seeming contradictions and varying legal interpretations by central and local government administrations. Another difficulty for businesses submitting to Greek regulation is the tendency to regulate policy areas in a piecemeal fashion, by a continuous flow of Presidential and Ministerial decrees and decisions, rather than by a comprehensive update of a central piece of legislation. The business community has indicated that Greece has a regulatory environment which is relatively more demanding than in most other EU countries.

Government relations with the central bank and public financial sector

12. **The BOG is operationally fully independent of government, and it plays no fiscal role.** Since Greece entered the third phase of the European Monetary Union (EMU) in 1999, the BOG has been part of European System of Central Banks (ECB). Greece no longer has its own independent monetary policy. The ECB has ample safeguards for any independent determination of monetary policy. The government of Greece holds only a small part of the shares of the BOG, but is entitled to the largest part of the profits given the central bank role granted by government. Profit remittances are determined by transparent rules spelled out in Article 71 of the Statute of the Bank of Greece. The article provides both adequate safeguards for maintaining the bank's capital and reserves and ensuring, when possible, profit remittances towards the shareholders and government. The BOG provides numerous banking services to government and other parts of the public sector, for example BOG provides the MEF services as cashier of government, in payment processing, cash management, and account holding. The BOG is remunerated for these services, and also for the services it provides to social security funds—for which it invests some 70 percent of their reserves in government bonds—and public enterprise. The BOG, however, does not provide credit in any form to government or any public institution or corporation since 1994 when Greece entered the second phase of EMU. Article 45 of the Bank's Statute states that the BOG remunerates the Greek government on accounts held at the bank at an interest rate "reflecting market terms and conditions."

13. **Public financial corporations do not provide preferential loans to government but their stance towards public enterprise still has some limited nonmarket characteristics.** The government is full shareholder of only two banks, the Postal Savings Bank and the Agricultural Development Bank. Through full, partial and indirect shareholdings through pension and social security funds, however, it still maintains full or partial control over some eighty percent of the banking sector (on an asset basis), despite substantial privatizations in recent years. The government shareholdings in the largest three

banks has decreased substantially over the last 15 years, but through equity holdings of the social security funds the influence of the government is potentially still substantial.[5] The Postal Savings Bank and the Agricultural Development Bank have special legislation governing their activities. Both of these banks have to some extent business practices which are supportive of their client-base in excess of commercial practice (for example by respectively maintaining small service locations, and by providing relatively easy credit access to farmers with credit instruments of longer than normal maturity). In general, the fully and partially-owned banks have in the past had an intensive and supportive credit and equity relationship with the public enterprise sector. The government has recently indicated that state-owned banks are to fully divest their equity holdings in public enterprises. The medium-term strategy of the government towards financial public enterprise is to continue the process of divesting its holding in the banking sector. The private sector has in the past complained about preferential treatment in credit provision by state-owned, or state influenced, banks towards public enterprises. No firm data is available on the scope of such activity. Further privatization of public financial enterprises will ensure that such indirect channels of quasi-fiscal support will be closed.

Fiscal management relations among different levels of government

14. **Public administration in Greece has four main levels.** The so-called first level of local government units are the municipalities and communes (villages)[6] and the second level are the prefectures, geographically covering several municipalities and villages. These two levels of local government are—based on the Constitution—democratic and financially autonomous within their jurisdiction, implying that they approve their own budget through their legislative organs. There is no implied hierarchy between the two levels. There are 1,031 municipalities and 54 prefectures.[7] Both levels of local government are responsible for different sets of functions and are administratively independent of each other. The next level of government is the region level,[8] which geographically is made up of a number of prefectures, but is administratively separated from them. Regions function as deconcentrated units of the central government. Each region is headed by a secretary general, who is appointed by the central government, and whose budget is approved by Parliament. The role of the regions towards local government is one of supervision in the legal sense of

---

[5] By law, the Minister of Economy and Finance represents any social security funds as shareholder in private or public enterprise. Noteworthy was the replacement of the governors and deputy governors of the three main commercial banks after the last elections. More generally this is also still a common occurrence in public enterprises.

[6] In 1997 there was a consolidation of 5,751 units to 1,031 units.

[7] Prior to 1994, prefectures were appointed administrations and part of central government.

[8] Law 2503/1997 consolidated the existing regions into 13, to improve their role as units of planning and coordination.

controlling the legality of local government actions, for example whether they conform to the budget passed by these levels of government and financial regulations in place. The regional administration has no supervisory role on the direction or purpose of local government expenditure.

15. **The expenditure responsibilities of different levels of government are defined in law, but leave the possibility of overlapping government activities.** The main legal texts defining the jurisdiction of municipalities are the Constitution and the Municipality and Community Code, which encompasses a series of laws and presidential decrees. For prefectures the main legal provisions are contained in the Law 2218/94 on Organizations of Local Self-Administration of the Second Level and its subsequent amendments. In practice municipalities deal with issues of town planning, public works, municipal police, traffic, health inspection and sanitation, school maintenance, kinder gardens, nursing homes, community facilities, licensing of companies, and the management of municipal property and infrastructure. Most of the activities in these areas are regulated or delegated by central government. Importantly, a constitutional amendment specifies that it is not permitted for central government to delegate any responsibility to municipalities without adequate provision of resources. The expenditure assignments of municipalities do not exclude central government involvement in certain policy areas as central government can always declare an issue of national importance. On the other hand the Constitution specifies that issues should be dealt with at the lowest level of government competent to deal with it, and furthermore that specified core tasks of the municipality can never be taken away by central government. It would seem that a more enumerative delineation of responsibilities between municipalities and central government would be more transparent. The responsibilities of prefectures has been severely limited at the time that they were transformed to a democratic layer of government in 1994.[9] Major responsibilities were shifted to the regions, which, as indicated, are the deconcentrated units of central government. The remaining responsibilities seem to a certain extent to overlap both with those of municipal and of regional governments.

16. **The financial autonomy of local government—while guaranteed by the Constitution—is in practice rather limited.** Local governments, with exception of the largest municipalities, receive the largest part, roughly 57 percent of their revenues, from the central government. Some 30 percent of that amount is received as earmarked grants, the remainder as a general purpose grant, which is funded by tax sharing arrangement with

---

[9] The present tasks include: licensing storage and multi-story buildings; licensing explosives; licensing private enterprises with salaried employees; authorizing credit for land reclamation works; determination of protected zones; licensing import of livestock; supervision and control of health services; and licensing fishing activities. Subsequent laws gave them responsibility for school children’s transportation, planning civil defense, and special programs for the promotion of public health in their area of jurisdiction.

central government covering a number of taxes.[10] Own revenues of municipalities, made up some 38 percent of the resources in 2004, mostly from property fees and charges, and loans comprised not more than 6 percent. Prefectures are dependent for almost 96 percent of their revenues on government transfers.[11] The remainder was almost totally from own revenues in the form of various fees and charges, since prefectures have very limited borrowing. Municipalities and prefectures are forbidden to institute their own taxes, while their fees and charges can only be varied between certain legal boundaries and must be used for the specific purpose addressed by the fee or charge. Moreover, as indicated, government transfers are largely spent on earmarked, or on regulated, expenditure. This implies that the de-facto autonomy of municipalities is severely restricted. In many EU countries the financial and tax autonomy of local government is relatively larger, for example because the property tax and the property transfer tax are full local government taxes.

17. **The transfer of resources to local government is defined by a fairly transparent distribution formula but exact amounts are only communicated during the fiscal year.** The general purpose grants for municipalities and prefectures is distributed predominantly on the basis of objective criteria defined in law, which include population, accessibility by road, level of tax autonomy, economic growth and unemployment levels, and climatic conditions. These criteria are usually modified on a yearly basis, but only to a limited extent, by proposals and agreement with the respective local government associations.[12] In the distribution formula the most dominant factor is the size of population. The other criteria are factors reflecting need and tax capacity. As such, population is usually the most equitable factor in providing resource equalization, however, there always remain issues of intra-municipal equity in such formula. For municipalities in general it is important that the formula is recalibrated from time to time, which is the case in Greece. One could argue that the present annual recalibration provides too little stability to municipal finances, and that recalibration should be less frequent. A more important drawback of the present system is that the exact transfers to individual municipalities and prefectures is only made know on April 1st of the current budget year, resulting in a great deal of uncertainty in budget formulation. For more dependable and transparent municipal and prefectural budget preparation the amounts of transfers should be indicated at least a month before finalization

---

[10] Municipalities are entitled to a share of 20 percent of income tax; 50 percent of road duties; 20 percent of taxes on interest of deposits; and 3 percent of the real estate transfer tax. The general purpose grant of municipalities comprised approximately 7 percent of total central government tax revenue in 2004.

[11] Similar as for municipalities parts of these transfers were in the form of a general revenue grant funded from tax sharing arrangements comprising 15 percent of road duties; 10 percent of the real estate transfer tax; 4.5 percent of car registration tax; and 2 percent of VAT.

[12] The KEDKE, the Central Union of Municipalities and Communities of Greece, and the ENAE, the Union of Prefectures of Greece are associations of local government with no formal public status, but—as in many European countries—with a considerable role in negotiating on behalf of their members with the central government on public policy issues.

of the municipal and prefectural budget. If this is not possible due to uncertainty of the state budget, indicative transfer amounts need to be communicated by the Ministry of Interior.

18. **Fiscal decentralization has not progressed far in Greece over the last 15 years, with the size of local government remaining very small relative to other EU countries and the influence of central government on local government activities remaining pervasive.** Local government expenditure totaled only 2.9 percent of GDP in 2004. Compared to other EU countries this share in general government expenditure is very low. By restraining local government, capacities for the effective provision of local government services will remain low, as will the capacities for good financial management. Line ministries, even when represented by deconcentrated services, may be slow to respond effectively to local opportunities and challenges. By pervasive regulation of local activities central government supports an attitude of dependence on central government. In financial relations this, according to various stakeholders, leads to a steady stream of in-year supplementary budget requests by local governments, and of politically pressured bail-outs in cases of financial mismanagement.

19. **Local government is allowed to borrow without being guided by objective criteria; present indebtedness of local government nevertheless seems low and balanced by substantial cash holdings.** There are two main restrictions on local government borrowing. First, for every loan approval is required from the municipal or prefectural council and for loans above 3 million euros a council majority of two-thirds must provide this approval, which is reportedly difficult in Greece's political context. Second, each loan requires a report on the repayment capacity of the municipality or prefecture, which must be approved by the regional administration on behalf of the Minister of the Interior. It is unclear whether local government repayment capacity is evaluated in a systematic way. In any case, there are no restrictions on the modalities of borrowing instruments, and, for example, no maximum debt-revenue or debt-service to revenue limits, as in other EU countries.

The legal and administrative framework for budget management

20. **The legal framework for management of public funds is clear on the major processes of budget management.** The Greek Constitution, organic budget law, and affiliated legislation incorporate important principles of public finance: (1) taxes can only be imposed by law; (2) expenditure can only be undertaken after approval of the budget in Parliament; (3) expenditure and revenue are presented jointly for all of central government; (4) government financial data is presented in some detail, according to an agreed classification, on a gross basis, in an ex-ante form in an annual budget and ex post in final accounts; (5) management and coordination of the budget process is assigned to the minister of finance; (6) responsibilities of line ministries and their authorizing officers are specified; (7) clear rules exist on the issuance and reporting of government guarantees; (8) contingency provisions prescribe clear and stringent conditions for the use of such funds; (9) ex-ante and ex post audit procedures to control expenditures are defined in some detail; (10) key elements of a yearly budget cycle are identified and prescribed; (11) expenditures are balanced by revenues and financing.

21. **The existing budget management framework is not always applied comprehensively.** Modern principles of budget management, including strengthened requirements for accountability and transparency, could be included in the budget law. These positive and crucial aspects of the organic budget law described above are not consistently applied over all expenditure regulated by government, i.e., expenditure is, next to the budget, channeled through off-budgetary, extrabudgetary, and arms-length public entities. An ordinary and an investment budget are prepared separately from each other. By using these varying channels and presentations, there is no overall consideration of government expenditure. Another important legal issue is the great freedom of the executive in making changes in budget appropriations during the year.[13] The Minister of Finance is only required to submit a supplementary budget when the expenditure and revenue in the budget differ "significantly" from the budget estimates (see Article 8 of the Organic Budget Law). Such unspecific requirements for supplementaries is not transparent and undermines the authority of Parliament. In practice the MEF almost never submits supplementary budgets as it has agreed internally to do this only if the budget totals differ with more than 5 percent form the original budget estimates. There are other significant shortcomings of this organic budget law: the lack of medium-term focus; a weak link with, and poor costing of government policy, caused by the input basis of allocations; no use of hard budget ceilings in budget preparation; insufficient provision of review and prioritization of expenditure; limited autonomy and managerial flexibility of line ministries and agencies in the budget process; and an overly complex auditing process. These weaknesses are discussed in subsequent sections. Other areas where budget laws in other EU countries have progressed in recent years is in the requirement to present in-year budget execution reports, to report on the effectiveness and efficiency of government activities, and to hold managers accountable for performance. These areas are still underdeveloped in the Greek budget law. The quality and structure of data and descriptive analysis in budget documents also needs further upgrading. Line ministries do not present separate memoranda on their ministries' activities and achievements as part of the budget documentation.

22. **Fiscal management of central government is assigned exclusively to the Minister of Economy and Finance, but internally responsibilities are fragmented.** Within the MEF, the two components namely, the GAO and the former ministry of national economy remain for all purposes distinct institutional entities, despite the merger of the finance and economic functions into one ministry. The GAO is characterized by a rather fragmented structure with unclear responsibilities for different functions. At the same time, parts of the functions carried out by the GAO are carried out by other institutions. In budget preparation, the GAO prepares the Ordinary Budget, and the National Economy the investment budget. In the area of debt management, Greece has developed a modern and well-respected Public Debt Management Agency (PDMA) which has considerably improved maturity and risk

[13] This great freedom applies to the MEF, not to the line ministries and agencies who in comparison to other EU countries have extremely limited powers to transfer amounts from approved budget lines.

management of the Greek debt portfolio. While internal reporting systems have been developed by the PDMA, the overall accounting and reporting functions for debt management towards EU, international organizations and Parliament have been retained by the GAO, as well as some of the responsibilities for debt issuance.[14] The debt managed separately by the GAO has been one source of the misreporting confronted in the recent Eurostat data revision. There is an urgent need for an overall institutional review of the MEF that would attempt a consolidation and reorganization of basic functions with the aim of strengthening fiscal and treasury management and removing any overlaps.

23. **The organic budget law does not prescribe presentation and analysis of fiscal sustainability issues in the budget.** Greece has taken the first steps towards including some medium-term focus in budget preparation, by preparing a macro fiscal outlook which forecast fiscal developments at a very aggregated level. These fiscal projections are not corroborated by preparation of medium term bottom-up budget estimates, leaving large uncertainties on the accuracy of the projections. Project data is subsequently not subjected to sustainability analysis with respect to debt stock developments, nor are any scenarios developed to assess risks with regard to sustainability.

24. **Greece's pay-as-you-go social security sector is fragmented, and in part heavily dependent on government for bridging financial deficits.** Greece has 149 social security and pension funds that are regulated by a complex system of laws and regulations that has evolved since the emergence of the present system in 1992. In addition, each social security fund has individual by-laws and statutes. The system is funded by contributions of employees, employers, and the state and provides benefits at levels regulated by government. Social security funds are largely organized on the basis of their beneficiaries' employment group. For example, there are social security funds for farmers, lawyers, merchant marine personnel, bank personnel, etc. Many social security funds provide multiple benefits including health care, disability insurance, and pensions. The government has been trying to integrate all private sector employees in the largest social security fund, IKA, which already encompasses a number of employee groups. There are obvious economies of scale to be reaped from merging operational entities which largely have the same business processes and are able to automate much of their activities. This will also make their operations more transparent. Social security funds are managed by a management board of which the chairman and members are selected or approved, respectively, by the Minister of Labor and Social Affairs.

---

[14] Debt management and reporting is a task clearly delineated from fiscal management and reporting. Most OECD countries have found it useful for coordination of tasks, concentration of expertise, and transparency of accountability, to integrate all tasks related to debt management in one functional agency. Data integrity would also be an important reason to concentrate the debt management function in one agency, such as the PDMA.

25. **In addition to the social security and pension funds there are a number other EBFs, some of which appear to be engaged in normal government activities.** The 11 most important off-budget expenditure funds could easily be included in the budget of respective line ministries, not only included for information in the budget documentation as is presently the case. The latter is of course an improvement over previous practice of not informing Parliament at all. Inclusion in the budget would also seem possible for a number of government agencies, such as the Employment Agency which provides unemployment benefits and other services to the unemployed. While an arms-length relationship can be useful in increasing effectiveness and efficiency of certain types of government service provision, this is not a valid argument for placing the budget of agencies off-budget.

26. **Central government is regularly called in to provide financial support to the social security sector, which is plagued by poorly prepared and enforced budgets, arrears of contributors, and a highly inefficient health sector as the main destination of funds.** Social security funds must present a balanced or surplus on their budget that they submit to the MLSA for approval. They can use available reserves for covering a deficit if necessary. Even though a pay-as-you go system, the sector has an approximate investment reserve of 20 billion euros, which is managed for some 70 percent by the BOGG in a bond mutual fund. Nevertheless, individual social security funds do run deficits and then seek grant transfers from central government since the alternatives of increase in premiums or decrease in benefits for individual employee groups is politically unacceptable. The financial situation of certain funds has deteriorated due to payments arrears of employers, specifically state-owned and loss-making employers. In addition, a poorly managed and inefficient health sector has driven up health costs considerably. Finally, the mission had the impression that budget preparation is done on the basis of expected transfers from the state, not the other way around so that transfers are determined on the best calculation of entitlements minus contributions. On the other hand there no sense of urgency in the sector to improve collection of contributions, or discuss health care costs with the hospital sector. Most social security funds seem content to request support from central government, when needed. The fragmentation of the sector has made it rather weak in the relationship with both employers, government and health care providers.

27. **The monitoring, supervision, reporting and analysis of the social security system could be greatly enhanced.** While the MLSA exerts very detailed control over most aspects of the funds' activities, this is not the case with monitoring and supervision on budget implementation. The social security funds provide budgets, quarterly reports and annual reports to both the MLSA and the MEF (see Box 2). The budgets are approved by the MSLA, and also by the MEF if a grant transfer is requested. The quarterly reports, and final accounts, which are produced often with considerable delay, or even not at all, are sent to MLSA and MEF for information, but seem only to be used for statistical purposes. Timely in-year intervention or investigation as to expenditure overruns or lack of revenues does not take place. Neither is the Cabinet or Parliament informed on the budget execution of the sector. The MLSA does produce an annual Social Budget which provides summary information on the budgets of the funds in the ongoing year and on past years with some

delay (due to late provision of data). The usefulness of this report can be called into question as it not published at the time of the state budget when the grants to the funds are decided.

28. **An important shortcoming in the reporting of pension funds is that, while financial assets and liabilities are presented, future year pension obligations towards contributors are not monetized**. This implies that the overall solvency of pension funds can not be easily ascertained. The recently established National Actuarial Authority (NAA) could play an important role in developing standardized methodology for pension fund accounting. The authority has been set up—according to its establishment act—to supervise, report on, and investigate operations of pension funds based on a new law on pension system reform enacted in 2002. The activities of the NAA still seem largely advisory, and less than its formal mandate seems to imply. At present, overall supervisions and control of pension funds still rests with the MLSA. This role should be shifted to an adequately resourced NAA in the coming years.

Box 2. The Social Budget

Article 86 of Law 2084/1992 legislates that the Minister of Labor and Social Affairs (MLSA) publish a Social Budget, showing the use of funds for social protection,1 and submit this to the President of the Greek Parliament on an annual basis. The Social Budget contains summary financial data on individual and groupings of social security and pension funds, analytic information on past trends for the sector, including associated demographic data and other relevant indicators of performance. The document covers all revenues, expenditures and balances associated with social insurance, health and social protection, and is based on the budgets of the various institutions covered, as well as the transfers from the State Budget. The document contains not only the funds' cash flow position but also a statement of financial assets and liabilities.2 The document reports only on present and past year planned figures. There is no confrontation with realization figures from the final accounts of the funds.

The majority of these funds, i.e., the 94 social insurance funds supervised directly by the Ministry of Labor and Social Affairs, produce their budgets with some degree of independence from the Ministry. Typically half the members of their Managing Boards are elected; however, the president of their Boards is usually appointed by the Minister. By Law the funds are required to have no more than 20 percent of their reserve in investments in equity and bonds. The social insurance funds have their budgets approved by the Ministry of Labor and Social Affairs, but their budgets are not presented to Parliament with the State Budget, although the central government's transfers to these funds is part of the budget. In terms of the in-year monitoring of the funds, quarterly statements are sent to the Ministry of Labor and Ministry of Economics and Finance, although adherence to this discipline is not very good. Received information is not consolidated in any way or reported on. Part of the problem in doing so arises from reporting lags varying markedly between funds. Quite separately, the National Statistics Office, as part of its improved quarterly reporting on the general government surveys the funds, and consolidates their financial position (reported on a GFS comparable basis) with other parts of the general government.

While the Social Budget contains the most comprehensive financial information on the social insurance funds, the usefulness of this document has been questioned due to the time lag in its production and dissemination. In 2004 there were substantial delays due to the adoption of a new computerized accounting system for the social insurance funds, but even in 2005, this document will only reach the public in early July. Once published, the Social Budget is accompanied by a bulletin with comparator data, aimed at the wider population, and is presented to Parliament for information.

---

[1] This covers the budgets of social institutions (F.K.A.), supervised by the Ministry of Labor and Social Affairs; the budgets of Manpower Employment Organizations (O.A.E.D.), Organization of Labor Residence (O.E.K.), Organization of Labor Housing (O.E.E.); the budgets of legal persons under other Ministries (e.g. Commercial Shipping, National Economy, Agriculture, National Defense, Health); the budgets of the Health organization of the employees of the Public Sector (O. P.A.D.), the Greek Parliament and the Public Water Utility (E.Y.D.A..P.).

[2] There are no forward projections in this document.

The legal and administrative framework for tax policy and administration

29. **The legislative basis for taxation is clear, but made untransparent by overly complex administrative procedures and a multitude of exemptions, stamp duties and "third party taxes."** According to article 78 in the Constitution, taxes cannot be levied without a statute enacted by Parliament, specifying the tax base and the tax rate. Nonetheless, tax reform, with a broadening of tax basis and a simplification of the tax code, remains an important issue. Frequent changes in tax legislation reduce the openness and predictability of the tax system. There is reportedly uncertainty in areas of the income tax law, in particular in the interpretation of what business expenses are deductible.[15] While the law formally provides for self-assessment of income taxes and VAT, in practice the system is not functioning on a full self-assessment model. The Code of Books and Records specifies in three volumes what legal requirements must be followed in keeping, recording and formally authorizing all business books and documents. This is certainly comprehensive, but is so voluminous and detailed that as a consequence it becomes nontransparent.

30. **The tax system in Greece is characterized by a large number of tax exemptions, such as reduced VAT for certain goods such as books, newspapers, food and medicine, and a reduction on the tax on interest on treasury bills and bonds.** This problem is augmented by a multitude of stamp duties, and nontransparent "third-party taxes"[16] arising from the compulsory contributions to numerous pension and social security funds on employees. The Greek authorities have introduced several reforms since 2001 to simplify the tax system, inspired by the report of a Tax Reform Commission. There is open acknowledgement that there is still room for reducing further the complexity of the tax system by abolishing many more stamp duties, ending preferential treatment of some products and services, eliminating many of the exemptions to corporate taxation, and making explicit the extent of "third-party taxes."

31. **Rights and obligations of taxpayers and the tax authorities (for example, to obtain third party information, take enforcement actions, and other regulatory measures) are specified in the law.** Administration of the tax law has been, however, both ineffective for the government and burdensome for the taxpayers, with a great deal of focus on the satisfaction of formal requirements which can be extremely detailed and extensive. In addition, the process of audit is frequently conducted with bargaining[17] between taxpayers

---

[15] There has been a recent effort by the authorities to institute greater clarity and certainty through the use of "objective standards," in an effort to reduce the room for discretion on the part of tax officials and the bargaining between officials and taxpayers.

[16] The Tax Reform Commission estimated that there were some 300 of these third-party taxes in 2002.

[17] This bargaining is not necessarily based upon corruption, but contributes to a lack of transparency in the process of collecting lawfully owed taxes.

and tax officials over the level of assessment, a situation to which the uncertainty in some of the income tax provisions contributes.

32. **The appeal procedures and related legal rights of taxpayers are clearly defined, and mechanisms for enforcing these exist.** Decisions by the tax administration can be appealed by the taxpayer, if the appeal is recorded in the local office within 60 days of formal notification of the tax discrepancy or penalty by that office. Taxpayers may, but are not required to, take a first administrative appeal to an "Article 70 Committee," for most tax discrepancies.[18] Although not a required step, almost all appeals[19] do begin at this level, and the vast majority are settled there (frequently through compromise or bargain). Most administrative appeals of this type are settled quickly, within a few months at most. A taxpayer may, after decision by the Article 70 Committee (or, as noted, instead), also appeal to the administrative courts, a process which can take from two to five years to complete and requires a lawyer. The key role played in the administrative appeals process by the Directors of the local field offices, responsible for assessing the tax discrepancy in each case, results in the appearance of lack of independence in the appeals process, and should be eliminated.

Public servants' code of behaviour and anti-corruption activity

33. **Public servants are subjected to a well-defined code of behaviour, although adherence to the code remains uncertain**. Reducing corruption in the public administration is a priority of the government. For this purpose a number of inspection bodies have been established, such as the Public Administration's Inspectors and Audit unit at the Ministry of Interior, as well as several inspection divisions in various ministries, the Police and the Coast Guard. The regulation of procedures for investigating financial crime comes under the jurisdiction of a special unit in the MEF—the Special Control Directorate. The responsibility of prosecuting bribery cases lies with the Ministry of Justice. However, diligent enforcement of anti-corruption laws remains an issue (see paragraph thirty one on tax administration). Since 1999 the conduct of civil servants in Greece has been regulated by a Code of Civil Servants (2683/1999). The code regulates appointments, obligations for, and restrictions on, behaviour and conduct, employment conditions and remuneration, and disciplinary measures.

---

[18] These standing committees are comprised of an inspector from the internal Economic Supervision Directorate, a member of the Chamber of Commerce, and the local Director of the office which has raised the assessment.

[19] Appeals of minor amounts are heard only by the local office Director, at the administrative level.

B. Open Budget Preparation, Execution, and Reporting

The budget preparation process: clarity and consistency of process and presentation

34. **While Greek budget preparation procedures are clear, they are not in line with international best practices.** The annual budget process is to a large extent open, and for the most is in line with the structure in other EU-countries. The budget preparation process involves the formulation of an aggregated fiscal framework, although this does not fully translate into the budget process. An important drawback in the Greek system is that the budget process is fragmented into a number of different budgets—the ordinary budget, the investment budget, and the budgets of a large number of extrabudgetary funds and entities. This fragmentation of fiscal relations obscures a consolidated picture of public finances, which could lead to sub-optimal decision making and insufficient fiscal discipline, as well as the inability to obtain information necessary to evaluate the performance of the government sector as a whole.

Box 3. The Budget Preparation Process

The fiscal year begins on January 1 and ends on December 31 (The Organic Budget Law, 2362/95, Article 4)

Due dates	Activities	Legal Basis
January	Macroeconomic forecasts for coming budget year (t) and the following two years (t+1, t+2) is prepared by MAD of MEF.	
Spring	Main fiscal parameters, based on the SGP requirements, for year t together with projections for t+1 and t+2 are established.	
May	Budget circular, containing instructions on the formulation of spending proposals, distributed to ministries and regions.	
July	Spending proposals sent to GAO, and proposals regarding investments sent to MEF.	2362/95, Article 6, Budget Circular
July	Updated macroeconomic forecasts by MAD.	
July–September	Negotiations between GAO/MEF and ministries and regions.	
September	GAO prepares draft budget.	
Mid-September	The Minister of Finance presents draft budget to Prime Minister followed by discussions in the Cabinet. Government decision on the draft budget.	
First Monday of October	The draft budget submitted for discussion to the Financial Committee of the Parliament.	Constitution, Article 79
November 20 (40 days before the beginning of the fiscal year)	Minister of Finance presents the budget proposal to Parliament.	Constitution, Article 79, (compare 2362/95, Article 8,)
End of December	The budget is approved by Parliament.[1]	Constitution, Article 79

[1] If the budget is not approved by Parliament before the beginning of the budget year, the budget of the previous year is extended for four months (Constitution, Article 79, paragraph 5 and 2362/95, Article 9, paragraph 2).

35. **The budget preparation process starts in the early months of the year with a macroeconomic forecast prepared by the Macroeconomic Analysis Department (MAD) of the MEF**. This forecast is published in the "Current Economic Developments of the Greek Economy." The projections are then translated into a fiscal framework based on the criteria outlined in the Stability and Growth Pact (SGP) of the European Union.[20] The fiscal framework contains an assessment of revenue and targeted levels for central government expenditure and deficit for the upcoming budget year, plus the two following fiscal years. Overall expenditure is tentatively broken down into allocations for each ministry and region for the ordinary budget and for the investment budget. There are, however, no formal procedures in which restrictions in the budget are fixed at this stage. In May budget circulars are distributed, requesting the preparation of spending proposals for the ministries and regions, both for the ordinary budget and the investment budget. The circulars contain a general comment on the government's fiscal policy, directions on the formal procedures for compiling proposals and deadlines for the submission to the GAO and the MEF. The preparation of spending proposals is to a large extent a bottom-up, incremental exercise, where the previous year's appropriation is used as the basis for calculating future expenditure requirements. Additionally, a significant part of the overall expenditure is decided by centrally set criteria, for example, personnel expenditure, grants to social funds and expenditure for tax-sharing with local governments. Ministries and regions also use this opportunity to propose discretionary spending proposals requiring financing. Expenditure for both existing programs and reforms is calculated and requested in a three-year perspective. According to the deadlines set in the budget circulars, the spending proposals for the ordinary budget are sent to the GAO for scrutiny and the proposals for the investment budget to the MEF; this usually takes place in early July. Following this, the GAO starts preparing the budget proposal with the aim of containing overall expenditure within the limits of the fiscal framework. As a rule, this requires significant reduction of the proposed expenditure levels received from ministries and regions. At this stage, an update of the macroeconomic picture is made and the GAO, therefore, has a better picture of the scope for expenditure. In the preparation of the budget, negotiations with the ministries and regions on the ordinary budget and the investment budget are undertaken separately. In the middle of September the Minister of Finance presents the Prime Minister with a budget proposal. After discussion in the Cabinet the government decides on this proposal, and a draft budget is sent to the finance committee in the Parliament no later than the first Monday in October. By providing the Parliament with a draft budget the government can receive preliminary comments on its budget. The final budget proposal is presented to the Parliament, no later than 40 days before the start of the new fiscal year.

[20] A restriction of the deficit of the general government to no more than 3 percent of GDP and a target for the general government debt ratio to GDP of 60 percent.

The macroeconomic framework and policy basis for the budget

36. **The main focus of fiscal policy in Greece has been to reduce the general government's deficit and debt positions, but these aims have proven difficult to fully translate into central government budget preparation and execution decisions.** Following fiscal inventory revision of public finance statistics in Greece, with general government deficit figures of more than 3 percent for every year since 1997, there are obvious questions to be raised over Greece's ability to enforce a sustainable fiscal policy. Apart from the obstacles posed by the deficiencies in the system for monitoring and reporting financial statistics, the organizational structure of the public sector and the institutional arrangements in the budget formulation process further obscure fiscal policy formulation and implementation. The fiscal policy objectives formulated in the early stages of the budget formulation process do not fully translate into the government's budget proposal. The lack of explicit budget policy targets consistent with the overall fiscal policy for the general government sector largely leaves fiscal policy at the discretion of the GAO. Furthermore, the implicit fiscal target for the central government sector is not set for the budget outcome, and does not restrict expenditure to a full extent in the execution phase.

37. **The macroeconomic assumptions used for budget preparation are openly presented in the budget memorandum, but it is questionable as to the extent these forecasts are used consistently in the budget process.** The macroeconomic foundation for the budget is provided by the MAD in its semi-annual report "Current Economic Developments of the Greek Economy." The report informs the budget formulation process by providing assumptions regarding the underlying parameters affecting revenues and expenditures, serving, therefore, as an anchor for the formulation of fiscal policy objectives. Since there are neither any explicit and formalized fiscal targets, nor any budget policy targets in quantitative terms, the actual impact of the macroeconomic forecasts on the fiscal policy should not be overestimated. Even though they are publicly available, it is questionable to what extent the macroeconomic forecasts made by MAD are used when estimating expenditure in the proposals compiled in the ministries and regions. There is little indication that a consistent macroeconomic framework is used when preparing the budgets for extrabudgetary funds. In preparing macroeconomic forecasts MAD uses input from other institutions, such as GAO and the Bank of Greece. The forecasting models are not publicly disclosed. There is no public institution providing forecasts to be used in comparison to the ones produced by MAD.

Medium-term planning and analysis of fiscal risks

38. **Despite the budget containing aggregate forward estimates, the budget process focuses on the current fiscal year.** Data on deficit and debt levels for the general government, and deficit levels for central government, are presented for the upcoming budget year and for the two following years. Nonetheless, the budget preparation process is, to a large extent, focused on the budget year, with little attention given to the medium term. Consequently, the government's ability to fully control fiscal developments is restricted.

Since the full impact of new initiatives often only becomes apparent after a number of years, there is little consideration of fiscal sustainability issues.

39. **Deficit and debt ratios of the general government sector are used, but not fully institutionalized in the budget process.** The two fiscal anchors that are used in the Greek budget process are the requirements of the SGP. The guiding principles are, consequently, a deficit target for the general government sector and a target for the debt ratio. The manner in which fiscal targets are formulated and used in Greece does not fully promote fiscal discipline and sustainability. The deficit target for the general government sector that is used in Greece is not suitable as an operational fiscal target for the central government. This target needs to be translated into a parameter that the central government can influence directly, either a balance target or an expenditure target for the central government sector. Currently this is implicitly carried out in Greece, although such targets are not presented to the Parliament in the budget. Since the fiscal target in Greece is not formalized and set in terms of the outcome, the government is not forced to make necessary priorities if the expenditure or revenue developments are unfavourable during the budget year. Considering the past years' budget balances in Greece, this appears to be especially important. The abundant use of tax expenditure, state guarantees, and to a lesser extent QFAs, to finance government activities diminishes the relevance of fiscal targets.

40. **Estimates of new policy initiatives, and ongoing costs of government policies, are distinguished in the budget documents but these could be more detailed.** Any discretionary reform policy proposed by a ministry or a region must be specified separately in the spending proposal, including an analysis of the costs for the period beyond the upcoming fiscal year. The extent to which GAO approves financing for these initiatives depends both on the nature of the reform and its contribution to the overall policy of the government, and the available scope for new expenditure. The same procedure is used when preparing the investment budget. In the budget proposal to Parliament, the cost of discretionary measures is only presented at an aggregate level, that diminishes their relevance for fiscal transparency, and certainly any debate on priorities.

41. **The sensitivity of budget estimates to changes in economic variables is not assessed and fiscal risks are not fully evaluated and presented in the budget**. An effective control over public finances in Greece requires improved procedures for evaluating the development of expenditures in the budget. Since a number of items in the budget are affected by factors that the government only has power to influence indirectly, an analysis of the sensitivity of budget estimates is important. Such sensitivity analysis is needed for both current year expenditure, and for future fiscal years. This need has been recently recognized in the March 2005 SGP report that examined the fiscal impact of less favourable macroeconomic conditions, albeit without discussion of corrective policy measures. In addition, there is a need for better monitoring of the fiscal risks posed by hidden, or contingent, liabilities. Also because public finances in Greece can be substantially affected by institutions outside the central government, or not incorporated into the state budget, there is a need for better information on their financial position. The use of government guarantees for loans is used extensively to finance public sector activities in Greece. The amount of new

guarantees is restricted to 3 percent of the ordinary budget expenditure each year. While guarantees are registered and presented to Parliament every year in the budget document, the screening of guarantee proposals is not guided by clear criteria, there is no systematic analysis of risks associated with guarantees, nor information provided on other contingent liabilities. A proper assessment of fiscal risk is difficult without inclusion of contingent liabilities arising from the social security funds as well as by improving the quality of available data on payroll and arrears.

Clarity of control of budget execution

42. **The accounting rules and regulations, including internal control, focus mainly on legal and financial compliance.** The budget execution process in Greece is regulated by the organic budget law, Law No. 2362 of November 27, 1995, which primarily governs the management of public revenues and expenses and public accounting. In addition, at the beginning of each financial year instructions and guidelines are issued for execution of the budget. The basic procedures for budget execution, including internal controls, are outlined in Box 4.

43. **Budget execution procedures continue to be "traditional" with a focus on detailed input compliance and controls**. There are cumbersome processes for checking and rechecking of expenditure before payments are made, first by the staff of the Department of Financial Services (DFS) of the line ministry or agency, followed by the staff of the Fiscal Audit Office (FAO), and the Court of Audit (COA), stationed in all ministries, major agencies, and regions. However, such multiple controls are applied only to a small set of ordinary budget expenditure, namely operational and other current expenditures, which constitute about 10–15 percent of the total ordinary budget in 2005. Furthermore, the multiple expenditure controls are principally applied after the obligations have been incurred, and thus focus on limiting cash payments rather than on limiting current liabilities. Commitment control is left to the line ministry, which means that orders could be placed for the purchase of goods and services, for which the funds may not be available. Subsequent checks by the FAO and COA staff before the payment of a claim cannot control for over-commitment by a line ministry. The lack of control over commitments is evidenced by the carry over of unpaid obligations from one year to another year.[21] Also the cash management system is geared toward controlling cash payments for expenditure, and not facilitating efficient implementation of the budget complemented by an adequate system for managing

[21] The Ministry of Education accumulated unpaid obligations amounting to € 80 million at the end of December 2004, primarily due to inadequacy of budget provisions, and these were carried forward and paid out of 2005 budget. Such carry forward was authorized by the MEF for a number of ministries without a separate budget line allocated. Apparently arrears are being rolled over year to year. There is no regular reporting system toward the GAO to enable it to monitor outstanding commitments during the year.

commitments.[22] Government payment operations are effected by a main government account, which functions as a quasi-treasury single account (TSA). An overview of the TSA is in Box 5.

44. **Coordination between budget execution and financial management is not systematic.** The current system of financial management for cash and expenditure planning and assessing borrowing requirements is limited. The financial planning and cash flow projections are primarily used for regulating monthly cash releases. The financial planning process merely guides the flow of payments, but is disconnected from the process of setting quarterly expenditure ceilings and the flow of commitments and obligations. Further, this process is not well integrated with the debt management. The Public Debt Management Agency (PDMA) prepares an annual financing plan based on the financing requirements of the approved budget; this program is revised each quarter, with one or two debt issues a month placed by auctions or syndications by the PDMA. While the borrowing program is front-loaded, so that liquidity is not an issue during the fiscal year, the cash spending by the line ministries is typically squeezed, mainly to slow down the use of budget lines. As a result the MEF maintains a large cash buffer and uses this to offset short-term liquidity movements. There is a need for closer interaction of debt issues and cash management to reduce these costly cash balances and to rely more on debt issues to offset liquidity movements.

45. **The internal financial controls and audit processes within ministries are exercised by the FAOs of the MEF stationed in line ministries; this diminishes the accountability of ministries for sound financial management.** The functions related to internal control and internal audit in a line ministry are currently performed by the staff of the FAO. The internal audit function[23] in line ministries is still evolving and needs to be developed according to the international standards in this area. The responsibility for all ex-ante checks and controls should be entrusted to the line ministries and other state bodies. This would require phasing out the role of FAOs[24] in a well-planned and progressive manner, accompanied by developing internal control and audit functions in line ministries.[25]

---

[22] It appears that the late release of budget funds for especially the investment budget makes tender procedures difficult to carry out by the end of the year. The Athens University usually receives its investment budget funds as late as September of the budget year.

[23] The mission was given to understand that line ministries are yet to set up internal audit units, and all internal controls are exercised by DFS staff.

[24] Also the COA needs to be persuaded to move out of their current role of pre-audit and rather assist the MEF and line ministries in developing the internal audit unit function. The COA could review during its post-audit the efficiency of internal audit.

[25] In this regard, the MEF should take responsibility for developing the internal audit function in line ministries, including setting standards for both ex-ante control and internal audit, and supervising their functioning and compliance with its prescribed standards.

Box 4. Budget Execution Process

An overview of budget execution procedures is presented below:

Ordinary budget

The implementation of the ordinary budget rests with the line ministries, and is guided by the distribution of quarterly appropriations, or expenditure limits, determined by the Budget Department in the GAO. The expenditure limits are usually set as percentages of budget allocation for broad categories of expenditure, and are issued by the first week of each quarter for line ministries, major agencies, and regional administrations. The procedures for the execution of the ordinary budget differ by the type of expenditure. The payment of wages and salaries and pensions, follow simple procedures, and are not subjected to much control by the GAO. For the other expenditures of the ordinary budget, i.e., operational expenditures, grants, and transfers, the main procedures are as follows:

- The authorizing officer, through the DFS in a ministry initiates the commitment process and is required to observe the quarterly spending limits and ensure that the expenditure obligations incurred are kept down to the level of amounts allotted in the appropriation budget (Article 20, Organic Budget Law). This is primarily an administrative act which incurs, or confirms, a liability by a ministry toward third parties.

- All such expenditures are controlled and cleared by the competent FAO on the basis of legal supporting documents sent by the authorizing officers as proof of the claim to the public sector. The FAO verifies the legality and regularity of expenditures as defined in the financial regulations, and clears the expenditure item for payment and an entry is made to that effect.

- After having cleared the expenditure, a payment order is prepared by the authorized FAO and sent to the deconcentrated office of the Court of Audit (COA). This office also reviews the expenditure to ensure that they do not exceed the budgetary appropriation and are supported by the appropriate budgetary documentation. On confirmation of the payment order by COA, the FAO transmits it to one of the Tax and Payment Offices (TPOs) of the GAO for payment.

- The flow of payments are somewhat controlled and smoothed out by the issue of monthly payment limits by the GAO for each ministry. For this purpose, the DFS of each ministry draws up a list of payments foreseen for the following month per appropriation category and sends it to the FAO which in turn sends this to the GAO for issue of monthly cash ceilings.

- The payment orders are executed by the TPO after satisfying its legality including necessary approval by FAS and COA by way of stamping the payment order for payment. The payments are made either by cash or through bank transfers to payee’s bank account by the BOG officer located in the TPO.

For personnel expenditures, DFSs of the main line ministries prepare computerized payrolls, get them approved by an authorizing officer of the ministry, and send them to the GAO and BOG for payment of salaries through the Zeus, inter-banking clearing system. The servicing of public debt, including interest and amortization payments, are authorized by the Department of Public Debt of the GAO, which maintains records of domestic debt and payments due, and instructs the BOG for all such payments. The public debt payments are not subjected to any type of pre-checks.

Investment budget

The Department of Public Investments (DPI) in the MEF is primarily responsible for financing and monitoring the implementation of the investment budget by the respective line ministries. The DPI issues the quarterly ceilings, usually set at 100 percent of the appropriation already in the first quarter, and receives monthly cash plans from the ministries, which it forwards to GAO’s cash management department. This department then sets monthly cash payment limits, which are quite similar to the ordinary budget. The expenditure payments for the investment budget are not subjected to detailed checks and controls described above for ordinary budgets. Like all other expenditures, the investment expenditures are subject to ex-post control by the COA.

Box 5. An Overview of the TSA in Greece

Greece has also set up a TSA, and all its cash balances are consolidated in bank Account No. 28 with the BOG. The TSA in BOG has been structured in the following manner:

- The main bank account for all inflows and outflows is Account No. 200 titled as "Concentration of collections and payments." This account receives all inflows and outflows of government cash.

- In addition to Account No. 200, there are eleven groups of accounts, most of which are linked to Account No. 200 at regular intervals and on the advice of the MEF in certain cases. Each group of accounts has a specific purpose.

- These groups of accounts have subaccounts. For example, A/C 231 Public Investment program accounts has about 2,000 project accounts, each with a separate check book but all payments are made out of A/C 231. Similarly A/C 234, Other Special Accounts, has a number of "Out of Budget" special fund accounts like Privatization Account.

- On the top of all these accounts is TSA - Account No. 28 titled as " Greek Government – Cash Management Account". This account simultaneously records all transactions of inflows and outflows passing through A/C No. 200 and its various sub-accounts on a real time basis and presents the overall cash balance position of the government. The central bank has managed these accounts very efficiently with the help of modern IT supported banking system. However, there are some issues in the TSA arrangement, which require attention of the authorities. Thus Account No. 28 presents a complete picture of all transactions processed through Account No. 200 and eleven group of accounts.

- A substantial part of the bank accounts included in the TSA are not under full control of the MEF. For example, the Privatization Account included in A/C 234 is not fully owned by the government, and can be utilized only for specified purposes. Similarly A/C 234 includes accounts of legal public entities, which are managed independently by the respective agencies. The amount of funds flowing through these accounts and the cash balances held on them can be substantial. Thus, the cash balance of government is much larger than it needs to be as substantial parts of it are earmarked and can not be used for cash management purposes. The extrabudgetary accounts in Greece are a conduit for channeling quasi-government revenue to quasi-government expenditure. Keeping these funds off-budget is poor public finance management, not transparent, and inefficient for cash management. The only advantage of the present approach is that most extrabudgetary funds are held at the BOG, and thus an overview of a substantial part of government cash balances can be monitored, which might not have been possible if such accounts were excluded from the TSA.

- However, a number of extrabudgetary funds under the control or indirect control of line ministries are held at commercial banks. These accounts should be integrated in Account No. 28, and also be available for cash management purposes.

- Overall cash balances held in Account No. 28 averaged over 500 million euros in 2004. This would seem a relatively very high level for government liquidity needs compared to other EU countries.

- For the purpose of financing the budget, it would be prudent to adjust the overall cash balance in A/C No. 28 by the balances of those bank accounts on whose balances the treasury does not have full command. It might be useful to put all such accounts in a distinct subaccount.

It appears that the number of subaccounts is very large. There is a need to review all these accounts and close unnecessary accounts. It is quite likely that some of these accounts may be dormant and need not be continued.

46. **Public procurement procedures are comprehensive and consistent with the EU regulations; the procurement performance needs to be reviewed and made public and reported to Parliament**. Greece has adopted the EU procurement directives (93–36), and harmonized them by a domestic Law No. 2286. The Ministry of Development (MOD) is responsible for a sizable part of procurement on behalf of central ministries and departments, with the aim to reduce costs through lower priced frame contracts for common items, as well as transparent procurement procedures. Preparations for drawing a procurement program begins in October, and agencies are asked to submit next year's proposals by end January with the program usually finalized by March. Typically most agencies only reach 50 percent of the planned procurement. For completed procurements, the MOD has all the data on the number of participants, final bids, country, and unit price, etc., and this information is provided on their website. Despite overall transparency, there is some discretion in the process, since the overriding criteria for selection of the final bid is not just the least cost but rather if it is the "closest to our interests." There is no summary report to Parliament summing up procurement program performance as a whole.

47. **Civil service employment procedures are comprehensive and well understood, but cumbersome and inefficient for attracting highly skilled personnel.** There are detailed legal and institutional mechanisms in place to ensure open recruitment. The Constitution states that civil servants shall be the executors of the will of the State and hold posts so long as these posts exist (Article 103). This has been interpreted as offering lifetime employment to recruits. The Ministry of Interior is entrusted with the task of managing civil service employment. The recruitment procedure is governed by the principles of equal opportunity, meritocracy, objectivity, social solidarity, transparency, and publicity. The Supreme National Commission ensures transparency in the recruitment procedures and conduct examinations for public employment. All public employees are paid on the basis of a standard remuneration system, which varies according to the educational level. The promotional procedures of the employees in the public administration are clearly set out in the Code of Public Employees. The whole process of recruitment seems to be highly centralized and somewhat outdated, and does not provide adequate flexibility to central ministries to recruit their staff with specialized skills and knowledge. For example, the recruitment to the Fiscal Audit Service is done by the Ministry of Interior with the help of a common civil service examination. It is also cumbersome giving rise to complaints on the time taken to fill vacancies.

Clarity of internal control and independence of tax administration

48. **Effectiveness of tax collection needs to be further improved through the implementation of a comprehensive internal control system.** The tax administration is computerized by the TAXIS system, through with tax collection is registered and monitored. The computerized system is aimed at improving efficiency and reducing the possibility of tax evasion. The newly formed Special Inspections Service (YPEE) supervises and inspects the tax administration, in addition to its main function of dealing with tax evasion and tax crime. However, a comprehensive system for management control, providing the Director General with instruments for verifying the performance of the organization, has yet to be developed.

49. **The organizational structure contributes to lack of accountability and uncertainty over outcomes by management.** The revenue administration consists of three primary and general directorates of equal status under one secretary general—tax, audit and customs—supplemented in some functional areas by entirely separate secretariats, including the GSIS (for all IT functions), and the YPEE (the specific financial investigations service, formerly, the economic crimes unit), which reports directly to the minister. Lines of authority, even within and between the tax directorate and the directorate for audit, are multiple and overlapping, leading to a lack of management accountability. Coupled with a serious lack of internal information and data, this creates a good deal of autonomy and self-management on the part of local ("regional") office Directors. A separate division within the tax directorate—the Economic Supervision Unit—does perform internal audit functions, reviewing the behavior of staff in field offices.

Accounting and reporting on budget execution

50. **The accounting system is capable of producing accurate in-year reports on central government budget outturn, but does not cover general government.** The accounting system of Greece is traditional, based on a standard cash-based approach, meeting basic accounting and reporting requirements. Monthly data on budget execution are available around 20 days after month-end on *www.mnec,gr* under *"Hellenic finance indices: SDDS-IMF" and www.glk-mof-glk.gr* under *"Budget Implementation."* The data includes the central government revenues and expenditures, including payments for army equipment projects and hospitals' outstanding obligations. The chart of accounts is consistent with the budget classification. However, there is no monthly report on expenditure commitments made by the line ministries against appropriations, or their outstanding bills. Annual accounts, a partial balance sheet,[26] along with the audit report on the accounts of previous year, are presented annually to Parliament in October/November.

51. **The GAO's accounting and reporting system fully account for all transactions pertaining to the approved budget estimates.** However, the central accounting system does not fully capture off-budget activities, nor consolidate the revenue and expenditure data in central government with that of local governments and public entities to generate fiscal data on general government. Data for the general government is compiled by National Statistical Service of Greece (NSSG) with the help of GAO accounting data and survey of all public entities. However, fiscal accounts and reporting during the period 2000–03 gave rise to a number of issues from mis- and under-reporting of various expenditures, revenues and debt transactions, necessitating substantial recent revisions to the fiscal data.[27]

---

[26] See paragraph 56 for details of balance sheet.

[27] The details of 2004 fiscal data revisions were included in the last Fiscal ROSC update of December 2004. The most important reasons for the increase in the fiscal deficit were: (i) the off-budget recording of military

(continued...)

52. **The legislature receives timely in-year reports on budget outturn, and undertakes a mid-year review.** As stated earlier, the monthly data on budget execution is available around 20 days after month-end on government websites. This data is the only source of information on the central monthly budget outturn. In addition to the monthly report, a mid-year report[28] on budget execution is formally presented to the Parliament to facilitate a mid-year review of the economic and budget performance.

53. **The final accounts, audited by the COA, are available within 12 months of the end of the fiscal year.** In accordance with the Law No. 2362, the Finance Minister sends the annual Final Accounts and Balance reports to the State Audit Council by the end of September. The Council verifies their accuracy and returns them to the GAO within one month from the date of receipt with its Statement. The final accounts and balance reports, with the Statement by the COA are introduced in the Parliament for ratification no later than the end of November. The last audited annual accounts and balance reports submitted in November 2004 pertained to the financial year 2003. However, the accounts of the local government are not included in this report to the Parliament**.**

Results-oriented budgeting and reporting

54. **The current Greek budget system is primarily input-based and lacks both a program structure and performance orientation.** The budget does not include a classification of expenditures by program or activities, except for capital expenditures, which are financed in part by EU transfers. Appropriations are by inputs and they do not contain any statements, even of a generalized nature, of the objectives or the goals of the spending. Without a clear program classification, it is difficult to develop performance measures or evaluate the efficiency and effectiveness of spending. The authorities have expressed their intention to introduce a program classification for expenditures, as well as performance indicators, with a view to enhance efficiency in the allocation of budgetary resources.

C. Public Availability of Information

55. **Detailed fiscal information primarily covers central government.** The publication and dissemination of the annual budget and accounts data, as well as monthly budget execution reports and quarterly public debt bulletins is carried out in a timely manner, as

---

expenditure; (ii) overestimation of the surpluses of social security funds, (iii) the misreporting of EU funded capital transfers as capital injections, (iv) nonreporting of capitalized interest payments, and (v) misclassification of expenditure of DEKA. Similarly general government debt was also revised upward. In the recent report of November 2004, Eurostat indicates that all major issues have been resolved with the Greek authorities.

[28] The mission was given to understand that the mid-year report on budget review is usually in the form of a statement including brief data on budget execution by the Minister of Economy and Finance in July every year.

required by the law. The fiscal data largely meet SDDS timeliness and periodicity standards. However, there are areas where national fiscal data deviates from the ESA 95 standards and guidelines, such as recording of military procurement expenditure based on cash payments instead of delivery of equipments. The fiscal data needs to be improved in terms of its coverage and quality, where there are many deficiencies at the general government level.

The coverage and quality of budget documents

56. **The state budget focuses on the central government, eleven off-budget funds are co-published with it, but little information is provided on general government operations**. The state budget documents[29] cover, on a cash basis, the operations of the central government including the ordinary and investment budgets of central ministries, regions and prefectures, and eleven off-budget funds. The ordinary budget estimates are presented by main administrative units, including specialized agencies, and a four-digit quasi-economic line item classification. The investment budget has its own much less detailed economic classification. The eleven off-budget funds include Funds for Defense and EU Subsidies on Production of Agricultural Products, namely oil, cotton and tobacco. Projected financial flows with the EU are broken down by type, and transfers to public entities are presented by sector of economic activity. The budget documents also include tables with the financing requirements and outstanding debt stock of the State, for central and general government operations. An executive summary of the budget is also made available in the English language at the website *www.mof-glk.gr*. The coverage and information content of budget documents need to be enhanced. At present, they exclude off-budget spending through a number of extrabudgetary and special purpose accounts. The information on transfers to public entities including hospitals and social insurance funds is only presented by a single budget line. The ordinary and investment budgets are not integrated to give a transparent view of the government's overall spending plans.

57. **Defense expenditures are reported in the budget.** The authorities advise that defense transactions are budgeted and accounted for in the same way as those of other agencies. The defense budget estimates are quite detailed[30] and follow the standard administrative and economic/budget line-item classification followed for compilation of budget estimates of central ministries and agencies. Similarly the Public Investment Budget includes defense expenditure on projects, including the procurement of arms and military equipments. However during the years 2000–03, the defense budget did not fully cover

[29] The budget documents include: (i) Ordinary Budget, (ii) Public Investment Budget, including budget of eleven off-budget funds, characterized as Public Entities, (iii) Ordinary Budget of Regions, (iv) Budget of Prefectures, (v) Tax Expenditures and (vi) Budget Introductory Report. All these documents are made available in electronic (CD) form.

[30] The defense budget estimates include details of expenditure by major departments including Army, Navy, Airforce, and Intelligence Services.

spending on the procurement of military vehicles and equipment, as revealed recently during the fiscal inventory exercise undertaken by the government with the cooperation of Eurostat. During this period a substantial portion of military expenditure was kept outside of the budget and financed from special loans. The authorities indicate that this practice of off-budget spending and nonrecording of military expenditure financed through special defense borrowing has been discontinued starting with the current fiscal year, and the 2005 budget estimates for the Ministry of Defense fully reflect military expenditure, including that procured through special borrowings.

Past and forecast fiscal data in the budget

58. **The state budget documents present the main fiscal aggregates for two years prior to the budget year, and two years beyond the budget year**. The Budget Introductory Report also contains an analysis of recent economic developments, projections for main macroeconomic aggregates, and major underlying assumptions regarding the economic environment, as well as summary tables showing revenue, expenditures, the balance and financing for actual spending two years prior to the budget, revised outturn for the current year, and estimates for the budget and two succeeding years. However, the detailed budget estimates for central ministries do not provide estimates for the two future years.

Budget treatment of off budget fiscal activity

59. **Government guarantees are fully disclosed in budget documents, but other contingent liabilities are not.** The budget law clearly regulates the granting by the central government of guarantees for state debt—the total amount of guarantees issued in a year should not exceed 3 percent of ordinary budget expenditure for the relevant budget year. In practice this discipline is undermined since the MEF has little information before enterprises make commitments, and requests for additional financing tend to be accommodated after a "review" that is not subject to stringent nor transparent criteria. Moreover, this 3 percent limit is not applied to guarantees issued for debts to meet unforeseen expenditures such as natural disasters and earthquakes. The budget introductory document contains a summary report providing yearly data for the period 1989–2004 on: (i) guarantees issued; (ii) outstanding guarantees (at the end of each year); (iii) guarantees called; (iv) commission received on guarantees; and (v) net budgetary payments to satisfy guarantees. However, there is no assessment of contingent liabilities, such as indemnities or risks that arise from guarantees, privatization or private/public partnership, and no information is provided in these areas. Furthermore, it is necessary that contingent liabilities should include implicit guarantees of deposits of public sector banks or banks perceived as belonging to the public sector, as well as liabilities arising from pension systems of previously state-owned enterprises.

60. **A statement on tax expenditures is included in the budget documents; but their extent and presentation raises concerns.** A descriptive account of tax expenditure is presented to Parliament in a supplement to the budget. This report does not, however, include a full quantification of foregone revenue resulting from tax exemptions. The Greek tax system grants almost 1,000 exemptions from various taxes. Such a vast use of tax

expenditure reduces the transparency, as a significant part of the government's policy is financed through revenue forgone rather than direct expenditure on the budget. According to the Law No. 2214, Article 59 of 1994, the government is required to present a full account of tax expenditure to Parliament together with the budget proposal every year. In this report tax expenditures are classified according to the type of tax from with exceptions are made, and according to the beneficiaries enjoying the tax reduction. There is no policy categorization, although the purpose of each tax expenditure is presented. In the introduction to the tax expenditure report there is a brief description of the method for estimating foregone revenue. An estimation of the cost is given for less than half of the tax exemptions. Consequently, it is not possible to form a picture of the full financial impact of tax expenditure. The baseline tax used when estimating cost consists of existing tax legislation. There has been virtually no integration of tax expenditure in the budget process, by which both direct expenditure and tax expenditure of a given policy is discussed.

61. **No information is provided in budget documents on quasi-fiscal activities.** There are a number of quasi-fiscal activities in the central and general government sector, which are not specifically reflected in the budget documents and reported to the public, (see details in paragraph seven). For example, state-owned enterprises in the transport sector provide price subsidy for rail and road transportation in selected areas, and these are not costed and classified as such in the budget estimates.

Publication of data on debt and financial assets

62. **Information on gross public debt is published regularly; however the general government debt figures provide only a partial picture of public sector indebtedness.** Information on the level and composition of central government debt, including the special debt raised for defense needs is provided in a separate section in the Introductory Budget Report. In addition, a Public Debt Bulletin is published by the Public Debt Division of the GAO[31] on a quarterly basis. The same figures are provided for the IMF Special Data Dissemination System (SDDS). However, there is no publication of data on borrowings by local governments, social security funds, and public enterprises. Local governments are not required to submit financial data on their outstanding debt. Similarly, there is no systematic monitoring of state enterprise debt. Also debt reports do not provide projections of future debt service requirements.

[31] In 1999, the government established the Public Debt Management Agency (PDMA) vide Law No. 2628/1998 to undertake the financing needs of the State and improve the cost of funding and achieve the best possible structure of the public debt according to the needs of the State. However the PDMA's operations do not include borrowing activities for special purposes such as loans for military purposes and debt issuance to cover obligations of the government to social securities funds and other public entities. The Public Debt Division of the GAO reports regularly on the market data on borrowings such as terms and amounts of outstanding securities, auction results, private placements etc, and this information is published in the public debt bulletin.

63. **Information on government financial assets is published annually but is incomplete.** Records on government financial assets are not being maintained fully and in a consolidated manner. Limited data on financial assets is published yearly in the state financial accounts and the balance sheet, in accordance with the Law No. 2362 of 1995. The balance sheet gives a picture of assets and liabilities of the public treasury as well as the public debt at a given point of time. The Balance Sheet is presented to Parliament and is ratified by its Plenary Session, in the same way as the state accounts and audit report. The Balance Sheet is primarily based on a system of cash basis accounting adjusted with some accrual information.[32] However the Balance Sheet does not give a full picture of all financial assets, such as equity investments in public entities; and known liabilities such as unmet obligations at the end of the year. Also the current economic classification followed for budgeting and accounting is not compatible with any of the international classification systems, it is somewhat close to the GFS 1986 classification.

Commitment to timely publication of fiscal data

64. **Greece fulfills a number of international commitments to the regular publication of fiscal data.** Greece subscribes to the Special Data Dissemination Standards (SDDS) and meets the timetable for providing data on central administration and general government operations. Monthly data is provided on central government revenues and expenditure (see paragraph 50). Greece also adheres to its commitment to provide annual general government fiscal data to the EU. The various laws and decrees provide a timetable for release of budget and accounting data, but there is no formal announcement of an advance release calendar for fiscal data of general government, although such a commitment exists for the central government fiscal data. Although Greece produces data on government debt through quarterly bulletins, the comprehensiveness and the timeliness of the supplied data, could be improved. The websites that provide fiscal data are listed in paragraph 50.

D. Assurances of Integrity

Integrity of data processes

65. **The variance between budgeted and actual outturn at the aggregate level is disclosed to the public, although deviations are not explained**. Most recently, arising from fundamental fiscal data revisions by Eurostat, some concerns have been raised as to whether budget processes are capable of meeting acceptable data quality standards. The budget estimates of the central government are perhaps the most accurate, containing some large and relatively stable expenditures, the payroll and debt service obligations, with computerized systems to determine their present levels and project future levels. The detailed controls

---

[32] For example, interest payments are recorded in the accounts on a cash basis, however they are simultaneously reported on accrual basis as required by Eurostat.

operated by GAO, that releases cash against appropriations only according to its availability, means that it is possible to keep variances between budget estimates and outturns to tolerable levels, as can be seen from Table 1. However, the aggregates overstate the degree of budget realism, and the widest deviations from budget estimates and outturns occurs within detailed budget line items, at the three digit level of the four digit basic classification. With approval from the Budget Department of the GAO continual reallocations are made within the fiscal year to ministerial budgets; however these are not reflected in the published outturn data since it is at the aggregate level. For national security reasons, Greece preferred to keep a large portion of defense expenditures outside the budget, by acquiring military equipment through special arrangements. To address this problem, Greece has recently decided to record these transactions on a cash basis, (see paragraph 57). Another source that undermines the integrity of budget data is the existence of extrabudgetary accounts that were allowed by Law No. 2771/1999, granting budget institutions the right to have own accounts for earmarked purposes. Most of these are independent, or "out of budget," while only eleven off-budget funds are shown in budget documents, (see paragraph 56). In this area there are less extensive controls, and limited oversight on the use of funds from these accounts. As previously indicated there is no presentation of the fiscal balance data for the general government, and no discussion of deviations between budgeted and actual outturn.

66. **Statements of accounting policy are not included in the budget and final accounts documents, but are clearly stated for budgeting and accounting purposes**. The Greek accounting system is based on a standard cash-based approach and regulated by Law No. 2362/1995. The GAO is responsible for maintaining the revenue and expenditure accounts on a regular basis and preparing the annual accounts, including the balance sheet for each financial year. The annual accounts classify receipts and payments in the same way as they are classified in the budget. The State accounts distinguish those showing budget implementation and those that show the management of funds outside the budget. The balance sheet is a summary account of the main cash flows and financial assets and liabilities as explained in paragraph 58. The authorities have expressed their desire to move towards accrual accounting with the implementation of a computerized financial management information system.

Table 1. Greece: Central Government Budget 2002–04
(Euro million)

	2002		2003		2004	
	Budget	**Outrun**	**Budget**	**Outrun**	**Budget**	**Outrun**
ORDINARY BUDGET						
1. Net revenue (a-b)	**37,453**	**37,081**	**38,900**	**37,500**	**41,420**	**39,236**
a. Revenue	38,920	39,048	41,050	39,881	43,620	42,035
Direct taxes	*14,618*	*14,813*	*15,510*	*15,397*	*16,385*	*16,484*
Indirect taxes	*20,666*	*20,989*	*22,035*	*21,484*	*24,341*	*22,999*
Non-tax revenue	*3,636*	*3,246*	*3,505*	*3,000*	*2,894*	*2,571*
b. Tax refunds	1,467	1,967	2,150	2,381	2,200	2,799
2. Expenditure(a+b) (2)	**36,637**	**37,431**	**39,385**	**40,735**	**42,550**	**45,471**
a. Interest payments	8,951	9,134	9,400	9,416	9,750	9,466
b. Primary expenditure	27,686	28,297	29,985	31,319	32,800	36,005
Salaries and pensions	*14,123*	*14,533*	*15,130*	*15,602*	*16,404*	*17,565*
Wages and salaries	*10,380*	*10,547*	*11,097*	*11,431*	*12,038*	*12,622*
Grants to social security funds and medical care	*4,548*	*4,747*	*5,560*	*5,993*	*6,223*	*7,249*
Operating and other expenditure	*6,004*	*5,967*	*6,097*	*6,211*	*6,573*	*7,403*
Returned resources	*3,011*	*3,051*	*3,199*	*3,512*	*3,600*	*3,788*

Table 1. Greece: Central Government Budget 2002–04
(Euro million)

3. Ordinary budget deficit (1-2)	**816**	**-350**	**-485**	**-3,235**	**-1,130**	**-6,235**	
Public Investment Program	**4,085**	**2,003**	**4,100**	**1,823**	**4,120**	**3,082**	
4. Revenue (a+b)	3,894	1,989	4,000	1,746	4,020	2,994	
a. Inflows from EU	191	14	100	77	100	88	
b. Other							
5. Expenditure (a+b+c)	**8,948**	**7,014**	**8,918**	**8,435**	**9,250**	**9,515**	
a. Co-financed expenditure	6,192	3,883	5,770	4,461	5,300	4,765	
b. National investment program	1,347	2,004	1,848	2,418	2,550	2,500	
c. Expenditure for Olympic games infrastructures	1,409	1,127	1,300	1,556	1,400	2,250	
6.Public investment program deficit (4-5)	**-4,863**	**-5,011**	**-4,818**	**-6,612**	**-5,130**	**-6,433**	
7. Central Government Deficit (3+6)	**-4,047**	**-5,361**	**-5,303**	**-9,847**	**-6,260**	**-12,688**	
(percent of GDP)	-0.029	-0.038	-0.035	-0.064	-0.038	-0.077	
GDP	**139,574**	**141,669**	**150,091**	**153,472**	**163,934**	**165,280**	

67. **Fiscal management overly concentrates power in the MEF, to the detriment of accountability and transparency in other parts of the budget system**. Recent problems in fiscal reporting have revealed the extent to which public finances are affected by institutions outside the central government that are not incorporated in the State budget. This report has reviewed in some detail the financial relationships between the central government and various other sectors of the general government. While the legal framework is clear on their relative roles and responsibilities in fiscal management, in its implementation this has been interpreted so as to concentrate control within the executive branch, and most particularly in the MEF. This degree of centralized control has not always supported accountability and transparency. It is notable that when examining fiscal roles and responsibilities, the MEF appears to have taken over many of the financial functions that are carried out in other countries by ministries. As a result the MEF intervenes at all stages, and at a very detailed level, redrafting ministry budgets, approving reallocation requests, and tightly controlling their ability to spend through a detailed system of pre-audit, quarterly allotments and monthly credit limits. The result has been to remove line ministry ownership of their budgets, undermining their accountability, and offering no incentive for them to improve their financial management capacity. The same applies to other units of central government, like the hospitals, as well as local governments, where central fiscal controls have been pervasive. As indicated in this report not only has this highly centralized form of budget management affected the balance of power between different levels of government, but it also has had its impact on the balance between the executive and legislative branches. The need to devolve power from the MEF to other units of government to make them accountable, and to put their relationship on a sounder and more transparent footing, is a common message underlying many of the recommendations found in the report.

68. **There is scope for improving the reconciliation of budget accounting (above-the-line) and financing (below-the-line) data.** There are some weaknesses in reconciling accounts during the fiscal year that impede the provision of adequately comprehensive and accurate financial information. The main bank account of the government No. 200 at the BOG does not appear fully reconciled. The GAO State Accounts Department does reconcile this account to the extent of its own transactions. However, this account is operated by a number of other GAO departments, as well as the Investment Department of the MEF, and it is unclear if these departments reconcile their respective transactions on Account No. 200. Moreover, in addition to Account No. 200, there are eleven groups of accounts with thousands of subaccounts, each managed by different agencies. The State Accounts Department is not comprehensively monitoring the bank reconciliation of these agencies. Additionally, the revenue and expenditure accounts are not reconciled by the GAO with the accounts of the respective line ministries and revenue collecting agencies. These agencies do not receive any accounting data from the GAO with respect to their own transactions. It is likely that this lack of reconciliation will have a negative impact on the quality of the accounting records kept by line ministries. However, the final accounts are required to be fully reconciled after a period no longer than four months after the end of the fiscal year. As a result, the reconciliation currently carried out is limited and there is a considerable discrepancy between above-the-line fiscal data and below-the line financing data. In addition,

the government needs to produce data on budget financing on a regular basis, which should, in principle, also include financing through arrears, privatization receipts, etc..

Independent oversight

69. **External audit is carried out by the Court of Audit whose independence is established in the Constitution.** The Court of Audit plays a very important role in the Greek public administration in providing assurances on regularity and legality of the budgetary process. The Court's functioning is modeled on the French auditing system where the Court is part of the judicial system, technically under the Ministry of Justice. Its powers are enshrined in Articles 73, 79, and 98 of the Constitution,[33] and cover three main functions: to hold to account all those that manage funds (both those that commit funds, the "coordinators," and those that spend, "public accounting officers"); to judge on disputes arising from the audit; and to inform the Parliament on the legality and soundness of the management of public funds. The Court is headed by a President that is chosen by Cabinet on the advice of the Minister of Justice, and is selected from all members of the supreme judicial body, the Plenum, who have been in office for more than four years. Staff[34] are classified as judicial public servants and are usually trained economists, lawyers or accountants. The Court prepares its own budget according to MEF directives, and submits this to the MEF through the Ministry of Justice. The MEF issues the final form of the Court's budget as a separate chapter in the budget of the Ministry of Justice, and submits this to the Parliament for approval.

70. **The focus of audit is narrow; a reorientation of external audit is required.** There are a number of potential weaknesses in this auditing system which should be reviewed. The Court of Audit is heavily involved in the pre-audit of all nonregular expenditure of central government, i.e., operations and maintenance, and capital expenditures. To some extent this compromises the ex-post audit of the Court, as it implies an assessment of the Court's own actions.[35] Pre-audit work consumes half of the Court's budget, involving it in the detailed examination of payment orders issued by various public bodies to assess the accuracy,

---

[33] These have been elaborated by two presidential decrees: 774/1980 which covers the rights of the Court; and 1225/1981 which outlines Court procedures, as well as 124 subsequent further legal amendments to these decrees. In addition to the decrees, more detailed audit procedures and rulings are promulgated in decisions of the Court's supreme authority.

[34] As of December 31, 2004, the Court had 131 judges, and 1004 staff, of whom 599 were auditors, of which 270 were working in regional offices, with 315 vacancies.

[35] Although Constitutional powers refer to audit, and do not differentiate between pre- and post-audit, the responsibility for "a priori audits" has been imposed in specifically issued laws. The COA views the pre-audit as an audit upon the coordinators, i.e., the officials authorized to assume payment obligations on behalf of the State and those who issue payment orders. It maintains that it should be regarded as an extension of its post-audit function, implying no duplication of its scrutiny.

legality and regularity of expenditure. This work has been extended recently in 2003 to municipalities, where such an audit did not exist. For the central government, the COA focuses on recurrent supplies expenditure, only 10–15 percent of the budget, but it also reviews larger tenders, concentrating on the legal procedures of executing the contract. Other risk areas identified by the COA are the legal entities and local governments, but due to the large numbers of these institutions only limited COA involvement is possible. The COA does not review guarantees or tax expenditures, and they are not involved in auditing tax revenues[36] or public debt, mainly because they have no technically competent staff in this area. The Court is dominated by a legal focus, rather than on the efficiency or effectiveness of expenditures.[37] Many countries have moved away from a narrow financial regularity audit that dominates Greek external audit, to systems and value-for-money audits, as better informing the public on integrity of public operations. The difficulties identified by the COA in moving to new areas is that currently it does not have qualified staff, that its existing audit work is already constrained by its budget, and perhaps more significantly, parliamentarians have not expressed much interest in this work.

71. **Parliament discusses external audit reports, but systematic review is limited.** There is common agreement that COA reports,[38] that are published and presented to Parliament with the following year's budget, do not have an impact on the quality of resource allocation. While discussed within the Parliamentary Finance Committee their conclusions go no further than an assessment of the legality of detailed transactions. In part this is the result of the lack of policy content in the budget, and its detailed line item presentation. Without identification of the outputs to be derived from these line items, the COA is not able to discuss efficiency of spending, and without a policy orientation the COA is not capable of offering a view as to the effectiveness of spending in achieving the government's policy objectives. Follow-up of audit findings is largely left to the executive. A more extensive audit, and in depth review of government finances, would be needed to attain satisfactory international standards of external audit. Thus the COA's relation with the Parliament is limited to the submission of the annual financial statement and a report thereon.

72. **There is limited focus on the macroeconomic picture underlying the budget.** The Macroeconomic Analysis Department in the MEF does prepare forecasts for the coming year and three forward years, and these are contained in the Report on Current Developments of

---

[36] It does "monitor State revenue," through annual and monthly accounts, and at the same time the accuracy of collection is ascertained, but always on a sample basis.

[37] While focusing on legality and regularity, it is generally accepted in the COA that audit may involve the so-called "substantial part of expenditure;" i.e., whether reported facts in documents correspond to reality and the administrative acts by which payment obligations are undertaken are done so according to sound financial management.

[38] According to the Law No. 2362, the audit report along with annual final accounts is introduced in the parliament for ratification no later than the end of November.

the Greek Economy, published twice year, as well as in their report for the EU's SGP. The models on which these projections are based are not published although the underlying macroeconomic assumptions are. While there is no external scrutiny of the underlying model as such, it appears their work is regarded as a technical exercise without political interference. It would be preferable if the underlying model would be made publicly available and the implications of macroeconomic risks be clearly discussed in the budget documentation.

73. **The National Statistical Service of Greece (NSSG) is formally responsible for national statistics system, and utilizes fiscal information to prepare national accounts**. It has the primary role of disseminating fiscal information internationally, and in reporting to the EU. The NSSG is a General Secretariat assigned to the MEF, and its head is nominated by the minister of economy and finance. The professional independence of the NSSG is an essential precondition to its effective functioning. According to the Legislative Decree 3627/1956, the NSSG has administrative and financial independence. While the NSSG has not been given legislative assurance of full independence, it regards itself as technically independent in its main function of collecting, processing, and disseminating government finance statistics consistent with its legal framework.

II. IMF Staff Commentary

74. **Greece is making progress in meeting the requirements of the fiscal transparency code in several areas**.[39] This has been most marked in the area of **public availability of information**, with increased publications and use of the internet for fiscal data. At the central government level, Greek budget processes seek to provide **assurances of integrity** about fiscal data through independent audit and recently strengthened statistical reporting. However, much still needs to be done on improving accounting and audit systems, and extending their coverage to the rest of general government. In other areas of the transparency code, greater challenges remain arising from two main sources. First, the basic organic budget law prescribes a traditional detailed control-oriented budget; management systems provide little insight into government policies, activities or performance. Secondly, Greece has not modernized its budget institutions and systems. As a result major reforms are still necessary in improving **clarity of roles and responsibilities** and advancing more **open budget preparation, execution and reporting.**

[39] The first fiscal ROSC for Greece was issued on October 6, 1999. The progress made since 1999 in enhancing transparency includes: the reporting on guarantees, tax expenditures, share participations and transfers to public entities; improving reporting on extrabudgetary funds, and improving the availability of information on the budget, taxes, public debt and civil service remuneration. A significant development in 2004 toward improving fiscal transparency was the "fiscal inventory" carried out by the government in agreement with Eurostat.

75. **The mission's main recommendations focused on**:

- **Improving the budget preparation**, by: introducing a program structure that clearly identifies the government's policy objectives; presenting a fully consolidated budget; unifying operating and investment budgets; and incorporating activities of extrabudgetary funds.
- **Modernizing budget procedures**, by: moving away from detailed centralized controls, phasing out the extensive and multiple pre-audits, and developing a more detailed medium-term budget framework.
- **Improving the integrity of fiscal data** by strengthening the present accounting system, reorienting external audit to a more value-for-money oriented approach, and introducing a computerized financial management information system (FMIS).
- **Closer monitoring and reporting on government operations outside the central government**, such as the social security funds, local government units, and other public entities, as well as making quasi-fiscal activities more transparent.

A. Clarity of Roles and Responsibilities

76. **Greece has advanced its legal and regulatory framework to more clearly define roles and responsibilities in the fiscal area.** The legal framework for government clearly defines the fiscal roles of the executive, legislative, and judicial branches. The legal and administrative framework for tax policy is clear, with taxpayer legal rights well defined and protected. There are comprehensive laws regulating state owned enterprises and public entities, and the government regulation of the nonfinancial private sector. The central bank, the BOG, is independent and has no fiscal role. Public servants are subject to a well-defined code of behavior. Despite this sound legal framework, much of it recently influenced by EU directives, there are concerns about the way laws are administered, and there are some specific areas where the framework for fiscal management can be strengthened further. The main areas requiring further reforms are indicated below.

77. **There is the need to present consolidated budget information and report on the general government sector on a regular basis.** General government is defined consistently with GFS principles, but is not well covered in the budget process. For example consolidated information on municipal revenue and expenditure, is not available in budget documentation. The budgets of eleven "off-budget" funds are presented with the budget for information only, and the Parliament only approves the transfers to the social security and pension funds for those that are dependent on the government for financing their deficits. The larger public sector also contains some 2,600 public entities many of which in some form or another are engaged in implementing government policy. Transparency would be much enhanced by including all such relevant institutions into the overall fiscal management processes of the economy. There may be significant transparency issues with operations outside the central government, although this assessment does not specifically cover such operations.

78. **There is need to bring a performance orientation into government operations.** The legal framework for managing public funds is clear, but could be more comprehensive to include modern principles of budget management and to meet higher standards of accountability and transparency. The legal framework prescribed is designed for the functioning of a compliance oriented, rather than a performance oriented budget management system. An area where almost no progress has yet been made in Greece, and where no institutional roles and responsibilities have been assigned, is that of performance measurement and the value for money evaluation of government policies and activities. The developments in this field in other OECD countries have been extensive over the past two decades, and have been very important for fiscal transparency. Institutional capacity in performance measurement and analysis would need to be built up in line ministries, the GAO and in the Court of Audit. Given the urgent need for fiscal consolidation in Greece, program budgeting with performance measurement and analysis should be initiated in the GAO where it could play an important role in supporting allocative decision-making and reducing inefficiencies.

79. **Greater responsibility for budget management should be given to government agencies.** Fiscal management overly concentrates power in the MEF, to the detriment of accountability and transparency in other parts of the budget system. Recent problems in fiscal reporting have revealed the extent to which public finances are affected by institutions outside the central government that are not incorporated in the State budget. It is notable that when examining fiscal roles and responsibilities, the MEF is responsible for many of the financial functions that are carried out in other countries by ministries. As a result the MEF intervenes at all stages, and at a very detailed level, redrafting ministry budgets, approving reallocation requests, and tightly controlling their ability to spend through a detailed system of pre-audit, quarterly allotments and monthly credit limits. The result has been to remove line ministry ownership of their budgets, undermining their accountability and their ability to be transparent, and offering no incentive for them to improve their financial management capacity. The same applies to other units of central government, like the hospitals, as well as local governments, where central fiscal controls have been pervasive. Actions to devolve executive power and improve accountability and transparency, should, of course, be preceded by strengthening internal financial management systems, especially commitment controls and cash planning.

80. **There is a need to consolidate and better integrate fiscal management functions.** Coordination and management of budget and financial operations could be better defined. Within the MEF, while there is obvious dialogue between them, the two components—the GAO and the former Ministry of National Economy—remain for all intents and purposes distinct institutional entities. The GAO prepares the Ordinary Budget, and the National Economy the Investment Budget. Within the GAO, there are many specialized divisions, often sharing different aspects of the same function, so that sometimes the overall picture of the entire function is obscured. This specialization is likely to complicate the work of the GAO and add to its internal communications problems, working against transparency. In the area of debt management, Greece has developed a modern and well-respected Public Debt Management Agency (PDMA) which is in charge of 85 percent of the central government

debt. The performance, accountability and internal reporting functions for the debt management activity are the responsibility of PDMA. On the other hand, the reporting function for the debt as a fiscal parameter towards the EU, other international organizations, and Parliament; the servicing of the debt as well as the debt issuance for special purpose funding, have been retained by the GAO. It is suggested that in this and other areas there may be gains in integrating tasks, concentrating expertise, and assigning more transparent accountability to better defined functional departments.

81. **There is a need to include all government operations in fiscal decision making.** Quasi-fiscal activities (QFAs), although limited, are not always transparent. In some specific cases, such as transportation, the extent of financial support by the government is not always clear, and some state owned enterprises carry out significant QFAs. Similar concerns apply to public financial institutions. The government has direct or indirect shareholdings in a significant part of the financial sector, and while there are limits to its influence on the managing boards of these institutions this is clearly not the case where it has a 100 percent share. For example, in the case of the Agricultural Development Bank, and Consignment and Loans Fund, there are some business practices that are clearly dictated by public policy, giving rise to some limited QFAs that are unreported. It would be advisable for government to continue its divestment from commercially oriented activities and in others to contract service agreements to clarify the implicit subsidy provided to public enterprises.

82. **The regulatory framework for private public partnerships needs to be more strictly defined.** The new legal framework under consideration should specify clear and regular reporting requirements for ministries and agencies towards the MEF, limit further the overall risk that the public sector is allowed to shoulder, link the PPP legislation clearly to the procurement law obligations, and provide for a more well-defined and more independent "gatekeeper" function to assess and recommend use of the PPP instrument.

83. **There should be greater clarity on the source and use of receipts from privatization.** Privatization processes have not always been transparent; the expenditures arising from privatization receipts to the budget are not always clear. The legal framework for privatization is not very detailed and has left room for discretionary and nontransparent decision-making. Privatization receipts deposited in a special account at the BOG are utilized without the approval of Parliament, and without any transparent reporting.

84. **There should be greater clarity on intergovernmental roles, while the framework for financial management and supervision of local government should be strengthened.** The responsibilities of different levels of government are evolving and could be more clearly defined. While the expenditure responsibilities of different levels of government are defined in law, they leave the possibility of overlapping government activities. A major bottleneck is the absence of a comprehensive land registry system. While the principle of decentralization is enshrined in the constitution, in effect the financial autonomy of local government is rather limited and the influence of central government on designated local government activities remains pervasive. Despite this, and despite the fiscal risk arising from local government borrowing, there is no central monitoring or supervision of this activity for the sector as a

whole. There is an obvious need to strengthen the in-year reporting of local government finances, that should be consolidated by the MEF, and reported alongside the reports on progress in central government's budget execution.

85. **The framework for financial supervision of local government should be strengthened.** Given the financial risks facing local government, and their limited financial autonomy, assessing repayment capacity of local government is extremely difficult. Loans with grace periods, variable interest rates, and in foreign currency increase the financial risks of local government considerably and can not be seen as suitable financial instruments for local government. If decentralization is to proceed in the coming years with more vigor, explicit limits in overall borrowing and debt service should be contemplated. One of the risk factors with regard to government borrowing is that no central monitoring and supervision is performed on the sector as a whole. While present macroeconomic data suggests that local government cash balances may largely compensate local government indebtedness, a continuation of this situation is in no way guaranteed. At present there is no data available on the distribution of local government indebtedness. Also, for active fiscal policy on the basis of the overall general government deficit—as required by the Maastricht Treaty—central government should urgently develop this capacity.

86. **The legal framework for taxation and its administration require further simplification.** While tax expenditures are comprehensively and transparently disclosed in the budget, compulsory levies by various funds (third-party taxes) are not. Moreover the vast use of tax exemptions and stamp duties overly complicates tax policy and reduces transparency. The effectiveness of tax collection also needs to be further improved and made more transparent, by streamlining audit procedures, compliance regulations and the appeals process, thereby curtailing the degree of discretion of tax administrators and ending the present system of negotiation between tax collectors and the taxpayers.

B. Open Budget Preparation, Execution, and Reporting

87. **Greece meets many elements in this area of the transparency code, although with some qualifications.** The annual budget process is open, although its structure and presentation is only partially consistent with international standards. The overall balance of general government is the main indicator of the fiscal position for EU purposes, although operationally the central government deficit is much more important for budget management, and aggregates are monitored during the year. For the most part budget forecasts and underlying macroeconomic assumptions are presented. Procurement rules and practices are clear and well known, and generally conform to EU standards. Civil service employment procedures are clear, but somewhat cumbersome and sometimes judged inefficient. Basic accounting and internal control procedures are in place, although they do not generally conform to international standards. The accounting system is capable of producing reasonably accurate in-year reports on the central government budget outturn, but not on general government finances. Fiscal reporting covers all of general government, although for policy purposes limited in its content and timeliness in some areas. The audited fiscal accounts of central government are available within 10 months, although there are no

consolidated audited accounts of general government—a major deficiency in this regard. The main areas requiring further improvements are noted below.

88. **Budget decision-making should be better guided by policy-relevant information.** A major barrier to fiscal transparency is the limited policy perspective in the budget. The ordinary budget focuses almost entirely on the institutions and detailed line items of expenditure, thus emphasizing inputs used rather than outputs produced, or the policies being implemented. While estimates of new policy initiatives and ongoing costs of government policies are distinguished in budget documents, this is only done at the aggregate level. Policy statements in the budget are rather general, and ministries do not give any detailed policy-based descriptions of their spending plans. This, combined with the input nature of the budget data, causes the budget to be rather uninformative to the general public. Presentation of the budget according to a programmatic structure and its associated costing, with accompanying detailed description of policy-based targets for each program, has become the norm in most EU countries, and should be an objective of future budget reform in Greece.

89. **There should be an overall consolidated expenditure plan for the government.** Overall fiscal transparency is further obscured by the lack of a fully consolidated central government budget. The central government's budget is split between the ordinary and investment budgets, both with different classification systems, and a large number of extrabudgetary funds and public entities. Not only does this considerably complicate fiscal management, undermining overall financial discipline, but it makes it difficult to form a consolidated picture of the government's finances. It is recommended that Greece further curtail the use of extrabudgetary funds, and consolidate them in a unified budget that will include both ordinary and investment spending.

90. **Budget decisions should move away from the present annual timeframe.** Despite the recognition that many spending programs have multi-year impacts, and despite the SGP requiring fiscal projections for three years beyond the budget year, the budget lacks a multi-year budgetary framework. The MEF does publish on a semi-annual basis multi-year macro-fiscal forecasts. These forecasts are also provided in the context of EU fiscal policy coordination. They are, however, forecasts at a very aggregated level, with limited connection to the annual budget formulation process. A statement of medium-term fiscal objectives is not included in the budget document, and hence not subject to parliamentary approval, and fiscal responsibility issues are not presented. There would seem to be advantages to Greece in adopting a multi-year budget framework as a way to assess the sustainability of current fiscal policies, and as a way to judge how much room there is for new spending measures in the future. In addition, while most EU countries have found multi-year projections based on current policies useful, this approach would seem particularly relevant to Greece given its requirement to chart a path of fiscal consolidation from present deficit levels to levels that are sustainable and acceptable to the EU. In this context, a fiscal risk analysis—including realistic specifications of the risks inherent in Greece's many types of loan guarantees and of the risks that might surface if Greece undertakes a program of public-private partnerships—would also be very useful, and should be published with the budget.

91. **Internal controls should be strengthened to avoid excessive centralized controls.** The present centralized multiple expenditure control mechanisms need to be streamlined; while the internal monitoring and control mechanisms within line ministries need strengthening. At present expenditure control focuses on pre-audit of central government expenditure. This task is divided in Greece between internal line ministry financial administration units, General Accounting Office (GAO) deconcentrated control units—the fiscal audit offices, and the Court of Audit. All three of these internal audit checks are largely procedural and legalistic in approach. This overlap in pre-audit functionality is wasteful and inefficient, and does not conform to EU best practice. A proposal for a fourth control organization, situated in the GAO, of a more investigative nature, is presently being advanced. All such controls are solely aimed at financial compliance. The MEF requires to develop the internal control function within ministries and other agencies, that will allow it to transfer the task of internal control to the ministries. Its function would then be in setting standards, supervising the functioning and compliance of ministries to these internal control standards to ensure that control is maintained and that the quality of data reported would not decline.

C. Public Availability of Information

92. **Greece meets many of the requirements of the fiscal transparency code in this area.** Much fiscal information on central government operations is readily available to the public, and while there is a clear commitment to provide this information at scheduled times, information could be more comprehensive. The budget documents cover central government activities, although lack detailed information on extrabudgetary funds' and special accounts' activities. They also provide limited summary data on the general government. A major improvement is that from 2005 defense expenditures are comprehensively reported in the budget. Statements of tax expenditures, and guarantees are included in the budget documents (but not a full account of all contingent liabilities). Information on gross public debt is published, but information on government financial assets is not published. While there is a commitment to regular publication of fiscal data, advance release data calendars are not always made available. However, more substantive issues remain to be addressed—the lack of consolidation at the general government level, absence of programmatic classification, incomplete information on financing, improper quantification of contingent liabilities, off-budget activities and arrears.

93. **Budget documentation should increase in scope and coverage.** Apart from the gaps in information identified above there are two other areas that would considerably increase transparency in government operations. The budget document discloses the main fiscal aggregates for the previous two year, and two years beyond the current fiscal year, but with no details. The case has been made above that transparency in the government's fiscal position would be much enhanced by moving budgeting from a purely annual to a multi-year basis by adopting a full multi-year budget framework. There are some quasi-fiscal activities, and while these may not be extensive, transparency would be improved by their identification and their cost explicitly included in the budget documents. There should also be a much more extensive mid-year review of the implementation of the budget. In addition, there should be

enhanced and more timely reporting on the Social Security Sector. The present Social Budget should be presented with the annual Budget, include final account information, and also detail the government's future intentions regarding the sector

D. Assurances of Integrity

94. **Greece continues to strengthen its capacity to meet the requirements of the fiscal transparency code in this area.** Budget data have improved in reliability, especially after the recent fiscal audit undertaken with the cooperation of Eurostat. The government has further plans to introduce greater computerization to strengthen the systems underlying the production of fiscal data. The Court of Audit, the supreme audit institution, as a part of the judicial branch, is independent of the executive branch, and its mandates cover the majority of government activities. The main areas where further improvements are required are indicated below.

95. **Accounting policy and procedures need strengthening.** Statements on accounting policy are not included in the budget and final accounts documents; and the process of accounts reconciliation and fiscal reporting could be strengthened. The present accounting system requires modernization to provide more timely, accurate, comprehensive, and reliable information for effective accountability. The record keeping of financial transactions, and the compilation of the monthly and annual accounts, is carried out with the help of a number of stand-alone software applications, some of which are dated and require continuous maintenance. The situation is aggravated by the multiplicity of systems and information sources that is likely to result in inconsistencies in the basic accounting data. The government has recognized the need for introducing a modern IT-based financial management information system, and has contracted consultants for this purpose. In introducing an FMIS the opportunity should be taken to move budget accounting from its current cash basis at least partially to an accrual basis, another declared objective of the government. As indicated above, the main bank account of the government, No. 200 at the BOG, does not appear fully reconciled, largely due to the number of different agencies operating this account. In the more immediate term, efforts should be made to fully reconcile all bank accounts with ledger accounts and to reconcile monthly data on budget implementation with the accounting records maintained by the respective line ministries and revenue collecting agencies.

96. **The Court of Audit needs to move away from its overly legalistic approach to audit.** A reorientation and strengthening of external audit is required to make it more relevant; the legislature largely ignores audit reports and does not follow up on the audit findings. The very strict interpretation of its function, as ensuring the legality of the Executive's actions, has limited the impact of the Court of Audit in ensuring the integrity of fiscal data. Certain essential tasks that might be undertaken by the COA are presently not being carried out, such as the audit of public debt reporting and a check on the appropriate conversion of Eurostat fiscal reporting methodology to GAO practices. On the other hand, there are some tasks undertaken by the COA which perhaps should be phased out. Notable among these is the extensive pre-audit function that to some extent compromises the independence of its ex-post audit. Also there have been complaints that pre-audit procedures

are cumbersome, duplicating other controls imposed by the MEF, and has contributed to the slowness in payments and the emergence of mutual arrears in government institutions. The Court of Audit, due to its heavy involvement in all operations of general government, both pre-audit and ex post audit, is almost twice the size of equivalent supreme audit institutions in European countries of similar size of population. Rather than the numbers, it would appear the COA could be strengthened by widening the technical capacity of staff through greater employment of other types of profession, that would allow it to move to systems and value for money auditing. To make room for the new work, a redeployment of resources away from pre-audit would seem to be a more productive use of its resources.

97. **The National Statistics Service should be independent.** The National Statistics Service of Greece is not given legislative assurance of independence. Although the fiscal data provided by many of the Greek agencies has improved greatly over the years, the agencies providing these data need to be as independent as possible to enhance the credibility of the data to those both inside and outside of Greece. In the context of the recent fiscal reporting problems that has cast severe doubts on the integrity of Greek fiscal data, and the independence of the NSSG, some consideration should be given to whether the credibility of the data provided would be enhanced if it were provided by an independent agency outside the MEF. In a related way it would be worth considering if the credibility of the macroeconomic forecasts and budget data reported by the MEF could be enhanced if an independent agency—perhaps one that reported directly to the parliament—reviewed the assumptions, inputs, and models used by the various agencies within the ministry to provide its own independent assessment of the status of the budget estimates.

III. Summary Tables

Table 1. A Summary Assessment of Practices

Overall summary
Greece has made progress in meeting the requirements of the fiscal transparency code in recent years. Publications and use of the internet have improved the dissemination of fiscal information on central government. While the use of independent audits has increased and statistical reporting has recently been strengthened, much still needs to be done on improving the reliability and effectiveness of accounting and audit systems, and extending their coverage to the rest of general government. A main challenge for Greece lies in moving away from a traditional detailed, control-oriented, input-based budget management system to one that provides more clear insight into government policies, activities and performance. A second and related challenge is modernizing fiscal institutions and systems which now impede clear designation of responsibility and accountability and related managerial flexibility.

The priority areas for improvement are:

(1) Present a fully consolidated budget, unifying the ordinary and investment budgets, and providing full information on the activities of extrabudgetary funds, local governments, and relevant public entities. Estimates of contingent liabilities and quasi-fiscal activities should also be included.
(2) Central government should execute its budget through a more transparent treasury single account structure, and provide consistent and regular financing data for both central and general government towards Parliament and public.
(3) Inject a policy perspective into the budget by introducing a program structure that clearly identifies the government's objectives, encouraging an evaluation of the efficiency and effectiveness of government activities.
(4) Develop a detailed medium term budget framework that would move the budget process away from its narrow incremental annual basis, supported by a more comprehensive mid-year review of budget developments and fiscal sustainability analysis.
(5) Move in a phased way from present detailed centralized controls, and strengthen the internal financial management in budget institutions so that they can be made more accountable for managing their own budgets.
(6) Phase out the pre-audit of the MEF's fiscal accounting offices, and at the same time redeploy Court of Audit resources away from pre-audit to ex post systems and value-for-money audits, increasing the relevance of their annual reports and the effectiveness of parliamentary oversight.
(7) Strengthen the present accounting system, especially in the area of reconciliation between ledger and bank records, followed by the introduction of a computerized financial management system and a phased move to at least a partial accrual accounting basis.
(8) Strengthen transparency in tax administration by moving away from a system of universal control to a modern risk-based system through streamlining the internal organization of the tax administration, its audit procedures, compliance regulations and appeal processes, thereby curtailing the degree of discretion of tax administrators.
(9) More closely monitor and report on the operations of the social security funds, in a consolidated manner, bringing forward the publication of the Social Budget, with a timely publication and analysis of outturns.
(10) Make more transparent quasi-fiscal activities, and when deemed necessary for public policy, introduce explicit public service agreements, clarifying the implicit subsidies involved, with estimates of any contingent liabilities.
(11) Better define responsibilities of lower level governments with more complete reporting on their operations, especially with regard to their borrowing, an area where strengthened regulations and improved central monitoring and supervision is recommended.

Table 1. A Summary Assessment of Practices

Code Reference	Summary Assessment	Comment
Clarity of roles and responsibilities		
1.1.1	General government is largely defined consistently with Government Finance Statistics (GFS) principles, but is not well covered in the budget process. Regular reporting on sub-national operations needs to be instituted. A move to consolidated presentation of general government fiscal data is warranted.	Short-term priority.
1.1.2	The expenditure responsibilities of different levels of government are defined in law, but leave the possibility of overlapping government activities. The financial autonomy of local government is in practice rather limited. Financial supervision should be strengthened before more autonomy is given to local government.	Medium-term priority.
1.1.3	Greece's pay-as-you-go social security sector is fragmented, and in part heavily dependent on government for bridging financial deficits.	Medium-term priority.
1.1.3	In addition to the social security and pension funds there are a number of other EBFs, some of which appear to be engaged in normal government activities.	Short-term priority.
1.1.3	The monitoring, supervision, reporting and analysis of the social security system could be greatly enhanced.	Short-term priority.
1.1.3	Privatization revenues have not been transparently transferred to the budget but have been retained in a special privatization account and subsequently spent outside the normal budgetary process.	Short-term priority.
1.1.4	The relationship between government and public nonfinancial and financial enterprise is generally well defined, but specific policies and interventions need to be made more transparent. For example, the use of guarantees needs to adhere to stricter criteria and not be used as a quasi-subsidy.	Short-term priority.
1.1.4	The draft legal framework for Public Private Partnerships (PPPs) does not provide adequate protection yet against unwarranted risks and costs for government.	Short-term priority
1.1.4	A yearly report on the policies and interventions with regard to public enterprise sector, with financial details, should be included in the budget documentation.	Short-term priority.
1.1.5	The legal framework for privatization is not very detailed on process and procedures, leaving leeway for discretionary decision-making; privatization processes have been fraught with political considerations and union resistance.	Medium-term priority.
1.2	The legal framework for management of public funds is clear on the major processes of budget management, but not always applied comprehensively. Modern principles of budget management, including strengthened requirements for accountability and transparency need to be applied.	Medium-term priority.

Table 1. A Summary Assessment of Practices

Code Reference	Summary Assessment	Comment
Clarity of roles and responsibilities		
1.2.1	The transfer of resources to local government is defined by a fairly transparent distribution formula but exact amounts are only communicated during the fiscal year.	Short-term priority.
1.2.1	Local government is allowed to borrow without being guided by objective criteria; present indebtedness of local government is still low, but stricter regulations now may avoid difficulties once autonomy is increased.	Medium-term priority.
1.2.2	The legislative basis for taxation is clear but made untransparent by overly complex administrative procedures and a multitude of exemptions, stamp duties and "third party taxes."	Medium-term priority.
1.2.2	A statement on tax expenditures is included in the budget documents; but their extent and presentation raises concerns.	While considerable progress has been made in reporting on tax expenditures, there is a scope for improvement. Short-term priority.
1.2.2	The appeal procedures and related legal rights of taxpayers are clearly defined, and mechanisms for enforcing these exist.	
1.2.3	Public servants are subjected to a well-defined code of behaviour, although adherence to the code remains uncertain. Reducing corruption in the public administration is a priority of the government.	Medium-term priority.
Public availability of information		
2.1.1	The state budget focuses on the central government, 11 off-budget funds are co-published with it, but little information is provided on general government operations.	Medium-term priority.
2.1.2	The state budget documents present the main fiscal aggregates for two years prior to the budget year, and two years beyond the budget year.	
2.1.3	Government guarantees are fully disclosed in budget documents, but quasi-fiscal activities and contingent liabilities are not. Tax expenditures are included in budget documents.	Medium-term priority.
2.1.4	Information on the general government debt figures provide only a partial picture of public sector indebtedness. Information on published government financial assets is also incomplete.	Medium-term priority.
2.1.5	Detailed fiscal information primarily covers central government; while there are many deficiencies at the general government level.	Medium-term priority.
Open budget preparation, execution, and reporting		
3.1.	Greek budget preparation procedures are clear, however they are not in line with international best practices.	Medium-term priority.
3.1.1	The main focus of fiscal policy in Greece is the overall balance of the general government but this target does not translate into central government budget preparation and execution.	Medium-term priority.
3.1.2	Deficit and debt ratios of the general government sector are used, but not fully institutionalized in the budget process.	Short-term priority.

Table 1. A Summary Assessment of Practices

Code Reference	Summary Assessment	Comment
Clarity of roles and responsibilities		
3.1.3	The macroeconomic assumptions used are presented but it is questionable as to the extent these forecasts are used consistently in the budget process.	Short-term priority.
3.1.4	Estimates of new policy initiatives and ongoing costs of government policies are distinguished in budget documents, but could be more detailed.	Medium-term priority
3.1.5	The sensitivity of budget estimates to changes in economic variables is not assessed and fiscal risks are not fully evaluated and presented in the budget.	Short-term priority.
3.2.1	The legal framework on processes of budget management is clear and budget is on gross basis.	
3.2.2	There is a need to bring performance orientation into government operations.	Medium-term priority.
3.3.1	The accounting rules, and regulations, including internal control, focus mainly on legal and financial compliance.	
3.3.2	Public procurement procedures are comprehensive and consistent with the EU regulations; however the procurement performance needs to be reviewed and made public and reported to Parliament.	Medium-term priority.
3.3.3	The internal financial controls and audit processes are exercised by MEF, this diminishes the accountability of ministries for sound financial management.	Medium-term priority.
3.3.4	The tax administration organizational structure contributes to lack of accountability and uncertainty over outcomes.	Medium-term priority.
3.4.1	The accounting system is capable of producing in-year reports on central government budget outturn, but does not cover general government.	Medium-term priority.
3.4.2	The final accounts, audited by the COA, are available within 12 months of the end of the fiscal year.	
3.4.3	The current Greek Budget System is primarily input based and lacks both a program and performance orientation.	Medium-term priority.
Assurances of integrity		
4.1.1	The variance between budgeted and actual outturn at the aggregate level is disclosed to the public, although deviations are not explained.	Short-term priority.
4.1.2	Statements of accounting policy are not included in the budget and final accounts documents, but are clearly stated for budgeting and accounting purposes.	
4.2.1	The focus of external audit is narrow; a reorientation is required, systematic review of audit reports by Parliament is limited.	Medium-term priority.
4.2.2	There is limited focus on the macroeconomic picture underlying the budget.	Medium-term priority.
4.2.3	The National Statistical Service of Greece has not been given legislative assurance of full independence.	Medium-term priority.

Table 2. Public Availability of Information—A Summary

	Budget and Fiscal Report Element	Included in Budget/Report Documents	Available to the Public	Para. ref.	Code ref.
1.	Central government (CG) budget estimates.	Yes.	Published/ press/internet.	34–40	2.1.1
2.	CG Defense Expenditures.	Yes, the defense budget estimates are quite detailed and follow the standard administrative and economic/budget line item classification followed for other budget estimates of other ministries.	Yes.	57	2.1.1
3.	CG EBFs (including special development funds, social security funds, resource revenue funds).	Yes in the budget documents, however the information is very limited, mostly as a single budget line for transfers.	Yes, limited information in budget documents published as well as on the internet.	56	2.1.1
4.	CG Budget outturns.	Yes for two past years in the budget documents.	Yes, in budget documents published as well as on the internet.	58	2.1.2
5.	CG Budget forecasts.	Yes, the budget documents include main fiscal forecasts for two years.	Yes, in budget documents published as well as on the internet.	58	2.1.2
6.	CG Contingent liabilities.	No, there is no assessment of contingent liabilities.	No.	59	2.1.3
7.	CG Tax Expenditures.	Yes, a statement on tax expenditures is included in the budget documents; but their extent and presentation raises concerns.	Yes, in budget documents published as well as on the internet.	60	2.1.3
8.	CG QFAs.	No.	No.	7 and 61	2.1.3

Table 2. Public Availability of Information—A Summary

	Budget and Fiscal Report Element	Included in Budget/Report Documents	Available to the Public	Para. ref.	Code ref.
9.	Macroeconomic assumptions.	Yes, The macro forecast is published in the "Current Economic Developments of the Greek Economy" and restated in the budget.	Yes.	37	3.1.3
10.	Analysis of fiscal risks/sensitivity analysis.	No.			3.1.5
11.	CG Debt	Yes, a Public Debt Bulletin is published by on a quarterly basis; also a presentation in budget; no general government overview.		62	2.1.4
12.	CG Financial Assets.	Yes, information on government financial assets is published annually but is incomplete.	The Balance Sheet is prepared by GAO, audited and presented to the Parliament	63	2.1.4
13.	Sustainability Analysis.	No.			3.1.1
14.	General government budget estimates.	Yes, budget estimates are presented in the annual State budget at a detailed level, split between recurrent and capital expenditure; budget classification based on organizational plus quasi-economic categorization. Medium-term figures in budget (two years beyond budget year), but at aggregate level only. A number of extrabudgetary funds are presented in the budget in full, but social security funds only to a very limited extent; QFAs are not reported on. Tax expenditures are reported on extensively given their abundance. Government guarantees are fully disclosed in budget documents, but other contingent liabilities are not.		56, 58, 60, 61	2.1.5

Table 2. Public Availability of Information—A Summary

	Budget and Fiscal Report Element	Included in Budget/Report Documents	Available to the Public	Para. ref.	Code ref.
15.	CG Monthly/quarterly reports on fiscal outturn.	Monthly and quarterly reports on government budget outrun are available and made public.	Yes, on the government website.	50	3.4.1
16.	General government Monthly/quarterly reports on fiscal outturn.	No.			3.4.1
17.	CG Final Accounts.	Annual Accounts, a partial Balance Sheet along with the audit report on the accounts are presented to the Parliament in October/November.	Yes.	50	3.4.2
18.	Consolidated general government Final Accounts.	Not compiled.		50	3.4.2