

# FINAL REPORT

## TECHNICAL ASSISTANCE TO THE 2017-2018 SPENDING REVIEW AND CAPACITY BUILDING IN BUDGETING PREPARATION IN GREECE



ENABEL REF: GRE160071T

EU REF: SRSS/S2017/008

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*The report is prepared in line with Article 4 of the Special Conditions of the Agreement and Article 3.8 of Annex II, General Conditions.*

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## Summary of the Action

Intervention name	Technical Assistance to the 2017-2018 Spending Review and Capacity Building in Budgeting Preparation in Greece
Intervention Code	Enabel REF: GRE160071T EU REF: SRSS/S2017/008
Location	Greece
Budget	EUR 999 700 (at the time of concluding the grant agreement) EUR 849 700 (as revised through amendment 1) EUR 800 000 (as revised through amendment 2) EUR 633 385 (amount utilised)
Funding source	100% EU
Type of contract	EU PA Grant agreement (2017)
Partner Institution	Structural Reform Support Service (SRSS)
Implementation period	27/03/2017-15/10/2019 (30 months)
Target groups	General Accounting Office
Impact	The financial reinforcement of the Social Solidarity Income (SSI) and the increase in the quality of public finance which might also result in a reduction of taxes
Overall Objective	The original scope of the project was to assist the Greek Authorities to carry out the 2017 Spending Review, build capacity in budget preparation within the Specialised Unit for Spending Review.
Specific Objective	The improvement of capacity to analyse public policies within the General Secretariat for Fiscal Policy of the Ministry of Finance and in line ministries
Results	The project provided various support activities to improve budget preparation in Greece, advising on performance budgeting, supporting effective spending reviews, providing support to budget preparation on transition to IPSAS/EPAS accrual accounting reform. This should enhance both the capacity of the GAO staff in Performance Budgeting and Spending Reviews, as well as the management capacity of GAO in implementing the reform agenda in the areas mentioned above.
Period covered by the report	27/03/2017 – 15/10/2019 - Final Report

# 1 Background and overview

During and after the end of the Economic Adjustment Program, Greece had the need to build capacity in the GAO (namely in the General Directorate of Fiscal Policy and Budget) to be able to comply with the obligations of the European Semester and of the EU fiscal framework.

The Greek General Accounting Office (GAO) submitted a request for support under article 25/2016 in order to engage in the comprehensive 2017 Spending Review (SR) while it had initiated the Spending Review (SR) 2016/17 to **identify fiscal space for reallocating spending** to priority social programs and to **enhance the efficiency and effectiveness of expenditures**. The SR 2016/17 was supported with external expertise which preceded the support mobilised under the Grant Agreement to which this Final Report relates to. The 2016/17 spending review has been publicly announced and the teams for the pilot phase formed and GAO has sought technical assistance (TA) in order to learn from international experience on how to conduct a SR and to train staff.

The original scope of the project requested under the Article 25/2016 was to build on the earlier support and assist the Greek Authorities to carry out the 2017 Spending Review and build capacity in budget preparation within the Specialised Unit for Spending Review. The project had a slow start because the technical support to the 2017 Spending Review has been limited to the start-up phase only.

Delays to receive the approval on the ToR of the grant by the Authorities combined with the short period given to the Ministerial Teams to complete the 2017 Spending Review did not allow supporting the implementation phase. The focus of the grant during the negotiations of the detailed project description (annex I to the grant agreement) was therefore shifted to capacity building in budget preparation (not only spending review) and on a longer horizon (>2 years).

The Agreement was signed on the 1<sup>st</sup> of August 2017 but entered into force on 27 March 2017 thanks to a retroactivity clause. It was amended twice to extend the duration and adapt the budget which was not absorbed.

The Section II of this Report provides an assessment of implementation of the action in three parts: a) a summary of the project implementation, b) a narrative overview of progress made through the end of the project, including activities undertaken, outputs delivered and results achieved and c) an assessment of the project in which extent the objectives and outcomes have been achieved and the impact.

The Section III provides an overview of the financial status of the project through end of the project, including the utilisation of the budget.

## 2 Assessment of implementation of the action

### 2.1 Project and Implementation Description

The provision of technical assistance by the support of SRSS and ENABEL was in 2017 – 2019 delivered under the PA Grant Agreement SRSS/S2017/008: “Technical assistance to the 2017-2018 spending review and capacity building in budget preparation in Greece”. This was a phased project to provide technical support to the Greek authorities in the area of Public and Financial Management – the initial phase focused on supporting the conduct of the spending review and the second phase on strengthening the capacity in budget preparation.

#### 2.1.1 Summary of implementation of the Project activities

The support to GAO started in 2017 by means of the Grant Agreement SRSS/S2017/008. The project description included the following: **Outputs** (defined as expected results under the sphere of controls), **Outcomes** (defined as specific objectives which the project targets to influence) and **Impacts** (general objectives falling under the sphere of interests for European citizens). This project financed many activities that can be summarised in two main areas: 1) the support to the 2017 Spending Review and 2) Building capacity in budget preparation in the GAO. Those activities are shown in the table below:

#	Output	Summary of support measures
		<i>Support to the 2017 Spending Review</i>
1	Technical Support and overall coordination (component n. 1 of the grant agreement)	Support was provided by the contractual and Financial Adviser: The Contractual and Financial Advisor Mr Gilles Michelin has been stationed at Enabel headquarters in Brussels to coordinate administrative and financial issues
2	Providing feedback on the Spending Review Pilot & Training SR Teams on the methodology (component 2 and 3)	Support was provided by international experts: International experts in spending review and SRSS staff assisted the GAO in April 2017 in providing feedback on the pilot spending reviews carried out in 2016 and delivered training (through a workshop) to the Spending Review Teams to roll-out the comprehensive Spending review to 11 line ministries in 2017
3	Provide hands-on advice to the SR teams during the spending review and providing targeted support in "deep dives" (component 4 and 5)	Delays to receive the approval on the ToR of the grant by the Authorities combined with the short period given to the Ministerial Teams to complete the 2017 Spending Review did not allow supporting the implementation phase.

3	Implementation of the Spending Review Methodology (component 6)	Financial compensation (incentive) for the staff working overtime to carry out the 2017 Spending Review was provided to the Greek SR teams and the Coordinating team of the Spending Review.
4	Building capacity within the Spending Review unit (component 7).	Support was provided to the newly established "Specialised Spending Review Unit" in GAO through funding the following training: <ol style="list-style-type: none"> <li>1) Training course at the CEF in Ljubljana in carrying out effective Spending Review</li> <li>2) Training course on EUROMOD on Microsimulation modelling for the social sciences</li> </ol>
		<b><i>Building capacity in budget preparation in the GAO (component 7 as amended through amendment 1)</i></b>
5	Performance Budgeting and Spending Review and accrual accounting reform	Support was provided by the two resident experts: Between April and October 2019, two resident advisors were deployed to support ongoing reforms: one to support Performance Budgeting and Spending Review and the other to support the accrual accounting reform). <b>Mr Benoit Chevauchez</b> responsible for Performance Budgeting and Spending Review ( <i>April – October 2019</i> ) and <b>Mr Makaronidis</b> for Accrual accounting reform (May –October 2019)
6	Workshop, course, short term Expert' visits in the field of performance budgeting and training	Support was provided by means of a. workshops, b. specialised courses c. short-term experts' visits and d. training as follows: <ul style="list-style-type: none"> <li>• <b>Workshops</b> with international experts on spending reviews and performance budgeting,</li> <li>• <b>a specialised course</b> on statistics to be produced during the European Semester for fiscal surveillance (output gap, structural balance, expenditure benchmark),</li> <li>• <b>a short term expert</b>, Mr Benoit Chevauchez, to train the GAO to implement the roadmap to performance budgeting in 3 one-week missions.</li> </ul>

## 2.2 Implementation

In cooperation with the SRSS and GAO, Enabel provided capacity-building assistance in the field of budget preparation. The Output set for the project was **to identify and implement saving measures** through the period 2018 to 2020 as a result of a spending review. The expected outcome of the project resulting from the use of outputs, was to support the Greek authorities in building capacity in terms of budget preparation and analysis of public policies while enhancing the budgetary institutional setting. Specific objectives related to:

- A. improvement of capacity to analyse public policies within the General Secretariat for Fiscal Policy of the Ministry of Finance and in line ministries;

- B. implementation of a budget preparation process that better reconciles the overall budget constraint ("top down") and the effectiveness of individual public policies ("bottom up").

The expected Impact of the project is twofold: the financial reinforcement of the Social Solidarity Income (SSI) and the increase in the quality of public finance which might also result in a reduction of taxes.

### **2.2.1 Output 1: Providing support to the overall spending review process**

The role of the Contractual and Financial Advisor was to maintain regular contacts with the SRSS, coordinate the administrative, financial and technical implementation of the Project, including preparing contracts and recruiting experts, ensure a regular information flow on activities organized and progress in Project implementation by regular reports to the Steering Committee. In addition, the Adviser participated in the meetings of the Project Steering Committee, prepared an Inception Report, Interim Reports and the Final Report.

The Enabel Contractual and Financial Advisor cooperated with SRSS and the Coordinating Team within the GAO, and was the primary TA counterpart on organizing the logistic for the whole process and on issues related to the steering and governance of the spending review.

### **2.2.2 Output 2: Providing feedback on the Spending Review Pilot & Training SR Teams on the methodology.**

The second output was the “Stock- taking exercise” of the outturn of the pilot project. The GAO requested technical support (TS) in order to learn from international experience on how to conduct a SR and to train staff. Between September and November 2016, the pilot spending review was assisted by IMF and SRSS with workshops and discussions between the SRCC, the MSRTs and international experts. Experts on spending reviews and budget costing from the UK’s HM Treasury shared their experiences. Some international experts in spending review assisted the GAO with an up to two-day mission in Athens to take stock of the main achievements of the pilot project challenges and to carry out a gap analysis.

This activity also included an assessment of the quality of analysis delivered by the first three line ministries. Coaches (who participated in the pilot project) and SRSS staff participated in the mission in Athens to gather feedback on SR pilot project. Coaching activity has produced major impact during the experts' visit in Athens but rather limited impact on the follow up activities. Despite iterative encouragements to the Ministerial teams (MSRTs) to reach out to coaches during the entire process, it seems that the experience of other MSs' spending review was considered of limited use



for supporting the MSRTs to run the spending review exercise in practice in the Greek context. In addition, kick-off meetings for the roll out of the spending review had the main goal to kick-off the initial training to the SR methodology targeting Ministerial Teams. This component followed shortly the completion of the stock taking exercise. The training aimed at presenting and making the ministerial team familiar with the scope, governance, organization, tools and timeline of the SR. The main goal of this action was to kick-off the initial training on the SR methodology (scope, governance, organization, tools and timeline) targeting Ministerial Teams and Extra Budgetary Funds (EBFs). The main output of this action was to deliver 1 training session for line ministries of up to two days. This training was delivered by two international experts, the coaches participating at the pilot project and SRSS staff.

### 2.2.3 Output 3: Support to the Implementation of the Spending Review

The main goal of this output was to build capacity and to conduct the spending review itself. The spending review was conducted by the Greek SR teams and the Coordinating Team. The Use of SR tools and carry out analysis of sectorial spending have been implemented through a concept note and spreadsheets provided at the inception of the process to the ministerial teams with the support of international experts. The Coordinating Team produced a report at the end of the spending review to describe the extent of their capacity to understand the quality of the relevant policy area spending.

The SR was conducted and identified measures and savings were incorporated in the budget for 2018. Compared to the original plans (envisaged at the time of drafting the grant agreement), the design, conduct and follow-up of the SR required more coordination from the center, showed lower participation from certain line ministries.

Based on the teams that have actively participated, monitored and prepared the budget to include proposals for corrective measures, it is possible to conclude that 31 members worked for 10 months and 53 members for 7 months in the SR ministerial teams. It turned out that 3 of the line ministries (31 members) had a heavier work load (lasting 10 months) also due to changes in their political leadership during this period and they delivered more detailed and robust results in comparison to the others. Furthermore, more work had to be done at a central level, i.e. through the Coordinating Team and its support team at GAO, focusing at the organization of directions and meetings with the ministerial teams, as well as elaboration of the received data, preparation of presentations for the political leadership and communication with the institutions and monitoring of the results that were delivered. In line with the provisions of the Grant agreement and as endorsed by a steering committee of 16/04/2018, incentives were given to the 40 members of the Coordinating Team and the GAO support team of the Coordinating Committee for 14 months.

#### 2.2.4 Output 4: Support to build the capacity within the Spending Review unit

The fourth output was focused on the capacity building within the SR unit and this was achieved through a training course both to the GAO SR Unit as well as line ministries' officials specialised in deep dives and through remote support. One- two units of personnel in each GDFS of line ministries had also participated to this training. The goal of this blended learning training was to support public officials in the process of deepening their theoretical and practical knowledge in Spending Reviews. This three- day training took place in 20-22 November 2018, in Ljubljana.

This training was delivered by experienced international experts from IMF, European Commission and civil servants from EU Ministries.

Another training course at the Essex University on EUROMOD "Microsimulation modelling for the social sciences" was funded through the grant agreement for 3 civil servants in 22 July – 2 August 2019. The overall aim of the course was to provide the participants with a better understanding of model types, their differences/advantages and use: i) Static tax-benefit models (1st -4th day), Behavioural labour supply models (5th – 7th day), Dynamic microsimulation models (8th day), and Agent-based models (9th - 10th day).

#### 2.2.5 Output 5: Support to Performance Budgeting and Spending Review and accrual accounting reform

Two resident advisors were deployed to support ongoing reforms: a short-term expert which became resident after a while supported Performance Budgeting and Spending Review, while the second resident advisor supported the accrual accounting reform.

**Mr Benoit Chevauchez** was working on Performance Budgeting and Spending Review, first as a short term expert, and from April to October 2019 as resident advisor.

**Mr Makaronidis** assisted the GAO on Accrual accounting reform as a resident advisor from May to October 2019.

Regarding **Mr Chevauchez** worked on a day-to-day basis with the Directorate of Evaluation of General Government Actions (DEGGA) head and staff, with permanent interaction and exchange and very frequent meetings. He had an open access to GAO upper management, especially DG fiscal and budget and the last GAO General Secretary , whom he met frequently, each time needed. Many internal documents were shared with him, providing useful insights on operational issues as well as opportunities to advise. As planned, the resident advisor worked 3 weeks/month on average along calendars approved by GAO beforehand and duly reported in monthly time sheets. Mr Chevauchez was working on Capacity building, Spending Review and performance Budgeting.

During his work the advisor assisted the GAO to organise a **Workshop** in Athens with international

experts on spending reviews and performance budgeting. The goals of this workshop were:

- To build 'spending review' (SR= savings and reallocation) operational capacities of staff, be it pilot line ministries or GAO staff;
- To present and familiarize staff with spending review methods and practices, with a focus on spending analysis;
- to pave the way of the future development of a more systematic and comprehensive SR strategy in pilot ministries, and beyond

As short-term expert, he also assisted the GAO in producing and implementing **a roadmap to performance budgeting**. The main tasks entailed by this contract were i) drafting a road map accompanied with a short-term action plan, ii) advising on the program architecture and program indicators, and iii) addressing managerial and human resources dimensions of the PB project, including training. To that end, the expert discussed a detailed work program with the Greek authorities, more specially with GAO management.

In order to deliver successfully the implementation of the Chart of Accounts (CoA) reform, the reporting requirements it implied, and for improving accounting and reporting systems of public finance, a contract for providing technical support was concluded between Enabel (the Belgian Development Agency) and **Mr Mararonidis**. The service provided under the Contract was of advisory nature. The actual implementation of the reform remained the exclusive task of the Greek authorities, GAO and the entities involved in the reform process. At the end of Mr Marakorinidis' mission was produced a Final Report with a deep analysis and conclusions (see Annex 1).

## 2.2.6 Output 6: Building capacity in budget preparation in the GAO

The last output of this project was dedicated to performance budgeting and the support was provided by means of:

- **Workshops** with international experts on spending reviews and performance budgeting,
- a **specialised course** on statistics (see Annex 2) to be produced during the European Semester for fiscal surveillance (output gap, structural balance, expenditure benchmark),
- a **short-term expert**, Mr Benoit Chevauchez, to train the GAO to implement the roadmap to performance budgeting in 3 one-week missions.

In the second section, all the above-mentioned activities are analysed in details, in this part it is worth mentioning some information about the specialised course which was focused on statistics produced during the European Semester for fiscal surveillance (output gap, structural balance, expenditure benchmark), in order to get familiar with the EU fiscal framework, the economic govern-

ance and the procedures of the European Semester, and to build capacity in the GAO, through a training to the relevant officials. Aim of this training was that the participants could acquire:

- General knowledge of EU fiscal framework, in particular fiscal rules, the flexibility embedded in the rules and escape clauses.
- Be able to calculate and update calculations of EU definitions of Structural budget balance, Expenditure benchmark, Debt benchmark, be able to set an appropriate Medium-Term budgetary Objective,
- Be aware of the flexibility clauses (ie structural reforms, investments) and of the modulation of the required annual fiscal adjustment, be able to set budgetary targets compliant with SGP in the Stability Programmes and in the Draft Budgetary Plans.

#### **\*Components 4 and 5 of this project were not implemented (Annex 3, 4 & 5)**

Given the ambitious timeline set by the Greek authorities to deliver the 2017 SR and the delayed signature of the grant agreement, **it was not possible to provide support in policy analysis to the SR teams** through international coaches and on « deep dives ». In the Description of the action two components were presented as follows:

- a) Experts' visits to relevant administrations with main goal of this action to provide hands-on advice to the SR teams during the spending review and through the whole duration of the project. It could include either an assessment of the work prepared by the SR teams or support in building capacity in budget preparation for a better understanding of the main drivers of spending in sectorial policy areas. This output could have been achieved by working missions in Athens which could have been leading to a summary of recommendations or hand-on advice to the relevant administrations.
- b) Key experts' technical assistance to ministerial teams with main goal of this action to provide targeted support by "key experts" to those SR teams facing specific difficulties in the investigation of a given area, in order to help them identify, design and cost more complex savings option. This "enhanced" support might have been applied to areas with more important fiscal stakes and where baseline knowledge is very low (e.g. defence, procurement, rents) or to cross-cutting issues such as procurement or other "back-office" functions. This "key expert" could have been deployed for a longer period of time to support SR teams to deal with spending areas characterized by higher degree of complexity and which required more coordinating efforts. Reports with recommendations by key experts would have been prepared at the end of the missions.

The project had a slow start because the technical support to the 2017 Spending Review has been limited to the start-up phase only. Delays to receive the approval on the ToR of the grant by the Authorities combined with the short period given to the Ministerial Teams to complete the 2017 Spending Review did not allow supporting the implementation phase. The focus of the grant has been therefore oriented to supporting capacity building activities in budget preparation and on supporting the reform commitments in a longer horizon (>2 years). Hence, these 2 com-

ponents have never been implemented because of the inertia from the Authorities well described in the Annex 3, 4 and 5.

## 2.3 Overview of Progress and Results Achieved

**The support through the grant agreement had one main outcome:** the improvement of capacity to prepare the budget and analyse public policies within the General Secretariat for Fiscal Policy of the Ministry of Finance and in line ministries.

In cooperation with the SRSS and GAO, Enabel provided extensive and tailor made capacity-building assistance in the field of budget preparation. This has been a key objective for the launch of the 2017 spending review with the objective to improve "value for money" of public spending. There are many reasons for this approach. Past reform efforts did not focus enough on strengthening the analytical capacity in the budget preparation process. The current IT system does not yet support this function.

Therefore at that stage only limited capacity to analyse public policies was in place to support evidence-based policymaking. There was a structural need for capacity building in order to allow for better design and cost-appropriation while increasing the efficiency and effectiveness of public spending. The project aimed at enhancing capacity in the field of budget preparation either at ministerial level, providing training and advice from other EU member states to ministerial teams, or at the Ministry of Finance level, through proper training of Spending Review Unit members in GAO.

Based on the expected outcome of the grant agreement (displayed below), it is possible to conclude that the capacity building exercise of the 2017 SR can be considered satisfactory. Although 5 line ministerial teams have not submitted proposals for savings, the remaining 13 teams have actively participated in the exercise. They have developed for the first time the policy budget and, based on this data, they have proposed new measures to ensure value for money. The overview of the progress and results achieved during the reporting period per area of intervention are set out below in turn.

On the other side, capacity building in budget preparation was also a key achievement of the grant. This component has been developed later through the addendum n°1 compared to the assistance to the 2017 SR but it represents large part of the support provided overall.

Following the aftermath of the Economic Programme, Greece started to participate in the European semester cycle. It was difficult for the GAO to comply with reporting requirements of a process started in 2011 and developed over 7 years. The training course on European semester statistics allowed the GAO to fulfil its reporting obligation and to feed in the European semester cycle seamlessly.

The grant helped assisting the GAO in the implementation of the Chart of Accounts, ensuring continuity in the provision to GAO of technical assistance. Preparatory works to set up the governance of the CoA have been completed thanks to the support provided through the grant agreement.

More detailed description of activities performed and results achieved are indicated below:

### **Output 1: Providing support to the overall spending review process**

The role of coordination of technical support was performed by Mr Gilles Michelin the Contractual and Financial Advisor, he was responsible to maintain regular contacts with the SRSS, coordinate the administrative, financial and technical implementation of the Project, including preparing contracts and recruiting experts, ensuring a regular information flow on activities organized and monitoring progress in Project implementation by regular reports to the Steering Committee. In addition, the Advisor participated in the meetings of the Project's Steering Committee.

#### **2.3.1 Output 2: Providing feedback on the Spending Review Pilot & training SR teams on the methodology**

GAO had requested technical support (TS) in order to learn from international experience on how to conduct a SR and to train staff. Between September and November 2016, the pilot phase assisted by IMF and SRSS had paved the ground with workshops and discussions between the Spending Review Coordinating Committee (SRCC), the Ministerial teams (MSRTs) and international experts. Experts on spending reviews and budget costing from the UK's HM Treasury had shared their experiences. Discussions covered, in particular, methodology and instruments, process and management, and likely challenges. Following the kick-off meeting, additional support to the MSRTs on budget costing and policy budget provided by coaches from EU member countries (France, the Netherlands and Sweden) with sector-specific expertise to assist the three MSRTs participating in the pilot phase. Coaching activity has produced major impact during the experts' visit in Athens but rather limited impact in the follow up activities. Despite iterative encouragements to the MSRTs to reach out coaches alongside the entire process, it seemed that the experience of other MSs' spending review was of limited use for supporting the MSRTs to run the exercise in practice.

The delivery of the SR 2016/17 was informed by lessons learnt from the pilot phase, as well as earlier TA advice at various times. In April 2017, the Greek Authorities requested a TA mission of coaches participating in the pilot phase and of UK experts to draw lessons from the pilot project and to support the 13 MSRTs which were currently carrying out the SR 2016/17.

The kick-off meetings for the roll out of the spending review achieved its main goal to provide initial training to the SR methodology targeting Ministerial Teams. This component followed shortly the completion of the previous one. The training aimed at presenting and making the ministerial team familiar with the scope, governance, organization, tools and timeline of the SR. This training was delivered by two international experts, the coaches participating at the pilot project and the participation of SRSS staff and was completed by March 2018.

International experiences suggest that the timeline to carry out the spending review was a key element to ensure good results. Without a stock of existing evaluation analysis, tight timelines can mean that insufficient analysis are conducted over the review round and this has likely led to sub-optimal savings options. The mission suggested to extend the length of the exercise until October (instead of July) to give more time to run the SR 2016/17 and make sure to have provided enough TA inputs to support the delivery of good results. This extension would have had some implications because it would have required setting budgetary ceilings for EBFs at least twice and created the need to harmonize processes. However, during technical discussions with authorities, GAO did not provide the mission with overarching technical impediments for not providing more time to the MSRTs. Of course, the final decision remained with the SRCC which took the decision to request that the support initially foreseen under components 4 and 5 would be channeled to other support needs covered by the grant agreement. .

The experience of the pilot phase suggested a need for a closer coordination between the SRCC and MSRTs to monitor the respect of the deadlines providing, if necessary, technical support directly or indirectly (through the TA) to teams facing more difficulties. The three pilot ministerial teams, which have gained experience on how to prepare the policy budget, have eventually been deployed to support those teams that find more difficulties in completing this task.

**MSRTs participating in the pilot phase presented the achieved results** (indicated in section A). The presentations of the different ministerial teams provided the mission with a good overview of the work done as of last September. The mission provided the MSRTs with some general recommendations on each presentation and general remarks on what kind of information/messages were relevant to explain the methodology that has been used and the quality of savings measures.

### 2.3.2 Output 3: Support to the Implementation of the Spending Review

The Ministerial teams were expected to report their expenditure in a uniform way, split in actions (main actions and policies of each Ministry) for a series of years (back to 2013 in order to have a picture of the evolution of main aggregates) and a projection in the MTFs horizon up to 2020. By means of this reporting and the costing of actions, teams could move to the next stage, i.e. tracing areas where they believe there is space for savings or enhancing the effectiveness of their expenditure and making quantified, robust proposals.

Given that savings are included in the fiscal balance at a General Government level, there was need for consolidation of primary expenditure, i.e. grants of the Ministries to entities inside GG

were excluded, as these are finally fiscally neutral at a total level. Furthermore, wage bill expenditure was excluded, investment expenditure and some other special expenditure (e.g. expenditure for social protection - NPLs for houses etc). Specifically regarding the wage bill, Ministerial teams were urged to collect data for this expenditure and examine if the unified wage grid is implemented where it should be or if there are illegal cases (especially in legal entities) and if there are non wage benefits not included in the relevant legal framework.

Three savings scenarios have been selected by the MoF: 6 percent, 12 percent and 20 percent of certain categories of expenses of central administration and supervised entities finally included in the spending review, accounting for quasi EUR 5.2 bn. The 3 targets were set at about EUR 300 million (6 per cent target), EUR 600 million (12 per cent target) and EUR 1 bn (20 per cent target). The basis of calculations was the existing projections back in March 2017 for the MTFS 2018-2021 under preparation at that time. In all cases before the finalization of the targets, intense meetings took place with all Ministerial teams in order to conclude to mutually accepted projections for their fiscal data

The pilot phases showed a tension between short-term objective (delivering a certain amount of savings within the given deadline) and medium-long term objectives (building capacity through more sophisticated analysis). This tension needed to be addressed and solved in view of the roll out of the pilot phase. International experiences suggest that the timeline to carry out the spending review is a key element to ensure good results. Without a stock of existing evaluation analysis, tight timelines can mean that insufficient analysis is conducted over the review round and will likely lead to sub-optimal savings options.

Ministerial teams had many difficulties in presenting savings proposals and documenting their quantifications, given the savings already implemented in previous years and the reluctance of the members of the ministerial teams to come up with more radical proposals, such as merge or abolition of entities. Their work was even more difficult due to the reluctance of most of the supervised entities to cooperate in presenting the costs of their actions and mainly in submitting savings proposals. From the experience of the 3 pilot - Ministries it was noted that there were large difficulties from their side in working in this direction, that is different from what they are familiar to, the usual analysis at a simple KAE level and per major expenditure category.

There were problems with the ownership of the SR in selected line ministries. International literature shows that consensus at the highest level, through the commitment of the Ministries' political leadership, as well as the commitment and ownership from the line Ministries' side are



prerequisites for the success of any SR. Strong and reassured ownership is required at the highest possible level in parallel with good communication and motivation. So it's in everyone's interest to have cooperation with the line Ministries and where necessary to use some pressure either at the beginning or at any stage for maintaining the momentum. It is proved internationally that the leading role of the Ministry of Finance and the involvement of the Ministerial Cabinet itself are of crucial importance for the spending review success.

The experience showed the strong dependence of the MoF on data availability on the other line ministries' spending. Ministries have usually better knowledge and detailed information on their expenditures and they are the ones to implement any decisions made about achieving savings. In this sense, it is relevant to increase the understanding of spending drivers at level of MoF. From the European experience of the past years it seems that an increasing number of countries included spending reviews in the permanent procedures for budget and medium-term planning preparation. In this framework, this effort was also connected to the plans of the government to move to performance budgeting at some time in the future and redistribution of resources in the most efficient way to areas with high social effectiveness.

### 2.3.3 Output 4: Support to build the capacity within the Spending Review unit

The fourth output was focused on the capacity building within the SR unit and this was achieved through training to GAO SR Unit both at CEF in Ljubljana (see annex 6) as well as at Essex university.

The goal of **the first blended learning training** was to support public officials from EU member states in the process of deepening their theoretical and practical knowledge in Spending Reviews. This three-day training took place in 20-22 November 2018, in and in more details:

The first day was focused on "Understanding the role of Spending Reviews as a tool for conducting performance expenditure analysis", Benefits (Savings and performance improvements) that can be achieved over the medium term by regular spending reviews analysis, "Spending reviews in the EU/Lessons from the European Experience" followed by workshop and daily feedback. The second day included "Spending reviews in the EU / Lessons from the European Experience", Spending reviews in practice (I) -Transport – Spending Review and Investments Assessment<sup>2</sup>, "Spending reviews in practice (II) Healthcare" followed by the daily feedback to the participants. The last day was dedicated to working in groups.

This blended learning initiative aimed to help public officials better understand spending reviews, a tool that is seeking a 'smarter' expenditure allocation across national policy priorities as well as increasing efficiency and effectiveness of already approved policies. Participants learnt how applying spending reviews can help them in ensuring better budgeting and design of policies.

Upon completion of this blended learning initiative, the participants were able to:

- Understand the role and objectives of spending reviews, as one of the tools used in the fiscal consolidation and the advancement of the expenditure-based policy
- Understand spending reviews' scope and framework
- Identify the connection between spending reviews and budget preparation processes
- Identify priority spending areas in their national budgets
- Improve allocative efficiency by identifying potential shifts in expenditure from lower priority to higher priority sectors,
- Improve value for money, by identifying areas of inefficient spending, where similar outcomes can be achieved with reduced inputs
- Determine and utilize international benchmarking for better targeting spending review agendas

This training was crucial for the staff who had just joined the newly established Specialised Unit in GAO on SR and had no previous experience in SR. Lessons from this training have been applied since then in the annual spending reviews carried out in 2019.

**The second training took place at the Essex University on EUROMOD** for representatives of the GAO specialised unit in SR. EUROMOD is a tax-benefit microsimulation model for all the EU member states. It is a tool that can be seen as a software with a flexible interface to build models, which can be different according to the needs of the EU member states' administrations. With EUROMOD it is possible to: i) simulate previous, current, future and "potential tax-benefit" rules (possible to look at distributive analysis, budgetary effects, and indicators of work incentives), ii) estimate policy reforms, iii) counterfactual ("what if") scenarios (e.g. policy swaps and economic changes and the effectiveness of existing policies (automatic stabilising effects)), and iv) EU-wide policy reforms. The gained knowledge should be used in the future daily work of the service.

The course showed, that there is a lot of options to develop the original tool to fit the needs and requests of the EU member states. Among other, it is possible to:

- Extend policy scope with additional micro-data
- Create a linkage to other models, providing e.g. a distributional/micro perspective within many other types of analysis (e.g. labour supply or CGE (computer general equilibrium) models
- Customised easy-access simplified interfaces for the member states' use.

The main findings/gained knowledge of interest was:

- Better understanding of static tax-benefit microsimulation, compared to the universe of microsimulation modelling, behavioural, and dynamic models.
- Basic skills on how to use the EUROMOD tool (incl. the user interface, different functions, and different elements important for the interpretation of results)
- Understanding the possibilities of introducing labour supply in the EUROMOD tool, including behavioural incentives in the model.

### 2.3.4 Output 5: Support to Performance Budgeting and Spending Review and accrual accounting reform

Regarding the two resident advisors who were deployed in Athens to support ongoing reforms Mr Benoit Chevauchez was working on Performance Budgeting and Spending Review from April to October 2019 and Mr Makaronidis on Accrual accounting reform from May –October 2019.

A. In more details, Mr Chevauchez developed and delivered several capacity building activities:

- an international workshop (see Annex 7);
- a series of training courses for DEGGA staff, along a program jointly designed with GAO management and supported by PPT presentations, specifically prepared to that end. However, given the workload related to the budget preparation and to the arrival of a new political team, this was interrupted after the summer vacations;
- Provide GAO staff and management with a constant flow of the best foreign materials and benchmarks, carefully chosen and presented, coming mostly from the UK, NL, France and USA and circulated to GAO staff on a regular basis. He also acted as a 'hot line', answering to many requests for information, data and methods related to PB and SR.
- the addressed subject matters were mainly of course PB and SR related, but with a focus on spending analysis methods, be it micro or macro, static or dynamic and a large use of benchmarking techniques<sup>1</sup>; all those topics were serving jointly the 2 reform initiatives of GAO (PB and SR)

**Regarding the Technical Assistance coordination**, Mr Chevauchez strived to coordinate his own technical assistance with other players, specifically in:

- establishing close contacts with SRSS colleague and A. Makaronidis, permanent advisor on the GAO accounting reform;
- discussing with GAO management and SRSS on possible additional TA activities, including the prospect of some TA provider encounter in Athens;
- meeting from time to time with the EU colleagues in charge of the enhanced surveillance, including attendance to a series of PFM meeting with the institutions, in September;
- liaising with SRSS, with both its Brussels and Athens representatives

**Regarding the Performance Budgeting**, which was the GAO's priority when he arrived, and therefore it has been on top of his working agenda during the first 2 months. Actually, this was a continuation of his previous short-term engagement through the grant agreement and the three missions made

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<sup>1</sup> eg DEA (data envelopment analysis)

on this issue, in the winter 2018. For the period April –October 2019, the focus was on development and finalization of the initial ‘program architecture’ for each of the 6-pilot ministries. This entailed: the line ministries proposals received by GAO were discussed and adjusted; some standard common features emerged (eg ‘support programs’ were adopted in every ministry); also, the design of an upper level, regrouping ‘programs’ in policy areas, close to COFOG first level classification, (possibly interministerial) was clarified. Elstat<sup>2</sup>, as well as the GAO accounting team, was consulted on this program architecture. This program architecture, mostly developed before July, was finally accepted by the new political team in charge of GAO, paving the way to the generalization of such an architecture to all ministries in the coming years.

However, the top priority of the new political team in terms of PB was on ‘performance measurement’ issues. Having firstly a sufficient knowledge (description and understanding) about the activities, outputs and outcomes of each public policy considered as a prerequisite of program budgeting and program management. Therefore, in August, GAO was asked to identify some dozens (30 to 40) key performance indicators (KPI), reflecting basic dimensions and features of the main public policies. The resident expert started to work on this in close coordination with the technical team in GAO, discussing the main dimensions, clarifying the principles and methods to be followed and preparing guidance to line ministries in the coming months.

*As a conclusions on PB*, the fundamental dimensions of the Greek program budgeting architecture are now clear, robust and well rooted in GAO. The initial doctrine defined in the ‘PB manual’<sup>3</sup> faced successfully the implementation test for 6 ministries, though with some slight revisions that will have to be incorporated in the updated version of the manual. This will pave the way of the further implementation of this architecture to the next two waves of pilots (budget 2021, then budget 2022). As it comes to Performance measurement, it emerged as the first priority of the Greek PB strategy, which is a welcome orientation. This is consistent with the planned sequencing of the PB project, with a first phase of ‘presentational’ PB (see budget report for 2019) deemed to be achieved by the end of FY 2022. However, further work is needed in the coming months to develop the KPIs, not only their definition and identification but also their management and use. The final report produced by Mr Chevauchez under the contract awarded within the scope of the grant agreement is annexed (Annex 8)

B. The service provided under the contract which deployed Mr Makaronidis as a resident expert, and awarded under the grant agreement, was of an advisory nature. The actual implementation of the reform remained the exclusive task of the Greek authorities, GAO and the entities involved in the reform process. For this reason, **Mr Makaronidis** was recruited as resident adviser from May to October 2019 with the purpose of supporting the governance of the unified Chart of Account reform during its implementation that is aimed at:

- (i) deploying the unified Chart of Account (CoA) in all general government entities and transition towards accrual accounting,
- (ii) integrating cash management functions in the CoA,
- (iii) strengthening and streamline expenditure and payment processes, and
- (iv) ensuring the transition towards IPSAS/EPAS accrual accounting.

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<sup>2</sup> The Greek statistical authority

<sup>3</sup> Drafted in February 2019, upon my previous contract

This resident adviser was:

- acting as a "resident advisor" to the Greek Alternate Minister of Finance;
- acting as full member of the Steering Committee to liaise with the main actors in the implementation and coordination of the Greek CoA so as to provide and identify technical assistance needs;
- participating when relevant to meetings;
- following up on TA missions to ensure good buy-in of advice provided;
- acting as member of the Steering Committee to advice and liaise with main actors in the implementation of the accrual accounting reform:
  - Conceptual framework, accounting standards, and Chart of Accounts;
  - Recognition;
  - Measurement;
  - Communication and training.
- coordinating the various TA inputs;
- supporting the coordination of the various TA missions and TA experts
- working closely with the GAO General Government Accounting Directorate.

This was a crucial role not only in the short run for the delivery of an action plan elaborated by the IMF FAD and agreed by the General Accounting Office of the State (GAO), but it also is and will remain crucial in the longer run, in order to build permanent capacity in GAO, to change financial management culture, and move towards a better management of public assets and liabilities. In more details, in the course of the execution of the Contract advice was provided to GAO on following specific accounting/ financial reporting issues, some of which were brought up in the context of the technical postprogram surveillance meetings between the Greek Authorities and the Institutions. The resident adviser focused and worked with a work programme agreed under the Contract.

The work programme was organized in 20 work modules, so that work should advance progressively and simultaneously on more if not all of the proposed modules.

- Module 1 – Scoping, Module 2 – Setting-up the governance structure and its potential bodies, Module 3 – Sequencing the implementation and recognition of the financial reporting elements, Module 4 – Register of assets and liabilities
- Module 5 – Sequencing the conversion process by sub-sector of general government ,Module 6 – Sequencing the conversion process by type of reporting entities, Module 7 – Sequencing the preparation of entity-level financial reports and

statements, Module 8 – Consolidation basis and consolidated reports and statements

- Module 9 – Approach to testing, piloting and dry-run, Module 10 – Reaching out to reporting entities, Module 11 – Translating accounting and reporting requirements into IT solutions, Module 12 – Roadmap and implementation plans, Module 13 – Policies and manuals, Module 14 – Costing the roadmap
- Module 15 – Resourcing the reform, Module 16 – Training and communication material, Module 17 – Training and coaching activities, Module 18 – Communication activities, Module 19 – Case handling, Module 20 – Briefing and reporting activities

Main outputs delivered by Mr Makaronidis under the work programme are described in his final report (Annex 1).

### 2.3.5 Output 6: Workshop, specialised course, short term Expert visits in the field of performance budgeting and a training on EUROMOD in the field of performance budgeting

The last output of this project, the capacity building implemented through international experts working in units in charge of methodology, steering of SR and "deep dives" in main policy areas was selected for this. This trainings were organized with the input of the ENABEL Contractual and Financial Advisor. The venues, the catering, the promotion, diffusion and capitalization materials needed for the good performance of training were provided by the Greek authorities. The performance budgeting and the support was provided by means of:

1. **Workshop with international experts** on spending reviews and performance budgeting carried out in Athens by Mr Chevauchez. The goals of this workshop were:
  - a) To build 'spending review' (SR= savings and reallocation) operational capacities of staff, be it pilot line ministries or GAO staff;
  - b) To present and familiarize staff with spending review methods and practices, with a focus on spending analysis;
  - c) to pave the way of the future development of a more systematic and comprehensive SR strategy in pilot ministries, and beyond

In deeper details, the 2-day workshop on a "learning by doing" basis included in:

- **DAY 1: TUESDAY JULY 2 (10 to 15h): presentation and discussion of operational experiences abroad**
  - introduction by GAO (15 mn)
  - presentations on SR methods and practices in use in three EU countries (UK, Portugal and France), by the 3 international experts (120 mn)
  - break 30 mn
  - introduction of the group exercises (to be held on day 2) to implement those methods and practices on a couple of ministries (30 mn)
- **DAY 2: WEDNESDAY JULY 3 (10 to 15h): group practical exercises**

- How to apply SR methods and spending analysis tools to the 6 pilot budgets.
- Working Group ToRs:
  - 3 groups, mixing 2 pilot staffs (A and B), tutored by GAO and experts
  - pilot ministries are asked to prepare a SR in their ministries (A and B), ex-ante defined with a numerical target (3 % of their overall budget) by a medium-term deadline (2022)
  - the focus of their work is on the methods, tools and means of the SR they would use; at this stage, no saving/reallocation proposals are expected: just governance, management, resources and timeline of the future SR; with a focus on spending analysis methods
  - the attendance was about 40 to 50 people from line ministries: GDPS and others involved in the SR/PB Committees (30), GAO D. Budget & D. MTFS staff involved in the SR/PB Committees (10) and Evaluation Directorate staff (8).

2. **A specialised course on statistics** during the European Semester for fiscal surveillance (output gap, structural balance, expenditure benchmark). The training carried out based on the latest developments in fiscal surveillance (excluding the enhanced surveillance specific for Greece) and the relevant European legislation and practice. In deeper details:

In the first day the morning was spent by a presentation giving a general overview of EU fiscal rules in general, the preventive and corrective arm of SGP, the Stability Programme, the Draft Budgetary Plan and the role of the three indicators in the framework. The second part of this presentation focused on the structural budget balance and outline in more detail the methodology, describing the concept of potential output and ways to calculate it (including the calculation according to the EU methodology), the concept of budget elasticities and definition of temporary measures. The afternoon is dedicated to outlining data requirements for computing the structural balance on the basis of the MS plans, to finding and downloading the relevant data (AMECO) and make corrections and use of proxies if necessary.

The morning of the second day was dedicated to the calculation of potential output estimated according to the EU methodology, using a computer program in E-views (or depending on availability of software, another program such as R). The afternoon of the second day spent on calculating the structural budget balance using the estimate of potential output and the budget elasticities to calculate the cyclical component of the deficit, and correcting for one-offs and temporary measures with practical examples. The morning of day 3 was dedicated to practically updating the calculations in case of new data, or in case of changes in the methodology. Ideally, updating of the calculations with new observations was automated as much as possible. The afternoon of day 3 was dedicated to the introduction of two other metrics which form an important part of the EU fiscal framework, the expenditure benchmark and the debt benchmark (in transition period), and to data requirements to make these calculations.

Day 4 was dedicated to actually gathering the data needed to do the calculations and calculating the expenditure benchmark (morning) and debt criterion (afternoon). We practice with updating the calculations with new observations and with different scenarios for the outcomes. Finally, in the morning of day 5 the course was closed with a summary of how to assess compliance with SGP given the results of the calculations in different scenarios (sensitivity analysis), and close with the main takeaways.

The deliverables of this specialised course were:

The Practical exercises with files made available by the EC (in CIRCA):

- Database with input data needed to calculate structural budget balance, expenditure

benchmark and debt criterion

- E-views (or comparable) batch-file which can be used to calculate potential output
- Spreadsheets for calculating structural budget balance, expenditure benchmark and debt criterion.

3. **a short term expert mission** (see report in Annex 7), Mr Benoit Chevauchez trained the GAO to implement the roadmap to performance budgeting in 3 one-week missions. The main tasks entailed by this contract were i) drafting of a road map accompanied with a short-term action plan, ii) advising on the program architecture and program indicators, and iii) addressing managerial and human resources dimensions of the PB project, including training. To that end, the expert discussed a detailed work program with the Greek authorities, more specially with GAO management.

This work programme, that was appended to his offer, was composed of the two following parts: a) 3 missions in Athens and b) remote technical assistance. As agreed, his assistance was provided via 3 one-week missions on site in Athens, complemented by remote work from Paris where he is currently living. In more details, these three missions were as follows:

a) Mission 1: 17 to 21 December 2018

The first mission was focused on discussing and drafting the “road map” and the associated “action plan”; this entailed a series of meetings with GAO staff, both on sectoral matters (with the GAO staff in charge of the 6 pilot budgets) and technical issues (accounting, classification including with ELSTAT staff);

b) Mission 2 : 4 to 8 February 2019

During this second mission, we mainly discussed the outline of the PB manual, namely its goals and targeted users, its content and its format. At the end of this mission, we had a clear agreement on the main features of this PB manual, that I was to draft and deliver ahead of the 3rd mission;

c) Mission 3: 4 to 8 March 2019

The last mission agenda was twofold: first to review the draft PB manual that was delivered to GAO a couple of days ahead of this March mission; second, to design, to hold and to debrief the PB inception workshop with the 6 pilots ministries, during which I made a PPT presentation (see deliverable);

In between the onsite missions, the expert provided assistance on a remote basis from Paris where he is living, especially:

- a) exchanges of e-mails and phone calls, including the provision of documents, data, international benchmarks and examples from other EU and OECD countries, either to answer to specific GAO requests, or spontaneously upon my own initiative;
- b) drafting of the 3 first chapters of a PB manual, including a glossary (see below deliverables), mainly between mission 2 and mission 3;

The main deliverables resulting from his assistance were, for most of them, extensively discussed with GAO prior to their finalization. They are appended to a final report. Additional materials (e.g; meeting schedules and minutes) are kept available. The main outputs were the following:

1. **The road map:** based on the conclusions of the July 2018 international workshop<sup>4</sup> held in GAO, this draft ‘road map’ defines the first phase of the Greek PB strategy: “presentational PB” from 2020 to 2022. It addresses the following issues: i) general features ( time horizon, coverage, main goals and integration to the MTF5); ii) building blocks (program architecture, program content, performance measurement and program documentation); iii) reform process (governance, progressivity/timeline and communication/training);

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<sup>4</sup> And taking into account the related IMF/FAD aide-memoire



2. **The action plan:** the action plan is an operational document, focused on a first pilot implementation of the PB project for the 2020 central government budget. It defines the operational tasks to be completed between January and September 2019 by the 6 pilots ministries, with deadlines and responsibility assignments;
3. **The PB manual:** the PB manual aims at guiding the 6 pilot ministries in the preparation of their 'programs' for the 2020 budget. With about 30 pages, accompanied with practical examples and illustrations, it comprises three chapters:
  - a. An introductory chapter spelling out the overall **Greek PB strategy**, its rationale and objectives;
  - b. The second chapter is focused on the **program architecture**, that is clarifying program definition, perimeter, number and size, layers as well as the method and time-line to prepare this program architecture;
  - c. The third chapter deals with the **program content**, i.e. its goals, resources, indicators as well as the final program document that will be appended to the draft 2020 budget;

This draft PB manual was translated into Greek, with Enabel support.
4. **Some technical memos** were drafted and provided to GAO to clarify specific issues such as functional/program classification, non-ministerial entities or MoF performance programs (appendix 4). Also, a PPT presentation was prepared for the March inception workshop (appendix 5).

## 3 Financial overview

### 3.1 Budget utilisation

A-Total budget of the Action	800.000,00 EUR
B-First pre-financing	800.000,00 EUR
C- Further pre-financing instalment	0,00 EUR
D-Total direct eligible costs (maximum 326.810,00 EUR)	591.949,01 EUR
E-Total indirect eligible costs (7% of D)	41.436,43 EUR
F-Final Amount for the EU Contribution to be paid to BTC = (D+E) - (B+C)	-166.614,56 EUR

For more detailed information, see the financial report attached to this narrative report.

### 3.2 Contact information of counterpart authorities

Revenue Administration

Name: Governor Mr. George Pitsilis

Agency: Independent Authority for Public Revenue

E-mail: gj.pitsilis@aade.gr

## 4 List of Annexes

Annex 1: Final Report Makaronidis

Annex 2: Specialised course on statistics

Annex 3: Spending Review 2016/17: The Initiation

Annex 4: Spending Review 2016/17: Providing Feedback on the Pilot Project

Annex 5: Final SR Report

Annex 6: Workshop Introducing Evidence based Budgeting Ljubljana

Annex 7: Spending Review international workshop Agenda

Annex 8: Final Report Chevauchez

Annex 9: Final Report of the Short-term expert on Performance Budgeting and SR