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Administrative Reform of Greek State Budgeting

Alina Hyz^{*}, Stavroula Grigoriadou[†]

Abstract

This study focuses on the implementation of Performance Budgeting in Greece. A paradigm shift from Incremental to Performance Budgeting has emerged because of recommendations of the institutions (IMF, OECD, and EU), the economic crisis and a change on political priorities. The classic form of state budget used in Greece is directly related to inputs and it is not originally linked to either the planning or the management of public policies. Consequently, no guidelines emerge during its implementation and it cannot be used as a policy or decision-making tool since it does not leave enough space for flexibility or major changes in the allocation of resources. Greece adjusts its budgetary system in order to adapt to international and European environment by incorporating isomorphic changes. The analysis of the three forms of isomorphic trends a coercive (response to external pressure), b) normative (professionals push to conform to a set of norms and rules in order to get legitimate), c) mimetic (imitating others) is an attempt to explain how the last ones affected the Greek reform agenda in order Greece to gain legitimacy and power. The research focuses only on one country and does not claim to provide an overall generalization of results, improving the current situation awareness of one country and does not provide an overall generalization. The research value of the paper is to highlight the role of budgeting in reinventing the public sector, analyse the applied theories in order to understand state budgeting dysfunctions and how can these techniques be evolved.

JEL classifications: H61, H83, P41

Keywords: Performance budgeting, isomorphism, institutionalization

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1. Introduction

The public administration system in Greece has for many years been facing a major crisis both on its external and internal environment. The prolonged economic crisis, transparency issues, corruption, bureaucracy and inadequate functioning of public institutions are some of the well-known problems that are constantly highlighted in experts reports (Committees of Experts on Greek Public Administration), from institutions and Greek citizens. The issue of the incompetence and inadequacy of the system can be seen in the emigration of young people to other European countries, as well as in the dissatisfaction among citizens. The loss of citizens' trust in state functions is equivalent to the loss of trust in the rule of law, since the quality of the citizen-state relationship reflects the quality of democracy (Spanou, 2000).

While the 'culture of survival' aims at balancing citizen-state relations (Makridimitris, 2003), the modern state has not sufficiently developed the necessary tools to overcome the fact of information asymmetry, resulting in constant problems of irrational choices and moral hazards. The loss of citizens' consensus and trust in public actions necessitates change and opens a window of opportunity for the introduction of modern management methods and control systems (Muller & Surel, 2002).

In order to anticipate the problem, a transition is underway from the Franco-German rule-oriented system, which is characterised by the application of law through the observance and extension of rules, to the Anglo-Saxon (results-oriented) model, which emphasises results and objectives. In the context of the principles of the New Public Administration, the concept of efficiency has gained enormous importance, while at the same time a new wave of rationalisation of the state budget has emerged worldwide, with the aim of linking public resources to efficiency. The need to control public spending, the effort to increase transparency and accountability, and the introduction of the "value for money" rationale are just some of the elements that led to the budget reform.

In the same context, Greece was asked to implement a change in the structure of the state. A trend towards the adoption of comparable performance measures is evident from the published action plans of the Ministry of Interior, which are based on four pillars concerning (a) structures, (b) human resources, (c) administrative functions and responsibilities, (d) transparency and accountability through a controlled budget. Until recently, the Greek state budget format was expenditure-oriented only and provided no mechanism for assessing the efficiency and effectiveness of public spending. It operated on the basis of cost legitimacy, without analysing the funded programs. Therefore, it was not possible to apply a strategic plan to all government actions as there was no input-output data available.

The transition of the state budget in our country from the classical form of Expenditures Oriented Budgeting (Expenditures Oriented Budgeting or Line-Item Budgeting) to a system that evaluates the performance of funded policies (Performance Oriented Budgeting or Performance Budgeting) has a long history and a complex evolution. The first attempt to move to performance budgeting was made in 2008, as stated in the explanatory report to the budget, with the ultimate goal of full transition to the

new system by 2012. In 2009, the Finance Minister's explanatory report to Parliament was accompanied by a special publication entitled "The 2009 Performance Budget", which set out the main benefits that would result from this reform. In 2010, the explanatory report submitted by the Minister of Finance to Parliament stated that the rationalisation of state budget expenditure through the performance budget is being promoted immediately (within the year) in order to reduce the waste of public money and enhance the transparency of public finances. Despite the announcements and preparations of the relevant departments, this reform was suddenly halted and withdrawn from all official budget texts.

In 2021, nine years later, a second attempt to reform the budget system was launched. This attempt was initially piloted in five ministries and gradually extended to all central government agencies. This study examines the external factors that influenced this poor implementation and subsequently led to the full adoption of performance budgeting. Greece is a unique case study for the study of reform, as it brings together unique evidence for understanding the role of external pressures in the process of institutionalizing the state budget. It also provides a starting point for understanding how a management practice is implemented and the interactions between different factors associated with reforms. Moreover, the fact that Greece is a country that has not been adequately researched on this issue highlights the contribution of research.

In the following sections we will discuss the paradigm shift from an expenditures-oriented Budget to a Budget of Performance, examining the reform in the light of the new institutional approach, considering institutions as agents of order. This is followed by an analysis of the theoretical framework, its research methodology and the summary results. As found, all three forms of isomorphic tendencies (coercive, imitative and normative) were exerted for the adoption of the performance budget model.

2. Literature review

The state budget is the heart of government functioning (Wildavsky, 1992) and this follows from the strong interdependence between government efficiency and the state budget. It also includes a wealth of information on the revenue and expenditure accounts, the monitoring system of the specific accounts applied, the procedures followed for drawing up and maintaining them, the form of decisions taken, how they are determined, the role of government institutions and the economic, social, political and cultural environment of the country drawing up the accounts.

According to the OECD (Schick, 2003), there is no standard definition that fully describes the concept of a government budget, as the diversity and objectives that budgets are asked to address are as diverse as human objectives (McCaffery, 1998). This explains the absence of a generally accepted theory (Kenno et al., 2018) that analyses and predicts with certainty the events and factors that affect or are likely to affect the budget. The best-known research question on the basic budget problem, which continues to occupy many researchers to this day, was presented in 1940 by V.O. Key (1940)

and is summarized in the phrase "On what basis shall we decide to allocate X dollars to action A instead of action B?" or "How can we compare the values of dissimilar functions (e.g., education with defence) in order to allocate scarce resources?"

2.1 Paradigm shift towards NPM

The paradigm shift in the way of budgeting is also linked to the theoretical shift of the state towards the New Public Financial Management (Guthrie, 2002). Public action is now governed by the concept of Total Quality Management, according to the principles of efficiency and rationality. A key feature of the new era is the planning of the state budget on the basis of intended results.

Initially, emphasis was placed on quality, effectiveness, efficiency and cost-effectiveness of administrative actions, applying the principles of the New Public Management (NPM). While the classical system of bureaucratic organisation was based on the legal framework, power cells, homogeneity of tasks, unity and scope of control, hierarchical structures and accountability at all levels to the hierarchical superior, in contrast, NPM is based on rationalisation and reduction of legislation, with a reduction of vertical organisation, rationalisation of administrative structures and broader citizen participation.

In particular, in the context of an organisation, NPM aims at reducing operating costs, privatisation (contracting and outsourcing) based on the theory of public choice, separation of forecasting and production (transaction cost economics), changing the view of the 'citizen' as a 'customer' of a public good, and the creation of 'one-stop-shop' services, performance competition within an organisation, decentralisation and separation between policy and management, accountability for performance through metrics and improved accounting, flexible control systems, wider use of information technology, and strategic planning and modified management styles based on principal-agent theory (Gruening, 2001).

As it turns out, NPM has copied many practices from the private sector and has led to a reformist shift in public administration from classical public administration to public management (Larbi, 1999).

This model is based on seven principles (Hood, 1991):

- a) professional management, with clear delegation of responsibilities to persons and a distinct right to persons with a "free to manage" management style and clear delegation of responsibilities,
- b) specific performance levels and metrics, with quantitative targets and a clear statement of the strategy and metrics,
- c) an emphasis on results, controls on the production of goods or services and a focus on the final good rather than on processes,
- d) the decentralisation of responsibilities and the sharing of public service departments and jurisdiction within and outside the public sector,
- e) greater competition by introducing performance clauses and contracts that reduce costs while maintaining certain levels of quality (standards),

f) copying the way the private sector is managed, with flexibility and new methods of managing human resources,

g) emphasis on duty and cost-effectiveness, reducing direct costs and improving flexibility to achieve "doing more with less".

This model stems from a general trend at the global level that aims at reducing the governmental dimension, increasing the privatisation of public services where possible, automating the production of public goods and services through the use of information technology (IT) and developing an internationalised agenda with general principles of public management, policy planning and intergovernmental cooperation between states.

Performance measurement in the context of NPM has led to a shift in the focus on performance across the public administration and, consequently, the state budget (Bogt, 2015). In this light, performance is a tool through which government action can be improved in three ways (Joyce, 1998):

- a) by improving the allocation of budget resources,
- b) better management of internal resources due to more information,
- c) financial reports.

Unlike in the private sector, where performance is perceived as an economic concept, in the public sector there is no consensus on its measurement (Brewer, 2000). It is obvious that the stakeholders involved in the budget differ in terms of their policy objectives, hence the meaning they give to performance. Over the years, the concept of performance has been of particular concern to public administration and has taken various forms: productivity, efficiency, effectiveness, etc. Its definition is also influenced by the objective to be achieved, the level of consideration of the problems or the policy area. As mentioned, performance is directly influenced by the person who chooses the target, the method of measurement (Van Dooren et al., 2015) and the acceptable level of performance (Behn, 2003). For simplicity, we accept that the concept of performance is linked to the improvement of actions taken and results from comparative outcome measures defined by political leadership.

Through NPM, the concept of performance has gained tremendous importance, while a new wave of government budget rationalisation has emerged globally, with the aim of linking government resources to performance. The need to control public spending, the pursuit of increased transparency and government accountability, and the introduction of "value for money" logic are just some of the components that led to the paradigm shift in the budget.

Moreover, pressures for fiscal consolidation and new methods of monitoring performance by measuring the efficiency and effectiveness of public services have led, especially in OECD countries, to the need to replace the traditional linear budget with a new model that combines targets with indicators, while monitoring the smooth functioning of government action with feedback information. In this way, by presenting comparative results, a state improves transparency in the allocation of public expenditure and the accountability of its public services.

The transition we are experiencing marks a shift from the traditional line-by-line budget format to a system that assesses the performance of funded policies (Performance Oriented Budgeting). Applying the principle of sound financial management, the budget is drawn up on the basis of performance, with an emphasis on outputs and results. This makes it easier to draw conclusions through accountability, as information and explanations are now provided on the achievement of the actions funded, and through transparency, as the amount of funds allocated to each public action is clearly visible. Anything related to resources is considered public information and is made available to the public for judgement, whether it is the performance results of public services, the cost of public policies, etc.

The change of focus from inputs to outputs is also due in part to the massive increase in information and the attempt to use this information both in the preparation and execution of the budget. The focus of the OECD, the World Bank and the International Monetary Fund (IMF) has shifted to collecting and using information on the performance of government policies through performance-based budgeting.

This transition implies a change in the system for classifying budget expenditure, as well as changes in the allocation of resources and the accounting of their flow, so that the allocation of money is linked to performance targets. Under the new system, the focus shifts from where budget money is spent to what has been achieved, i.e. the results achieved by each public action. Therefore, it is not only the amount of public money spent that is examined, but also the quality of the results of public spending. The transition to the new system (Aliabadi et al., 2021) has significant benefits for governments, as this system improves information in decision making, resulting in improved allocative efficiency and productive efficiency.

Some of the benefits of using performance budgeting, according to the OECD (2007), can be summarised as follows: a) it clearly reflects the government's objectives and shows how each policy area and programme contributes to the achievement of strategic objectives; b) it improves the management of performance and progress towards each objective, better identifies what is operational and what is not and clarifies areas of underperformance; c) it facilitates short- and long-term planning of the pre-budget; d) facilitates short- and long-term planning of the pre-budget; e) provides a clearer picture of the government's performance.

The performance budget emphasises outputs and outcomes. By measuring the performance of government programs, information can be more easily extracted, improving the accountability of government agencies. Similarly, it increases the transparency of government action by clearly distinguishing the amount of funds allocated to each government program. An additional element is that for each programme and action an implementing officer is appointed who is responsible for the progress of the programme or action undertaken.

In general, performance budgeting links the resources used (budget allocations) to the measurable results produced through the systematic use of performance information, with the aim of improving

the efficiency and effectiveness of public policies (Robinson & Last, 2009). To do this, policy objectives (government choices) need to be prioritised and integrated into strategic objectives through programmes and actions. The latter are monitored with business objectives and measures of efficiency and effectiveness.

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The benefits of implementing a Performance Budget are that the government's objectives are clearly defined and can be documented on how each policy area and each programme contributes to the achievement of strategic objectives; performance management and progress towards each objective is better identified, what works and what does not, and policy areas that are underperforming are clarified; short and longterm budget planning is facilitated; management and delivery of the budget is also improved; and the budget is better managed and supported. It also makes programme managers accountable for programme output and results and provides better support to citizens when they are asked to choose between issues of public interest. These benefits are closely linked to increased value for money, transparency and accountability of a government.

It is clear that performance budgeting has significant advantages over appropriations budgeting, but there are significant challenges in its implementation (Mauro et al., 2021). Already since the early 1960s, performance budgeting has been heavily criticized, with Aaron Wildavsky being its first and most famous critic. Some inherent problems that characterize it (Nguyen, 2007) are that it is a management tool and falls short in objectives, evaluation of alternatives, adoption of selected programs that facilitate its planning. Therefore, it cannot solve the problem of economic crisis.

Moreover, its implementation fails when different public services are involved. The complexity of the information involved leads to multiple findings, where actors can play "political games", resulting in wrong decisions (adverse selection). The measurement indicators used are often difficult to define in practice, both in terms of their scope and their level. Underperforming programmes are usually easy targets for reorganisation and, as a result, responsible actors often become reluctant to follow all measurement indicators correctly.

2.2. Institutionalization

This study considers institutions as fundamental factors of order, as constraints, formal and informal, that shape human interaction (Muller & Surel, 2002). They emerged from the need to reduce uncertainty by providing a framework, as a behavioural guide, for human interaction, defining and at

the same time delimiting the set of available options (Homeyer, 2004). Institutions are human creations and a prerequisite for understanding them is an analysis of the rules and actors involved.

As a consequence of their existence, the state consists of institutions, which are influenced in their type and the way they develop by the environmental context. Through their functioning they interact with and influence their environment, bringing about a series of institutional changes. Therefore, in any society, institutions determine the prevailing opportunities, while organisations exist to take advantage of these opportunities and through their functioning they interact and evolve. The more precise their transaction, the more important they are (Coase, 1960).

According to systems theory, the evolution of institutions and the relationships they form between them is inevitable (North, 2006). Institutions are the key determinant of the long-term performance of economies; they are constantly changing and adapting to their environment. Their constant interaction through feedback of information, resources and influences from their environment means that they are subject to strong environmental influences (Popadiuk, 2014).

Although there is a world of different institutions, they are oriented towards homogeneity. Their survival is seen as a struggle for environmental awareness and adaptation to isomorphic challenges. In the same direction, institutions tend to be similar in processes and structures in order to maintain and increase legitimacy through compliance with their external environment. Examining the literature on state budget reform, we find a plethora of analyses on the challenges of implementing Performance Budgeting through institutionalization. While its adoption was associated with high ambitions in terms of the changes it could bring about, its implementation was often characterized by disappointments in terms of results due to the distance between implementation and the internalization of the institutionalization process of the reform (Mauro et al., 2021).

3. Theoretical frame

The examination of the historical, rational and sociological evolution of the institutional system (Chevallier, 1993) leads to the need to go beyond their mere description and to seek the causal relevance of the reason for their existence and their uniformity. Their regulatory credibility is based on questions of structures and "steps of dependence" (Majone, 2000).

3.1 New institutional approach

According to the historical new institutional approach, institutions can be formal or informal and constituted on the basis of cognitive or normative patterns of behaviour. The 'dependency trajectory' (North, 2006) of an institution depends primarily on its past and, secondarily, on the feedback it receives from its environment (Homeyer, 2004).

The rational new institutional approach is based on the theory of expected utility. Although actors may initially have different and incorrect models, the informational feedback process will correct the initially incorrect models, punish deviant behaviour and lead the remaining actors to the correct

models. Individuals act with imperfect information and subjectively inferred models that are often incorrect. Informational feedback is not sufficient to correct these subjective models. Institutions are not necessarily created to be socially effective. Rather, they are created to serve the interests of those with the bargaining power to devise new rules.

Following the sociological approach to new institutions (Hall & Taylor, 1996), institutions are identified with cultural practices, which embody the dominant culture. In this way, they adopt practices and processes that are determined by their environment and in particular by established conceptions of work and society. For this reason, organizational systems are distinguished by many similar elements over time (Jaja, 2019). Furthermore, it studies how institutions interact with each other as well as how they influence society. It incorporates a duality of institutional structure and actors (Popadiuk, 2014). In terms of institutional structure, it includes the customary actions, values, and rules that a social group follows, while actors are the actions of individuals in a particular space and time.

3.2 Isomorphic trends

Isomorphism is inextricably linked to systems theory and in particular to the assumption that the external environment is collective and interconnected. For this reason, in order to survive, an organization must adapt to the environment in which it reacts (Makridimitis, 2013). According to Meyer (1979), Fennel (1980), and DiMaggio & Powell (1983), isomorphism is divided into competitive and institutional.

Competitive isomorphism will not be analysed in this study, as it analyses the relationships that develop due to competition between organisations. On the other hand, the term "institutional isomorphism" (Jarvinen, 2006) describes an ongoing process in which organizations, public or non-public, try to adopt recognized norms of behaviour derived from prevailing norms, practices and structures (Adhikari, 2013). The purpose of this study is based on an examination of how organisations seek to gain political power, social status and institutional legitimacy (Carpenter, 2001), while providing a useful tool for understanding the political and normative forces prevailing in a given environment (DiMaggio & Powell, 1983). Isomorphism is a process that essentially constrains a unit of a population in terms of its choices (DiMaggio & Powell, 1983) and leads it to become similar to other units belonging to the same set of environmental conditions (Muafi, 2020). Therefore, there is a direct influence and interdependence with the environmental characteristics prevailing in place and time. The relationships that develop in the population of organisms limit the scope for rational choices and create institutional pressures that all actors must respect in order to gain legitimacy.

Compliance in the sense of legitimacy provides them with resources and political support, while projecting a desirable mode of behaviour based on what is institutionally and socially acceptable, without considering whether or not this compliance will affect the effectiveness of the organisation (DiMaggio, 1983; Cohen, 2014). The reason why organisations sometimes become more efficient is

because they are rewarded by their environment for adopting similar operating characteristics. These characteristics improve an organisation's image and make it more attractive for attracting staff (which is based on 'status competition'), enhance its reputation, improve the interaction relationships it may have with other organisations etc. In this way, a homogenisation of structures and practices is achieved across all categories of organisations (Mauro, 2018).

In other words, institutional isomorphism, henceforth isomorphism, describes the continuous pressures that organizations face that lead them to adopt similar characteristics (Jaja, 2019). A continuous external scan of the environment is required to have an ever-improving situational awareness. Their compliance with specific standards of processes and structures is achieved through different strategies. In the contemporary literature we find three mechanisms of isomorphic pressures:

3.2.1 Coercive isomorphism

Coercive isomorphism is caused formally or informally by an external agent who imposes a new institutional order, using both his political influence and the question of legitimacy. Therefore, institutions may be subject to formal or informal pressures from actors on whom they depend or society may project cultural expectations. Pressure is exerted when an arrangement has been morally or functionally invalidated and at the same time an actor may impose formal or informal changes on dependent organisations. These pressures automatically create expectations among stakeholders, who in turn pressure organisations to comply, otherwise the legitimacy of the organisation will be uncertain. Since organisations are considered systemically interconnected, they are obliged to adopt these changes imposed on them in order to ensure their continued operation, without thoroughly considering their impact. Organisations that embrace these pressures and incorporate them into their operations are rewarded for their combined response by adopting best practices. In contrast, organisations that are not interested in fundamentally changing their practices, but adopt a disjointed response, often face sanctions for non-compliance. Similarly, inertia is common, as organizations find it difficult to adapt to change and maintain stable practices or structure.

3.2.2 Mimetic isomorphism

Mimetic isomorphism is considered the most economic response to an uncertain environment. When an organisation lacks sufficient technological knowledge, imitation helps it to adopt a satisfactory solution to environmental changes, maintaining its sustainability by not spending its own resources on studying the issue. Through imitation, organisations reduce their uncertainty by following the example of others, reducing the cost of learning or producing a new product. Imitation can be achieved either directly through consultancies, which transfer know-how from one organisation to another, or indirectly through the movement of human resources from one organisation to another. Imitation, when not properly adapted to the scope of each organisation, can lead to unsuccessful reform, as it requires adaptation based on the history, resources, staff and processes of each

organisation. In addition, often not all the information of other organizations is available (Katopol, 2016), resulting in imitation leading to failure.

3.2.3 Normative isomorphism

Normative isomorphism stems from the attempt of professionals to control the output of producers (DiMaggio & Powell, 1983), so as to create working conditions for each occupational field, establishing a legal basis for the operation of an occupation. Both the directors of organizations and the experts hired to operate them are subject to two types of normative isomorphism. On a cognitive level, their formal education from universities is similar, which implies that they face the issues from the same perspective. In addition, the professional networks, organisations and conferences that professionals attend help to spread similar ideas or better models to the global market. Universities and educational institutions are therefore important centres where models are developed, which are disseminated to their alumni and networks. Even professionals from different backgrounds conform to the same normative isomorphic pressures through socialization at work (DiMaggio & Powell, 1983). The transfer of human resources from one organization to another involves the transfer not only of experience but also of beliefs. Practitioners are guided by the established standards of their profession and constantly adapt their practices to better conform to international practices. Normative isomorphism also arises when practitioners operating in organizations are pressured to comply with a set of standards and norms that have been developed.

4. Methodology

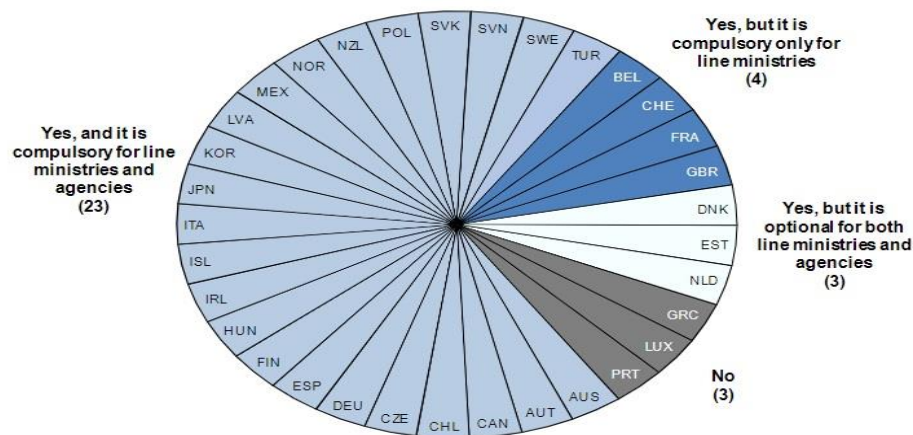
One of the key questions for any reform is to examine the causal relationship between those who contributed to the change. In this study the institutional pressures exerted by the external environment of the Greek administrative system are analyzed and the change that takes place in the internal environment of that system. The aim of the research is to examine in the light of institutional (OECD, IMF, EU) isomorphism (coercive, mimetic and normative) the factors that imposed the new “order” and led to the paradigm shift and the adoption of Performance Budget.

Greek state agencies, led by the General Accounting Office, have tried to adopt recognized standards of conduct in the preparation of the state budget related to rules, practices and structures that have been established since 1949 on a global scale (Kong, 2005). For this reason, an attempt has been made to describe the institutional pressures that have been exerted in order for Greece to adopt similar practices, implicitly acquiring the legitimacy that these imply.

The purpose of the research is to use an explanatory unique case study in order to analyze the process of institutionalization of Performance Budgeting in an unusual case. It is well known that failures or problems encountered in establishing new reforms or policies are unique or extreme cases in the public sector (Scapens, 2004; Cohen & Karatzimas, 2018). Although Greece is a developed Eurozone country, in a number of cases it hardly follows the other developed countries, making it in this case an

unusual or problematic case. Moreover, understanding extreme or unique cases provide examples of understanding the limits of public budget reform, since concepts are often defined by their boundaries (Gerring, 2006).

Figure 1: Is there a Performance Budgeting in place?



Source: OECD (2018), OECD Performance Budgeting Survey, Question 5, OECD, Paris

The qualitative research methodology followed is based on the analysis of the relevant documents, reports and interviews in the focus group (Morgan, 1997) of the Working Team on State Budget Reform of the Ministry of Finance. The technique of the interviews was open-ended questions in order to capture the pressures exerted through the official documents issued by the three institutions (OECD, IMF, EU) for the introduction of Performance Budgeting in Greece. It is worth mentioning that the author of this paper was for two years a member of the Working Team on State Budget Reform. It is easy to see that the thematic sections (coercive, mimetic and normative pressures) are axes of analysis on the basis of which the institutional documents collected were separated.

5. Results

• Initial phase of budgeting reform: Coercive forces

Initially, the effort for the introduction of Performance Budgeting in Greece was made in 2006, with the provision of recommendations by IMF Experts and in the form of coercive isomorphism, in order to provide the minimum requirements for the implementation of the Code of Best Practices for Fiscal Transparency at the international level. On the one hand, discussions between the experts of IMF and the Greek government and, on the other hand, the completion of a questionnaire to examine fiscal transparency, led the IMF to prepare an assessment report on the practices in place. According to the results of the study, Greece's state budget did not provide a complete picture of government policies,

government actions and the performance of the policies pursued. It was therefore proposed to modernize the budget introducing action programmes, which would clearly identify government objectives and encourage efficiency and effectiveness of government actions.

In the same vein, two years later, in 2008, OECD trying to introduce a basis of legitimacy in the operation of the state issued a report on the Greek budget clearly proposing the adoption of the Performance Budget. In 2010, OECD in cooperation with the General Accounting Office of Greece, published their findings on the implementation of the principle of sound financial management, based on economy, efficiency and effectiveness. The objective of their study was the implementation of the Performance Budget, classifying and categorizing public expenditure into three levels (policies, programs, actions). In 2011, the European Union issued a Directive for its member states, which Greece incorporated into its domestic law three years later (Law 4270/2014). This Directive regulated the financial requirements that all Member States must meet.

- **Intermediate phase of budgeting reform: Inertia of interest**

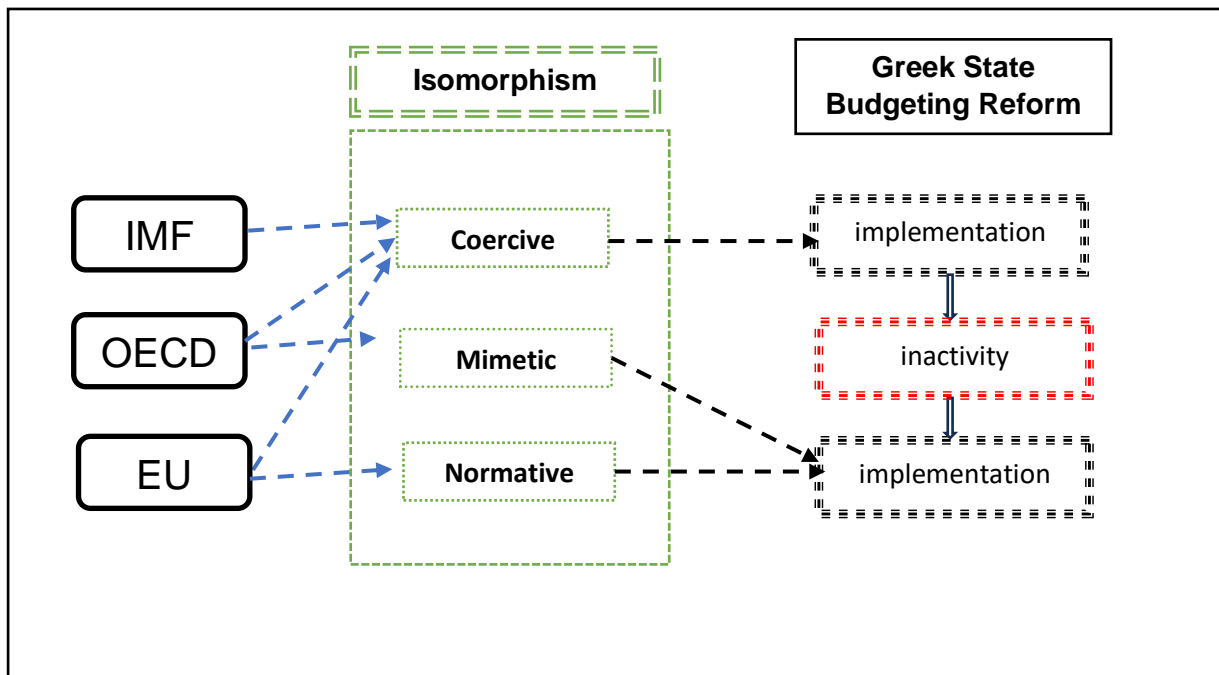
Greece's financial and fiscal crisis, which started in mid-2010 and ended in September 2019, has led to a strong questioning of both the external and internal credibility of the Greek state. The inability to address the fiscal deficit, the long-term decline in its efficiency, the lack of information from the citizen, centralised planning and the increased complexity of decision-making led the Greek state to implement a series of fiscal measures, tax reforms and spending cuts, adopting three Economic Adjustment Programmes (Memoranda - austerity packages).

The implementation of Greece's three Economic Adjustment Programmes included respective assessments by the European Commission of Greece's progress in relation to the fiscal structural reforms it had to carry out in order to receive financial assistance. In this context, the strengthening of the classical Investment Budget was promoted, while the adoption of the Performance Budget was considered by the institutions to be of secondary importance and was abandoned. In the absence of any external enforcement by the institutions, the Greek state didn't promote any effort and the reference to the Performance Budget was withdrawn from the relevant texts.

- **Final phase of budgeting reform: Normative, Mimetic and Coercive forces**

When Greece emerged from the financial crisis, the application of performance budgeting had been extended globally through regulatory professional requirements, as a professional standard. Thus, in 2019, the OECD published best practices to achieve uniformity in its implementation and seek imitators for its adoption. Because most of its member states lacked sufficient technological expertise, imitation led to a reduction in uncertainty, costs and direct transfer of expertise.

Figure 2: Institutional isomorphism and Greek State Budgeting Reform



It was in 2019 when the National Audit Office launched a concerted effort to move from traditional budgeting to performance budgeting, piloting the new system in 2021 in five ministries. From 2023, the Greek State's budget is performance-based, fully adopting the new system.

6. Conclusions

The present study attempts to examine the impact of institutions on the course of the reform of the Greek state budget. As it turns out, their influence was decisive, as the Greek state with its administrative inefficiency would not try to change the existing situation. Therefore, the change in the way the budget is drawn up is the result of external pressures exerted on the country. The way in which this reform was adopted and implemented is the result of internal institutional factors, which will be analysed at a later stage.

Even after the recommendations of IMF and OECD experts, the Greek state adopted the reform when it became a criterion for financial assistance. Given that not only one kind of institutional pressure was sufficient, but their synergy, it can be concluded that the reform proceeded when normative, coercive and imitative forces were exerted. When external pressures subsided, giving priority to another set of reforms to address the financial crisis, performance budget reform became inert.

The results of the survey highlight the crucial role that external forces play in overcoming a country's internal barriers to acquiring the technical and managerial skills it desperately needs. Going a step further, this research asks how internal actors reacted and whether all ministries worked together in a unified manner to adopt the Efficiency Budget. In this light, it is worth analysing the role of internal forces that emerged and played an important role in the reform process, examining how this relationship has varied from 2008 to the present. As it turns out, the issue of adapting the state budget

to its systemic environment is an ongoing one, as its ability to adapt to the demands of each era that will determine its survival.

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