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## The Second Economic Adjustment Programme for Greece Third Review – July 2013

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European Commission
Directorate-General for Economic and Financial Affairs

# The Second Economic Adjustment Programme for Greece

## Third Review – July 2013

EUROPEAN ECONOMY Occasional Papers 159

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# EXECUTIVE SUMMARY

*This report provides an assessment of the progress made by Greece with respect to its Second Economic Adjustment Programme, based on the findings of a two-part joint Commission/ECB/IMF mission to Athens between 4-19 June and 1-7 July 2013. The report examines current macroeconomic, financial and fiscal developments and assesses compliance with programme conditionality.*

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**Greece continues to make overall, albeit often slow, progress under the Second Economic Adjustment Programme, with several important actions being delayed**. Important progress has been made on public finances and the recapitalisation of the four core banks has been completed. The legal basis for the new semi-autonomous revenue administration has been created, but perseverance in implementing the ongoing reforms will be key to deliver concrete results in the fight against tax evasion. Several important structural reforms have been implemented in the areas of healthcare, the opening of professions, and public financial management. However, far-reaching reforms are still needed in many other areas, including public administration reform, improvements of the business environment, energy and justice. The economy would also greatly benefit from a more determined and effective implementation of the privatisation programme. While declining unit labour costs, supported by the successful labour market reform, are improving cost competitiveness, the on-going product markets reforms need to be accelerated and reinforced to speed up the transmission from cost savings to lower prices.

**The macroeconomic outlook is broadly unchanged from the previous review**. Signals from economic indicators are mixed. On the one hand, headline annual GDP growth remains negative as a result of the high negative carry-over from 2012 and the strong contraction of domestic demand. On the other hand, leading, conjunctural and financial market indicators show improving confidence in the recovery prospects of Greece. By end-June, the European Commission Economic Sentiment Indicator (ESI) for Greece has risen to a level close to its long-term average suggesting brightening growth prospects, and deposits returned to the Greek banking system following the second disbursement under the programme in December 2012, albeit this trend has temporarily been interrupted by developments in Cyprus and—more recently—by the heightened political uncertainty preceding the government reshuffle in June. A moderate recovery led by investment and exports is projected for the beginning of 2014, leading to annual GDP growth of 0.6% in 2014, accelerating in 2015 and beyond.

**After over-performing in regard to the 2012 fiscal target, fiscal developments up to May have been broadly on track.** The 2012 primary balance according to the programme definition reached -1.3% of GDP, slightly better than the target of -1.5% of GDP.[1] The overall balance declined by 3.1 percentage points of GDP and reached 6.3% of GDP in 2012.[2] The underlying fiscal improvement was even larger when taking into account the fact that it was achieved during a deep recession. With the further adjustment in 2012, the overall improvement in the structural balance since the beginning of

[1] Using the programme definition (see footnote 2).
[2] The programme definition excludes from the ESA 95 figure the one-off costs for the support of the financial sector (of some 4.4% of GDP in 2012) and does other minor adjustments to the EDP deficit (the figure for 2012 validated by ESTAT is 10.0% of GDP.)

the programme (i.e., compared to 2009) amounts to over 13 percentage points of GDP. These fiscal results are supported by past and on-going improvements in the budgetary control procedures. Concerning 2013, the very large and highly front-loaded package of fiscal consolidation measures (totalling over 6.5% of GDP over 2013-14) continues to be largely implemented, including the adjustments made last May. Tax revenues so far have been broadly as projected with varied performance across different categories. Direct taxes have recently fallen short of the targets on account of deadline extensions for income tax declarations, but this has been largely offset by a surge in revenues from the capital concentration tax. However, social security contributions have been below projections. At the same time, tax refund payments have been lower than expected reflecting temporary administrative bottlenecks. On the expenditure side, significant overruns were recorded in healthcare while discretionary spending, in particular on investment, continued to be under-executed. However, the execution is expected to catch up with budgeted amounts in the latter part of the year.

**The mission identified new shortfalls, notably in the health sector, that threatened the achievement of the fiscal targets for 2013 and 2014.** *First*, the renewed fiscal gap reflects expenditure overruns in the main health care fund EOPYY in the area of diagnostics and private clinics. *Second*, delays in the issuance of property tax bills, that was legislated only in May, are expected to result in a revenue shortfall in 2013 because the tax collection will shift in part beyond the 2013 accrual period. *Third*, the yield of some measures, most notably in the area of social security contributions, has been revised downwards, thereby contributing to the gap. *Finally*, the government has decided not to implement some of the previously agreed measures for 2014, namely the special solidarity contribution for self-employed and the application of the new wage grid for armed forces. Overall, in the absence of corrective measures, a fiscal gap of approximately ½% of GDP would have emerged in both 2013 and 2014.

**The authorities have identified the measures for adoption in the course of July to secure the targets of a primary balance in 2013 and a primary surplus of 1.5% of GDP in 2014.** Regarding EOPYY expenditure for diagnostics and private health care clinics, the authorities are addressing the problems through a set of structural measures aimed at rationing the healthcare provision and preventing misuse of publicly funded services. In the short run, they introduce a claw-back mechanism to ensure that expenditures in these areas are brought in line with the budget by end-2013. A set of fiscal measures related to the income tax reform – such as a special solidarity surcharge on income from interest and dividends– will generate some additional revenue. Moreover, some measures planned for 2014 will be frontloaded, such as the luxury tax and an increase in court fees for lawsuits, while a docking fee for leisure boats will apply from October 2013. A rationalisation in defence expenditure will also be implemented from the autumn. Further technical work has been carried out in view of the government's desire to reduce the VAT rate for restaurants and catering from 23% to 13% on a temporary basis in the second half of 2013, which was announced on 17 July after offsetting measures were identified.

**The fiscal outlook for 2013-14 remains subject to high uncertainty.** For 2013, this mainly reflects the back-loading of tax revenue on account of multiple settlements of property taxes and extensions of deadlines for income tax declarations. Moreover, risks emanate from the social budget, where experience demonstrates weaknesses in this area in securing projected revenue, effective monitoring and avoiding expenditure slippages. More broadly, despite significant recent progress in monitoring budgetary developments, some uncertainties about financial conditions of social security funds persist. Finally, the revenue from the newly designed instalment schemes may deviate from the assumed amounts due to uncertainties surrounding the collection of overdue tax and social security contribution obligations. For these reasons, relatively large contingency reserves and unallocated budget have been preserved at this stage of the year in both the state and the social budgets. The design of the new real estate tax planned to enter in force in 2014 and the capacity of the administration to collect its revenues are key factors of uncertainty for the fiscal results in 2014.

**The Medium-Term Fiscal Strategy provides for a steady increase in the primary surplus towards the targets of 3.0% of GDP in 2015 and 4.5% of GDP by 2016, which would improve the debt dynamics in line with the second programme**. Within the current macroeconomic framework, beyond 2014 the gaps are currently estimated at around 1¾% of GDP in 2015 and 2% of GDP in 2016. These estimations rely on the assumption of significant progress in strengthening the capacity of the tax and social security revenue administrations to increase collection, and on stronger tax compliance incentivised by the introduction of the various tax reforms since early 2013 through simplification, base-broadening and lower tax rates. In the fall, new macroeconomic and fiscal data will provide more complete information on the size of any remaining gap to be filled for 2015-16.

**Increasing public revenues and reforming an ineffective revenue administration are key priorities, but there remain concerns about the willingness and capacity of the Greek administration to collect revenues effectively and efficiently.** Significant efforts are needed to make the recently created semi-autonomous revenue administration fully operational and improve its effectiveness. Institutionally, the legal framework has been modified to prepare the transfer to the revenue administration internal affairs department of the Ministry of Finance and all tax and customs administration related functions within the General Secretariat for Information Systems (GSIS) and within the Corps for the Prosecution of Financial Crimes (SDOE). The Secretary General for Public Revenue Administration (SGPR) has been given the powers to determine the conditions for hiring under the control of ASEP, the process for its budget allocation has been clarified and the SGPR has been authorised to determine a grading and promotion system for the revenue administration. Major efforts are still required to reorient the tax administration from a compliance-oriented system based on a wide network of small offices to a more efficient structure based on risk assessment. The High Wealth Individual (HWI) and Large Tax Payers Unit (LTU) have received reinforcement. A major upgrading in human capital, skills, management, staffing and training is also crucial. The strengthening of the tax administration constitutes a key pillar of the fiscal consolidation strategy. Failure to deliver the targeted improvement in collection performance would imply the need to seek alternative measures to close the emerging fiscal gap.

**A simpler and less distortive taxation system is being introduced.** This should help reduce evasion, combat fraud and corruption and create better conditions and incentives for working and investing. New taxation codes are being implemented in 2013. The comprehensive income tax reform legislated in January 2013 is being complemented with the adoption of the Income Tax and the Tax Procedure

Codes in July 2013, which replace a very large number of existing texts while modernising the relations between the government and the taxpayer. The Income Tax Code will consolidate and simplify existing legislation, make it more accessible to ordinary tax payers, and close numerous tax loopholes to reduce the potential for the erosion of the tax base. Key innovations in the new code are tighter and more transparent rules concerning eligible business expenditures and benefits in kind, new rules to avoid tax evasion, e.g. through controlled-foreign companies, and modern rules concerning business capitalisation and transfer pricing. The Tax Procedures Code consolidates and streamlines provisions dealing with tax registration, auditing, collection and enforcement, including internal review procedures. The code will modernise the tax system, improve and simplify tax administration and marks a major step forward in combating tax evasion and fraud. Further significant progress is being made with a revised and greatly simplified set of business tax accounting rules, the Code of Tax Recording (the former Code of Books and Records) expected for adoption in October 2013, and which would complete the major recodification of the tax system. All three codes are planned to enter in force as of January 2014.

**The reform of the real estate taxation in 2014 will further reduce existing distortions and is expected to encourage investment.** A new law on the taxation of real estate, expected for June, is now planned for adoption by September 2013. The delay in preparation reflects the need to acquire a fuller set of data to support the design of this crucial reform. The new tax is to be introduced in January 2014 to replace both the existing PPC tax and the wealth tax on property (ΦΑΠ). It will be designed as a real estate tax on non-urban land and properties rather than wealth, broadening the tax base to include land as well as buildings. This should increase the economic efficiency of land use and allow for lower average tax rates on buildings, thus encouraging real estate investment. Unlike the current wealth tax on property, the new property tax will be levied on both individuals and legal entities such as companies. The tax is expected to be revenue neutral, raising some EUR 2.7-2.9 billion a year from 2014 onwards. However, especially for 2014 a key challenge related to this change in the real estate tax system is the capacity of the revenue administration to effectively collect such revenues, preserving collection rates similar to the successful ones recorded by the PPC tax whilst implementing several other tax reforms and implementing organisational changes in the revenue administration. The prospects for revenues in 2014 resulting from this reform will be thoroughly reassessed by September 2013, with the government committed to take all necessary actions (including the extension of already legislated measures) to compensate for any shortcoming.

**Further progress was made in monitoring and correcting public expenditure, by improving Public Financial Management (PFM), but weaknesses remain and more reforms are needed.** Expenditure reporting was strengthened and a tight control on expenditures helped to meet the target in 2012. Since the health fund EOPYY started to report its commitments in the e-portal in November 2012, making it now possible to identify possible overrun at an early stage and adopt corrective measures. However, clearly more effort is needed to have better information in this area of the budget. Some progress has still to be made on the tax refunds reporting, given that a large amount of tax refunds was identified in the previous review for which claims still need to be confirmed.

**Payment arrears weigh on the Greek economy and society and require a far-reaching reform.** Greece has recently transposed the Late Payment Directive, but a further strengthening of the payments processes and a reform of the overall audit system, notably by streamlining the excessive layers of control, is needed to ensure orderly and timely payments and a full clearance of arrears. The plan for the clearance of arrears has accelerated recently after a slow start, reaching a pace of disbursement of about EUR 0.7 billion per month since April 2013. Cumulated payments since December 2012 stood at EUR 2.6 billion in May 2013. However, the plan for arrears clearance foreseeing the release of appropriations of almost EUR 6 billion by July 2013 is significantly delayed. It is essential to progress with the implementation of the plan as soon as possible in order to give an impulse to the economy by injecting the liquidity that many firms need.

**Limited progress has been made in selling assets through privatisation, and proceeds in 2013 have so far been clearly below expectations**. After missing the end-December 2012 target for privatisation proceeds by a wide margin, targets for 2013 will most likely also be missed, even though it might be possible to recoup them in 2014 if efforts are redoubled. In particular, while the gas transmission operator DESFA received a successful bid, the privatisation of the gas company DEPA has been delayed until later in the year given the absence of bidders in the tender process concluded in June 2013. Two other tenders, which are critical for a successful completion of the 2013 programme, OPAP and the National Lottery, while they have been awarded to successful bidders, have not yet been fully completed. Progress was also made in the restructuring and privatisation process of PPC, the incumbent electricity company. The government and the privatisation fund are considering a number of other initiatives to address shortfalls in receipts, for instance by speeding up other privatisation projects, such as regional ports, and by promoting the sale of assets previously not included in the pipeline. Action is also needed in relation to selling of real estate assets. Inter alia, more must be done to expedite approvals from the Court of Auditors, Council of State, and Competition Commission to reduce the overall time needed for the approvals of these sales. The conclusion of asset sales is of crucial importance for financing purposes, but the largest benefit is the increased economic efficiency that privatisation yields in the form of additional investment, managerial expertise and better governance of the assets.

**The downsizing of the public administration continues, but further delays have occurred in the delivery of public administration reforms**. The authorities renewed their commitment to proceed with an ambitious public administration reform to be implemented in phases during 2013. Recently the government took further reform steps by closing the public broadcasting company and proceeding with the dismissal of its 2,662 employees. The efforts to modernise the Greek economy require improving the efficiency and effectiveness of the public sector, where appropriate also by closing, merging or restructuring public entities and by moving or dismissing their staff. However, the authorities missed the end-June target for the completion and adoption of staffing plans cumulating to 450,000 staff and for the transfer of 12,500 employees to the mobility scheme. As of end-June, the authorities have not adopted staffing plans beyond those covering 211,000 staff adopted in April, although preparations for another 200,000 staff has advanced, at variable speed. No employee has been placed in the mobility scheme, among others due to technical issues in matching positions to be suppressed with employees to be moved, but primarily due to lack of ownership by the authorities until the government reshuffle in June 2013 gave a new impetus.

**The authorities are taking corrective measures to catch up with the timetable for public administration reform agreed during the second review.** The General Council of Reform is expected to adopt in July the staffing plans for the 150,000 employees in education. The authorities aim over the following months to catch up with the original target of completing by end-2013 the staffing plans involving the remainder of the whole public administration, and are expected to provide in July a timetable for the outstanding staffing plans. Concerning mobility of staff, they committed to reach the June mobility targets by September, starting by placing at least 4,200 ordinary employees in the mobility scheme by end-July. Employees placed in the mobility scheme will be assessed, within a centrally-defined evaluation framework to be established by end-September, before reallocation to new positions or exit if they fail to be reallocated. As the maximum period in the mobility scheme is being reduced to eight months from the original twelve, the delay accumulated in placing people in the mobility scheme would not affect compliance with the exit targets agreed in April 2013, cumulating to 4,000 exits by end-2013 and 15,000 by end-2014. The authorities are also taking legislative steps to ensure the exit of contractual staff in judicial litigation to obtain permanent positions. In view of the significant possible employee turnover, reflecting the combined effect of the attrition rule, the mandatory mobility and exits, a strategy for the re-allocation and hiring of staff is to be agreed by the Cabinet of Ministers by July 2013, to align staffing with the government priorities. Similarly, plans for the hiring and re-allocation of positions for 2014 are to be adopted in autumn with the 2014 budget. The government should also start implementing the Human Resource strategy to be adopted in July 2013.

**The capitalisation of the four core banks has been completed and will help support economic recovery and maintain the protection of depositors.** All four core banks have been recapitalised separately, with the Hellenic Financial Stability Fund (HFSF) becoming the largest shareholder. Three banks managed to attract at least 10% of the required additional capital from private sources and will remain under private control, while one bank was fully recapitalised by the HFSF. The financial sector programme envelope of EUR 50 billion has been sufficient to cover the cost of recapitalisation and resolution of Greek banks, and is needed to provide a backstop for the next stress test exercise to be completed this year, which will examine the robustness of Greek banks' solvency buffers in the context of the updated macroeconomic projections under the programme. The focus has now shifted to the acquisition of the bridge banks by core banks, their operational rationalisation, the management of distressed assets and assets under liquidation, and to the subsequent re-privatisation of banks. A substantial share in the core bank controlled by the HFSF should be sold to a strategic international investor rapidly. The Greek authorities are expected to complete by mid-July a comprehensive banking sector strategy, which will outline the targeted medium- to long-term landscape of the banking sector to create a leaner, cost efficient, competitive and well capitalised banking sector. Moreover, the governance of the HFSF has been improved, by including two independent members in its General Council. In a similar vein, the independent oversight of individual banks that have received HFSF support has been improved post-recapitalisation. Relationship frameworks have been signed between the HFSF and each of the four core banks and monitoring trustees oversee the banks' governance and operations. Against these developments, the banking sector faces a challenging macroeconomic environment and a perceptible deterioration in the repayment culture due inter alia to lack of clarity on how misbehaviour would be addressed, that resulted in a very high NPL ratio. It is of the utmost importance to enhance the management of distressed assets in banks and strengthen incentives for repayment culture, such as through the new household insolvency framework.

**Labour cost competitiveness has further improved on the back of the successful 2012 labour market reforms**. The recent fall in labour costs should help mitigate the effects of the recession on unemployment which has reached a record level at 26.9%. In addition, further actions have been taken to maintain workers active until labour demand recovers. A temporary public works programme targeted to jobless households will be launched after the summer. A voucher-based short-term internship scheme has already been introduced for the young unemployed. Reforms to the Public Employment Service are planned to improve job matching, and efforts to enhance opportunities for apprenticeships and vocational training will improve human capital, productivity and improve job matching for young people. Other reforms will ease interpretation of and foster compliance with labour laws with a view to bring legislation in line with EU best practices, and to this end a review will be carried out by end-September 2013, comparing Greek regulations on temporary employment, scope of temporary employment agencies, collective dismissal rules and procedures, with those in other EU member states.

**The authorities are seeking ways to improve the social safety net within the current budgetary envelope**. To that end, the Government has presented policy options, including the development of unemployment assistance for the long-term unemployed and the creation by January 2014 of a guaranteed minimum income scheme (on a pilot basis), both means tested and targeted to the poor. The relevant position paper is expected in July also to elaborate on the linkages between these schemes and other active and passive labour policies and social transfers. It is now important that these priority axes are reflected in the Strategic Partnership Agreement which the government is finalising with the Commission in the context of the Multi-annual Financial Framework for 2014-20.

**A further deepening of product market reforms remain crucial for strengthening investment, innovation and competition, and to complement the reforms in the labour market.** Retail market monitoring shows that reforms may have started to increase competition and lowered prices. Further action has been taken to liberalise sales periods and trading days and hours. Some progress has been made in the transport sector to relax restrictions on road haulage and to restructure the railways sector. New strategies for liberalisation and growth are being implemented in the airport and maritime sectors.

**Further structural reforms are being implemented in the electricity market.** Following an increase in the Renewable Energy Special Levy in July 2013, the authorities committed to further adjustments every six months, if necessary, in order to eliminate the debt in the RES Account by end-2014. Electricity prices have been fully liberalised in July and the plan for further reform of the electricity market has been adopted, with immediate steps already underway. The reform should lead in the medium term to the adoption of the EU Target Model. Progress was also made with the restructuring and privatisation process of PPC, the incumbent electricity company, and more generally within the energy sector by improving the interaction between the privatisation process and the ultimate objective of improving the electricity market functioning. These reforms will address a number of key outstanding challenges in the energy market, such as arrears, liquidity, competition, consumer choice, and sustainability of the renewable energies incentives. These issues are all interconnected and need to be considered in the context of an integrated framework and also against the background of the on-going privatisation of other parts of the energy market.

**Progress has also been made in improving the business environment.** Concrete measures have been taken to rationalise licensing procedures in order to cut red tape and to reduce the time and cost of company creation. Many of the actions, which the government had committed to, in the area of judicial reform have been delivered. However, the preparation of the reform of the Code of Civil Procedure is still pending. Unjustified restrictions on legal services are being removed through the adoption of a new Code of Lawyers scheduled for July 2013 and the legal framework is being aligned with international best practice. The authorities are implementing legislation to complete the liberalization of a number of professions, including certified auditors and actuaries, although this has been a slow and long drawn-out process. Greece needs to step up efforts on its export strategy that facilitates trade, simplifies customs operations and strengthens its trade and investment promotion capacity.

**An acceleration and broadening of product market reforms is needed.** The still insufficient adjustment of relative prices, despite the fall in unit labour costs, suggests that the goods and services markets are not functioning efficiently yet. Reforming them would support the purchasing power of households, improve the conditions for investment in human, physical and knowledge capital to increase productivity, and achieve a further sustained improvement in Greece's competitiveness. More needs to be done in structural policy terms to create the basis for renewed growth, which will have to rely more than in the past on private investment and exports. Further delivery on microeconomic reforms is, therefore, imperative, including the liberalisation of the energy sector and the transport system and further improvements in the business environment.

**Implementation risks to the programme remain important.** The key risks concern the government's perseverance in confronting vested interests. Moreover, the recovery of the economy is still facing the headwinds of the pronounced fiscal consolidation in 2013 and weak economic growth in the euro area. Significant uncertainty surrounds the fiscal outcomes, given the multitude of more or less simultaneous tax and revenue administration reforms being undertaken. In addition, key reforms including the reform of the revenue administration and the public administration continue to face resistance, weakening the capacity to deliver the needed improvement in the revenue collection performance and the boost in the efficiency and productivity of the public sector. A failure to implement structural reforms, including the privatisation programme, would hold back investment and the economic recovery. However, there are also some upside risks. In particular, sustained strong policy implementation can help lift uncertainty and prompt a faster return of investment, notably foreign. There could also be a somewhat stronger impact from the liquidity injection expected from the clearance of government arrears, public works programmes, and from a more dynamic tourist season.

**The assessment of debt dynamics is broadly unchanged compared to December 2012**. The debt-to-GDP ratio is forecast to resume a declining path in 2014 and should become lower than 120% by 2021, assuming that the economic adjustment programme continues to be fully implemented. The stress-test scenarios confirm that the debt would perceptibly decline from its current levels in most scenarios. Under a combined negative shock the debt would decline initially, but stabilise at a very high level.

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**On the basis of this analysis of compliance with the MoU, and conditional on continued implementation by the Greek authorities of the revised MoU, notably of the prior actions, the programme is now broadly on track and the Commission services recommend disbursement of the tranche for Q3 2013 of EFSF funds under the second programme.** Estimated financing needs for the coming quarter to be covered by the EU equal to EUR 3 billion, which will go towards funding the cash needs of the government, including for the payment of arrears to the private sector and outstanding debt service. The disbursement will be made in two tranches, with the first one amounting to EUR 2.5 billion paid in July 2013. The disbursement of the remaining amount will be made in October 2013, following achievement of new milestones (see Table 8).

# 1. INTRODUCTION

1. **This report provides an assessment of the progress made by Greece in respect of its Second Economic Adjustment Programme.** It examines current macroeconomic, financial and fiscal developments, assesses compliance with the programme conditionality previously agreed between the Greek Authorities and the European Commission, ECB, and IMF staff teams, as set out in the Memorandum of Understanding (see Box 1 and Annex 3). The assessments and agreements are based upon the findings of a two-part joint Commission/ECB/IMF mission to Athens between 4 -19 June and 1-7 July 2013, as well as the continued interaction with the authorities, including through Commission and IMF staff based in Athens.

2. **Greece continues to make overall progress under the economic adjustment programme.** Abstracting from bank resolution costs and other programme adjustments, the general government deficit as a percentage of GDP has been reduced from 15.6% in 2009 to 9.4% in 2011 and 6.3% in 2012. However the underlying fiscal effort is much larger when taking account of the severe recession. The banking sector recapitalisation has been completed and important structural reforms are being implemented. However, further major efforts are needed to fully deliver the delayed public administration reform, and perseverance is needed to ensure a successful implementation of the newly created semi-autonomous revenue administration to step up the fight against tax evasion. Falling wages and unit labour costs resulting from labour market reforms are improving cost competitiveness.

3. **The economic adjustment programme is supported through financing by euro area Member States and the IMF**. The financing by the euro area Member States takes place through the EFSF, whilst the IMF financing comes through the Extended-Fund Facility (EFF). Up to June 2013, the international assistance loans disbursed so far to Greece amount to EUR 210.2 billion. Of this amount, EUR 73.0 billion were disbursed within the first programme (EUR 52.9 billion have been paid by the euro area Member States and EUR 20.1 billion by the IMF). Within the second programme, the EFSF and the IMF have already disbursed EUR 137.2 billion as a part of the first three releases under the second programme (including EUR 130.6 billion from EFSF and EUR 6.6 billion from the IMF).

4. **The outline of the report is as follows**. The second section examines macroeconomic and financial developments in the Greek economy, including a detailed macroeconomic scenario up to 2016. Section three then provides the analysis of programme compliance and outlines the policy commitments up to 2016 that have been agreed between the Greek Authorities and the Commission, ECB, and IMF staff teams. Comprehensive compliance tables, the macroeconomic forecast, and key programme documents are attached in Annex.

**Box 1. The documents for a comprehensive adjustment strategy**

The Economic Adjustment Programme is spelled out in a series of key documents: (1) the Council decision; and the 'Memorandum of Understanding' comprising (2) the 'Memorandum of Economic and Financial Policies' (hereafter MEFP), and (3) the 'Memorandum of Understanding on Specific Economic policy Conditionality' (hereafter MoU) see Annex 3. These documents outline the economic and financial policies that Greece commits to implement during the period of the programme (with a special focus on the remainder of the year and the two following years, in alignment with the annual budget and the agreed fiscal measures).

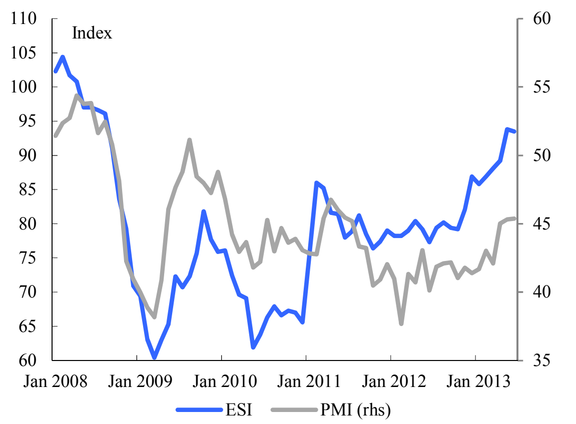
The EU Council decision 2011/734/EU, last amended by decision 2013/6/EU of 4 December 2012 based upon a recommendation of the European Commission, sets the steps and deadlines to be respected to correct the situation of excessive deficit. The MoU and MEFP are drafted jointly by the Troika institutions (EC/ECB/IMF) and the Greek authorities. They are subsequently implemented according to a pre-agreed timetable. The MEFP describes the broader policies, while the MoU specifies in a more detailed manner specific measures. The programme documents are living documents and are modified at every programme review, based on implementation of previous commitments and identification of new ones. The first programme documents were agreed upon in May 2010. The set of documents included in this publication constitutes the ninth subsequent version.

# 2. MACROECONOMIC AND FINANCIAL DEVELOPMENTS

## 2.1 MACROECONOMIC DEVELOPMENTS

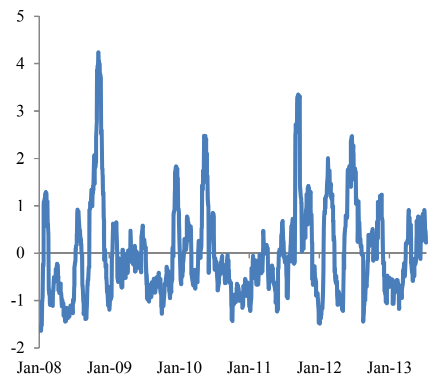
5. **Indicators for the first six months of 2013 show signs of a gradual bottoming out of the decline in economic activity in Greece.** The Economic Sentiment Indicator (ESI) for Greece reached its highest level since the start of the crisis five years ago in May and broadly remained at this level in June. Improvements have also been seen in the Purchasing Managers Index (PMI). These improvements in forward-looking confidence indicators reflect both the strong commitment of the Greek government and Eurozone partners to the reform programme as well as the expectation of a rebound in tourism this summer. Recent positive net hiring numbers on the labour market already indicate that improved sentiment is starting to be reflected in hard economic data.

**Graph 1. Economic Sentiment Indicator (ESI) and Purchasing Managers' Index (PMI)**



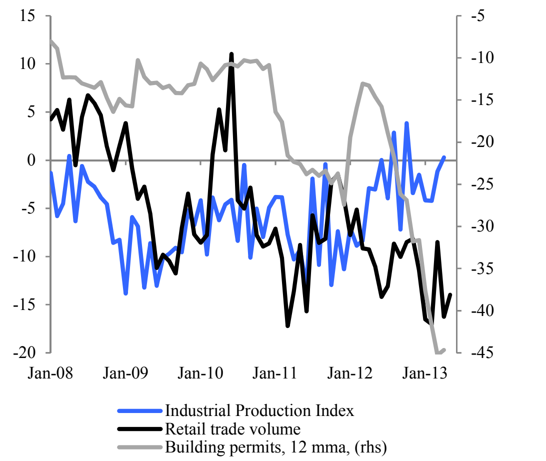

*Sources :* European Commission services' calculations, Markit

**Graph 2. Greek Uncertainty index**



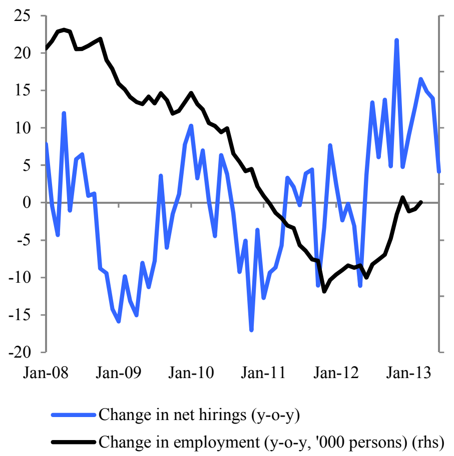

*Sources :* European Commission services' calculations, Thomson Reuters
*Note: The uncertainty index is computed as daily 30-day rolling -window standard deviation of Greek stock market returns.*

**Graph 3. Industrial production, retail turnover and building permits (y-o-y change)**




*Sources :* EL.STAT.

**Graph 4. Employment: change in net hiring and change in employment**

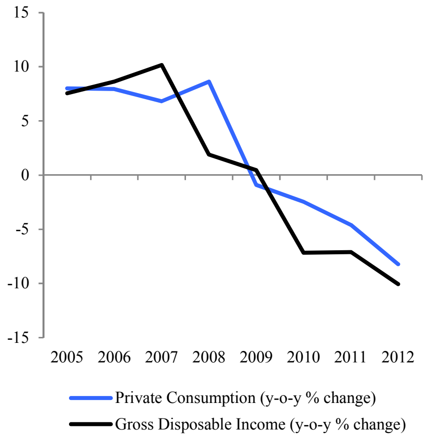



*Sources :* EL.STAT., OAED

6. **Consistent with the previous economic forecast in the May 2013 Compliance Report, annual GDP is expected to fall by -4.2% in 2013.** Due to the quarterly GDP profile of 2012, a major contribution to

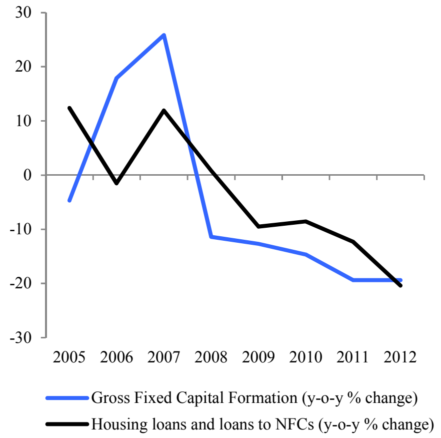
this forecast is the strong negative statistical carry-over effect from last year.[3] Nevertheless, domestic demand continues to exert a downward drag on output in 2013. Further declines in disposable income, driven by continued weakness in the labour market, as well as higher taxation, are putting downward pressure on private consumption. Government consumption is restricted by fiscal consolidation measures. Weak domestic demand and the high rate of non-performing bank loans are holding back new loan issuance and private investment. The Eurozone downturn and turmoil in Cyprus have been preventing a stronger rebound in Greek exports. Overall, these factors contributed to the further significant decline in economic activity implied by the Q1 provisional GDP figures released on June 7.[4]

**Graph 5. Private Consumption and Disposable Income**




*Sources :* European Commission

**Graph 6. Investment and Loans' outstanding amounts**



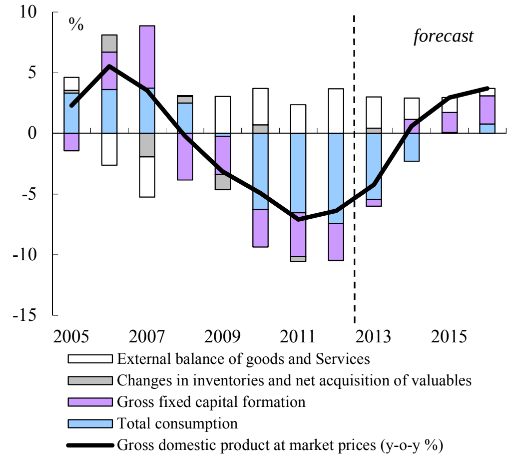

*Sources :* European Commission

7. **Positive forces, including a revival of Greek tourism this summer, will offer sizeable support to aggregate demand in the second half of the year.** Pre-bookings data suggest an increase in this summer's tourism arrivals relative to 2012 by more than ten percent. This has already triggered a significant year-on-year increase in new hirings on the Greek islands and an increase in credit to the tourism sector. Other positive forces in the second half of the year include further liquidity injections into the Greek private sector through acceleration of government arrears repayments, an increase in public investment spending (including the recent restart of the motorway projects), as well as further consumer price declines which should help bolster the purchasing power of households. Overall, these supporting factors are expected to help translate recent gains in economic confidence into a broad bottoming out of the decline in economic activity in the second half of the year.

[3] Due to sharp declines in GDP across the quarters of 2012, annual 2013 GDP would decline significantly even if no further contractions in (seasonally adjusted) GDP were expected across quarters of this year.

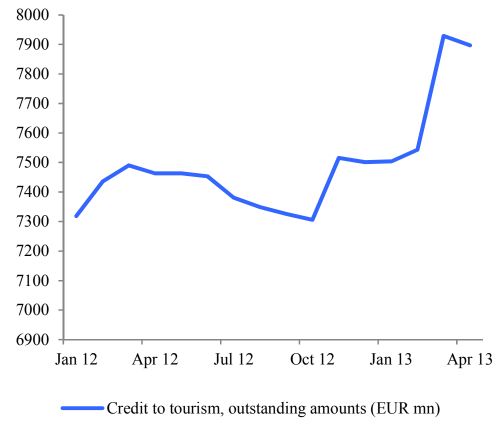
[4] According to the Q1 provisional GDP release of June 7, GDP fell year-on-year by -5.6% in the first three months of 2013 (compared to a year-on-year GDP decline of -5.7% in Q4 2012).

**Graph 7. Contribution of GDP components to GDP growth**



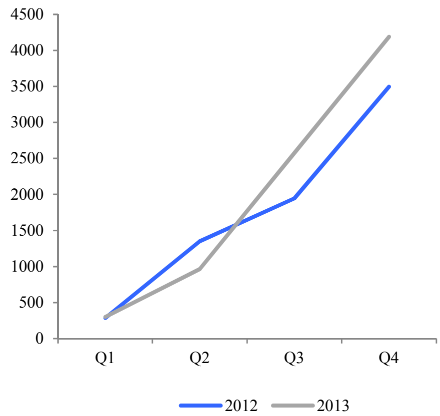

*Sources :* European Commission

**Graph 8. Credit to tourism**



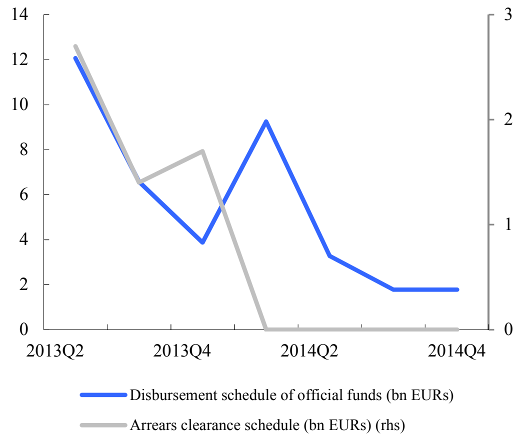

*Sources :* BoG

**Graph 9. Public Investment (cumulative, mn EURs)**




*Sources :* European Commission

**Graph 10. Arrears clearance and disbursement schedule of official funds**




*Sources :* European Commission

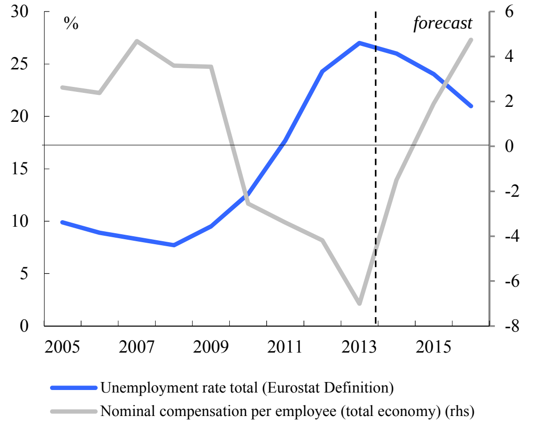
8. **Economic growth is projected to resume with 0.6% annual GDP growth in 2014**, and to gradually improve further to 2.9% in 2015 and 3.7% in 2016. On the supply-side, the improvement in competitiveness of the Greek economy is forecast to continue on the back of the far-reaching labour market reforms in 2012, ongoing and foreseen product and service market reforms, as well as labour cost declines. Improvements in competitiveness combined with continued efforts to improve the business environment should help create new profitable business opportunities, spur investment and encourage job creation. Perseverance in fiscal consolidation and full implementation of envisaged structural reforms are key assumptions underlying the medium-term macroeconomic projections. This is expected to support the momentum in sectoral reallocation and the transition of Greece from a consumption-based economy to an export- and investment-led economy. A slow recovery of domestic demand is projected on the basis of further improvements in confidence and exports, the stabilisation of liquidity resulting from bank recapitalization and, eventually, through positive feedback from disposable income growth as the economy turns around.

9. **Unemployment reached 26.9% in April** (seasonally adjusted monthly Labour Force Survey Data).[5] Employment fell again by 0.7% between December and April. The contraction in employment is projected to decelerate over the year, as the fall in aggregate demand continues to bottom out and compensation of employees is forecast to fall by a further 7.0%. Short-term public works programmes with an overall volume of some 50,000 temporary jobs are expected to start in the second half of 2013.

[5] The LFS Q1 2013 unemployment rate is 27.4% (not seasonally adjusted).

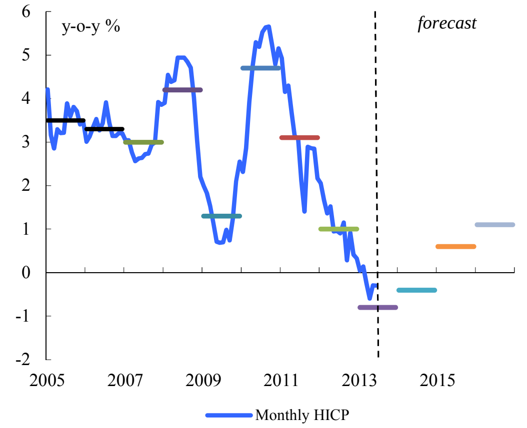
For this review, the forecast of an unemployment rate of 27.0% in 2013 is maintained, followed by a decline to 26.0% in 2014 and a further reduction to 21.0% by 2016.

**Graph 11. Nominal compensation per employee and unemployment**




*Sources :* European Commission

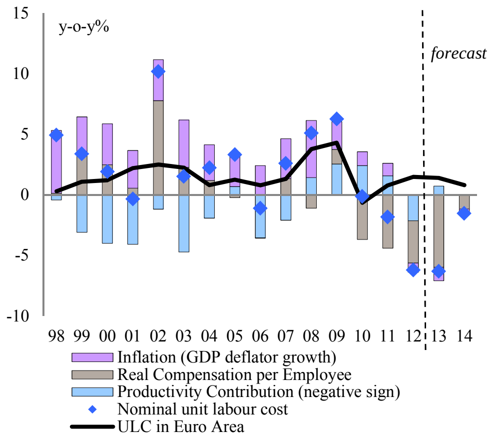
**Graph 12. Monthly HICP developments and annual averages**




*Sources :* European Commission

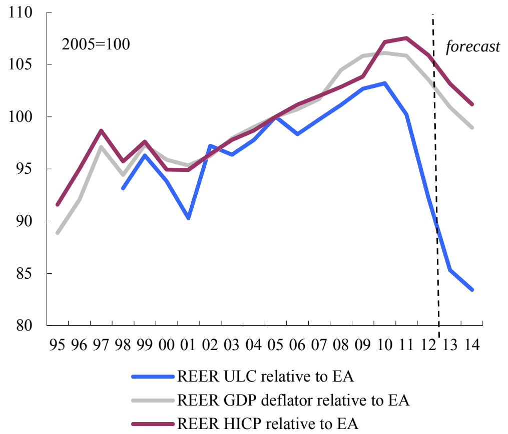
10. **Labour cost declines and weak demand are slowly feeding through into lower prices.** While administered prices, tax increases and rising energy costs put temporary upward pressure on prices in 2012, HICP deflation reached -0.3% this May (after -0.6% in April and -0.2% in March). This reflects a sustained trend towards deflation. Core inflation has been negative since September 2012 and continues to fall (-1.4% in May). Producer prices fell year-on-year by -1.1% in May (compared to an increase of 5.0% y-o-y in May 2012). Nonetheless, the cost of many staple items remains elevated in Greece relative to the Euro Area (Eurostat "Statistics in Focus" 15/2013). This likely reflects weak competition conditions in the product markets and underground price discounts. Price developments point to the need to push forward on product market reforms to allow full adjustment of Greek prices towards a sustainable and competitive equilibrium.

**Graph 13. Unit Labour Cost (ULC)**



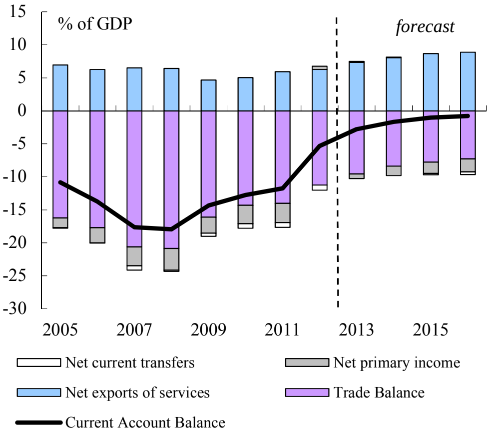

*Sources :* European Commission

**Graph 14. Real Effective Exchange Rates (REER)**



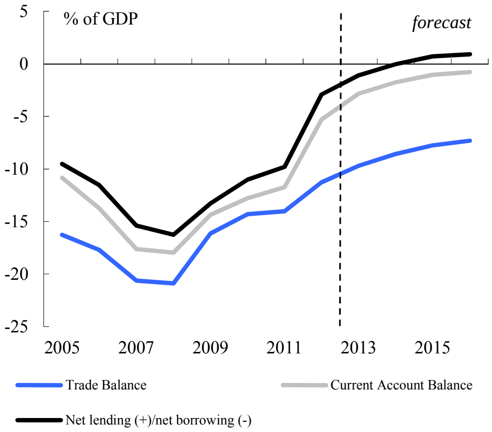

*Sources :* European Commission

**Graph 15. Current Account components (% of GDP)**




*Sources :* European Commission

**Graph 16. Balances vis-à-vis the rest of the world**




*Sources :* European Commission

11. **The current account adjustment is continuing apace.** On a national accounts basis, the current account declined from 11.7% of GDP in 2011 to 5.3% of GDP in 2012. This adjustment is primarily the result of the significant compression of domestic demand, as well as of the 2012 debt-reducing measures which led to a decline in official sector interest payments. Owing to projected improvements in price and cost competitiveness, the current account deficit is forecast to contract further to 2.8% of GDP this year and to reach 0.8% of GDP by 2016. By 2014, Greece is projected to have regained its 1995 labour cost competitiveness, primarily through lower wages. Steadfast progress with the implementation of product and services market reforms is needed to maintain downwards pressures on prices and to make the gains in competitiveness sustainable. Further substantial improvements in the business environment are needed to attract foreign investment, raise exports, and improve competitiveness in a structural manner.

12. **There are significant upside and downside risks that can influence the exact timing of the turning point of the recession.** Notably, the macroeconomic outlook is based on the assumption that renewed major policy uncertainty is avoided through determined programme implementation in a stable political environment.

**Table 1. Macroeconomic scenario, main features (2011-2016)**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Real GDP (growth rate) | -7.1 | -6.4 | -4.2 | 0.6 | 2.9 | 3.7 |
| Final domestic demand contribution* | -10.1 | -10.4 | -6.1 | -1.1 | 1.7 | 3.1 |
| Net trade contribution | -0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 |
| Employment (growth rate) | -5.6 | -8.3 | -3.5 | 0.6 | 2.6 | 4.0 |
| Unemployment rate (Eurostat definition) | 16.5 | 22.8 | 27.0 | 26.0 | 24.0 | 21.0 |
| Compensation of employees, per employee | -3.4 | -4.2 | -7.0 | -1.5 | 0.0 | 1.5 |
| Unit labour cost (growth rate) | -2.4 | -6.4 | -6.3 | -1.5 | -0.3 | 1.8 |
| HICP inflation | 3.1 | 1.0 | -0.8 | -0.4 | 0.3 | 1.1 |
| Current account balance (% of GDP) | -28.4 | -24.5 | -10.3 | -5.1 | -3.1 | -1.8 |
| Net borrowing vis-à-vis RoW (% of GDP) | -24.5 | -20.4 | -5.7 | -1.9 | 0.1 | 1.5 |
| General Government deficit (% of GDP)** | -9.4 | -6.3 | -4.1 | -3.3 | -2.1 | -0.8 |
| General Government primary surplus (% of GDP)** | -2.3 | -1.3 | 0.0 | 1.5 | 3.0 | 4.5 |
| General Government debt (% of GDP) | 170.3 | 156.9 | 175.5 | 175.0 | 170.0 | 161.4 |

** Excluding change in inventories and net acquisition of valuables*

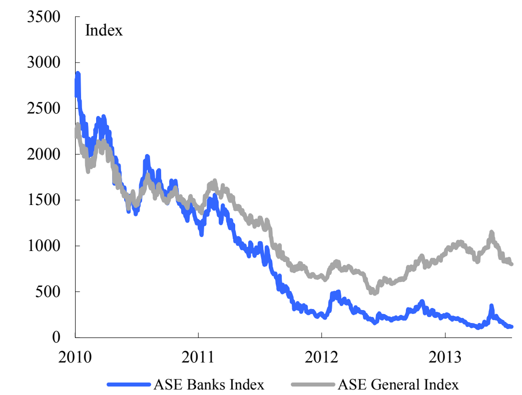
*** Program definition*

*Source*: European Commission

## 2.2 FINANCIAL MARKET DEVELOPMENTS

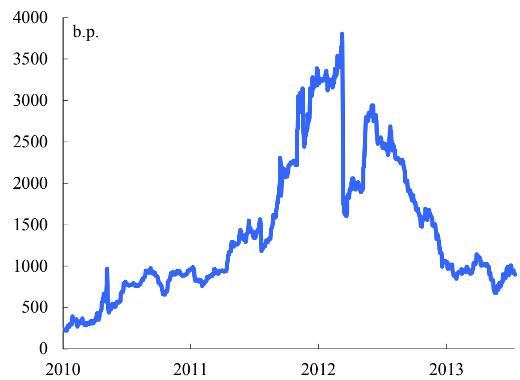
13. **Following a gradual improvement in the financial environment, the situation deteriorated by the end of the 1st half of 2013**. Following the Eurogroup decision on the second disbursement in December 2012, the spread between the 10-year Greek and German Government bonds continued to decline, reaching lows of approximately 674 bps by end-May 2013 (a 36% reduction in the spread since December 2012). However since then, the trend has inverted with spreads increasing by over 40%, reaching close to 900 bps by mid-July 2013. The Athens Stock Exchange had also showed a massive improvement in Q4 2012, recording an increase of over 40%. However during the 1H 2013, the Greek stock exchange reverted, recording losses of nearly 8.5%. On the positive side, thanks to the timely sale of Cypriot branches operating in Greece to a Greek bank, a possible contagion from events in Cyprus was avoided.

**Graph 17. Athens Stock Exchange Indices**




*Source* : ECOWIN

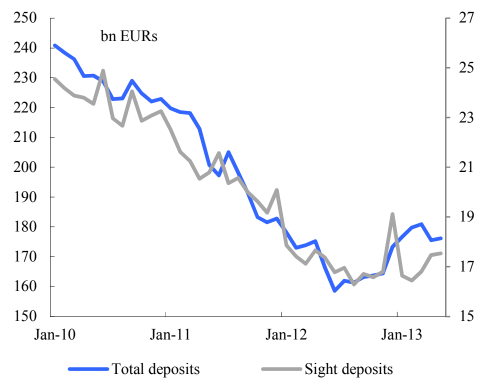
**Graph 18. Greek 10y Bond Yield spread against Bund**



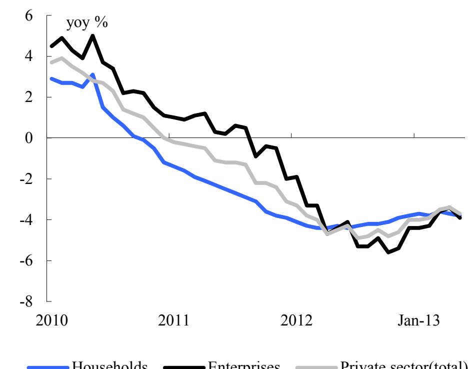

*Source* : ECOWIN

14. **The deleveraging in the banking sector has continued, but the liquidity position of credit institutions has shown marked improvement.** As of Q1 2013, the total balance sheet of Greek commercial banks had contracted by a rate of 2.6% year-on-year. On the other hand, domestic deposits have recovered significantly from the lows recorded in 1H 2012, with deposits as of 1H 2013 having increased by approximately 17% (EUR 13 billion), year-on-year. Central bank liquidity has continued to be provided to the sector, including via emergency liquidity assistance (ELA), although the inflow of deposits and the recapitalisation of banks have resulted in a continued decrease of banks' dependence on central bank funding.

**Graph 19. Bank deposits**



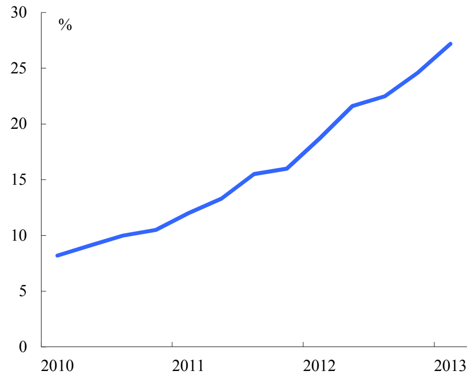

**Graph 20. Credit to private sector (% change, y-o-y)**



*Source:* Bank of Greece *Source:* Bank of Greece

15. **Greek banks continue to face the consequences of the recession and the inability of some borrowers to service their debt obligations.** Non-performing loans (NPLs) continue to rise, however the rate of new delinquencies has moderated. NPLs in Q1 2013 reached 29% of total loans on a solo level; up from 24.2% at end 2012 (60% of these NPLs were attributed to the corporate sector). Restructured loans amounted to 5.6% of total loans for the same period (45% of these restructured loans were also related to the corporate sector), which remained stable with end-2012 rates. The coverage of NPLs including restructured loans by provisions increased slightly from 39.7% to 40.4% from end-2012 to end-Q1 2013. At the same time, credit[6] to the domestic economy shrunk by 1.3%. Furthermore, write-offs increased by 168% to EUR 3.9 billion (1.7% of total loans and up from 0.6% in end-2011), while recoveries decreased by approximately 56.8% to EUR 34 million, during the same period.

**Graph 21. Non-performing loans ratio**




*Source :* Banks' financial statements

16. **Banks have continued their efforts to adjust their operations to the harsh economic environment**. By Q1 2013, net interest income (NII) of banks on a solo basis decreased by 40.7% year-on-year due mainly to deleveraging and increasing non-performing loans. During the same period, profit after tax amounted to EUR 3.7 billion versus EUR -1.9 billion in Q1 2012. At the same time however, total operating expenses have decreased by 3.9% y-o-y, led by reductions in staff costs (-13.2%).

[6] Loans and advances to customers.

# 3. PROGRAMME IMPLEMENTATION

## 3.1. FISCAL POLICY PERFORMANCE

17. **The 2012 primary balance according to the programme definition reached -1.3% of GDP, thereby over-performing the target of -1.5% of GDP.**[7] The overall balance declined by 3.1 percentage points of GDP and reached 6.3% of GDP in 2012. The underlying fiscal improvement was even larger when taking into account the fact that the deficit reduction was achieved during a deep recession. With the fiscal adjustment in 2012, the structural balance has improved by over 13% of GDP since 2009.

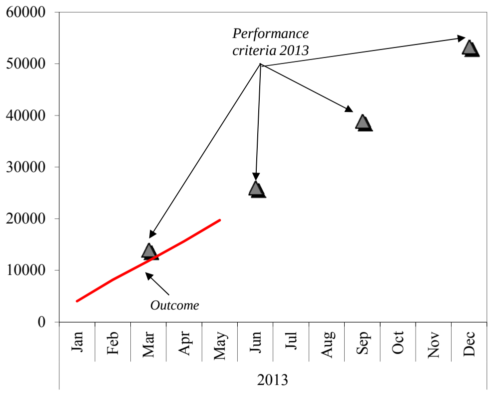
18. **While fiscal developments up to May have been broadly on track, overruns have occurred primarily in the healthcare sector, putting the achievement of the fiscal targets in 2013 at risk.** Both end-March quantitative performance criteria on the general government primary balance and state primary expenditure were met. According to execution data through May and preliminary data for June, tax revenues during the last three months have been broadly as projected following the shortfall at the beginning of the year. On the expenditure side, tax refund payments have been lower than expected due to temporary administrative bottlenecks and investment expenditure continued to be under-executed. This, however, should not affect the annual balance, as payments within both categories are expected to catch up with budgeted amounts over the year. By contrast, the overruns that occurred in the healthcare sector require corrective actions to safeguard annual targets. In more detail:

    - Tax revenues performed broadly as programmed, albeit with significant differences between various revenue categories. Direct taxes have fallen behind the targets recently due to delays in collection resulting from the deadline extensions for income tax declarations. This has been largely offset by the effect of a surge in capital concentration tax revenue related to the bank recapitalization and relatively high collection of indirect tax arrears. Indirect taxes were broadly in line with the programmed amounts during the past few months after recording shortfalls in January and February on the back of weak revenues from fuel.
    - Lower-than-expected tax refund payments temporarily improved the performance of net revenue. The under-execution of payments is explained by administrative bottlenecks caused by the implementation of the new risk-based system for VAT refund claims validation.
    - Discretionary spending, most notably on investment, has been so far considerably under-executed. However, as this has not been underpinned by a restraint in spending commitments, the execution is expected to catch up with budgeted amounts during the remainder of the year.
    - The main healthcare sector fund (EOPYY) recorded significant overruns in spending on diagnostics and private clinics (see further discussion in Section 3.3.7). At the same time the fund accumulated new arrears (see table 3) and did not transfer on time grants to public hospitals.

19. **The stock of expenditure and tax refund arrears declined but its clearance fell short of the originally planned amounts and was partly offset by accumulation of new arrears.** The stock of expenditure arrears fell from EUR 8.1 billion as of end-2012 to EUR 6.9 billion in end-May 2013. In the same period tax refunds arrears declined from about EUR 700 million to approximately EUR 300 million. The reduction in both categories results from the clearance financed with the EUR 8.0 billion envelope under the programme. However, arrears repayment was significantly slower than programmed. Although the process accelerated recently, bottlenecks still persist in EOPYY, which repaid only a small fraction of its overdue obligations. The clearance through May 2013 has been partly offset by the accumulation of new arrears by EOPYY, hospitals and a renewed increase in the stock of tax refund arrears.

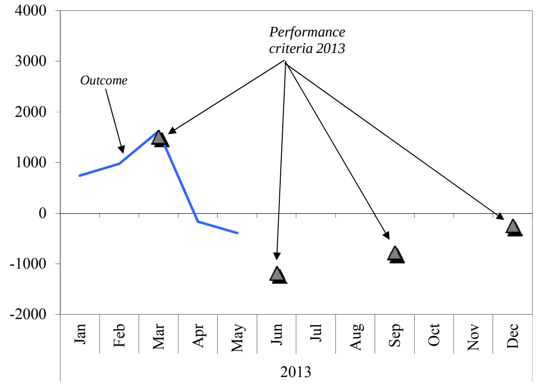
[7] The programme definition excludes from the ESA 95 figure (10% of GDP) the one-off cost of the support to the financial sector (around 4.4% of GDP in 2012) and, in addition, it is affected by other adjustments, such us different recording of property taxes.

**Graph 22. State primary payments 2013 (cumulative, EUR million) Outcomes and quarterly criteria**




*Source*: GAO and Commission services.

**Graph 23. Government primary balance 2013 (cash basis, cumulative balance, EUR million) Outcomes and quarterly criteria**




*Source :* GAO and Commission services.

**Table 2. Fiscal quantitative performance criteria (EUR bn)**

| | end Sep 2012 | | end Dec 2012 | | end Mar 2013 | |
|---|---|---|---|---|---|---|
| | Data | Criterion | Data | Criterion | Data 4/ | Criterion |
| **Performance criteria 1/** | | | | | | |
| 1. Floor on the modified general government primary cash balance 1/ | -2.0 | -6.3 | -2.8 | -3.8 | 1.7 | 1.5 |
| 2. Ceiling on state budget primary spending 1/ | 38.3 | 44.4 | 55.4 | 56.8 | 11.8 | 13.9 |
| 3. Ceiling on the overall stock of central government debt 1/ | 308 | 340 | 311 | 340 | 313.3 | 347.0 |
| 4. Ceiling on the new guarantees granted by the central government /2 | 0.2 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 |
| 5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6. Ceiling on the Stock of Domestic Arrears (narrow definition) 1/ | 0.9 | 0.0 | 2.9 | 3.6 | 2.6 | 3.0 |
| **Indicative targets** | | | | | | |
| 7. Ceiling on the Stock of Domestic Arrears (General Government Definition) /1 | 1.3 | 0.0 | 7.6 | 8.0 | 7.0 | 4.5 |

1/ As of end of period in the target's quarter.
2/ Applied cumulatively from Oct 1, 2012
3/ Applies on a continuous basis from program approval.
4/ Preliminary calculations to be discussed with the authorities

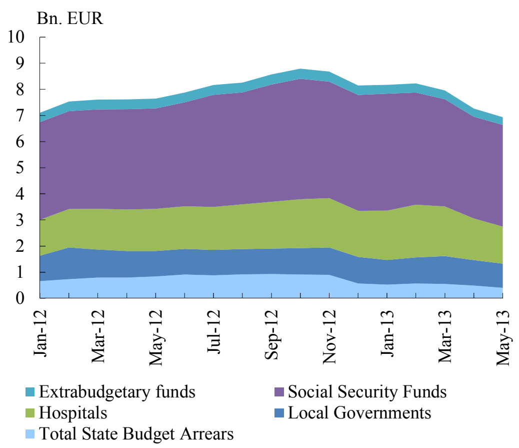
*Source*: European Commission services calculations.

**Table 3. Developments in arrears compared to the 31st December 2012 (in cumulative terms)**
(EUR million)

| | 31-Dec-12 | 31-Jan-13 | 28-Feb-13 | 31-Mar-13 | 30-Apr-13 | 31-May-13 |
|---|---|---|---|---|---|---|
| **Total General Government** | | | | | | |
| **Stock of arrears** | **8 150** | **8 171** | **8 228** | **7 957** | **7 262** | **6 931** |
| *Change in arrears, due to:* | | 21 | 78 | -193 | -888 | -1 219 |
| accumulation of new arrears | | 238 | 450 | 528 | 493 | 741 |
| — payments | | 217 | 372 | 721 | 1 381 | 1 960 |
| **Total State** | | | | | | |
| Stock of arrears | 567 | 529 | 568 | 553 | 491 | 404 |
| *Change in arrears, due to:* | | -38 | 1 | -14 | -76 | -163 |
| accumulation of new arrears | | -38 | 15 | 17 | 34 | -8 |
| — payments | | 0 | 14 | 31 | 110 | 155 |
| **Local Government** | | | | | | |
| Stock of arrears | 1 020 | 944 | 1 004 | 1 064 | 974 | 926 |
| *Change in arrears, due to:* | | -76 | -16 | 44 | -46 | -94 |
| accumulation of new arrears | | -76 | -16 | 51 | 33 | 88 |
| — payments | | 0 | 0 | 7 | 79 | 182 |
| **Hospitals** | | | | | | |
| Stock of arrears | 1 765 | 1 886 | 2 012 | 1 902 | 1 593 | 1 419 |
| *Change in arrears, due to:* | | 121 | 247 | 137 | -172 | -346 |
| accumulation of new arrears | | 121 | 247 | 289 | 248 | 317 |
| — payments | | 0 | 0 | 152 | 420 | 663 |
| **Social Security Funds** | | | | | | |
| Stock of arrears | 4 432 | 4 473 | 4 295 | 4 098 | 3 891 | 3 888 |
| *Change in arrears, due to:* | | 41 | -137 | -334 | -541 | -544 |
| accumulation of new arrears | | 258 | 222 | 188 | 212 | 389 |
| — payments | | 217 | 359 | 522 | 753 | 933 |
| **Extrabudgetary funds** | | | | | | |
| Stock of arrears | 366 | 339 | 349 | 340 | 313 | 294 |
| *Change in arrears, due to:* | | -27 | -17 | -26 | -53 | -72 |
| accumulation of new arrears | | -27 | -17 | -17 | -35 | -45 |
| — payments | | 0 | 0 | 10 | 18 | 27 |

*Source:* General Accounting Office.

**Graph 24. Expenditure arrears**




*Source*: GAO

## 3.2. FISCAL POLICY OUTLOOK

### 3.2.1. The Fiscal outlook for the remainder of 2013 and 2014

20. **After measures had been taken in May to avoid the emergence of a fiscal gap for 2013 and 2014, the mission identified a new potential fiscal gap in 2013 reflecting—besides the overruns in healthcare expenses—delays in property tax billing.** The overruns in the healthcare sector would worsen the budget balance by around 0.3% of GDP were no corrective actions were put in place. Moreover, the delays in issuing property tax bills are expected to partly shift collection (0.2% of GDP) until after the end of the 2013 accrual period (i.e., beyond end-March 2014). Finally, while the large consolidation package of November 2012 continues to be implemented some revenue shortfalls (0.2% of GDP) emerged on account of a re-evaluation of the yields of selected measures. This applies in particular to a lower-than-expected yield from the elimination of the ceiling in social security contributions and the equalisation of tax rates on heating and transportation oil. These shortfalls have been partly offset by the one-off effect of a surge in capital concentration tax revenue related to the bank recapitalisation (0.1% of GDP). In addition, higher-than-assumed proceeds from bank guarantee fees paid to the state (0.2% of GDP) in regard to one of the liquidity support schemes had a positive impact on revenue.

21. **A potential fiscal gap also emerged in 2014 on account of the non-implementation of previously agreed measures.** The authorities decided not to implement the special solidarity contribution for self-employed (0.3% of GDP), to which they had recommitted in the previous review. In the same vein, the decision not to implement the new wage grid for armed forces implies higher expenditures (0.1% of GDP).

22. **The authorities are taking measures to close the fiscal gap in 2013-14.** Most notably, they are addressing the slippages in the healthcare sector. In order to revert the overruns and as a short-term solution a claw-back mechanism will be applied to expenditure on diagnostics and private clinics. In this regard, annual targets have been set up in excess of which EOPPY will not reimburse billed goods and services. In the medium term and with a view to reduce the reliance on the claw-back, a series of structural measures will be implemented this autumn. The measures concentrate mostly on rationing the healthcare provision and containing supplier-induced demand. In addition, some measures planned for 2014 will also be frontloaded, such as the luxury tax and an increase in fees for lawsuits. Moreover, fiscal reforms related to the income tax reform – such as a special solidarity surcharge on income from interest and deposits – is expected to generate some additional revenue.

23. **The Government announced on 17 July its intention to reduce the VAT on restaurants and catering from 23% to 13% with effect from 1st August until end December 2013, and identified offsetting measures to cover the loss of revenue.** The expected loss of revenue from this temporary VAT reduction has been estimated in EUR 130 million in 2013 . This revenue shortfall would be offset mainly through cuts in the military procurement programme..

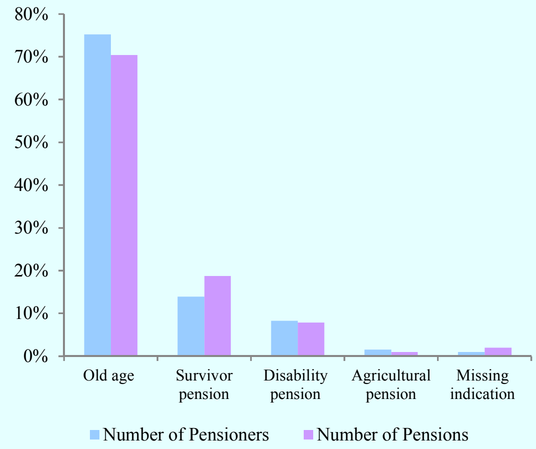
24. **There are considerable uncertainties to the fiscal outlook.** In 2013, the significant backloading of tax collection in the second half of the year creates a risk that collection rates could fall below programme assumption due to liquidity constraints. This backloading reflects multiple settlements of property taxes taking place in the second half of the year, as well as the delayed collection of income taxes caused by the recent extension of deadlines for submitting tax declarations. Moreover, the budgeting and expenditure monitoring of the social budget still remains unsatisfactory, leading to significant uncertainty regarding revenue collections and spending overruns. Finally, the revenues from the newly introduced instalment schemes for the collection of tax and social security contribution debt may deviate from the programmed amounts. This uncertainty will only decline once the schemes start generating revenues later in the year.

**Box 2. Monitoring the Pension System**

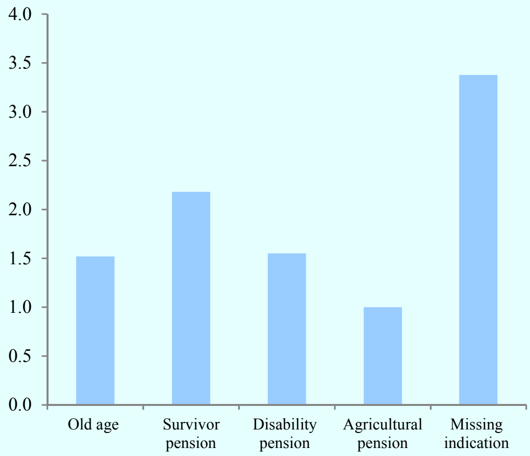
A crucial reform on the social security system has been completed by June 2013. Two electronic systems, namely "HELIOS" and "ARIADNE", have been legislated and fully activated. The Information system "HELIOS" is a centralised social security monitoring system that gradually replaces the 93 existing sectoral systems and provides statistical data about the number of pensioners, the amount of each and every pension, as well as the total expenditure paid. At the same time central e-services are designed, such as the connection with the tax authority in order to pre-fill tax forms with pension income. "ARIADNE", which is a system that directly records the major demographic changes (birth, marriage, divorce, death), is already linked with "HELIOS" in order to suspend pensions, when needed.

According to the first report of "HELIOS" (June 2013), the total number of pensioners in June 2013 is 2,714,034 while the total number of pensions is 4,407,288. The majority of pensioners (75%) are old age people and receive the 80% (see Graph 1) of the monthly amount spent on pensions with an average income of EUR 907.35 (before tax and health care deductions). The ratio of pensions to pensioners indicates that on average 2 out of 3 pensioners receive a supplementary pension (see Graph 2). Only the elderly people insured in OGA (agricultural pension) receive one main pension, which is the lowest with a monthly average amount of EUR 361.94 (before tax and health care deductions). There are still some pensions that are missing indication and have the highest ratio of pensions to pensioners, but it is only a small number out of the total (1% corresponding to almost 5,500 pensions).

**Graph 1: Distribution of pensions and pensioners (%), June 2013**

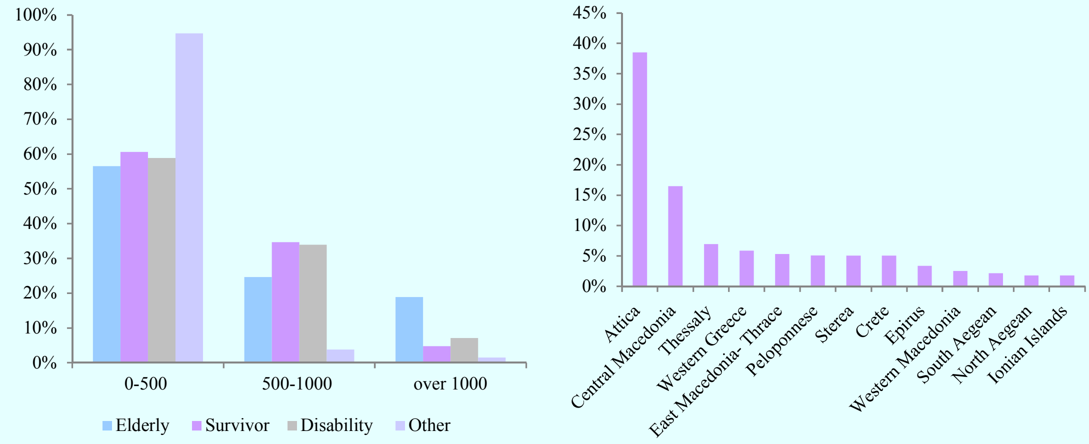



**Graph 2: June 2013 Ratio Pensions/ Pensioners, June 2013**




**Graph 3: Pension's stratification, June 2013**

**Graph 4: Geographical distribution of pensions, June 2013**




Source: IDIKA, processed by EC

Regarding the distribution by the amount of pension, the majority of the main and supplementary pensions ranges between EUR 0-500 and EUR 500-1000 (see Graph 3). However, some 30% of main old age pensions are above the EUR 1000 threshold.

In terms of geographical distribution, a great number of pensions are paid in the Attica Region (39%) and in central Macedonia (17%), which are the two most populated regions. However, there are differences in the distribution of different categories of pension between regions. For example, the percentage of disability pensions was significantly higher in particular regions, suggesting the need for further monitoring of the social security system in order to avoid the abuse of the public money in the future.

### 3.2.2. Fiscal outlook for 2015-16

**25. The Medium-Term Fiscal Strategy provides for a steady increase in the primary surplus through 2016 to help achieve the targets of a primary surplus of 3.0% of GDP in 2015 and 4.5% of GDP by 2016.** This will improve debt dynamics throughout the second programme. Within the current macroeconomic framework, beyond 2014 the gaps are currently estimated at around 1¾% of GDP in 2015 and 2% of GDP in 2016. These estimates rely upon the assumption of significant progress in strengthening the capacity of the tax and social security revenue administrations to increase collection, and on stronger compliance incentivised by the introduction of the various tax reforms since early 2013 through simplification, base-broadening and lower tax rates. Moreover, in the autumn, new macroeconomic and fiscal data will provide more complete information on the size of any remaining gap.

**Table 4. Medium-term fiscal projections**

| In % of GDP | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Primary balance | -1.3 | 0.0 | 1.5 | 3.0 | 4.5 |
| General government balance | -6.3 | -4.1 | -3.3 | -2.1 | -0.8 |

1/ The fiscal numbers in the table are consistent with program definitions as laid out in the technical memorandum of understanding (TMU). The main differences compared with the ESA-95 definition are the exclusion from the program definition of ANFA and SMP profit transfers, most sales of non-financial assets, and costs related to bank resolutions and recapitalisations.

*Source:* European Commission services

## 3.3. FISCAL STRUCTURAL REFORMS

### 3.3.1. Privatising to boost efficiency in the economy and reduce public debt

26. **While progress has been made in preparing for privatisation, the overall speed of the privatisation process remains unsatisfactory.** Despite the setback with the sale of gas production company DEPA, the authorities are moving forward with the privatisation process of the gas transmission operator (DESFA), which has been adjudicated for around EUR 187 million (the rest of the revenues were collected by related private shareholders). Additional transactions in the pipeline are represented by the State Lotteries (EUR 133 million) and OPAP (EUR 622 million), both transactions being in advanced regulatory approval phase. The call for expressions of interest in the airport sector attracted 11 bidders while the first phase of the ports privatisation process will be launched soon. Consistent measures were implemented for the railways operator (Trainose) in order to facilitate the state aid clearance in view of its privatisation. The company was already transferred to the privatisation fund and the advisors were hired.

27. **In the energy sector, the plan for the restructuring and privatisation of PPC, the electricity market incumbent, was adopted by the Government as a prior action under the previous review**. To facilitate this process, the Government will adopt in September 2013 new legislation that introduces a cap on the generation capacity possibly owned by a single company and ensures full ownership unbundling for ADMIE, the transmission system operator. The identification of assets that will be brought into a newly constituted generation company is underway in consultation with the European Commission, while an analysis of the transaction structure for ADMIE is also being undertaken, in order to complete the privatisation by Q2 2014 as foreseen in the plan. The privatisation of DESFA is now subject to national and EU regulatory scrutiny. The privatisation of DEPA, the natural gas utility, will resume as soon as possible in order to minimise the possible effects on the timetable and proceeds of the privatisation programme.

28. **Progress continued to be made in the preparation of key assets for privatisation.** The majority of state-owned enterprises have been transferred to the privatisation fund. Additional efforts are made towards implementing newly adopted regulatory frameworks for water companies, ports and airports. The privatisation process for airports is gaining speed while the authorities already finalized a concrete ports privatisation strategy. A new centralised state aid unit will also facilitate the timely and effective clearance of state aid-related issues.

29. **Given the high share of real estate assets in expected privatisation proceeds, accelerating progress in this area remains crucial.** Preparatory work has begun to secure the pipeline for the transfer of full and direct ownership of 1,000 commercially viable real estate assets to the HRADF (targeting 250

transfers per quarter) and for the identification of the other 3150 real estate assets that have been preselected and pre-valued by the HRADF. The authorities are in the process to identify and transfer the second batch of 250 real estate assets to the privatisation fund. A more comprehensive strategy for privatising real estate assets is needed, including a full identification of the assets and expected proceeds and the definition of an efficient and expedient approach to preparing real estate property for privatisation, including clearing ownership issues, dealing with zoning and land use issues.

30. **Alternative methods, such as asset securitisation, are currently being assessed to potentially raise additional revenues beyond what is currently foreseen in the privatisation plan.** Such efforts could be targeted at the private sector and in particular the international investor community and would therefore need to be carefully prepared. As a first step, the authorities will bring all remaining non-operational properties (e.g., those under the Ministry of Defence, Agriculture) into a unified framework where it could be managed more efficiently by maximising economies of scale.

31. **Expected cumulative proceeds have been revised compared to the previous compliance report but are back-loaded.** The cumulated amount of proceeds expected by end-2020 has been updated based on current transaction trends and policy measures and commitments. Additional consistent measures are envisaged to be agreed in the fall to secure improved governance and transparency of the privatisation process building on previous efforts undertaken in this direction. These measures are essential to build confidence among the general public that the privatisation process is aimed at maximising value for the tax payer. Importantly, additional steps are needed to expedite approvals from the Court of Auditors, Council of State, and Competition Committee to reduce the overall time for the sale of assets. The final sale of assets is of crucial importance for financing purposes, but also to bring additional investment, managerial expertise, efficiency and better governance to the enterprises involved.

**Table 5. Expected Privatisation Receipts**

| By the end of: | Yearly proceeds | Cumulative receipts since 2011 (EUR billion) |
|---|---|---|
| 2011 | 1.6 | |
| 2012 | 0 | 1.6 |
| 2013 | 1.6 | 3.2 |
| 2014 | 3.5 | 6.7 |
| 2015 | 2.0 | 8.7 |
| 2016 | 2.0 | 10.7 |
| 2017 | 2.4 | 13.1 |
| 2018 | 3.3 | 16.4 |
| 2019 | 3.6 | 20.0 |
| 2020 | 4.2 | 24.2 |

*Source*: European Commission services.
*Note*: Cumulative receipts are considered within the 2012-2020 period, including the EUR 1.6 billion generated since June 2011.

# Table 6. Privatisation Plan

**Greece--Hellenic Asset Development Fund: Projects Under Development 2013-14**

| Timing of Privatization (Launch of Tender) | Binding offers (submission) | Project | Intermediate Steps |
|---|---|---|---|
| **I. State-owned enterprise/share sale** | | | |
| --- | | OTE | Done. |
| --- | | 4 Airbus | Delivery of aircrafts pending. |
| n/a | n/a | 2 Airplanes | |
| 2012 Q1 | Q2/13 | Public Gas (DESFA) | State aid clearance (DG Comp). |
| Q4 | Q2/13 | Football Prognostics Organization (OPAP) | Proceed with the phase B of the tendering process and finalize selection (April 2013 - **DONE** ). |
| 2013 Q1 | Q3/13 | Horserace Betting Organization (ODIE) | Launch of tender (March 2013- **DONE**). Law by Ministry of Education and Religious Affairs, Culture and Sports for clarifying responsibilities between Jockey Club and the New Concessionaire (July 2013- **DONE**). |
| Q1 | Q4/13 | Thessaloniki Water (EYATH) | Establish regulatory framework (March 2013 - **DONE**).Establishing pricing policy and amend the license (November 2013). |
| n/a | n/a | Hellenic Vehicle Industry (ELVO) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| Q3 | Q2/14 | Railways (Trainose) | Trainose will be transferred to HRADF (March 2013 - **DONE**). Comfort letter from DG Comp for TRAINOSE State Aid investigation clearance (June 2013 - **DONE**) |
| n/a | n/a | Mining and Metallurgical Company (LARCO) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| n/a | n/a | Public Gas (DEPA) | Currently under assesment |
| Q3 | Q2/14 | Athens Airport (AIA) | Agreement on transaction process with Hochtief Airports new shareholder PSP Investments. |
| Q3 | Q1/14 | Hellenic Post (ELTA) | Ministerial decisions for (i) the determination of the content of universal service (**DONE)** and (ii) the compensation mechanism for USP drafted and prenotified to DGComp (further clarifications/ amendments asked by EC are being processed by HR & ELTA). |
| n/a | n/a | Hellenic Defense Systems (EAS) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| Q3 | Q3/14 | Public Power Corporation (PPC) | The launching refers to the tender of ADMIE by PPC. Government approves and announces PPC restructuring and privatisation plan (April 2013 - **DONE**). |
| Q4 | Q3/14 | Hellenic Petroleum (HELPE) | Following divestment of DEPA. |
| Q4 | Q3/14 | Athens Water (EYDAP) | Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy and amend license (November 2014). Settlement of receivables from the State (February 2014). |
| n/a | n/a | Casino Mont Parnes | Pending European Court decision |
| **II. Concessions** | | | |
| --- | | OPAP 1 | Done. |
| --- | | OPAP 2 | Done. |
| | | Mobile Telephony | Done. |
| n/a | n/a | Hellenic Motorways | Negotiations for the restart of projects currently in progress. Agreement with CJV's regarding claims reached. Recommencement of construction (May 2013 - **DONE**). Ratification of reset agreement by Parliament, after consent by Lenders and EU granted (July 2013). |
| 2011 Q4 | Q4/12 | State Lottery | Court of auditors approval - **DONE** |
| 2013 Q1 | Q4/13 | Small ports and marinas | Resolve issues related to urban zoning (July 2013). |
| Q1 | Q4/13 | Regional airports | State aid clearance (DG Comp, July 2013). Establish regulatory framework (April 2013 - **DONE**). |
| Q3 | Q1/14 | Egnatia Odos | Launching of tender process dependent on: a) agreement/finalisation with Ministry of Development on key characteristics of the concession and conclusion of business plan (**DONE**) b)decision on tolling policy/toll collection-system (**DONE**) c) treatment of Piraeus loan granted to Egnatia Odos SA and legislative settlement of such arrangement (April 2013 - **DONE)** |
| Q3 | Q2/14 | Thessaloniki Port (OLTH),Piraeus Port (OLP) & Large regional ports | State aid clearance (DG Comp,May 2013 - **DONE**). Submit privatization strategy (April 2013 - **DONE**). Establish regulatory framework (April 2013 - **DONE**). |
| Q3 | n/a | South Kavala Gas Storage | Decision on the best exploitation option (December 2012 - **DONE**). |
| 2014 Q2 | Q4/2014 | Digital Dividend | Entire process led by Ministry of Development. Adopt secondary legislation for: a. TV stations (tbc) and b. analogue switch-off date (June 2013 - **DONE**). Launch tender for TV network providers (tbc). |
| n/a | n/a | Mining rights | |
| **III. Real Estate** | | | |
| 2011 Q4 | Q4/13 | Hellenikon 1 | Transfer of Hellinikon SA ownership to HRADF (Pending decision: December 2012- **DONE**). Launch Phase B of tender process (December 2012 - **DONE**). Binding offers submission (December 2013) |
| 2012 Q1 | Q3/12 | IBC | ESCHADA submission (**DONE**). Have approval from Court of Audit (December 2012- **DONE**). |
| Q1 | Q1/13 | Cassiopi | Right of surface establishment and creation of the SPV (September 2013). ESCHADA submission (October 2012 - **DONE**). |
| Q4/12 | Q1/13 | Buildings abroad | Launch tender process (December 2012- **DONE).** Tender concluded for 4/6 buildings. Court of Audit approval-**DONE**. Launch of tender for the remaining 2 buildings (May 2013 - **DONE**). |
| 2013 Q1 | Q4/13 | Sale/repo 28 buildings | All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE**). Launch second phase (May 2013 - **DONE**). |
| Q1 | Q4/13 | Astir Vouliagmenis | Finalize the negotiations with NBG - **DONE**. Transfer EOT property to HRADF (March 2013 - **DONE**). Launch the request for EoI (April 2013 - **DONE**). ESCHADA submission (September 2013). |
| Q1 | Q3/13 | Paliouri | Launch tender process (December 2012 - **DONE).** Transfer of asset to HRADF (March 2012- **DONE).** Launch second phase (April 2013 -**DONE**). |
| Q1 | Q3/13 | HEY | Launch tender process (February 2013-**DONE).** Transfer of asset to HRADF (March 2013-**DONE**). Launch second phase (April 2013 - **DONE**). |
| Q1 | Q4/13 | Agios Ioannis | All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE).** ESCHADA submission (January 2014). |
| Q1 | n/a | Real Estate lot 2 | The 40 properties already identified are transferred to HRADF (March 2013 - **DONE**). |
| Q3 | Q4/13 | Afantou | New tender in one phase to be launched (July 2013 - **DONE**). ESCHADA submission (July 2013) |
| Q4 | n/a | Real Estate lot 3 | At least 1,000 real estate properties to be transferred to HRADF (December 2013). The first 250 real estate assets are transferred to HRADF (April 2013 - **DONE**). |

Source: HRADF update on projects under development.

1/ ESCHADA = zoning and land planning permit.

### 3.3.2. Tax policy reform

32. **A simplified and less distortive income tax system is being introduced.** Complementing the income tax reform adopted in January 2013, the authorities are working on a new Income Tax and Tax Procedures Codes to be adopted in July 2013. The new Income Tax Code will consolidate and simplify existing legislation, making it more accessible to ordinary tax payers, as well as closing numerous tax loopholes to reduce the potential for the erosion of the tax base. Key innovations in the new tax code are tighter and more transparent rules concerning eligible business expenditures and benefits in kind, new rules to avoid tax evasion e.g. through controlled-foreign companies, and modern rules concerning business capitalisation and transfer pricing. The reform is expected to be revenue neutral. The new Tax Procedures Code will consolidate and streamline existing provisions in current legislation and fill legislative gaps in the enforcement of collection methods, mandatory data provision to the tax authorities, interest and penalties. It will modernise the tax system, improve and simplify tax administration and marks a major step forward in combating tax evasion and fraud. Significant progress is also being made with a revised and greatly simplified set of business tax accounting rules, the Code of Tax Recording (the former Code of Books and Records) expected for adoption in October. This would complete the major recodification of the tax system. All three codes will enter into force on 1 January 2014.

33. **A new property tax will be introduced in January 2014 that broadens the tax base and reduces distortions.** The new tax will replace both the existing real estate tax collected by the electricity company PPC (PPC levy) and the wealth tax on property (ΦΑΠ). It will be designed as a real estate tax on land and properties, broadening the tax base to include urban and non-urban land as well as residential, commercial, and industrial buildings. At present, land is lightly taxed in urban areas and untaxed in non-urban zones. The broadening of the tax base to include land should increase fairness and economic efficiency of land use. Base-broadening should also allow for lower average tax rates on buildings, thus encouraging real estate investment. Unlike the current wealth tax on property, the new property tax will be levied on both individuals and legal entities such as companies. The tax is expected to be revenue neutral, raising some EUR 2.7-2.9 billion a year from 2014 onwards. In the medium term, the property tax could replace the existing financing of local government, along with an appropriate equalization system. Financing local governments through a real estate tax would have the advantage of strengthening incentives for municipalities to facilitate and attract new real estate and commercial development.

34. **The legislation for the new Property Tax will be prepared for parliamentary adoption in September 2013.** To prepare for the introduction of the new tax, the government will require tax payers to submit updated comprehensive information on their land and real estate assets (form E9) to the tax authorities. Cross-checks of such information will be performed against other data sources. The new Property Tax will be based on the real estate objective values dating from 2007. The work to enable the updating the objective values of real estates in Greece has already started and it is carried out by a team chaired by the Secretary General for Public Properties. The process will require some months, but is expected to be completed before the end of the year. Starting from 5,500 price areas of 2007, the Working Group has already collected information from Local Committees in a central database which now contains 11,000 price areas all over Greece. However the work delivered so far produced an indexation to up-to-date the 2007 prices. The second part of the project foresees a fully-fledged database which will be fed with information from transaction tax payments and rent contracts.

### 3.3.3. Revenue administration reforms

35. **Following the recent establishment of a semi-autonomous revenue agency, efforts to make it fully autonomous need to be stepped up.** The legal framework was modified to prepare the transfer to the revenue administration of the Ministry of Finance’s Internal Affairs Department (IAD) and all tax and customs administration related functions within the General Secretariat for Information Systems (GSIS) and within the Corps for the Prosecution of Financial Crimes (SDOE). The Secretary General for Public

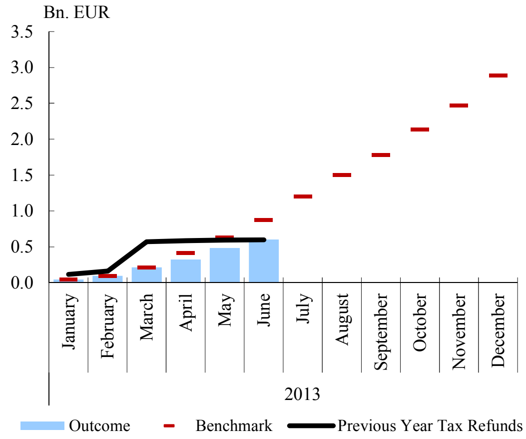
Revenue Administration (SGPR) has been given the powers to autonomously determine the conditions for hiring under the control of ASEP. Moreover, budget autonomy has been provided and the decision to put in place a small budget management unit has been signed. It will be included in a wider Strategic Planning and Financial Control Directorate. By September 2013, the Directorate is expected to be fully staffed and fully functional. Finally, the SGPR has been authorised to determine a grading and promotion system for the revenue administration, subject to the approval of the Minister of Finance.

36. **As regards organizational reforms, several deliverables are expected.** The operationalization of the Internal Review Unit – within the new revenue agency - will be a major step forward. From end-August it should start reviewing tax cases before they are allowed to register claims in court, but there are concerns about the level of preparation of this key reform action. Furthermore, the number of tax offices is expected to be reduced to 120 by end-September The High Wealth Individual (HWI) and Large Tax Payers Unit (LTU) have received reinforcement in supervisors and management staff.

37. **Important steps have been taken towards improving the efficiency of the tax service and to strengthen collection.** In particular, to improve the collection of taxes and social security contributions, newly designed tax and SSC instalment schemes have been launched. For the social security debt, the single collection centre will not be operational in July as previously expected. In addition, the legislation allowed for the simplification of the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt. This aimed at eliminating the requirement that all tax declarations for the previous 10 years had to be audited, even if work on the most recent years showed no suspicion of tax evasion. Risk assessment techniques are at long last put in place for audit, debt collection and tax refunds. New IT tools (the New Taxis and Elenxis) are delivered to the services as planned.

38. **Significant progress is still needed in preventing the build-up of tax arrears.** In the end of 2012 the stock of unaudited tax refund claims amounting to EUR 2.1 billion was discovered. With a view of reducing a time of VAT refund claims processing, risk-based audits started to be carried out in March. The new procedure is designed to speed up the clearance of tax refunds, delimiting the execution of current audits to the claims with higher amounts. Consequently, it should facilitate the clearance of the part of the backlog pertaining to VAT refund claims (EUR 1.2 billion in VAT). Even though a modern case selection for audits has been introduced, the tax administration is still struggling to absorb the new approach and still carries out an unnecessarily high number of audits. This does not allow absorbing the new tasks needed by the new procedure and impedes the process of clearing the unaudited claims, which as a result increased in April/May to EUR 2.1 billion after having declined by EUR 400 million in the first months of 2013. Furthermore, the clearance process suffers from inadequate procedures, such us necessity to provide a social security clearance certificate. Even more disappointing results are visible for CIT refunds claims, in the case of which no virtual progress has been made. Technical Assistance recommended excluding audits for claims related to advance payments. For other CIT refund claims, a risk-based assessment was proposed, which will require legislation.

**Graph 25. Tax refunds vs. Previous year's tax refunds clearance**




*Source*: GAO

### 3.3.4. Anti-Corruption Strategy

**39.** **Progress on the fight against corruption is behind schedule.** The publication of the national anti-corruption plan has been followed by slow compliance. The second review MoU included three main measures for the fight against corruption: appoint the national coordinator and the whole set up of its structure, initiate the actions of the anti-corruption plan, and propose a draft law to improve the anti-corruption legal framework. However, the implementation has been slow, and it accelerated only from the end of May to ensure achievement of the June milestone, so that the national coordinator was appointed, together with the anti-corruption coordination structure, including its coordination committee, its advisory body, and the staff needed. Still, only 7 actions of the national plan had been initiated out of the 23 that were to be initiated before end June, and also the draft law has not been delivered yet.

### 3.3.5. Public Financial Management Reform

**40.** **Improvements on the public financial management (PFM) front continue to ensure tighter control on state expenditures.** The end-March 2013 structural benchmark targets on the coverage of entities and the accuracy of reporting on the e-portal were met, with the exception of the discrepancy between the e-portal and the survey. The improved monitoring capability achieved through PFM reforms has been recently observed in practice in the case of spending overruns detected during the review in the healthcare sector. This triggered the application of corrective measures aimed at securing the expenditure ceilings.

**41.** **A full-fledged monitoring system is going to be implemented for the Public Investment Budget (PIB) while the decentralization of its management at the regional level is taking place.** The Government decided to decentralize at the regional authorities the allocation of resources among different projects. While this will allow better allocation of resources across projects it creates a challenge to ensure adequate quality of the monitoring system. Against this background, it has been decided to continue to run the existing system with the data entry coordinated by the Directorate of Public Investments.

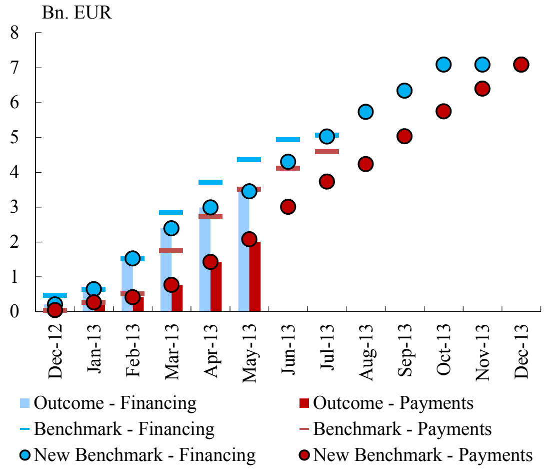
**42.** **A monitoring system and a set of corrective mechanisms to secure fiscal commitments are currently implemented for the remaining subsectors of the General Government.** For the central government sector, memoranda of cooperation were signed between line Ministries and their supervised entities. Quarterly targets have been set and budget execution is monitored with corrective mechanisms activated in case of deviations. A similar mechanism has been set up for all 12 state-owned enterprises

(SOEs). Quarterly targets for their economic results have already been published and budget execution has been monitored in Q1 2013. The exercise has not yet revealed significant deviations that would call for corrective measures. However, to ensure compliance, the suspension of state transfers or even removal of a management board is possible. For local governments (LGs), the pre-existing balanced budget rule was strengthened through the creation of the observatory body, which assesses ex-ante the credibility of the fiscal projections underlying budgets. On the sequence of the process, a positive assessment is followed by the specification of monthly targets used in a monitoring exercise that, in the case of non-compliance, may ultimately lead to the freeze of state transfers. The mechanism for the LGs will become operational in the context of the preparation of the 2014 budgets.

43. **Compliance with the now-transposed Late Payment Directive requires proceeding urgently towards streamlining the payment process, within the scope of a wider reform of PFM already planned.** Implementation of this Directive requires the payment of invoices within 30 days in principle, or 60 days in exceptional cases. Existing payment processes are encumbered by excessive layers of control, hampered by a lack of automation and are extremely slow. The reasons are the absence of appropriate legislation to permit automated work processes and work processes that have not been modernized to reflect technological change and lessons learned from advanced country experiences. Despite the efforts made over the past years and the technical assistance provided so far, a permanent solution (so called ERP project) is likely to take a number of years to be completed whereas there is a need for an interim solution to meet the 30-day target by the end of 2013. The working group established in General Accounting Office (GAO) has made progress and steps have been implemented or are in the process of being implemented. A circular has been issued to all Fiscal Audit Offices (FAOs) by the GAO instructing them that all payment requests must be processed within 20 days. A Review and redesign of the instructions to General Directorates of Financial Services (GDFS), from the GAO and the Hellenic Court of Audit (HCA) Commissioners to speed up the payment process is being considered, including increasing the ceiling on invoices that need to be sent to the HCA for pre-approval. The current ceiling of EUR 15,000 was set last year and the working group is recommending an additional increase in the ceiling. Data provided by the General Secretary of Public Works showed that approximately 30% of invoices are above the 15,000 threshold, thereby requiring HCA approval, which can delay the process by between 5 to 10 days. The HCA has implemented incentives to reduce this to 5 days and is reviewing the process to see if the 5 day target can be reduced. Another crucial measure to shorten the payment process is the shift of responsibility for payment execution from the tax offices (DOYs) to the FAOs. An amendment to existing legislation has been enacted for this purpose. The objective is for the shift to occur as of January 2014, but the necessary changes to existing IT systems and work processes have not yet been fully analysed to ensure that this deadline is feasible or achievable.

44. **The arrears clearance accelerated recently, but bottlenecks persist in the main healthcare fund.** The repayment of arrears fell significantly short of the amounts scheduled under the programme (EUR 8 billion by December 2013). About EUR 2.9 billion has been cleared through May 2013 compared to the target of EUR 4.3 billion. Given a number of facilitating steps undertaken since the beginning of the year (e.g., provision of financing to public hospitals without the involvement of EOPYY) the clearance process accelerated recently. This notwithstanding, large bottlenecks remain regarding the clearance of overdue obligations in the healthcare sector and repayment of the lump sum pensions by the Welfare Fund. The existing shortcomings are largely explained by a lack of political leadership in the process and consequently weak coordination between various involved entities. In addition, insufficient processing capacity of overdue claims plays a role in the case of EOPYY. The swift completion of the arrears clearance remains crucial to give an impulse to the economy by injecting liquidity.

**Graph 26. Clearance of expenditure arrears against targets (cumulative)**




*Source*: GAO.

45. **While steps are being taken, it becomes urgent for Greece to transpose the Fiscal Compact and have its own Fiscal Council fully operational, following the entry into force of the Two Pack[8].** The transposition of the Fiscal Compact should be completed by August. A working group has been established to prepare the planned amendments to the organic budget law and explore the scope for further strengthening the budget process. The Parliamentary Budget Office (PBO) will cooperate with this working group in order to ensure the participation of the Parliament in the upcoming legislative changes of the organic budget law.

### 3.3.6. Making the public administration more efficient and effective

46. **The reform of the public administration remains a challenging area.** The Greek authorities have been applying a 1-5 attrition rule, reducing temporary contracts and not renewing fixed term contracts, and are on track to achieve the reduction in the number of employees in the public administration by 150.000 by 2015. However, the 150,000 employment reduction target was designed based on an estimated initial public sector employment level, which has been subsequently revised up as the scope of the census data base widened. The appropriate pace of the public sector downsizing needs to be assessed not only against the initial reduction target, but against the need to ensure a sustainable path of the public sector wage bill and overall high quality and efficiency of the civil service.

47. **Corrective action will be taken to address the new delays in implementing the public administration reform.** The authorities remain strongly committed to proceed with an ambitious restructuring of the public administration to be implemented in phases during 2013. However, after complying with the end-February milestone in April 2013, the authorities missed the end-June targets for the completion and adoption of staffing plans covering cumulatively 450,000 staff, and failed to transfer any of the required 12,500 employees to the mobility scheme. To deliver this objective, there is a clear need to improve the coordination among line ministries and tackle a number of issues that have emerged when undertaking the pilot cases. By July, the Greek authorities (through the governmental Council of Reform) are expected to adopt staffing plans for 360,000 employees and to include the remainder of the whole public administration by end-2013.To recover the accumulated delays as regards mobility, the authorities placed over 4,200 ordinary employees in the mobility scheme by end-July and plan to shift a cumulative 12,500 ordinary employees to the mobility scheme by end-September and a total of 25,000 ordinary employees by end-December 2013. Employees placed in the

[8] The Two-Pack comprises two Regulations designed to further enhance economic integration and convergence amongst euro area Member States.The Regulations were adopted on 13th May 2013.

mobility scheme will have their wages cut to 75 percent and will be assessed, within a centrally-defined evaluation framework to be established by end-September, before reallocation to new positions or exit.

48. **Improving the quality of the public administration implies difficult choices.** The government is committed to fulfil the targets for mandatory exits set in April 2013 cumulating to 4,000 by end-2013 and 15,000 by end-2014. The decisions of the Greek authorities, including to close down the public broadcasting company, should be seen in the context of their major and necessary efforts to modernise the Greek economy. Those include improving the efficiency and effectiveness of the public sector, where appropriate also by closing, merging or restructuring public entities and by moving or dismissing their staff. Looking forward, a substantial fraction of employees placed in the mobility scheme will eventually exit. Furthermore, the government is adopting legislation which would lead to the dismissal of contractual staff in judicial litigation.

49. **The authorities will need to define their priorities for the hiring of new staff and put in place a robust appraisal framework.** Plans for the hiring and re-allocations of positions for 2014 are to be adopted by the Cabinet in autumn with a view to annex them to the 2014 budget. The Greek authorities should properly and effectively align such plans with the government priorities. Setting up a transparent and objective appraisal framework should help improve individual performance and increase accountability and efficiency in the civil service. Setting up a transparent and objective appraisal framework should help improve individual performance and increase accountability and efficiency in the civil service.

50. **The Greek authorities plan to adopt the human resource strategy by end-July, with the elements related to mandatory mobility adopted prior to the completion of the review.** The strategy is expected to deal with a number of key reform issues, such as the recruitment of the senior managers, staffing plans, mobility scheme, training of civil servants, disciplinary cases, etc. It is important to assess the roles, mandate and responsibilities of the senior managers and the political appointees, with a view to clarify their respective roles. The key elements will be included in legislation to be adopted by July 2013.

### 3.3.7. Modernising the healthcare system

51. **Health sector reform continues and Greece has now entered a period of deepening and fine-tuning of health reforms. The effective merging of all existing individual health insurance schemes is almost finalised.** Currently, the authorities are managing the process of merging into EOPYY (the National Organisation for the Provision of Health Services) all the inherited assets (e.g. buildings) and streamlining administrative and medical staff, with a reduction in the effective number of medical doctors. Nevertheless, it appears that EOPYY has not been allocated all the necessary and requested administrative staff from the existing individual funds with processes still pending at Ministry or Fund level. It also faces obstacles in reallocating medical staff across facilities. Some difficulties continue to be observed regarding the direct collection of health-related contributions.

52. **The financial situation of EOPYY remains very difficult.** On the spending side, on current trends, there is, the risk of overspending by some EUR 475 million. If no action were taken, EOPYY would face a substantial deficit. This is particularly worrying as EOPYY still has a significant stock of about EUR 1.6 billion in old arrears to settle, despite modest clearance of some EUR 300 million since the end of 2011. Paying off these arrears is crucial for the financial health of health sector suppliers, but also is essential to improve the organisation's negotiation ability. In addition, EOPYY continues to pay ESY (NHS) hospitals with a very long delay and only about 2% of the budgeted transfers take place in cash terms. Whilst the amount budgeted for paying ESY hospitals in 2013 is more realistic than that in 2012, this delay adversely affects ESY hospitals' ability to pay suppliers, thus generating further arrears on the hospital side.

53. **The authorities must take immediate action to address the lack of control over consumption and**

**purchasing.** Some expenditure categories such as spending with private hospitals or on paraclinic/ diagnostic tests appear to be out of control. If spending on private hospitals in the first four months of 2013 is continued at the same rate for the rest of the year, EOPYY will have spent twice as much as the initial budget of EUR 540 million in 2013 as a whole. Through a similar calculation, EOPYY will have spent by the end of 2013, almost EUR 600 million in diagnostic tests compared to a budget of EUR 380 million. While a number of price reductions were enacted in November 2012, the number of tests has increased in a systematic way across different categories. This suggests a massive and artificial inflation in demand is taking place, perhaps to attempt to offset the reduction in prices. Tighter monitoring and control is needed and mechanisms must be put in place to control consumption. Previous experience with monitoring and controlling the consumption of pharmaceuticals could be a useful starting point. More generally, the existing business intelligence and monitoring unit at EOPYY needs to be reinforced substantially and budgeting and costing procedures further improved (notably regarding the development and use of DRGs).

54. **The wide set of policies implemented in the field of pharmaceuticals are now delivering significant results.** External quarterly pricing is taking place (February and June price lists) following the 2012 changes in the external reference pricing. E-prescription and prescription by active substance – INN are now compulsory. E-prescription covers now more than 90% of all outpatient pharmaceutical prescriptions under EOPYY and the API system that allows for the e-registration of manual prescriptions now has reached an 80% coverage. The automatic blockage mechanism activated when branded prescriptions reach 15% is in place and is proving effective. Indeed, branded prescriptions are now only make up about 1% of total outpatient prescriptions. The large backlog of generic pharmaceuticals awaiting pricing has been substantially reduced, with about 800 new generic medicines priced since February 2013. The OTC list has been enlarged and the previously fixed mark-up of 35% has been transformed into a maximum mark-up to increase competition in the OTC sector. The positive list has been updated in June and the clawback system is active.

55. **Nevertheless further close monitoring and the fine-tuning of policies is needed in the area of pharmaceuticals to ensure the necessary savings for 2013 to achieve the EUR 2.37 billion target.** Despite the observed progress, pharmaceutical expenditure was above the monthly target for the first three months of 2013. It showed a reduction from January to April and was close to the monthly target in April. It is likely that a small amount will be clawed back from the pharmaceutical industry for the first semester of 2013. The dispensed or purchased share of branded pharmaceuticals is still very high. Generic use is still low at about 19% market share in both volume and value and is well below the target. Patients do not purchase the cheapest medicine available and often pay the 50 percent of the difference between the reference price and the actual price. More should be done to inform patients and to ensure that pharmacies dispense the cheapest pharmaceuticals within each active substance. Efforts must also continue to clear the backlog of generic pharmaceuticals awaiting pricing and to introduce some form of dynamic price competition in the market. In general, the pricing mechanism should be made more transparent to reduce the number of complaints and potential confusion caused by several revisions of the same list. On e-prescription the authorities should now strongly focus on introducing compulsory prescription protocols for some therapeutic groups and ensuring that the compulsory use of ICD-10 coding is respected. While the claw back mechanism will ensure that the spending on pharmaceuticals remains in line with the budget, efforts must be pursued to strengthen structural measures. Also, EOF capacity must be reinforced to ensure pricing and reimbursement is timely and effective in delivering a cost-effective use of pharmaceuticals and the necessary savings.

56. **Important steps have been taken in the hospital sector to improve the monitoring of financial and activity data and ensure that financial execution in in line with the budget.** Hospital reorganisation is also continuing. Data for the first quarter of 2013 indicates that financial execution will be within the budget in accrual terms. In cash terms, however, there is already a gap notably due to the substantial delay in transfers from EOPYY. Most hospitals have now been allocated internal controllers and analytical cost accounting is progressively being introduced in all hospitals on the basis of an action plan to be finalised by November 2013. The implementation of DRGs is going according to plan. Centralised procurement covers about 25% of all hospital buys and produced substantial savings. Additional steps are planned in terms of hospital network rationalisation. This may be conducive to a better distribution of staff and heavy equipment across hospitals.

57. **But more could be done regarding ESY facilities to advance the development and use of revised DRGs to 2014, notably for the most expensive case-mix cases.** Centralised procurement needs to be extended to cover a wider share of hospital purchasing. Staff mobility is still limited and further steps should be taken to ensure that staff is allocated to areas of need, most notably in less urban areas. In addition, more effort should be put on reforming emergency and on-call structures to increase efficiency and quality of care and reduce overtime work. The share of generics, while increasing, remains below the target for many hospitals. Data suggests important differences between hospitals for a wide set of indicators (staff and beds, operating costs, average length of stay discharges and surgeries, bed occupancy rates, use of generics,…). This suggests that there is room to realise additional savings. A benchmarking exercise could help identify the potential for reform in each hospital vis-à-vis its peers and be the basis for future hospital network organisation

58. **Finally, there are concerns that an increasing number of people may not have full access to a number of healthcare services and goods.** As a result of long-term unemployment affecting many households, a large number of people no longer have access to primary care. Access to emergency care and care for chronic disease is still however provided. The authorities need to conduct a detailed analysis of the situation to assess the number of individuals and services not covered and a relevant action plan is due in the second half of the year. It needs to include the identification in the short term of a solution with sufficient funding to allow access to health services and goods for the long-term unemployed, as well as working towards a more structural long-term solution. An important step will be the distribution of health vouchers to long-term unemployed, children (and families) and persons living below the poverty line. Such a programme will have a total budget of EUR 46 million over two years and will cover about 100.000 persons each year.

### 3.3.8. Upgrading the education system

59. **The Government has taken important steps to rationalise the Greek education system, but further efforts are needed to improve the quality of education, while continuing the rationalisation process**. **On higher education**, the provisions of Laws 4009/2011 and 4076/2012 are being applied, including the external evaluation of Higher Education Institutions (HEIs) and the reform of their governance structures. As far as rationalisation is concerned, a first wave of consolidation/mergers of departments has been finalised in the framework of the ATHINA project. In the next academic year, the number of HEIs will be reduced from 40 to 36, and the number of departments from 528 to 408. However, further rationalisation steps may be considered and these should be based on a comprehensive impact assessment, including cost-effectiveness, future tertiary education attainment rates, adequacy of staff, research output, and quality of education.

60. **On primary and secondary education, the evaluation of schools is advancing and the creation of an independent evaluation agency is a positive development**. Progress in this area is very important and should continue. The authorities have stepped up in-school training efforts, targeting in particular school directors, advisors and regional directors. Building on this, additional steps towards increased autonomy of schools should be taken. The recent increase in weekly teaching hours by 2 for teaching staff in secondary education, bringing teaching hours in Greece closer to the OECD average, is an important structural measure which, together with the new electronic database of schools, should contribute to the much-needed rationalisation of the school network. Such rationalisation has already been launched, and will have to be evaluated after the first wave of mergers takes place in the next school year.

## 3.4. STABILISING THE FINANCIAL SYSTEM

61. **The capitalization of the Greek banking system has been restored in order to support economic recovery and maintain the protection of depositors.** As Greek banks suffered heavy losses on both their investments in Greek Government Bonds and their loans due to the protracted recession of the Greek economy, their recapitalisation became crucial in order to maintain the banking sector's

capability to support the real economy. Based on the viability assessment exercise conducted by the Bank of Greece (BoG), the four core banks were entitled to receive funds from the Hellenic Financial Stability Fund (HFSF) during their recapitalisation, while the non-core banks needed to secure their capital fully from private sources. The financial sector programme envelope of EUR 50 billion has been sufficient to cover the cost of recapitalisation and resolution of the Greek banks and is needed as a backstop for the next stress test exercise. The latter will examine the robustness of Greek banks' solvency buffers in the context of the updated macroeconomic projections and has to be finalised before end-2013. In addition to the stress test, the next steps are to develop a banking sector strategy, complete the consolidation of the sector, further improve the governance of banks and the HFSF, enhance the liquidation process of resolved banks and facilitate the management of non-performing loans.

62. **All core banks have now been recapitalised.** The four core Greek banks have completed their recapitalisation exercise according to the requirements of the BoG and along the recapitalization framework prescribed in Law 3864/2010 and the Cabinet Act 38/2012. Three banks managed to attract at least 10 percent of their required capital increase from private sources (collectively more than EUR 3 billion), while one bank was fully recapitalised by the HFSF. The HFSF has become the majority owner of all core banks but in the case of the three banks that managed to attract at least 10 percent of their required capital from private sources, in line with the recapitalisation framework, it has only restricted voting rights. Private investors have also received warrants attached to the acquired shares, which give them the right to buy the shares from the HFSF.

**Box 3. Recapitalisation of the four core Greek banks**

*Identification of capital needs*

The Bank of Greece (BoG) with the assistance of Bain&Co determined the capital needs of all Greek banks and in November 2012 informed all banks of their individual capital needs. The capital needs communicated to the banks accounted for the impact of the valuation losses on New Greek Government Bonds as well as the results of a stress test exercise with a 3-year horizon (which took into account BlackRock credit loss projections as well as projections of bank's balance sheets and income statements).

The capital needs communicated to the banks also had to meet the requirements set by the BoG under Pillar II, which is the maintenance of a 7 percent core tier 1 capital ratio under a 3-year adverse stress scenario or 9 percent core tier 1 ratio under a 3-year baseline scenario, whichever is higher. The BoG published a detailed report on the individual banks' capital needs, recapitalization process and the methodology followed in December 2012. With effect as of end-March 2013, the BoG aligned banks' capital metrics to a minimum core tier I capital ratio of 9 percent of risk-weighted assets.

*Recapitalisation framework*

The recapitalisation process was launched accordingly in January 2013. Current and new private shareholders could maintain control of the core banks, as long as they subscribe to no less than 10 percent of the capital needs communicated by the BoG by way of ordinary shares. In that case, private investors could also receive warrants to acquire the remaining shares from the HFSF within 54 months. The framework also allowed banks to issue Contingent Convertible Bonds (CoCo's) for the specific portion of their capital needs.

*Recapitalisation conclusion*

By the end of June 2013, all four core banks completed their recapitalisation exercise. NBG, Alpha and Piraeus banks managed to raise more than 10 percent of their required capital increase, collectively attracting capital injections of more than EUR 3 billion from private sources. As such, the HFSF ended up contributing the remaining amounts for which it has restricted voting rights and has provided warrants to the private investors for its' shares. Banks decided to raise more capital by means of ordinary shares, thereby foregoing the option to issuing CoCo's. Eurobank opted for an immediate full recapitalisation via the HFSF rather than attempting to raise the minimum 10 percent of capital needs from private sources. As such, in May 2013 the HFSF injected EUR 5.8 billion into the bank, becoming the main shareholder with full voting rights.

The table below summarises the results of the recapitalisation exercise per bank and presents the capital injections by the private investors and HFSF. It also provides an overview of the final shareholder structure of each bank:

| Bank | Capital Needs communicated by BoG | New Private investors | | HFSF | Shares Issued | Price | Warrants | Final Shareholder Ownership | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Euro (Bn) | *Euro (Bn)* | *%* | *Euro (Bn)* | *# Bn* | *Euro* | *# HFSF shares/warrant* | *Old (%)* | *New (%)* | *HFSF (%)* |
| *NBG* | *9.756* | *1.054* | 10.8 | 8.702 | 2.274 | 4.29 | 8.26 | 5.1 | 10.2 | 84.6 |
| *Alpha* | *4.571* | *0.55* | 12 | 4.021 | 10.389 | 0.44 | 7.41 | 4.9 | 11.4 | 83.7 |
| *Piraeus* | *7.335* | *1.455* | 19.8 | 5.880 | 4.958 | 1.70 | 4.43* | 2.3 | 16.9 | 80.9 |
| *Eurobank* | *5.839* | *0* | 0 | 5.839 | 3.983 | 1.54 | 0 | 1.4 | 4.6** | 93.8 |
| | **27.501** | *3.059* | | *24.442* | | | | | | |

*No warrants provided for CY contribution, thus 308mn shares freely transferrable by HFSF
**Due to conversion of sub-debt into equity from LME

63. **Preparatory work for the banks' stress tests, which are envisaged to be completed by end-2013, has advanced.** The BoG, in consultation with the European Commission, ECB and IMF, drafted a reference framework methodology for the diagnostic analysis of Greek banks' asset quality, including an asset quality review and credit loss projections over a three year and life-time horizon. In addition, the 2013 exercise will include an assessment of banks' policies and procedures to deal with troubled assets and loan loss provisioning. To this extent, the BoG decided to hire BlackRock again, with a view to establishing the Terms of Reference (ToR) in line with the agreed upon end-July deadline.

64. **The Greek authorities are developing a comprehensive banking sector strategy.** The aim of the strategy is to create a leaner, cost efficient, competitive and well capitalised banking sector, which is able to support the economic recovery. The banking sector needs to conduct business with an optimal risk-return profile, stable local funding with sustainable cost and lower reliance on central bank funding. While focusing on domestic banking operations, the strategy will also set out options for a rationalised foreign presence and divestments in non-core assets. The strategy should also include options and operational steps for the HFSF to promptly proceed with the disposal of the shares to a strategic investor for the core bank that became controlled by the HFSF still in 2013. The strategy should refer to key considerations for the cooperative and the insurance sectors.

65. **Management of non-performing loans and procedures of liquidations needs to be improved.** Troubled assets that take up a large part of the loan portfolios need to be managed according to best international practices. Consultants are being hired to carry out a due diligence of the banks' work-out practices and aid in the development of a strategy and operational plan as well as assist banks to implement operational and procedural improvements of distressed credit operations. Authorities will support this work with an improved regulatory, legal and judiciary environment. Amongst others, a time-bound framework for banks to facilitate settlement of borrower arrears using standardized protocols will be developed. Regulations also are being amended to improve the liquidation process of resolved banks that better suits the banking environment and can reap synergies of multiple liquidation procedures.

66. **The governance framework for the four core banks has been further reinforced**. Monitoring trustees oversee the banks' governance and operations. Recommendations made by the monitoring trustees have been or are in the process of being implemented by the banks. Relationship frameworks have been signed between the HFSF and each of the four core banks, in order to ensure that on the one hand, banks are run on a commercial basis and on the other, the interest of the majority owner and hence the protection of taxpayers is respected. The relationship frameworks have now been published on the HFSF's website.

67. **The governance of the HFSF will continue to be strengthened.** Law 3864/2010 regarding the HFSF framework has been amended, adding two additional independent members to the HFSF General Council (increasing the number of its members from 5 to 7). The HFSF internal regulations have also been modified , reshuffling the responsibilities between the General Council and the Executive Board.

Further changes to the Fund's internal operations, structure and rules are expected to be put in place in order to adjust to the new situation after the completed banking sector's recapitalisation and consolidation.

68. **Two bridge banks, the New Hellenic PostBank (TT) and New Proton bank are due to be sold by 15 July.** The HFSF has hired consultants with a view to selling the two bridge banks by this deadline. In the meantime, HFSF has taken actions to rationalise the operational costs of TT, mostly through a significant reduction in the number of employees. A Voluntary Retirement Scheme (VRS) has been launched aiming to significantly reduce the number of employees.

69. **The amendments to the household insolvency framework have been adopted**. To enhance the household insolvency framework by facilitating the resolution of bad debts, amendments to Law 3869/2010 were adopted by Parliament on 11 June. The modifications to the Law aim to improve the payment culture in the country by, inter alia, introducing a mandatory minimum monthly payment until the court hearing date. The lack of this provision was perceived as a substantial moral hazard that was further exaggerated by the long periods ahead of court hearings. At the same time, the legislation for a new "Facilitation Program" targeted at low-income individuals to facilitate the resolution of unsustainable household debt was also approved by Parliament on the same date. The new scheme determines eligibility criteria (taking into account debtors assets and income) for applying to the program and instalments of debt repayment according to debtors' financial affordability. The effectiveness of the scheme will be assessed by the BoG within six month of its adoption. Overall success of the new framework and its potential contribution to the establishment of a prompt payment culture needs to be monitored over time and are dependent on its proper and effective implementation.

## 3.5. STRENGTHENING LABOUR MARKET INSTITUTIONS AND PROMOTING EMPLOYMENT

70. **The comprehensive range of labour market reforms implemented in recent years is continuing to deliver increased labour market flexibility.** Labour costs have been falling steeply, resulting from lower wages and a rise in productivity. As described before, despite the very high unemployment rates, the reduction in payroll lists has decelerated since mid-2012.

71. **The Government is taking the final step on the reform of the minimum wage framework.** The decision-making mechanism for the minimum wage in the post-programme period is being approved as part of the Omnibus Act. That mechanism involves both independent experts and social partners. However, the Greek government will have the key role to play in order to ensure that decisions on the level of the minimum wage strike a balance between income protection at the bottom of the wage distribution and the promotion of high levels of employment.

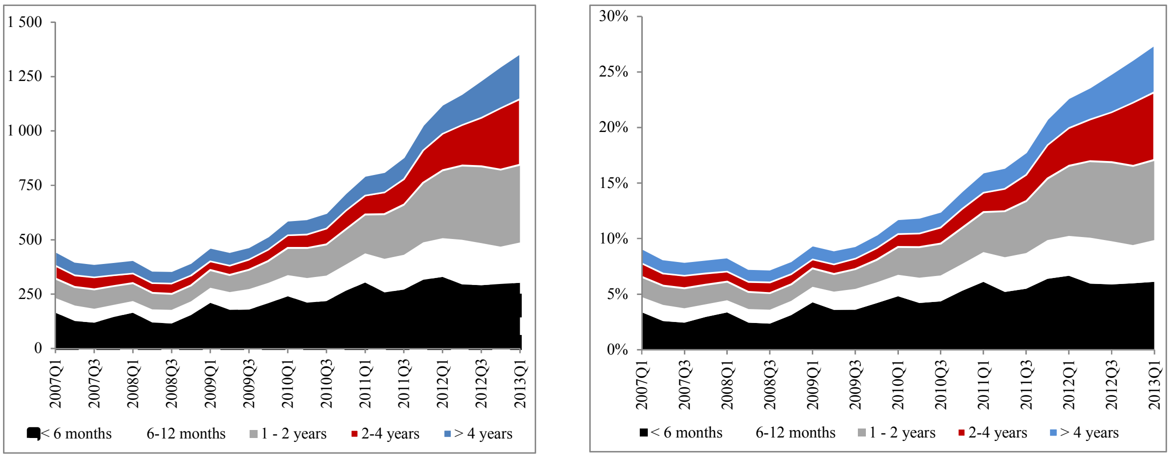
72. **The Greek authorities plan to further review the regulatory framework.** The objective is to critically examine existing labour regulations with the purpose of identifying what could further contribute to adjustment and job creation and help align Greece with best practices, notably in other EU countries. Such an exercise will take place in the second half of the year and is expected to cover issues such as corporate restructuring and collective dismissals. The review will help finding a balance between facilitating necessary adjustment and ensuring a fair sharing of the burden of adjustment between workers, firms and Government, with a view to align the relevant regulatory framework with EU best practices. Earlier commitments remain in place, for instance, to reduce non-wage labour costs by reforming the structure of social contribution rates, and to ease interpretation of and to foster compliance with labour laws and contracts.

73. **Tackling the very high unemployment is not a matter for labour market reforms alone.** Reform and adjustment efforts that are being taken in various other areas should raise labour demand and support employment creation. That requires action on issues like improving the business environment, opening various product and service markets to new players, and recapitalising the banking sector. Success in those efforts, together with the augmented flexibility in labour arrangements thanks to the latest reforms, will make producing and investing in Greece increasingly attractive. At the same time,

due attention is also needed to the labour supply side, notably the provision of skills demanded by prospective employers, on the top of incentives for participation in the formal labour market.

**Graph 27. Duration of unemployment**

**Duration of unemployment (1000 persons)** | **Duration of unemployment (% of labour force)**




*Source*: Eurostat

74. **The full impact of the reforms on employment figures can only be seen over an extended period of time; in the shorter run, support to the unemployed is essential given the very high unemployment rate and the increasing share of long-term unemployed**. Rising long-term unemployment, defined here as those unemployed for more than 12 months, is now at over 15% of the labour force or some 880,000 persons (see Graph 27), whilst an estimated 400,000 families lack a breadwinner. This presents serious policy challenges to assist the jobless in remaining attached to the labour market and not losing their labour skills in order to be able to reap the benefits from the expected upswing in labour demand going forward. Taking into account the weakness of labour demand in the short term and the lack of benefits available for the long-term unemployed and young people, urgent efforts need to be taken to address the social emergency and to underpin aggregate demand.

75. **The authorities are preparing an Employment Action Plan building on a number of key active labour market policies.** First, an expansion of short-term public work programmes for the long-term unemployed as a temporary measure, while labour demand remains rather subdued. Second, promoting internships of 45 000 young jobseekers in private sector employers in the context of the Youth Action Plan. Third, the reform of the Public Employment Service. Fourth, improving and expanding opportunities for apprenticeships and vocational training, making them more responsive to skills required by potential employers and thereby increasing the chances of successful entry of the young into the labour market.

76. **The Greek authorities are also seeking ways to improve social safety nets to support the jobless and the needy.** A guaranteed minimum income scheme, means tested and targeted to the poor, will be launched on a pilot basis, in parts of the country by January 2014 and progressively rolled out more widely as of 2015. The authorities agreed in outlining their policy options on the settings of this new scheme through a position paper by this July. The development of an unemployment assistance scheme for the long-term unemployed, means tested and targeted to the poor as well, is also being considered. Moreover, the authorities are expected to elaborate on the linkages between these schemes and public works programmes mentioned above and other labour policies, the activation of beneficiaries, and other social transfers. The front-loading of these income support initiatives shall be considered once they are designed and to the extent that the fiscal space is found within the existing budgetary envelopes.

## 3.6. CREATING FAVOURABLE CONDITIONS FOR ECONOMIC ACTIVITY

77. **The implementation of wide-ranging structural reforms remains the prerequisite for stabilizing the economy and laying the foundations for economic growth.** Whilst significant implementation delays occurred in 2012 on account of the political uncertainty, renewed commitment to the structural reform agenda has been shown by the new government. Nevertheless, further efforts are needed. Despite reductions in wages and productions costs stemming from labour market reforms, retail and producer prices have not yet fallen commensurately. To foster competitiveness and support the citizens' purchasing power, product and services markets need to be comprehensively reformed by removing the remaining unnecessary restrictions and barriers to entry that currently impede competition and price adjustment. In many areas, such as business environment, energy, transport, retail trade and regulated professions, ambitious reforms have been designed and are being implemented. The strong ownership of the reform agenda by the Greek government remains essential to maintain reform momentum and to restore growth and jobs to the economy.

### 3.6.1. Promoting an efficient and competitive business environment

78. **The Government has taken further steps to improve the business environment.** The Parliament has adopted ten measures to ease doing business in the areas of starting a business, registering property, dealing with construction permits and protecting investors. The changes should benefit Greece's ranking in the 2013 Doing Business Report. The ranking is expected to improve also due to the introduction in 2012 of a new company type with simplified procedures, which has become the most common form for new limited liability companies.

79. **Reforms are advancing in other areas**:

- With the support of the World Bank, the Government has prepared a strategic vision for investment licensing, in order to unify and streamline the system and reduce the cost and time of procedures. In September 2013, the authorities will translate this vision into a detailed roadmap for streamlining investment licenses and permits related to, among others, construction, installations, operations, the environment, land use and public infrastructure.
- With the support of the OECD, the Government is screening legislation and regulation with regard to potentially harmful effects for competition in four sectors (tourism, retail, building materials, and food processing) and the administrative burden on businesses in thirteen sectors. Based on the findings of these reviews, the Government plans to introduce legal changes in the area of competition at the end of this year and in the area of administrative burden early next year.
- After adopting secondary legislation for fast track licensing procedures in other areas, the Government is shifting attention to completing the pending provisions for technical professions, including electricians, cooling technicians and machine operators in constructions.
- Almost two years after passing the law on simplifying environmental licensing procedures, secondary legislation remains pending. The Government intends to step up the adoption of outstanding provisions in the second half of this year.

80. **After the launch of several pilots, broad-based trade facilitation reforms need to accelerate.** Customs operations have adopted 24/7 and double shifts for exports in the pilot offices of Athens airport and Piraeus Port, respectively. The Government simplified pre-customs and customs procedures for kiwi and feta cheese, and intends to streamline procedures for additional five products in the second half of 2013. The authorities have launched reforms of pilot customs offices in line with advice of the World Customs Organization. The next key steps are to introduce simplified procedures, enable fully fledged e-customs systems, align risk assessment systems in line with EU best practices, implement automatic clearance for low risk declarations in all customs offices by December 2013, and to fully roll-out optimized procedures to all customs offices during 2014.

### 3.6.2. Reforming the judicial system to support economic activity

81. **Many of the actions to which the government had committed to in the area of judicial reform have been delivered**. The crucial work on the statistical data on court activity has shown important progress, especially in the difficult sector of the civil courts where all was to be built from the ground. Even though the target is not fully met, 80 % of the work has been done and we can expect to have, at long last, some consistent information about all the courts during 2013. The March update of the e-Justice action plan showed interesting information about the use of applications in the pilot project in the court of Athens. The pilot project helped discover issues to be addressed with a view to allow for a much wider use of the e-application. Legislation about the electronic filling of documents before the Council of State and the Administrative Courts, about the electronic filling of the pleadings as well as of the evidence and the rest of the relevant file documents before the Civil Courts, and about the use of videoconference before the Civil Courts have been enacted. A study on the best allocation of newly hired judges to enable reduce the stock of cases in administrative courts has been delivered. The number of certified mediators is steadily increasing, and the third training centre has now opened in Athens (after Piraeus and Thessaloniki). The authorities presented a proposal for the introduction of compulsory mediation both in household insolvency procedures and for small claims, and the text is being currently refined.

82. **The most important concern is about the preparation of the reform of the code of civil procedure**. The draft was not delivered as agreed. However, discussions with the authorities allowed taking stock of the precise situation of the draft and of the work, mostly technical, that remains to be done, as well as reviewing the substance of the reforms that will take place through this crucial piece of legislation. A new timeline has been agreed upon for the review of this code. The authorities did not deliver, as promised, the assessment of effect of past measures and the action plan on tax-case backlog resolution, but promised to do so in the coming weeks.

## 3.7. EFFICIENT NETWORK INDUSTRIES AND SERVICES

### 3.7.1. Energy policy

83. **The Government is continuing its implementation of the Third Energy Package.** The transmission system operators have been certified, while a reform of the electricity market with a view to the adoption of the EU target model in the medium term is underway. This process will follow the timeline and plan designed by the regulator RAE that was finally adopted in July following consultation with the Commission.

84. **While the liquidity situation in the energy markets remains difficult, amortisation of the emergency loans granted in June 2012 by the Government to PPC and DEPA is being completed.** PPC has paid its final tranche in June; DEPA will complete its amortisation in August.

85. **Financing problems in the RES account that is designed to fund incentives for renewable energies are being addressed.** The Authorities have taken measures since 2012 to reduce the high debt levels in the balance sheet of LAGIE, the state-owned electricity market operator that manages the RES account. Feed-in tariffs have been substantially lowered, while a temporary and retroactive solidarity contribution on existing installations was imposed in November 2012 (see box 11 in previous Compliance Report). In May the Government has adopted further legislative measures that, together with the provision that ETMEAR, the levy paid by consumers to finance RES incentives, can be adjusted every six months, are expected to bring the debt in the RES account to zero by the end of 2014. A decision for an increase in ETMEAR to EUR 14.96 per MwH on average has been adopted by RAE, effective 1st of July 2013. The Government has started a negotiation with RES producers to revise the tariffs on existing power purchasing contracts in a permanent way.

86. **Further structural measures are being taken to reform the Greek electricity market.** These include the liberalization (and full cost recovery) of end-user prices for low voltage customers, the entry of new companies in the generation market, and a comprehensive reform of the electricity market. Low-

voltage end user prices have been completely liberalised as of 1 July 2013. Whilst there is political resistance to increase low voltage end-user prices, cost recovery-based electricity tariffs are needed to foster the entry of new generation companies in the market, to help the incumbent electricity company cope with liquidity tensions, and to reduce electricity costs for industry. On the other hand, the reform of the electricity market that is being introduced by RAE is a significant structural reform to foster competition and address distortions in the electricity market.

**87.** **The privatisation processes related to the energy sector are moving forward.** The process for PPC has started (based on a plan approved by the Government) and by early 2016 it will lead to the creation of a new vertically-integrated generation company, to the complete unbundling of ADMIE, and to the sale of a significant (17%) quota of PPC by the State. The new electricity company will be granted around 30% of the generation capacity of the incumbent, taking into account decommissionings and new investments, whereby the exact list of production sites is being determined in consultation with the Commission services. The unbundling and certification process of DESFA has been completed. The successful sale of 66% of DESFA to SOCAR, will involve regulatory scrutiny, including recertification.

**88.** **Legislation has also been passed to facilitate fuel distribution.** This encompasses the liberalization of the opening hours of petrol stations, easing the opening of petrol stations by supermarkets, eliminating unjustified restrictions in the transportation of fuel by independent retailers, as well as to ease the import of oil and of oil products (in the context of the transposition of the Directive of Security of Oil Stocks). Additional measures will be adopted before year-end to remove regulatory restrictions hindering competition in the refining, wholesale and retail fuel sector, such as those related to storage and minimum capital requirements for firms trading petroleum, in line with Opinion no. 29/VII/2012 of the Hellenic Competition Commission.

### 3.7.2. Electronic communications

**89.** Greece made some progress, by launching the public consultation on the tender procedure for the assignment of rights of use for broadcasting, and adopting secondary legislation to define a mandatory date for the switch-off of analogue broadcasting and a technologically neutral utilisation of the 800MHz band after the switch off. However, other important steps have not yet been taken, such as the adoption of secondary legislation for the establishment of licensing procedures for the DTT broadcasting network providers and the launch of the tender for the assignment of rights of use for DTT broadcasting transmission. It is urgent that these steps are taken in order to ensure that the respect of the October 2014 deadline for the assignment of the frequencies of the digital dividend is not put to question.

### 3.7.3. Transport

**90.** **Major strategic changes are underway in the transport sector.** The authorities plan to submit to Parliament shortly key legislation to liberalize the long-distance interurban transport with the aim to increase competition, improve service quality and efficiency. Among the key provisions in the law are the creation of an independent award authority for bus and railway services and the transfer of the railway safety department to an independent authority (Railway Supervisory Authority). Substantial progress has recently been made with the restructuring of the railways sector, including the approval of legal changes to spin off the services provision and real estate businesses and to transfer the rolling stock to the state. Overall, a good balance was reached between the need to solve the state aid related issues, while creating incentives to maintain a sufficiently attractive transaction from the investors' point of view.

**91.** **In the airport and maritime sectors, new strategies for growth are being designed.** These sectors are now leading the way in establishing an independent regulatory framework, through a clear separation between administrative responsibilities and commercial activities.

**92.** **Concerning airports, privatisation steps are being taken in line with best practices.** The authorities received eleven expressions of interest for the first phase of the privatisation process for two airport clusters, with the rest of the airports to be grouped in a separate company with a ring-fenced and transparent financing mechanism. This privatisation strategy benefits from prior best practices. It will provide concession agreements to cap airport charges at an average regional benchmark level with the aim of preserving the competitiveness of the tourism sector. Additional efforts are needed to improve the air traffic management including slot coordination.

93. **Important reforms are underway in the maritime sector.** These aim to increase the flexibility of routing changes, while reducing the minimum service requirement burden on companies and providing for additional vessel flexibility. In the next quarters, the authorities will assess the impact of reforms, and adopt further steps to increase the flexibility of the sector, especially regarding labour arrangements. In addition, the authorities are working on reducing the scope of existing mandatory ticket discounts for the use of domestic ferry services. The authorities are preparing to launch key assets for privatisation, through combination of concessions and sale of shares for a limited period of time in the ports master-concessionaires, with the aim to ensure sustainable and self-financing port authorities, to attract additional capital and managerial expertise and improve the competitiveness of the sector from a regional and international perspective.

94. **Additional policies are in the pipeline to ensure a better intermodal connectivity between different means of transport**, by better prioritising public spending (including EU funds), by creating a transportation and logistics hub, and by better exploiting Greece's regional competitive advantage in this vital economic sector.

### 3.7.4. The Retail Sector

95. **In the area of retail trade, the Government is improving the regulatory framework**. The Government adopted legislation in July to further liberalize retail markets by removing restrictions against discounts outside sale periods and providing more flexibility in opening hours, including for Sundays, for both large and smaller shops. For selected over-the-counter products, the authorities replaced the system of fixed margins with maximum margins for selected over-the-counter products. By end-September 2013, selected products would be sold outside of pharmacies. The authorities are working towards eliminating the minimum duration period for commercial rentals. In addition, based on a review of licensing procedures for retail outlets, the Government is preparing legislation to reduce the number of required authorisations.

### 3.7.5. Regulated professions and professional qualifications

96. **The liberalisation of key professions is proceeding**. The Government plans to submit a new Code of Lawyers to Parliament in July and adopt related secondary legislation upon parliamentary approval of the Code. The changes include replacing the system of reference amounts for contracts by a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer. A similar system will be adopted for contributions to the bar association. After taking additional steps to deregulate professions (including actuaries and oenologists), the Government is reviewing activities reserved to the professions of engineers, architects, geologists and land surveyors. The authorities are committed to remove unjustified or disproportionate reserved activities for engineers, architects, geologists and land surveyors by end-2013, following the opinion of the Hellenic Competition Commission. In order to evaluate the progress to date in the liberalisation of the 20 largest professions, the Government will present an initial report at the end of July. This will be followed-up by an in-depth, survey-based study and regular publication of key high-frequency indicators, such as the number of new entrants and price developments for the main professions.

## 3.8. INCREASING THE IMPACT OF STRUCTURAL AND COHESION FUNDS

97. **The Greek authorities continue to improve their absorption of EU funds.** They have submitted payment claims of EUR 2.175 million, including EUR 811 million for the motorway projects, which is significantly higher than the target of the first half of 2013, which is set to EUR 1.284 million. The Greek absorption rate (67.5%) for 2007-2013 is above the EU average of 53.7%. They preserve the

earmarked amount of the completion of the unfinished projects of ERDF, ESF and Cohesion Fund from the previous programming period and continue to implement the project management approach they designed for the priority projects. This provides them with regular information and an early warning system that lead to rapid actions to tackle the issues. There has been progress on the simplification of the procedures, particularly on the establishment of an alternative mechanism for the approval of payments and for the establishment of the electronic payment as they have prepared draft legislation however these have not yet been agreed. These are key requirements that will simplify and accelerate project implementation and the Greek authorities have to finalise these promptly. The Greek authorities have also been working on designing and implementing an anti-fraud strategy in the field of the structural funds and cohesion funds however this is not agreed.

98. **Progress is at last being made on the Cadastral Property Registry, which is key to secure a consistent base for the property tax in future, and favour a more dynamic real estate market.** The Parliament has voted a law on cadastre in June 2013 which clarifies the political and administrative responsibilities for the cadastral project, allows for the setting up of the first operational cadastral offices, reduces the period of appeals and makes available the cadastral data to the Ministry of Finance for taxation purposes. This law also will accelerate the rate of completion of the cadastre. Further follow-up legislation streamlining procedures and protecting revenues, along with a strategic business plan for future operations, is planned for the second half of the year.

## 3.9. TECHNICAL ASSISTANCE AND MONITORING

99. **Greece is receiving technical assistance coordinated by the Commission's taskforce and provided by the Commission, Member States, the IMF, World Bank and other sources.** Technical assistance (TA) concerns several areas which are crucial for the success of the programme. Recent examples of such major contributions, include work in such fields as tax administration and the fight against tax evasion, public financial management, the reform of the public administration, as well as in a range of projects improving the business environment. By providing advice based on best practice, TA contributes to enhancing the government's capacity to implement policies. It also helps to increase programme ownership, via the exchange of views and policy options between the government and the TA providers.[9] Greece, the Eurogroup and the Commission have agreed TA should help further strengthening of Greece's institutional capacity in delivering the agreed policies. With this objective in mind, the Commission is significantly strengthening its presence on the ground in Greece. This will bolster its capacity to provide and coordinate technical assistance. Moreover, a continuous monitoring will contribute to the timely and full implementation of the programme.

[9] For more details on the several TA projects, the reader is referred to the quarterly reports by the Commission's Task Force for Greece.

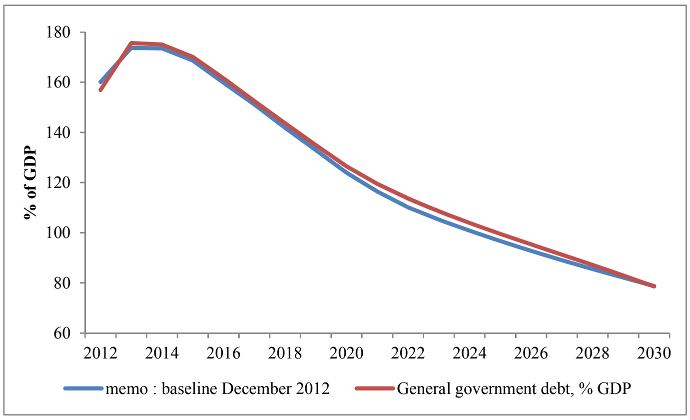
# 4. DEBT SUSTAINABILITY ANALYSIS AND PROGRAM FINANCING

## 4.1. DEBT SUSTAINABILTY ANALYSIS

### 4.1.1. Baseline and stress scenarios

100. **The current review includes no significant changes to the assessment of debt sustainability of the Greek sovereign, although uncertainty has increased.** The macroeconomic scenario remains the same, while the privatisation revenue forecast was decreased for this year and increased for next, as part of the revenue originally expected to materialise in the second half of 2013 was delayed until 2014. The arrears clearance profile has been reshuffled following delays in the first part of the year. After peaking at 175.6% of GDP this year, the debt-to-GDP ratio is expected to steadily decline thereafter falling below 120% of GDP by 2021 assuming that Greece continues to strongly implement the programme. Nevertheless, downside risks have increased significantly compared to the second review, particularly as regards privatisation proceeds. Moreover, significant further delays in clearing arrears would exacerbate existing liquidity problems in the Greek economy. In combination with insufficient implementation of agreed structural reforms, this could delay the economic recovery compared to the baseline. Finally, lower than forecasted growth in the EU or other negative external factors is on balance also a negative risk to output growth and thereby debt sustainability.

**Graph 28. Greece – General Government Debt (% of GDP)**




*Source*: Commission services.

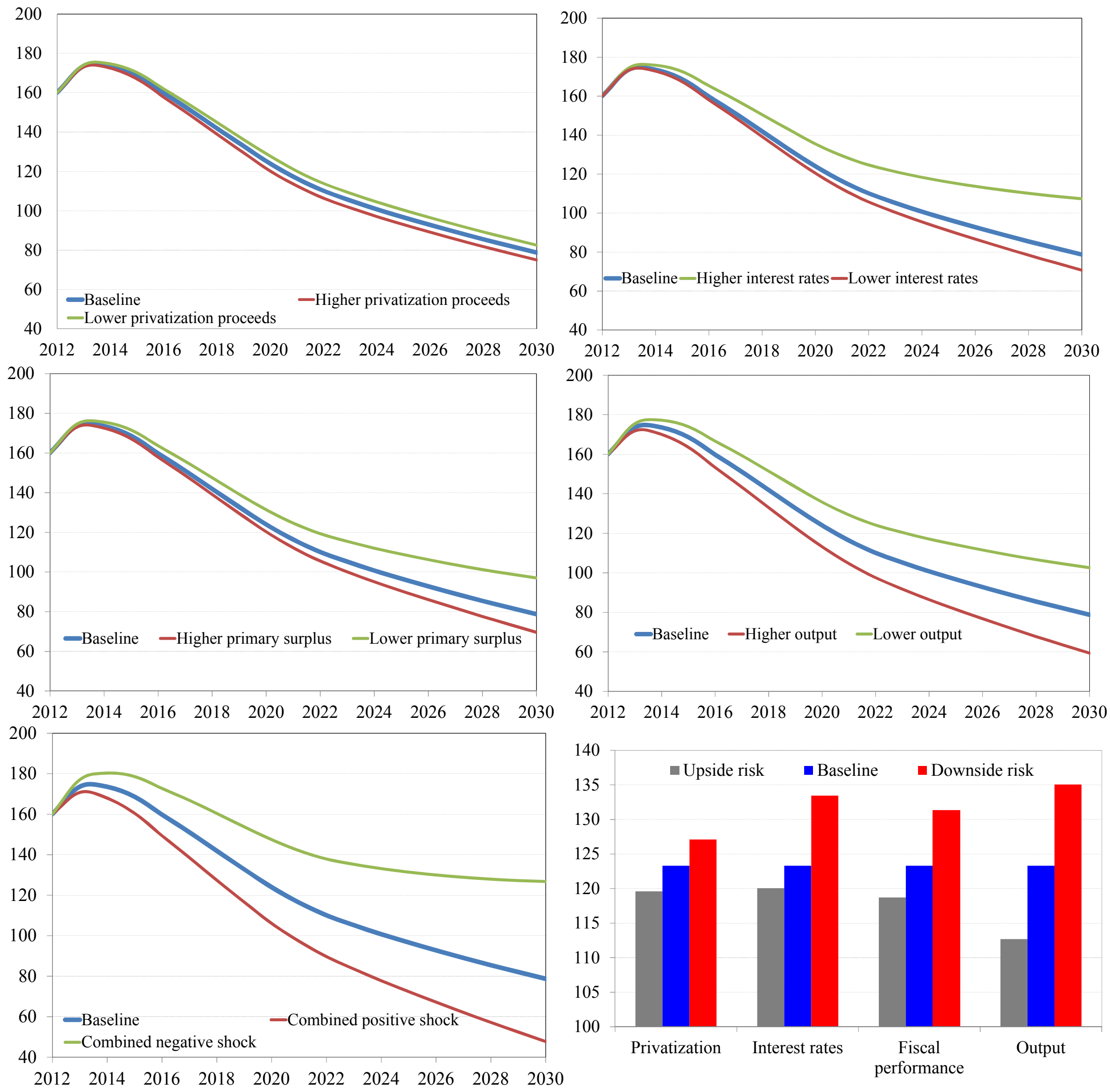
101. **A number of stress test scenarios were made to examine the impact of various risks on the evolution of the debt-to-GDP ratio compared to the baseline (Graph 29).** The main assumptions made in these scenarios[10] are the following:

- **Economic growth**: The real GDP growth rate was assumed to be higher or lower by 1 p.p. each year from 2013 onwards.
- **Interest rates**: The impact of a downward revision by 50bps (positive shock with a zero interest floor) or an upward revision of 150bps of the interest rate applying to Greek debt.
- **Privatisation proceeds**: The stress scenarios assume that privatisation proceeds through end-2020 are EUR 8 billion higher or lower than in the baseline.

[10] For full details, see section 4.1.2 of the "The Second Economic Adjustment Programme for Greece: First Review – December 2012" European Economy Occasional Papers 123, December 2012.

- **Fiscal performance**: In the shock scenarios the primary balance is either 0.5 percentage points of GDP higher than assumed in the baseline, or 1 percentage point worse in the negative scenario.
- **Combined shock:** In such a scenario it is assumed that (i) GDP growth is 1 p.p. below the baseline; (ii) privatisation proceeds would be EUR 8 billion below the baseline; and (iii) the primary surplus would be 1 p.p. below the baseline. Conversely, the positive scenario shows (i) privatisation proceeds being EUR 8 billion higher than the baseline; (ii) GDP growth being 1 p.p. above the baseline; and (iii) the primary surplus being 0.5 p.p. above the baseline.

**Graph 29. Dynamic profile of stress-test scenarios and overall impact in 2020 (% of GDP)**




Source: European Commission services calculations

## 4.2. PROGRAMME FINANCING

102. **Until June 2013, disbursements under the programme amounted to EUR 210.2 billion.** This amount includes EUR 7.2 billion approved in January 2013 to cover bank recapitalisation and resolution costs which were effectively disbursed to Greece on 31 May 2013 (Table 7). The second tranche of the third disbursement of EUR 3.3 billion was released to Greece following the implementation by the authorities of three milestones related to: (i) appointment of the national coordinator for anti-corruption, the coordination committee and its chairman, and the advisory committee, and second the eight staff provided by the law; (ii) facilitation of the resolution of unsustainable household debt, by passing legislation to introduce a new "Facilitation programme" and revising law 3869/2010 to address the implementation shortfalls identified during its first three years of enactment; and (iii) presentation to the EU Commission Services, for consultation, of a detailed action plan with identified time bound steps and a date for its substantial completion, for the transition of the electricity market to the EU target model. The plan should establish competition, stimulate entry, reflect the reforms of PPC, and remove market distortions, while not entailing State Aid.

**Table 7. Disbursements under the Greek adjustment programmes (EUR billion)**

| | | Past disbursements | | | | |
|---|---|---|---|---|---|---|
| 1st programme | | Euro-area Member States | | IMF | | Total |
| 1st disbursement | | 18 May 2010 | 14.5 | 12 May 2010 | 5.5 | 20.0 |
| 2nd disbursement | | 13 September 2010 | 6.5 | 14 September 2010 | 2.5 | 9.0 |
| 3rd disbursement | | 19 January 2011 | 6.5 | 21 December 2010 | 2.5 | 9.0 |
| 4th disbursement | | 16 March 2011 | 10.9 | 16 March 2011 | 4.1 | 15.0 |
| 5th disbursement | | 15 July 2011 | 8.7 | 13 July 2011 | 3.3 | 12.0 |
| 6th disbursement | | 14 December 2011 | 5.8 | 7 December 2011 | 2.2 | 8.0 |
| 1st programme - Total disbursements | | | 52.9 | | 20.1 | 73.0 |
| 2nd programme | | EFSF [1] | | IMF | | Total |
| 1st disbursement | 1st tranche[2] | 12 March, 10 April and 25 April 2012 | 29.7 | 19 March 2012 | 1.6 | |
| | 2nd tranche[3] | 12 March, 10 April and 25 April 2012 | 4.9 | | | |
| | 3rd tranche | 19 March 2012 | 5.9 | | | |
| | 4th tranche | 10 April 2012 | 3.3 | | | |
| | 5th tranche[4] | 19 April 2012 | 25.0 | | | |
| | 6th tranche | 10 May 2012 | 4.2 | | | |
| | 7th tranche | 28 June 2012 | 1.0 | | | |
| | Total | | 74.0 | | | |
| 2nd disbursement | 1st tranche[5] | 17 and 19 December 2013 | 34.3 | 16 January 2013 | 3.24 | |
| | 2nd tranche[5] | 28 and 31 January 2013 | 9.2 | | | |
| | 3rd tranche | 28 February 2013 | 2.8 | | | |
| | 4th tranche | 3 May 2013 | 2.8 | | | |
| | Total | | 49.1 | | | |
| 3rd disbursement | 1st tranche | 17 May 2013 | 4.2 | 6 June 2013 | 1.73 | |
| | 2nd tranche | 25 June 2013 | 3.3 | | | |
| | Total | | 7.5 | | | |
| 2nd programme - Total disbursements till June 2013 | | | 130.6 | | 6.62 | 137.2 |
| 1st programme and 2nd programme - Total disbursements till June 2013 | | | 183.5 | | 26.7 | 210.2 |

**Notes:**

[1] This table does not include EUR 35.0 billion of EFSF notes handed over to the ECB on the 7th of March 2012 as collateral, so that ECB continues to accept SD - rated Greek government bonds in monetary financing activities. EFSF notes have been released by the ECB on the 25th of July 2012.

[2] Sweetener PSI, EFSF notes

[3] Accrued interest PSI, EFSF notes

[4] Bank recapitalisation, EFSF notes

[4] Bank recapitalisation, EFSF notes

[4] Bank recapitalisation, EFSF notes

[5] Includes bank recapitalisation

*Source:* European Commission and EFSF

103. **The Eurogroup decided on 8 July that the disbursement related to the completion of the third review would amount to EUR 3 billion and be split in two tranches.** The first tranche of EUR 2.5 billion could be disbursed end-July subject to the fulfilment by the authorities of a number of prior actions. The second tranche of EUR 0.5 billion would be disbursed in early October following the implementation of milestones by Greece (see Table 8). Moreover, the SMP income transfer of EUR 2 billion originally expected to be disbursed at end-July together with the first EFSF disbursement will also be paid in two tranches. A first tranche of EUR 1.5 billion would be paid end-July, with a second tranche of EUR 0.5 billion being paid in October together with the second EFSF tranche.

104. **With disbursements related to the third review totalling EUR 5 billion, Greece's liquidity position would remain adequate in the coming months if the budget execution continues to over-perform over programme targets like it is most likely to do in July.** The budget surplus forecast for July together with the IMF disbursement of EUR 1.8 billion expected in August would be adequate to cover Greece's budget financing needs until end-October. The EFSF disbursement together with the SMP income transfer would be used for debt servicing during this period. The disbursement for the fourth quarter estimated at EUR 3.1 billion could take place mid-November at the earliest conditional on the successful completion of the fourth review scheduled for the autumn.

Table 8: Milestones to be achieved **by end-September 2013**

| **Milestones** | **Area** | **MoU Section** |
|---|---|---|
| Adopts irreversible decisions by August 2013 on the restructuring, involving substantial downsizing, ahead of privatisation or on the resolution of ELVO, HDS, and LARCO, both in compliance with State aid rules, with a view to implementing these decisions by December-2013 | Privatising to boost efficiency | 2.1 |
| General Government entities validate outstanding water and drainage bills to EYDAP and EYATH, confirm the level of outstanding debt and agreed claims and pay directly all undisputed claims (August 2013) | Payment flows and clearance of arrears (to speed up privatisation) | 2.4.2.8 |
| Place 12.500 ordinary employees in the mobility scheme (September 2013) | Reforming the public administration | 2.7.1.1 |
| A Code of Lawyers revising Legislative Decree 3026/1954 is adopted (July 2013) | Regulated professions, professional qualifications and provision of services | 6.5.1.1 |

## Table 9. Financing programme: quarterly financing needs and disbursements of official assistance

| in bn EUR, unless otherwise noted | 2012 | | | | 2013 | | | | 2014 | | | | 2012-14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| **Financing needs** | | | | | | | | | | | | | |
| **A. Government cash deficit** | **2.7** | **2.2** | **2.7** | **1.9** | **2.0** | **1.9** | **1.5** | **0.6** | **1.4** | **0.5** | **1.3** | **0.3** | 18.9 |
| Primary deficit ("-" is surplus) | 0.7 | 0.7 | 0.7 | 0.7 | 0.3 | 0.5 | -0.5 | -0.3 | -0.7 | -0.7 | -0.7 | -0.7 | 0.0 |
| Interest payments | 2.0 | 1.5 | 2.0 | 1.2 | 1.7 | 1.4 | 2.0 | 0.9 | 2.0 | 1.2 | 2.0 | 1.0 | 18.9 |
| **B. Other government cash needs** | **1.4** | **-1.0** | **0.1** | **3.3** | **1.8** | **4.1** | **1.5** | **1.9** | **0.5** | **0.6** | **0.1** | **0.2** | 14.6 |
| Estimated cash adjustments (2) | 0.1 | 0.2 | 0.2 | 0.4 | 0.1 | 0.5 | 0.1 | 0.2 | 0.5 | 0.2 | 0.1 | 0.2 | 2.9 |
| Arrears | 0.0 | 0.0 | 0.0 | 0.5 | 1.7 | 2.7 | 1.4 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 8.0 |
| Cash buffer | 1.3 | -1.2 | -0.1 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| ESM capital | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 2.3 |
| **C. Maturing debt** | **4.9** | **4.0** | **0.0** | **0.3** | **4.4** | **6.8** | **3.8** | **1.3** | **3.5** | **11.7** | **7.5** | **2.6** | 50.8 |
| Bonds & loans after exchange | 4.9 | 4.0 | 3.4 | 0.3 | 1.0 | 6.8 | 3.0 | 0.3 | 2.2 | 9.8 | 5.7 | 0.3 | 41.7 |
| Bonds after PSI and DBB (3) | 4.7 | 3.8 | 3.1 | 0.0 | 0.7 | 6.5 | 2.8 | 0.0 | 1.9 | 9.5 | 5.4 | 0.0 | 38.4 |
| other, incl. loans | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 3.2 |
| EU repayment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IMF repayment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 1.0 | 1.3 | 1.9 | 1.9 | 2.3 | 9.1 |
| Short-term debt | 0.0 | 0.0 | -3.4 | 0.0 | 3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **D. Cost of PSI** | **34.6** | **25.0** | **0.0** | **27.3** | **0.0** | **7.2** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | 94.0 |
| Cash upfront for PSI (sweetener and accrued intere | 34.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34.6 |
| Bank recapitalisation | 0.0 | 25.0 | 0.0 | 16.0 | 0.0 | 7.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.2 |
| Cash upfront for Buyback | 0.0 | 0.0 | 0.0 | 11.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.3 |
| **E. Gross financing needs (A.+B.+C.+D.)** | **43.6** | **30.3** | **2.8** | **32.7** | **8.3** | **20.0** | **6.7** | **3.8** | **5.4** | **12.8** | **9.0** | **3.0** | 178.4 |
| **Financing sources** | | | | | | | | | | | | | |
| **F. Private financing sources** | **0.0** | **0.0** | **0.0** | **0.0** | **0.1** | **0.0** | **0.8** | **0.7** | **0.2** | **0.6** | **2.3** | **0.4** | 5.1 |
| Market financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatisation 1/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.8 | 0.7 | 0.2 | 0.6 | 2.3 | 0.4 | 5.1 |
| **G.Additional financing sources** | | | | | | | | | | | | | |
| ANFA & SMP profits | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.6 | 1.6 | 0.5 | 0.0 | 0.5 | 1.9 | 0.0 | 5.5 |
| Contingency measures | | | | | | | | | | | | | 0.0 |
| **H. Financing needs per quarter** | 43.6 | 30.3 | 2.8 | 32.4 | 8.2 | 19.3 | 4.3 | 2.6 | 5.2 | 11.7 | 4.8 | 2.6 | 167.7 |
| **I. Official assistance disbursements** | 42.0 | 33.6 | 0.0 | 34.3 | 8.1 | 19.3 | 4.3 | 4.9 | 9.2 | 4.7 | 1.8 | 1.8 | 163.9 |
| - EU | 40.4 | 33.6 | 0.0 | 34.3 | 4.8 | 17.5 | 2.5 | 3.1 | 5.7 | 2.9 | 0.0 | 0.0 | 144.7 |
| - IMF | 1.6 | 0.0 | 0.0 | 0.0 | 3.3 | 1.8 | 1.8 | 1.8 | 3.5 | 1.8 | 1.8 | 1.8 | 19.1 |

**Notes:**

1/ Includes interest due on bonds and loan outstanding after PSI and DBB

2/ Includes guarantees on SOE debt, transfers from/to SSFs and other consolidation items.

3/ No haircut on ECB holdings. Maturity profile of ECB holdings proportional to outstanding bonds.

# Annex 1: Assessment of compliance with the Memorandum of Understanding on Specific Policy Conditionality

## I. Assessment of actions taken prior to the disbursement, included in the 9th updated Memorandum of Understanding – verified by the EWG on 24 and 26 July 2013

| | Prior Action | Status |
|---|---|---|
| | **FISCAL POLICY** | |
| 1 | Bring forward into 2013, according to the program target definition, some of the property tax collected via the public power company (PPC) by temporarily shortening the pay period for PPC of the final installment to March 2014. | Observed |
| 2 | Complete the signatures of the Memorandum of Understanding with the Greek merchant fleet which, together with the tonnage tax, will ensure €140 million accrued in annual revenue in 2013-15. | Observed |
| 3 | Pass legislation to bring forward to August 1, 2013 the luxury tax on cars, swimming pools, and airplanes. | Observed |
| 4 | Pass legislation to limit the use of untaxed reserve accounts for capital gains by 2015, so as to raise revenue of at least €50 million in 2014. | Observed |
| | **PRIVATISATION** | |
| 5 | Adopt legislative acts permitting the payment of arrears owed to EYDAP and EYATH directly from the arrears clearance program. | Observed |
| 6 | General Government entities validate outstanding water and drainage bills to EYDAP and EYATH and send to GAO official documentation confirming the level of outstanding debt. | Observed |
| 7 | In order to facilitate the privatisation of ODIE, adopt in Parliament the law for clarifying responsibilities between Jockey Club and the New Concessionaire. | Observed |
| | **TAX POLICY** | |
| 8 | Adopt legislation to introduce a new Income Tax Code that will simplify the existing law, increase its transparency and remove ambiguities, whilst allowing easier administration, encouraging tax compliance and ensuring more robust revenue through the cycle. The new Income Tax Code will reduce filing requirements for pay-as-you-earn taxpayers and those who receive investment income, consolidate cross-border merger and reorganization provisions, and introduce anti-avoidance provisions to combat international tax avoidance. | Observed |
| 9 | Introduce legislation to Parliament for a new Tax Procedures Code (TPC) to enter into force by January 1, 2014. The new TPC consolidates and streamlines provisions existing in current legislation and fills legislative gaps in enforced collection methods, requirement for mandatory data provision to the tax authorities, interest and penalties, and internal review procedures. This code should reduce the costs of administration and compliance, and incorporate procedural reforms in all major administrative areas that are necessary to support modern tax administration (e.g., tax filing, audit and penalties, enforcement powers and debt collection). | Observed |
| 10 | Open the E9 filing period for submitting updated information on land and real estate assets. | Observed |

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| | **TAX ADMINISTRATION** | |
| 11 | Issue the ministerial decision for the transfer to the revenue administration of the Ministry of Finance internal affairs department. | Observed |
| 12 | Issue the ministerial decision for the transfer to the revenue administration of all functions, staff, and budget allocations of the Directorates for Computer Applications (excluding the sections for Budget and Public Expenditure, Payroll, and Pensions) and for Computer Data Entry and Control of the General Secretariat for Information Systems (GSIS). | Observed |
| | **ESTABLISHING A STATE AID UNIT** | |
| 13 | Adopt final amendments to the law creating a Central State Aid Unit CSAU. The Central State Aid Unit is responsible for screening all measures, from across the Government, for their compliance with State aid rules, before they are implemented. The Central State Aid Unit will be the only contact point for the Commission on all State aid matters, including for notifications. The aim is to ensure a timely and effective clearance of state aid issues. | Observed |
| 14 | Launch the call for interest in order to appoint the Director and relevant officials of the CSAU, and launches the procedures for staffing the CSAU. | Observed |
| 15 | Amend the law concerning the recovery of illegal State aid with a view to clearly excluding any possibility of recovery in installments. Indeed, Article 22.1.b of the law 4002/2011 currently states that recovery may take place in installments and refers to the Code of Collection of Public Revenues, which also foresees this possibility. The updated law should exclude the possibility of recovery in installments while, possibly, maintaining reference to the above-mentioned Code for other procedural aspects. | Observed |
| | **PUBLIC ADMINISTRATION REFORM** | |
| 16 | Issue all necessary legal acts in order to place 4,200 employees in the labour mobility scheme, with a view to these employees being effectively placed in the labour mobility scheme before the end of July 2013. | Observed |
| 17 | Through the Governmental Council of Reform, adopt staffing plans for 360,000 employees. | Observed |
| 18 | Revise the legislation on the mobility scheme to reduce the time spent in the scheme from 12 months to 8 months, in order to meet exit targets for early next year. | Observed |
| | **HEALTH** | |
| 19 | Enforce compulsory IDC10 in the electronic prescription. | Observed |
| 20 | Take legislative action that allows the Minister of Health to set a claw back mechanism and targets for non-pharmaceutical expenses of EOPYY in order to meet fiscal targets in the health care sector for the period 2013-2015. | Observed |
| | **STABILISING THE FINANCIAL SYSTEM** | |
| 21 | The Government commits to invite HFSF to complete the disposal of the two bridge-banks. The decision on the transactions should take into consideration the public interest, financial stability, as well as the protection of HFSF assets. | Observed |
| 22 | The MoF and the BoG commit to complete a comprehensive banking sector strategy in coordination with the HFSF and the EC/ECB/IMF. The MoF and the BoG commit to maintain a four-pillar banking sector as long as HFSF has a majority stake in the core banks | Observed |

## II. Assessment of compliance with Memorandum of Understanding (7th update, December 2012)

| Par / Page | Action | Deadline MoU | Comments | New Deadline | Status |
|---|---|---|---|---|---|
| **MoU 1.a MEFP (12)** | A new law on taxation of real estate will be adopted by end of June for 2014 onwards. The new real estate taxation regime, which will consolidate a number of now separate taxes, will be designed to be budget neutral ensuring revenue of at least EUR [2,7] billion. | **June 2013** | Agreement has been reached between Troika and Greek government concerning the 33 coefficients that will be used to calculate the new real estate tax. Based on the updated version of MoU, the government will pass legislation to take effect in 2014. | **September 2013** | Not Observed. Rephased |
| **MoU 2.1.1** | Rapid adoption of necessary primary and secondary legislation and implementation decisions, in consistency with the required actions for a swift Privatisation Plan. The Authorities must proceed swiftly to establish the regulatory framework in those areas which are necessary for the privatisation process (airports, ports, water, lotteries), consistent with EU legislation, taking into account international best practises. Transferring of assets to the HRADF quickly will facilitate the privatisation process and will signal the clear intention of the authorities to bring the privatisation process forward. The authorities should take immediate actions to address the state-aid related issues pending, which is a pre-condition for proceeding with the privatisation of these assets. All government actions pending in these three areas are listed in Annex 9.1. | **Continuous** | See below Annex 9.1 | | Observed. Ongoing. |
| **MoU 2.1.2** | Privatisation of real estate assets is of outmost importance in this process. High priority should be given in the preparation of assets (title clearance, licencing etc.) given the time lags involved in such a process and the need to secure a sufficient number of assets in the privatisation pipeline. Hence, the authorities should proceed with: | **Continuous** | The JMD for the transfer of the first 250 assets was signed and published (FEK B 1020/25-4-2013).<br>Draft JMD for the next 250 assets is ready and will be signed in July | | Observed. Ongoing. |
| **MoU 2.1.2.ii MEFP (31)** | The transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF will be done in four phases, based on concrete interim targets of 250 real estate assets per quarter. | **Quarterly** | The JMD for the transfer of the first 250 assets was signed and published (FEK B 1020/25-4-2013).<br>Draft JMD for the next 250 assets is ready and will be signed in July | | Not Observed. |
| **MoU 2.1.4** | A first progress report to be prepared on the numbers of properties by Ministry/Public Entity, the nature, state and of these properties and providing detailed information, where applicable, to its current use. | **June 2013** | The first progress report was sent at end June. Incomplete report submitted by most ministries. The second progress report due for August must provide fuller information. | | Not Observed. |
| **MoU 2.1.5** | The authorities will ensure that there will be no transfer or withholding of any real estate assets, without prior consultation and agreement with the HRADF and the EC/IMF/ECB, to entities other than the HRADF, including to municipalities and the recently established pension fund SPV or other dedicated legal entities, or until such time as the assets necessary to supply the privatisation plan have been secured. | **Continuous** | Continuous. | | Observed. Ongoing. |
| **MoU 2.1.6 MEFP (31)** | The HRADF, drawing in particular from a report to be prepared by the ESM, will assess the possibility of raising additional revenues from the private sector, with a focus on international investors, by means of securitisation of assets, through the exploitation of assets not yet included in its privatisation plan and specified in paragraph 2.1.9.<br>(**MEFP**: Moreover, it will be ensured that such securitizations do not in any way slow down the privatization process foreseen in the current program). | **Continuous** | Ongoing | | Observed. Ongoing. |
| **MoU 2.1.7** | The HRADF will continue to be tasked with selling assets as quickly and effectively as possible. In particular, there will be no further political review once an asset has been transferred to the HRADF. | **Continuous** | Ongoing | | Observed. Ongoing. |

| Par / Page | Action | Deadline MoU | Comments | New Deadline | Status |
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| **MoU 2.1.8 MEFP (31)** | The HRADF will publish quarterly reports on its steps to facilitate privatisations, financial accounts, including a profit and loss statement, a cash flow statement, and a balance sheet, no later than 60 days after the conclusion of every calendar quarter. | **Continuous** | N.4093, D2/5a (legislation for the quarterly reports). The Q1 2013 report, as long as the semi-annual update of the asset development plan were published in May. | | Observed. Ongoing. |
| **MoU 2.1.9** | Securing privatisation receipts which, cumulatively since June 2011, should be at least EUR 1.6 billion by **end-2012**, EUR 4.2 billion by **end-2013**, EUR 6.5 billion by **end-2014**, EUR 7.7 billion **by end-2015**, EUR 11.1 billion by **end-2016**. | **Continuous** | Ongoing. There are significant delays concerning the proceeds in 2013, they could be recouped in 2014 | | Not observed. |
| **MoU 2.2.1** | The Government makes fully operational a standard procedure for revision of legal values of real estate to better align them with market prices that will be in place for the purposes of capital taxation for the fiscal year 2014. | **June 2013** | In the updated version of MOU the action was revised and a new completion deadline was set for September 2013 | **September 2013** | Not Observed. Rephased |
| **MoU 2.2.2** | The Authorities will adopt a unified and simplified income tax code. | **June 2013** | Included in articles 1-72 of the Omnibus bill voted on 17/7. | **Prior action** | Observed. |
| **MoU 2.3.1.1.iii** | Provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14 day time frame; | **May 2013** | Law 4152, subpar. B.1 (GG 107/A/9-5-2013) | | Observed. |
| **MoU 2.3.1.1.iv** | Enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP; | **May 2013** | It is included in Law 4152, subpar. B.1 (GG 107/A/9-5-2013). | | Observed. |
| **MoU 2.3.1.1.v** | Create a budget code for budget approval by parliament that encopass all organizational units of the revenue administration (to enable a separate and unified budget allocation for approval by parliament starting with the 2014 budget); | **May 2013** | Relevant decision has been issued. ΑΔΑ: ΒΕΝΓΗ-ΓΙΖ | | Observed. |
| **MoU 2.3.1.1.vi** | Establish a small financial management unit in the revenue administration to coordinate the preparation and implementation of the revenue administration's budget (while maintaining the role of General Directorate for Financial Services (GDFS) as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation); | **May 2013** | It has been done legally with Law 4152 (GG 107/A/9-5-2013), subparagraph B.1. The decision to set up the unit was also published (GG 1250/B/22-5-2013). SGPR's decision for the appointment of the Head of the division is pending. | **July 2013** | Not Observed. Rephased |
| **MoU 2.3.1.1.viii MEFP (3.vii)** | Authorize the SGPR to determine a grading and promotion system for the revenue administration, subject to the approcal of the Minister of Finance. (Σημ.: Στο MEFP είναι prior action). | **May 2013** | Contained in L.4152 (GG 107/A/9-5-2013), subparagraph B.1. | | Observed. |
| **MoU 2.3.1.2.i** | about 140 functioning offices; | **June 2013** | 134 local tax offices are currently operational and on the 1st of September, 14 more will be consolidated to achieve - under the proposed amendment to the MoU - the target for 120 local tax offices in operation in September 2013. | **September 2013** | Observed. |
| **MoU 2.3.2.3** | Reduce payment requirement to file a VAT return to a minimum. | **May 2013** | Law 4152, subpar. A.6 (GG 107/A/9-5-2013) | | Observed. |
| **MoU 2.3.2.5** | The Secretary General for Public Revenue (SGPR) provides a plan, including training, for the integration of new staff in the administration. | **May 2013** | The integration plan was sent to Troika and it was approved. | **July 2013** | Observed. |

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| **MoU 2.3.2.7** | Ensure that all staff are assessed for their performance on a bi-annual basis under the new assessment system. | **Continuous** | Assessment started, but would be completed for all staff at least once by end 2013. | | Not Observed. |
| **MoU 2.3.2.8** | Ensure an adequate number of supervisors in the High Wealth Individual and High Income Self-Employed (HWI-HISE) and Large Tax Payers Unit (LTU), including through reallocation from other activities. | **Continuous** | The decision concerning the supervisors of LTU has been signed, while the manager and his deputy were placed in HWI. A table of supervisors and auditors for these two audit centres was requested by Troika and was delivered. | | Observed. |
| **MoU 2.3.2.9** | The SGPR issues a decision to enhance targeted auditing based on risk assessment techniques | **May 2013** | The decision concerning the "old cases" (close to statute of limitation) has been issued GG 1136/B/10-5-2013.The second decision concerning the rest of the cases was signed on the 9th of July. | | Observed. |
| **MoU 2.3.2.10** | The Authorities implement indirect audit methods and allow their application to any open tax audit (which will bring wealth and expenditures into the determination of taxable income). | **May 2013** | The relevant MD has been issued (GG 1136/B/10-5-2013) | | Observed. |
| **MoU 2.3.2.11** | The SGPR issues a circular introducing the modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption. | **May 2013** | Since Troika believes that the whistle-blowers are not adequately protected by the Code of Conduct a draft of relevant legislation will be prepared. In the revised MoU version the action completion is transferred to September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 2.3.2.12** | The Authorities appoint a national coordinator for anti-corruption, the cordination committee and its chairman and the advisory committee and second the eight staff provided for by the law. | **Milestone June 2013 May 2013** | It has been completed. | | Observed. |
| **MoU 2.3.2.13** | The Authorities revise legislation to enable prosecution for major tax evasion regardless of the tax payer paying the tax assessment in cases of settlement. | **May 2013** | The relevant provisions will not be incorporated in the new Code of Tax Procedures. Provisions will be prepared jointly with the MoJ. To this end, a meeting was held with its representatives on Wednesday 26th of June. In the revised MoU version the action completion is transferred to September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 2.3.2.16 MEFP (5)** | All line ministries and State Owned Enterprises (SOE's) having a financial relationship with taxpayers or beneficiaries will utilize their tax identification number in financial transactions with them. | **June 2013** | Provisions submitted with the Law of Tax Procedure Code. | **July 2013** | Not Observed. Rephased |
| **MoU 2.3.3.2** | The Authorities will present a plan for providing compulsory professional training program for debt management staff. | **May 2013** | The plan has been sent to Troika | **July 2013** | Observed. |
| **MoU 2.3.3.3** | The SGPR completes a review of the policy and procedures to write off tax debts. | **June 2013** | It has been completed with Law 4152 (GG 107/A/9-5-2013) subpar. A.4. | | Observed. |
| **MoU 2.3.3.5** | The Authorities take necessary steps to replace payments in cash and cheque in tax offices with bank transfers. | **June 2013** | In the coming months (especially after July when the instalment scheme starts) most debts will be paid through banks. In the revised version of MoU the completion of the action is transferred to July. | **July 2013** | Not Observed. Rephased |
| **MoU 2.3.3.6 MEFP (6)** | The authorities commit not to adopt new tax amnesties, or extend existing amnesties for the collection of taxes and social contributions during the years covered by the economic adjustment programme. (**MEFP**: We remain committed to enforce collection of tax and social security contributions (SSC), and will not introduce any new amnesty schemes, nor extend any existing ones). | **Continuous** | No legal action is needed. | | Observed. Ongoing. |

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| **MoU 2.3.3.7 MEFP (7)** | The Authorities will establish a special working group to examine the arrears stock across the four largest SSFs, to assess collectability, and identify collectible arrears for transferring them to the new single collection entity. | **June 2013** | The relevant MD with no. Φ.80000/14818/874 - 15.05.2013 has been issued (ΑΔΑ: ΒΕΝ3Λ-Γ0Α). | | Observed. |
| **MoU 2.3.3.9 MEFP (7)** | The Authorities will introduce a revised surcharge regime for late payment of SSC that combines a penalty and an above market interest rate. | **June 2013** | Published in Law 4158/2013, A',126 | | Observed. |
| **MoU 2.3.3.11 MEFP (6)** | The Authorities enact the new legal framework for instalment schemes for debt related to tax and for social security contributions. | **June 2013** | It is included in L.4152 (GG 107/A/9-5-2013), subparagraphs A.1-A.2. Two relevant decisions by the SGPR have been published (GG 1237/B/21-5-2013). The possibility of benefiting for the "fresh start" in local tax offices will begin on June 20th and for the "basic scheme" on July 1st. The internet application will be ready for the "fresh start" on 18th of July and for the "basic scheme" on July 22nd. | | Observed. |
| **MoU 2.3.3.11.i** | The legislation will set the date of opening application into the new scheme no later than July 2013. Entry into existing tax and SSC debt instalment schemes that do not extend past June 30, 2017 and do not offer more generous terms and conditions than the fresh start scheme (concerning the effective interest rate and the surcharge reduction), will be allowed up until June 30, 2013. Entry into other schemes will be discontinued upon submission of this legislation to parliament. Entry into these installment schemes will be diasallowed for debtors who are in default on another scheme after the submission of the law to parliament. | **June 2013** | It is included in L.4152 (GG 107/A/9-5-2013), subparagraphs A.1-A.2. Two relevant decisions by the SGPR have been published (GG 1237 / B / 21-5-2013). The possibility of benefiting for the "fresh start" in local tax offices will begin on June 20th and for the "basic scheme" on July 1st. The internet application will be ready for the "fresh start" on 18th of July and for the "basic scheme" on July 22nd. | | Observed. |
| **MoU 2.3.3.11.ii MEFP (6)** | The key features of the basic permanent instalment scheme will include: (i) tightened eligibility (proof of viability and tax compliance will be required); (ii) payment of market interest rates plus a premium on outstanding balances; (iii) enforced collection upon default on a payment; and (iv) a maximum of 12 monthly instalments (except for a specific list of taxes of a non-current or extraordinary nature for which instalments of up to 24 months would be allowed). | **June 2013** | It is included in L.4152 (GG 107/A/9-5-2013), subparagraphs A.1-A.2. Two relevant decisions by the SGPR have been published (GG 1237/B/21-5-2013). The possibility of benefiting for the "fresh start" in local tax offices will begin on June 20th and for the "basic scheme" on July 1st. The internet application will be ready for the "fresh start" on 18th of July and for the "basic scheme" on July 22nd. | | Observed. |
| **MoU 2.3.3.11.iii** | However, on a one-time basis, in parallel to the normalization of the economic situation, the framework for granting tax debt and SSC payment arrangements will be temporarily made more flexible through the adoption of a "Fresh start scheme" open to settle debt existing at end 2013 for debtors current in 2013 payments. Two key changes will be made. First, taxpayers will be allowed to pay pre-existing tax and SSC debts (not already subject to an instalment arrangement), and to consolidate debt from other schemes. Payments will be in equal monthly instalments not extending beyond June 2017. There will be a reduction in the surcharge by at most 50 percent upon full payment of the debt. This will accommodate viable taxpayers whose capacity to pay is temporarily affected by the current business cycle. Second, reduced documentation requirements will apply for tax and SSC debts below €75,000. Under this scheme, compliance with current tax and SSC obligations is mandatory, full collateral will be required for large rescheduled amounts (over €300,000), and enforced collection upon default will apply. | **June 2013** | It is included in L.4152 (GG 107/A/9-5-2013), subparagraphs A.1-A.2. Two relevant decisions by the SGPR have been published (GG 1237/B/21-5-2013). The possibility of benefiting for the "fresh start" in local tax offices will begin on June 20th and for the "basic scheme" on July 1st. The internet application will be ready for the "fresh start" on 18th of July and for the "basic scheme" on July 22nd. | | Observed. |
| **MoU 2.3.5.1** | The SGPR replaces managers who do not meet performance targets. | **Continuous** | June 2013 results are expected to evaluate performance | | Observed. |

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| **MoU 2.3.5.2 MEFP (8)** | The Authorities launch an easily accessible website to enforce accountability to the public through publication of summary statistics on key performance indicators, the number of tax evasion cases sent to the FIU and to prosecution by the tax administration. | **May 2013** | The website is already functional and new statistics are being added | | Observed. |
| **MoU 2.3.6.1** | The authorities adopt a new Single Tax Procedures Code. This code should aim to reduce the costs of administration and compliance and will incorporate procedural reforms in all major administrative areas that are necessary to support modern tax administration (e.g., tax filing, audit and penalties, enforcement powers and debt collection). | **June 2013** | Submitted to parliament 23 July 2013. Amendments agreed with the authorities, submitted on 24 July. | **Prior action** | Observed. |
| **MoU 2.3.6.2** | The SGPR ensures the use of a number of functions in ELENXIS (tax payer profile) for all tax units that perform audits and full use in certain key offices (LTU, HWI-HISE). | **June 2013** | When complete, it will exist in 65 services (along with the big ones). In the revised version of MoU the action wording changed and a new completion deadline was set for December 2013. | **December 2013** | Not Observed. Rephased |
| **MoU 2.3.6.4 i** | The new TAXIS system is operational in 50 tax offices covering 70% of revenues. | **June 2013** | 51 tax offices have joined the new TAXIS representing 80.4% of revenues. | | Observed. |
| **MoU 2.4.1** | In order to fully comply with the late payment directive, notably compliance with the deadlines set in this Directive, the Government will propose a realistic action plan and a timetable for progressing with reforms in Public Finance Management with a view to streamline payment processes and shorten payment periods. The action plan shall contain: | **June 2013** | In the revised version of MoU the wording was changed and a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |
| **MoU 2.4.1.i** | i) the different steps that need to be accomplished by the greek government in order to simplify the processes related to payments in the public sector. | **June 2013** | In the revised version of MoU the wording was changed and a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |
| **MoU 2.4.1.ii** | ii) It shall provide for specific deliverables within set deadlines in order to allow for minitoring of progress made in its completion. | **June 2013** | In the revised version of MoU the wording was changed and a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |
| **MoU 2.4.1.iii** | iii) It shall contain proposals in order to reduce significally the number of parties involved at each step of the process, and provide for the concrete deadlines that need to be respected for each step to be completed.<br>In producing the action plan the Greek government shall take into account the technical assistance already received and further assistance made available by TFGR and other experts and the timetable already outlined for the completion of the Enterprise Resourse Planning (ERP) project. | **June 2013** | In the revised version of MoU the wording was changed and a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |
| **MoU 2.4.2** | In parallel with the ERP project, GAO will engage in discussions with the HCA on further streamlining the pre-audit process by the HCA. GAO will propose to the HCA an increase in the ceilings for mandatory pre-audits, and below the ceiling the introduction of risk-based pre-audits rather than 100% pre-audit. GAO will ask the HCA to develop an action plan for inclusion in the economic adjustment program. | **June 2013** | In the revised version of MoU the wording was changed and a new completion deadline was set for October 2013. | **December 2013** | Not Observed. Rephased |
| **MoU 2.4.3** | To address problems still lying in the extra-budgetary funds and in the social security sector, especially in relation to the transfer of competencies from SSFs to EOPPY, despite the progress in the setting-up of the commitment/co-payment registries, the Government will: | **June 2013** | | | N/A |
| **MoU 2.4.3.i** | ensure that commitment registers are in operation in 80 per cent of general government entities based on 2013 entity coverage. | **June 2013** | In May 2013, 91% of the entities have sent data. | **September 2013** | Observed. |

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| **MoU 2.4.3.ii** | monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system; | **Continuous** | | | Observed. |
| **MoU 2.4.3.iii** | enforce the obligation of accounting officers to report commitments by enacting sanctions to entities not submitting needed data, though disciplinary action for accounting officers, and by strengthening the role of GAO in providing support and guidance to Accounting Officers. | **Continuous** | Sanctions for the entities not reporting their commitments have been introduced but disciplinary actions for accounting officers are still missing due to the unwillingness of the Authorities to introduce any disciplinary actions until the some commitment registries are fully staffed. | | Not Observed. |
| **MoU 2.4.3.iv** | take actions as soon as significant deviations from yearly targets of EOPYY become evident. | **Continuous** | | | Observed. Ongoing. |
| **MoU 2.4.3.v** | Ensure that all the 41 SSFs report on the e-portal. | **June 2013** | According to May 2013 bulletin 37 SSFs (out of 40) report on the e-portal. | | Not Observed. |
| **MoU 2.4.4.i** | To address other problems still lying in the central government sector the Government will adopt a MD to ensure that any change to the projects decided by the Regional authorities is timely recorded in the MIS database. This decision provides for a fully-fledged monitoring system for implementation of the PIB. Until then, the modifications of the financial data of the projects will continue to be entered to the existing monitoring information system under the responsibility of the Direcorate of Public Investments. | **May 2013** | MD 23979 (ΦΕΚ1367/5.6.2013) and amendment YA 26809 (ΦΕΚ 1493/19.6.2013) | | Observed. |
| **MoU 2.4.4.ii** | To address other problems still lying in the central government sector the Government will ensure that the responsibility of the functioning of PIB commitment registers is always linked to the responsibilities of allocating the available resources among projects. | **Continuous** | | | Observed. |
| **MoU 2.4.4.iii** | To address other problems still lying in the central government sector the Government will complete the reorganization of the GDFS through the adoption of Joint Ministerial Decision. | **June 2013** | All JMDs are ready for signature. Signatures to be completed by 29/07/2013. | | Not Observed. |
| **MoU 2.4.4.iv** | To address other problems still lying in the central government sector the Government will establish procedures for identifying fully qualified senior financial managers for the Accounting Office positions. | **June 2013** | The procedures will be the same as those that will be set for all general managers under the bill of MAREG "Organization for Public Administration and other provisions" which is expected to be submitted to the Parliament. | **July 2013** | Not Observed. Rephased |
| **MoU 2.4.4.vi** | The MoF/GAO, in consultation with the Accounting Officers of the Ministries and MAREG, ensure adequate staffing for the financial functions in line ministries and develop training material and a training scheme for DGFS staff. | **Continuous** | | | Not Observed. |
| **MoU 2.4.5** | To clear expenditure arrears and tax refunds, the conditions for a government unit to meet to allow funds for clearance to be disbursed will include, for expenditure arrears: (i) establishment by the unit of a fully functioning commitment register and (ii) reporting of at least three months of consistent data on commitments, payments, and arrears (2 months for EOPYY); and, for both expenditure arrears and tax refunds: (iii) verification of claims. Subvented agencies which meet these conditions can clear their arrears even if their parent agency does not meet the conditions. Arrears should not delay the execution of the pharmaceutical spending clawback or any related measure. The Government will: | **June 2013** | | | N/A |

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| **MoU 2.4.5.i** | Ensure the administrative capacity to make the clearance of arrears effective by staffing the necessary units. | **June 2013** | In the revised version of MoU the action completion is transferred to September 2013 | **September 2013** | Not Observed. Rephased |
| **MoU 2.4.6** | Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated. | **Continuous** | | | Not Observed. |
| **MoU 2.4.7** | Start reporting (on accrual basis) of all existing tax refund claims in fiscal accounts according to the year in which they were incurred. Furthermore, the monthly budget execution bulletin starting in April will report the amount of disbursed tax refunds and payments on expenditure arrears as cash spending. | **Continuous** | | | Observed. Ongoing. |
| **MoU 2.5.2.1** | The Government will adopt an administrative calendar for the update of the medium-term fiscal strategy. | **May 2013** | The revised calendar was sent to Troika and has been approved. | | Observed. |
| **MoU 2.5.3.1** | The Government will identify other areas of operational expenditure where real time monitoring mechanisms could be introduced or strengthened; | **June 2013** | The proposal of the Division of Financial Data Planning and Methodology regarding Legal Entities of Private or Public sector is ready and is being evaluated. In the revised version of MoU the action becomes continuous. | **Continuous** | Observed. |
| **MoU 2.5.4.2.i** | reviewing the functioning of the recently amended privatisation law, through specific QPCs to be enforced the moment the privatisation plan derails; | **Quarterly** | | | Observed. Ongoing. |
| **MoU 2.5.4.2.ii** | taking, in cooperation with EC/ECB/IMF, appropriate steps, including changes in existing legislation and/or in the composition of the Board, to safeguard and strengthen the independence and the functioning of the HRADF, if targets for the sale of assets to be privatised were missed substantially for two consecutive quarters. In all circumstances, the HRADF remains fully accountable to parliament on an ex-post basis for the integrity of every privatisation sale. | **Quarterly** | Implementation of this clause to be reviewed closely in Autumn as proceeds in 2013 are delayed | | Observed. Ongoing. |
| **MoU 2.5.4.2.iii** | increasing automatically the primary surplus target, should there be a shortfall of privatisation proceeds due to the delay in sales of specific assets compared to programme targets for two consecutive quarters. Any shortfall in privatisation proceeds ceteris paribus increases the financing need and the debt ratio. To mitigate this undesirable outcome, unless other adjustments are agreed with the EC/ECB/IMF, the primary surplus target would be raised with immediate effect by 50 percent of the shortfall in proceeds, and should be achieved by means of current expenditure cuts in the general government. The adjustment within any year would be capped at €1 billion. | **Quarterly** | Implementation of this clause to be reviewed closely in Autumn as proceeds in 2013 are delayed | | Observed. Ongoing. |
| **MoU 2.5.4.3.i** | The Government will enhance the corrective mechanism for local governments by issuing Joint Ministerial Decision providing guidelines for the Observatory's assessment of the local government's budgets | **May 2013** | The JMD was signed on 24/07/2013, after the relevant Law was voted by the Parliament. | | Observed. |
| **MoU 2.5.4.3.ii MEFP (9)** | The Government will enhance the corrective mechanism for local governments by establishing a review process of LG's budgets by the Observatory of local authorities, in order to ensure consistency with the overall MTFS targets for LGS to be completed. | **June 2013** | The legislative framework is included in articles 76-79 of the Omnibus bill voted on 17/7/2013. The process is scheduled to be completed in November 2013. | **November 2013** | Observed. Ongoing. |
| **MoU 2.5.5.1** | The Government will increase transparency and accountability to the public/parliament, by e.g. releasing status reports on the implementation of the legislated fiscal measures, publication of hiring numbers, proper fiscal impact assessment of legislation, statement of the main sources of fiscal risks related to | **June 2013** | In the revised MoU action will be completed by December 2013. | **December 2013** | Not Observed. Rephased |

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| | changes in key economic assumptions in the forecast, as well as an assessment of the fiscal impact of the main sources of fiscal risk including government guarantees and other contingent liabilities, etc. | | | | |
| **MoU 2.5.6.1** | The Government will ensure an effective implementation of the debt servicing account to monitor cash flows, avoid diversion of official financing and secure a timely debt servicing. Law 4063/2012 established a segregated account in the Bank of Greece. By law, disbursements to this account cannot be used for any other purposes than debt servicing. Via this account the amortization and interest payment costs of all HR's loans, debt management transactions and derivatives, as well as any parallel cost (fees and other expenses) related to debt servicing and in general to Public Debt Management are paid. The proceeds of this account are the disbursement of EFSF's loans, subject to an EFSF acceptance notice, as well as the Hellenic Republic's contributions to debt servicing, including all revenues from the privatisation of State assets and at least 30% of windfall revenues. All payments from this account will be subject to prior detailed reporting to the EFSF/ESM and ex-post confirmation by the account holder. | **Continuous** | | | Observed. Ongoing. |
| **MoU 2.6.1.i** | The Government adopts the law creating a Central State Aid Unit CSAU and setting the general principles concerning State aid. | **May 2013** | The relevant provisions are contained in Law 4152 (GG 107/A/9-5-2013) | | Observed. |
| **MoU 2.6.1.ii** | The Government launches the call for interest in order to appoint the Director, the Deputy Director and relevant officials of the CSAU. The Central State Aid Unit is responsible for screening all measures, from across the Government, for their compliance with State aid rules, before they are implemented. The Central State Aid Unit will be the only contact point for the Commission on all State aid matters, including for notifications. The aim is to ensure a timely and effective clearance of state aid issues. | **June 2013** | The MD outlining the responsibilities of the Unit and the required qualifications of its Head and employees was published (GG 1695/B/10-7-2013). The two MDs of the call for interest for the position of the Head of the Unit (ΑΔΑ: ΒΛ43Η-Ε8Π) and for the rest of the personnel (ΑΔΑ: ΒΛ43Η-ΩΤ9) have been published. | **Prior action** | Observed |
| **MoU 2.6.1.iii** | The Government amends the law concerning recovery of illegal State aid with a view to clearly excluding any possibility of recovery in instalments. Indeed, Article 22.1.b of the law 4002/2011 currently states that recovery may take place in instalments and refers to the Code of Collection of Public Revenues, which also foresees this possibility. The updated law should exclude the possibility of recovery in instalments while, possibly, maintaining reference to the above-mentioned Code for other procedural aspects | **May 2013** | Amendments are included in article 75 of the Omnibus bill that was voted on July 17th, 2013. | **Prior action** | Observed. |
| **MoU 2.6.2** | All actions attributable to public authorities should be in compliance with the rules on free movement of capital (TFEU, Article 63) | **Continuous** | It is a continuous action in the amended draft of MoU. | | Observed. Ongoing. |
| **MoU 2.7.1.1.i MEFP (13)** | ensure that cumulatively 12,500 employees have been placed in the labor mobility scheme; | **June 2013** | The deadline is rephased to September 2013. Nevertheless, Authorities will introduce all necessary legal acts for 4.200 employees to be placed in the mobility scheme as a prior action. Omnibus Law art 80,81,82, 90,91,92, 93, 94 | **September 2013** | Not Observed. Rephased |
| **MoU 2.7.1.1.ii MEFP (13)** | complete staffing plans for 450,000 employees (cumulative). | **June 2013** | Through the Governmental Council for Reform staffing plans for 360.000 employees will be adopted as a prior action. Deadline for completing plans for 400.000 employees set for September. | **September 2013** | Not Observed. Rephased |
| **MoU 2.7.1.1.iv MEFP (13)** | The Government involves the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement | **Continuous** | Observed and ongoing procedure. It is implemented in cooperation with the TaskForce. | | Observed. Ongoing. |

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| | when taking related decisions. | | | | |
| **MoU 2.7.1.2.i MEFP (13)** | The Government will hire one new employee for each exit as a result of<br>(i) disciplinary cases;<br>(ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment;<br>(iii) evaluation of the personnel using the mobility scheme, including before any reallocation to a new position;<br>(iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement;<br>and (v) the elapse of a 12-month period in the mobility scheme. | **Continuous** | Ongoing procedure, no exits qualifying so far under this clause. | | N/A |
| **MoU 2.7.1.2.ii MEFP (13)** | If the assessment (to be provided to EC/IMF/ECB **monthly**) at any point shows that the plans are no longer on track to achieve our aggregate targets, the authorities commit to reduce the 1:1 hiring ratio for exits mentioned under (i). | **Monthly** | | | N/A |
| **MoU 2.7.1.2.iii MEFP (13)** | For all other exits than those mentioned under (i), the hiring ratio will remain 1:5, as envisioned in the program. | **Continuous** | The obligation is fully kept | | Observed. Ongoing. |
| **MoU 2.7.1.2.iv MEFP (13)** | we will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF. | **June 2013** | The plans for year 2013 and 2014 is submitted to the Authorities and the Troika for comments. By July 2013 there will be approved and compliant with GAO.<br>New deadline: July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 2.7.1.3 MEFP (13)** | The Authorities will define a human resources strategy in order to: (i) identify the weaknesses of the public service management of human resources; (ii) identify the best possible way to modify recruitment procedures, appointments, trainings, as well as mobility. This strategy is reflected in legislation (**June 2013**). This legal act will provide a basis for evaluating the competences of the senior management. | **June 2013** | The human resources strategy is ready and will be sent to the Troika, it will be completely defined by July 2013.<br>New deadline: July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 2.7.1.4 MEFP (13)** | The Authorities will assesses the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management This assessment will lead to an amendment of the current legislation, by clarifying and framing the relationship between the political level, the management positions and the services. Within this framework, the number of advisors will be reduced and constrained, and each advisor will have a specific job description. The aim is to ensure institutional continuity and higher levels of efficiency in the public administration. | **June 2013** | It is included in the human resources strategy. It will be deliverable by end July 2013.<br>New deadline: September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 2.7.2.i MEFP (30)** | The Government will:<br>i. present draft legislation to bring the anti-corruption legal framework in line with relevant international standards; | **June 2013** | As the draft law was not sent in time to the Troika, in the drafts of the amended memoranda texts its presentation is proposed to take place by end-July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 2.7.2.ii MEFP (30)** | ii. initiate the implementation of the relevant actions contained in the action plan. | **June 2013** | The action was evaluated by the Troika as not observed as no action of those provided for in the Action Plan for May and June has taken place - among them the draft law against corruption. In the revised MoU text the action completion is transferred to July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 2.8.1.1.1** | The SPPA ensures coordination and coherence of the functioning of the Central Purchasing Bodies, of the reform of the Greek public procurement regulations and of the e-procurement framework with the overall public procurement system | **Continuous** | The EAADISY proceeded in numerous decisions assent to resort to the negotiation process, in opinion of regulation on public procurement, processing complaints on matters violating national or | | Observed. Ongoing. |

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| | and strategy. | | Community law on public contracts. It has also set up working groups for a standard document and draft contracts and prepare an action plan for the reform of the legal and regulatory framework for public procurement. Moreover, it has sent document to the Ministry of Health for the immediate resolution of issues related to the use of the direct award procedure and oversight issues in the Health sector. MoH has consulted on the CMD for the Central Electronic Registry Public Procurement. | | |
| **MoU 2.8.1.2.1.i** | Following the adoption of the JMD on the Agora Portal for contract transparency the Government publishes data on contract notices on supplies, services and works and on the number of contracting authorities uploading information on the AGORA portal starting with contracts above 30.000 euro | **June 2013** | The action is implemented. Requests for contracts above 1000€ are uploaded on the Agora Portal by the competent 4.000 Authorities. Considered as Done. | | Observed. |
| **MoU 2.8.1.2.1.ii** | Following the adoption of the JMD on the Agora Portal for contract transparency the Government facilitates compliance, by reviewing standard documents and providing support to contracting authorities. | **Continuous** | The action is implemented, request for contracts above 1000€ are uploaded on the Agora Portal by the competent Authorities. At the meeting with Troika on 12.6.2013 there was a detailed presentation of the Agora Portal. | | Observed. Ongoing. |
| **MoU 2.8.1.2.2.i** | Adopts decisions leading to the creation of a Central Purchasing Body at the General Directorate for the procurement of goods and services.<br>In particular, the Government draws a list of supplies and services where the requirements of multiple contracting authorities can be standardised into a limited number of alternatives. The list includes items, such as, office equipment, furniture, supplies and stationery, IT equipment, telecommunications, transport vehicles, travel services, etc. | **May 2013** | The competent authority has drawn a first draft list regarding supplies and services. The list was sent on 19.6.2013 (IT goods and services, office furniture, office supplies, photocopying paper, travel services, fuel, water pipes- drain pipes). Authorities are expecting comments from the Troika. | | Observed. |
| **MoU 2.8.1.2.2.ii** | Adopts decisions leading to the creation of a Central Purchasing Body at the General Directorate for the procurement of goods and services.<br>In particular, the Government: draws framework contracts for the procurement of the abovementioned standardised supplies and services through the CPB. | **Continuous** | Competent authorities proceed to relevant tenders. | | Observed. Ongoing. |
| **MoU 2.8.1.2.2.iii** | Adopts decisions leading to the creation of a Central Purchasing Body at the General Directorate for the procurement of goods and services.<br>In particular, the Government: issues legislation mandating the purchase of the identified standard supplies and services through the CPB for all central government entities, with no monetary thresholds and with transitory periods agreed with the Commission services. Military purchases of standardised civil supplies and services (not falling under the scope of Directive 2009/81 on procurement in the fields of defence and security) are also carried out through the CPB. | **June 2013** | Relevant MD (amendment) is signed. It will be published by end July 2013, according to the new deadline | **July 2013** | Observed. |
| **MoU 2.8.1.2.2.v** | Mandates the relevant administrations to source via the framework contracts submitted to the Commission services. | **June 2013** | Relevant Framework Agreements:<br>a) FA that has been signed and call offs are attached (Purchasing Committee of Ministry of Health)<br>b) FA that is signed with GSIS<br>c) Two (2) Fas that are under at evaluation stage (KtP- Information Society S.A.) Every FA includes the relevant mandate. It will be fully implemented by July 2013 | **October 2013** | Not Observed. Rephased |
| **MoU 2.8.1.3.1** | Refines, in consultation with the European Commission, the existing *plan*for the development of the e-procurement platformincluding, among others, measures and deadlines for: | **May 2013** | A new project plan including public works is sent to the Troika. (included all the clauses i-vii). Authorities are expecting comments from the Troika. | | Observed. |

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| **MoU 2.8.1.3.1.i** | the operation of supplies, services and public works procurement contracts through the e-procurement platform; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.ii** | the availably of functionalities such as e-notification and e-tendering; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.iii** | the mandatory use of the platform by the central government, regional government and other public sector entities; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.iv** | the communication and training programmes for users of the platform; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.v** | the periodic monitoring mechanisms for the take-up of e-procurement platform by its users and the specification of target usage levels; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.vi** | the interaction of the platform with the planned simplification of procurement legislation; | **May 2013** | | | N/A |
| **MoU 2.8.1.3.1.vii** | the means to facilitate access and use to the platform by users, including easy to use e-signature and e-ID solutions. | **May 2013** | | | N/A |
| **MoU 2.8.1.3.2** | In the *development* of the e-procurement platform, commits to: | **Continuous** | | | N/A |
| **MoU 2.8.1.3.2.i** | run supplies and services contracts for the Central Government on a pilot basis through the e-procurement platform | **First half of 2013** | The e-procurement platform has been delivered and runs as pilot application (January 2013). | **1st July 2013** | Observed. |
| **MoU 2.8.1.3.3** | Ensures the *use* of the platform as follows: | **Continuous** | | | N/A |
| **MoU 2.9.1** | The Government ensures that all social security contributions to ETEA will be recorded electronically. | **June 2013** | The whole procedure is under process. Near the 70% of the information is in electronic form and the 30% is in hard copy form. There is a big effort to reach 100%, but the main difficult is the info we get from TEAIT that consists of large number of employers and employees that change jobs in a fast pace. A law should be voted in order the reporting to be made through the A.P.D. of I.K.A. ETEA claims that it won't be ready until the end of June and it should be given time until the end of the year. (New MoU: December 2013) | **December 2013** | Not Observed. Rephased |
| **MoU 2.9.3** | The Government produces a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions. | **June 2013** | The relevant report of Q1-2013 about disability pensions has been published and includes statistical data and details about the implementation of the reform program. The next report is under construction. | **September 2013** | Observed. |
| **MoU 2.10.1.2** | EOPYY ensures that the number of doctors is reduced in headcount by a **further 10% in 2013**. | **2013** | In 2013 the retirements along with the contracts of doctors that will not be renewed, are expected to lead to a 10% reduction of headcount | | |

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| **MoU 2.10.2.1.1** | The government applies an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets | **Continuous** | Claw back mechanism will be applied in July for the first semester of the year. | | Observed. Ongoing. |
| **MoU 2.10.2.2.1** | Revises downward the price of medicines, based on the three EU countries with the lowest prices of price list in line with the provisions of Council Directive 89/105/EEC. | **Quarterly (Next list to be published by June 2013)** | The new price list will be published in July, according to existing legislation | | Observed. Ongoing. |
| **MoU 2.10.2.2.2** | On the basis of the report on the impact of the new profit margins of pharmacies, reduce the profit margins down to 15%. | **June 2013** | Profit margins report for the first four months of 2013 was delivered to Troika in June. EC comments are expected. Pending decision concerning the need to take additional measures to reduce the profit margin. (new deadline January 2014) | **January 2014** | Not Observed. Rephased |
| **MoU 2.10.2.2.3** | Ensures that EOPYY negotiates a 5% discount through price-volume agreements on expensive medicines (200 medicines) sold in EOPYY pharmacies. | **Continuous for 2013 and 2014** | Continuous. | | Observed. Ongoing. |
| **MoU 2.10.2.3.1** | Update the positive list of reimbursed medicines and the list of OTC medicines. These lists must be updated at least twice a year (next update June 2013). | **Twice a year (next update June 2013)** | The revised positive list was published at 22/5/2013 (FEK 1240B) | | Observed. |
| **MoU 2.10.2.3.2** | Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals) . E-prescribing is made compulsory and must include at least 90 percent of all outpatient medical acts covered by public funds (medicines, referrals, diagnostics). | **June 2013** | E-prescription coverage for medicines is over 90% but for the other medical acts (compulsory from April) it only reached 84% in May (new deadline September 2013). | **September 2013** | Not Observed. Rephased |
| **MoU 2.10.2.3.3** | Finalise the implementation of the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA. | **May 2013** | Currently the coverage rate is 70% (80% of prescriptions) and it is estimated to be increased significantly. (new deadline September 2013) | **September 2013** | Not Observed. Rephased |
| **MoU 2.10.2.3.4** | Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory | **Continuous** | On going. Protocols are published on EOF website and continue to be developed. | | Observed. Ongoing. |
| **MoU 2.10.2.3.5** | Enforce the application of prescription guidelines through the e-prescription system starting with at least 5 therapeutic groups | **June 2013** | It is expected to be completed by September. (new deadline September 2013) | **September 2013** | Not Observed. Rephased |
| **MoU 2.10.2.3.6** | Further develop the e-prescription system by introducing compulsory ICD-10. | **May 2013** | Completed. ICD-10 was made compulsory in July. | | Observed. |
| **MoU 2.10.2.3.7** | Enhance monitoring and assessment through: | **Continuous** | | | N/A |
| **MoU 2.10.2.3.7.i** | Enhance monitoring and assessment through: i.detailed monthly auditing reports on the use of e-prescription in NHS facilities and by providers contracted by EOPYY. These reports are shared with the European Commission, ECB and IMF staff teams | **Continuous** | Reports until April 2013 were submitted in June. | | Observed. Ongoing. |
| **MoU 2.10.2.3.7.ii** | Enhance monitoring and assessment through: ii.regular assessment of the information obtained through the e-prescribing system. | **Continuous** | Reports until April 2013 were submitted in June. | | Observed. Ongoing. |

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| **MoU 2.10.2.3.7.iii** | Enhance monitoring and assessment through: iii.detailed quarterly reports on pharmaceutical prescription and expenditure which include information on the volume and value of medicines, on the use of generics and the use of off-patent medicines, and on the rebate received from pharmacies and from pharmaceutical companies. These reports are shared with the European Commission, ECB and IMF staff teams. | **Quarterly updates; next report by July 2013** | Reports for Q1 2013 was submitted in June. | | Observed. Ongoing. |
| **MoU 2.10.2.3.7.iv** | Enhance monitoring and assessment through: iv.detailed reporting on individual prescription behaviour to each physician relative to the average of comparable (specialty, patient workload) physicians (both in NHS facilities and contracted by EOPYY and other social security funds until they merge) and signals when they breach prescription guidelines. This feedback is provided at least every month and a yearly report is published covering: 1) the volume and value of the doctor's prescription in comparison to their peers and in comparison to prescription guidelines; 2) the doctor's prescription of generic medicines vis-à-vis branded and patent medicines and 3) the prescription of antibiotics. | **Continuous** | ongoing. Reports were sent to doctors who exceeded the average prescribing values of their specialty. | | Observed. Ongoing. |
| **MoU 2.10.2.3.8** | Enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines. | **Continuous** | Sanctions and penalties to doctors are enforced as a result of the above mentioned prescribing monitoring. Relevant report has been handed over to the troika. Law provisions are included in Omnibus (art.95-99). | | Observed. Ongoing. |
| **MoU 2.10.2.4.1** | Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume) . This will be achieved by: | **December 2013** | | | |
| **MoU 2.10.2.4.1.iii** | Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume) . This will be achieved by: iii.ensuring dynamic competition in the market for generic medicines through a) speeding up administrative and legal procedures, in line with EU legal frameworks; b) applying price reductions of at least 10 percent of the maximum price of each three new generic producer entering the market, according to existing regulation | **May 2013** | Law 4052/article 21, MD issued. So far 800 new generics entered the market -MDs at 30/4/2013 and 5/6/2013. (new deadline September 2013) | **September 2013** | Not Observed. Rephased |
| **MoU 2.10.2.4.1.iv** | Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume) . This will be achieved by: iv.deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC | **Continuous** | Continuous. Positive list was updated and published at 22/5/2013 | | Observed. Ongoing. |
| **MoU 2.10.2.4.1.v** | Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume) . This will be achieved by: v.excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria. | **Continuous** | Continuous. (Negative list) | | Observed. Ongoing. |
| **MoU 2.10.2.4.1.vi** | Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume) . This will be achieved by: vi.in the frame of the Administrative Reform process of EOF; set up scientific capacity in order to include cost effectiveness criteria in the reimbursement and licensing process. | **Continuous** | Continuous | | Observed. Ongoing. |

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| **MoU 2.10.2.4.2** | Takes further measures to ensure that at least 50 percent of the volume of medicines used by public hospitals for inpatients is made up of generics with a price below that of similar branded products and off-patent medicines. | **Continuous** | 53,5% for the first four months 2013, 46% for 2012 | | Observed. |
| **MoU 2.10.2.4.3** | Ensures that all public hospitals to procure at least 2/3 of pharmaceutical products by active substance, using the centralised tenders procedures developed by EPY and by enforcing compliance with therapeutic protocols and prescription guidelines. | **Continuous** | Tenders cover 25% of all hospital buys with important price reductions achieved. | | Not Observed. |
| **MoU 2.10.3.1** | The government monitors the implementation of the various policies introduced in late 2012 to improve the current financial situation of EOPYY and ensure that the budgetary execution is closer to a balanced budget in 2013. Measures to monitor include: changes in OGA contributions, in the benefit package, in cost-sharing for private care and in the fees for diagnostic and physiotherapy services, as well as the use of price-volume agreements and case-mix agreements with private providers and the use of a reference price system for reimbursement of medical devices. | **Continuous** | The new policies are implemented and monitored | | Observed. Ongoing. |
| **MoU 2.10.3.2** | The government publishes a quarterly report on the prescription and expenditure of diagnostic tests (next report July 2013). | **Quarterly** | Q1 2013 report was delivered in June | | Observed. Ongoing. |
| **MoU 2.10.4.1.1** | The Government implements the plan for the reorganisation and restructuring, as set in Law 4052 / March 2012, with a view to reducing existing inefficiencies, utilising economies of scale and scope, and improving quality of care for patients, thus contributing to better aligning working organisation with Directive 2003/88/EC. This implies reducing hospital operating costs by an additional 5% **in 2013** and reducing beds substantially, as legislated by MD OG1681/B (28-7-2011). This is to be achieved through: i. increasing the mobility of healthcare staff (including doctors) within and across health facilities and health regions;<br>ii. adjusting public hospital provision within and between hospitals within the same district and health region;<br>iii. revising the activity of small hospitals towards specialisation in areas such as rehabilitation, cancer treatment or terminal care where relevant;<br>iv. revising emergency and on-call;<br>v. optimising and balancing the resource allocation of heavy medical equipment (e.g. scanners, radiotherapy facilities, etc.) on the basis of need.<br>vi. reducing administrative costs notably by removing deputy managers posts;<br>vii. reducing cost with outsourcing services such as IT services, laboratory services and hospital servicing costs (e.g. cleaning services). | **2013** | MoHealth expects to reach the 5% reduction target. According to April 2013 YTD 2013 data, there is a 7% reduction of hospital operating cost, comparing to April 2012 YTD. | | Under review. |
| **MoU 2.10.4.1.2** | The Government produces an annual report comparing hospitals performance on the basis of the defined set of benchmarking indicators. | **May 2013** | Report was submitted in June | | Observed. |
| **MoU 2.10.4.1.3** | The Government updates a report on human resources for the whole health care sector annually and uses it as a human resource planning instrument. | **May 2013** | Report was submitted in June | | Observed. |
| **MoU 2.10.4.2.1** | The Government ensures that the allocation of internal controllers to all hospitals is finalised and that all hospitals adopt commitment registers. | **May 2013** | Internal controllers have been assigned to all hospitals. GAO assures that commitment registers are adopted by all hospitals | | Observed. |

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| **MoU 2.10.4.2.2** | The Government ensures that EOPYY publishes a monthly report with analysis and description of detailed data on healthcare expenditure with a lag of three weeks after the end of the respective month. This report will make possible the more detailed monitoring of budget execution, by including both expenditure commitments/purchases (accrual basis) and actual payments (cash basis). The report will also (1) describe performance on the execution of budget and accumulation of arrears, and (2) recommend remedial actions to be taken. | **Continuous** | April report was submitted in June. | | Observed. Ongoing. |
| **MoU 2.10.4.2.3.ii** | The Government ensures that further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through: ii.the regular annual publication of balance sheets in all hospitals. | **June 2013** | Hospitals will publish their balance sheets by September | **September 2013** | Not Observed. Rephased |
| **MoU 2.10.4.2.3.iii** | The Government ensures that further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through: iii.the introduction of the uniform coding system for medical supplies developed by the Health Procurement Commission (EPY) and the National Centre for Medical Technology (EKEVYL) and the use of the observe.net system to monitor the procurement and use of tenders for medical supplies. | **Continuous** | Ongoing. | | Observed. Ongoing. |
| **MoU 2.10.4.2.3.v** | The Government ensures that further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through: v.implement necessary action to ensure timely invoicing of full treatment costs (including staff payroll costs) - i.e. no later than 2 months to other EU countries and private health insurers for the treatment of non-nationals/non-residents. | **Continuous** | JMD Y4α/οικ.105494, FEK B 3096/23-11-2012 in order to include payroll costs.<br>There is no evidence of timely invoicing. | | Not Observed. |
| **MoU 2.10.4.2.3.vi** | The Government ensures that further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through: vi.enforcing the collection of co-payments and implementing mechanisms that fight corruption and eliminate informal payments in hospitals. | **Continuous** | Inspections are conducted by SEYYP and SDOE (special unit for health issues). A report from SEYYP was sent to troika regarding their actions against corruption in 2011 and 2012. | | Observed. |
| **MoU 2.10.4.2.4** | The Government ensures that ELSTAT starts providing expenditure data in line with Eurostat, OECD and WHO databases i.e. in line with the System of Health Accounts (joint questionnaire collection exercise). | **May 2013** | At 24/4/2013 ELSTAT published the expenditure data for the years 2009-2011 | | Observed. |
| **MoU 2.10.4.2.5** | The programme of hospital computerisation allows for a measurement of financial and activity data in hospital and health centres. Moreover, the Minister of Health defines a core set of non-expenditure data (e.g. activity indicators) in line with Eurostat, OECD and WHO health databases, which takes account of the future roll-out of DRG (diagnostic-related groups) schemes in hospitals. | **Continuous** | Ongoing. DRG's are being developed. | | Observed. Ongoing. |
| **MoU 2.10.4.2.6** | The Government ensures that starts to develop a system of patient electronic medical records. | **May 2013** | In process. (new deadline: Continuous) | | Observed. |
| **MoU 2.10.4.2.7** | The Government, with technical assistance from experts across EU, continues to improve the existing KEN/DRG system, with a view to developing a modern hospital costing system for contracting (on the basis of prospective block contracts between EOPYY and NHS). The existing set of KEN/DRGs is used in all hospitals DRGs will include a detailed item on costs of personnel. | **Continuous** | DRG working group has prepared an action plan | | Observed. Ongoing. |
| **MoU 2.10.4.2.7** | The KEN/DRG Management Institute is established by June 2013. | **June 2013** | Expected to be established until October or assigned to an existing Organization. (new deadline October 2013) | **October 2013** | Not Observed. Rephased |

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| **MoU 2.10.5.1** | The Government increases substantially the number of expenditure items and therefore the share of expenditure covered by centralised tender procedures through EPY up to 45% of all the expenditure in medicines and medical devices by 2014. This share goes up to 60% in 2015. The Government ensures the use of such tender procedures. | **Continuous** | Ongoing. | | N/A |
| **MoU 2.10.5.2** | EPY will undertake tender procedures for framework contracts for the most expensive medicines sold in EOPYY pharmacies. | **Continuous** | Completed | | Observed. Ongoing. |
| **MoU 2.10.5** | In compliance with EU procurement rules, the Government conducts the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system) including the full and integrated system of hospitals' IT systems. | **Continuous** | On going. Tender for IT integrated system is launched. | | Observed. Ongoing. |
| **MoU 2.11.1** | The Government implements the Action Plan for the improvement of the effectiveness and efficiency of the education system and regularly reports on the progress of its implementation including on the results of the external evaluation of high education institutions. | **June & December** | | | Observed. Ongoing. |
| **MoU 3.1** | The government ensures that by end-June 2013, the banks will also complete a new round of liability management exercises conducted in respect of the remaining subordinated instruments. | **June 2013** | | | Observed. |
| **MoU 3.2** | The government ensures that no state aid will be granted to banks before it is approved by the EC under state aid rules. | **Continuous** | | | Observed. Ongoing. |
| **MoU 3.3** | The government ensures that except for the HFSF, no entity belonging to the general government purchases bank shares during the capital increase exercise of Greek banks or directly or indirectly supports third parties by providing loans/guarantees/subsidies to purchase bank shares. | **Continuous** | Relevant Cabinet Act was signed. Further checks might follow. | | Observed. Ongoing. |
| **MoU 3.4 MEFP (18)** | In the meantime, all four pillar banks will be able to continue to act as integrators of smaller domestic banks as appropriate. The strategy will include options and operational steps for the HFSF to promptly proceed with the disposal of the shares to the private sector of the core banks that will not have been able to remain under private control. | **Continuous** | | | Observed. Ongoing. |
| **MoU 3.5 MEFP (18)** | Only upon finalisation of this banking sector strategy any consolidation in the form of merger among the four pillar bank can be considered. | **Continuous** | | | Observed. Ongoing. |
| **MoU 3.1.3 MEFP (19)** | The BoG will apply appropriate measures to those non-core banks that have not met the capital requirement set by the supervisor, or earlier if there is evidence that the bank will not be able to raise the needed capital. | **June 2013** | FBB has been resolved (10/5). Commissioner has been appointed at ProBank (10/5).Attica was fully recapitalised privately. | | Observed. |
| **MoU 3.1.4 MEFP (19)** | The BoG, in coordination with the HFSF, will assess the alternatives aimed at minimising the cost to taxpayers, including a Purchase and Assumption transactions (P & A) with any of the four core banks, while guaranteeing the security of depositors. | **June 2013** | Ongoing bilateral discussions on the recapitalisation of Probank. | **July 2013** | Observed. Ongoing. |
| **MoU 3.2.1 MEFP (23)** | The BoG commits to request banks to provide standardised quarterly balance sheet forecasts (funding plans). The banks' funding plans will be based on the program macroeconomic forecasts. Banks shall set out a path towards achieving a sustainable funding model by means of broadening their funding base and reducing over time their reliance on extraordinary central bank liquidity support. | **Continuous** | BoG is due to send request to banks on funding plans only later. | | N/A |

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| | Funding plans will serve as a tool for the BoG to monitor this process and assess whether the banking system 's plans at the aggregate level are consistent with the program 's macroeconomic framework. | | | | |
| **MoU 3.2.2 MEFP (23)** | The BoG commits to stand ready, following the procedures and rules of the Eurosystem, to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed. | **Continuous** | The BoG stands ready to disburse adequate and appropriate emergency liquidity support if needed. | | Observed. Ongoing. |
| **MoU 3.3.1 MEFP (20)** | The Government commits not to take any fiscal policy actions that would undermine the solvency of banks. | **Continuous** | Ongoing | | Observed. Ongoing. |
| **MoU 3.4.1 MEFP (21)** | The BoG commits to continue with enhanced supervision of resolved banks and of those that have been placed under public control, including any core banks that fail to show their ability to receive sufficient private investment to remain under private control. | **Continuous** | Ongoing. Work in progress | | Observed. Ongoing. |
| **MoU 3.4.2 MEFP (21)** | The Government will ensure that banks will not take any discretionary corporate action that would increase their capital needs. | **Continuous** | Ongoing | | Observed. Ongoing. |
| **MoU 3.6.1 MEFP (24)** | The BoG commits to revise, in consultation with the HFSF, the regulatory framework and remove operational restrictions identified in the end-February 2013 assessment report of Bain & Company published by the BoG. | **May 2013** | | | Observed. |
| **MoU 3.6.2 MEFP (24)** | The BoG commits to adopt amendments to the existing special liquidation laws, following consultation with the EC/ECB/IMF staff. | **June 2013** | Amendments to the existing framework are finalised and awaiting ratification. | | Observed. |
| **MoU 3.6.3 MEFP (24)** | The BoG commits to adopt a reporting framework with quarterly updates on progress made. | **June 2013** | Already included in the amendments to the existing framework mentioned above | | Observed. |
| **MoU 3.7.1 MEFP (25)** | The Government commits to enhance the legal regime for household insolvency to provide for more effective resolution of bad debts while protecting the payment culture and avoids unnecessary losses. | **Milestone June 2013** | Bill 4161 FEK 143/A/14 06 2013 | | Observed. |
| **MoU 3.7.2 MEFP (25)** | The Government commits to establish and in consultation with EC/ECB/IMF staff, a framework to assist distressed borrowers. | **Milestone June 2013** | Bill 4161 FEK 143/A/14 06 2013 | | Observed. |
| **MoU 3.7.3.1 MEFP (25)** | Pass legislation by end-June 2013 to introduce a new “Facilitation Program”. (**MEFP**: Key features of this new scheme will include: (i) eligibility criteria that take into account the debtor’s income and assets (supported by verification procedures); (ii) oversight of the facilitation program by the BoG; (iii) borrower repayment defined using criteria based on affordability; (iv) periodic review of the financial conditions of participating debtors to assess their continued eligibility and proper level of payments; (v) a clear timetable to close the window of the program). | **June 2013** | Bill 4161 FEK 143/A/14 06 2013 | | Observed. |
| **MoU 3.7.3.2 MEFP (25)** | The Government will revise law 3869/2010**,** to address the implementation shortfalls identified during its first three years of enactment. (**MEFP**: In particular, we will introduce a definition of acceptable living expenses for use as guidance by the judiciary, mediators, and the banks and a standard definition of cooperating borrowers, which will be used to provide protection only to those borrowers who are fully cooperating in the resolution | **June 2013** | Law 3869/2010 has been amended by l. 4161/2013 (FEK 143/A/14.6.2013).<br><br>Definitions for terms such as "acceptable living expenses" and "cooperative borrowers" as guidance for the judiciary and banks by end September 2013 (new deadline) | **September 2013** | Observed. Ongoing. |

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| | process). | | | | |
| **MoU 3.7.3.3 MEFP (25)** | The Government will adopt legislation to establish a framework consistent with the recapitalization framework for banks, that will provide long-term solutions for over-indebted borrowers (including for those viable borrowers who are not eligible to participate in the facilitation program). | **June 2013** | Law 3869/2010 has been amended by l. 4161/2013 (FEK 143/A/14.6.2013).<br><br>Definitions for terms such as "acceptable living expenses" and "cooperative borrowers" as guidance for the judiciary and banks by end September 2013 (new deadline) | **September 2013** | Observed. Ongoing. |
| **MoU 3.8.3 MEFP (26)** | The BoG will, in cooperation with the HFSF and in accordance with their Memorandum of Understanding closely monitor banks' NPL resolution strategy, policy and operational targets, and intervening where necessary, in order to ensure that distressed borrowers receive prompt and sustainable long-term solutions. | **Continuous** | Ongoing. Work started but in infancy phase. Monitoring can start only after other elements of the work is completed later this year. | | N/A |
| **MoU 3.9.1 MEFP (27)** | The Authorities will ensure banks' continued viability and protection of taxpayer interest by strengthening the governance framework of financial institutions. | **Continuous** | Ongoing | | Observed. Ongoing. |
| **MoU 3.9.2 MEFP (27)** | The Authorities will support the HFSF in its efforts for an ambitious and swift operational restructuring of all banks in which it has a significant stake, with the aim to reduce operational costs and increase profitability, threby fulfilling its mandate to minimize costs for the taxpayer. | **Continuous** | | | Observed. Ongoing. |
| **MoU 3.9.3 MEFP (27)** | The Government will also invite the HFSF to amend their internal regulations in order to rationalise the division of tasks and responsibilities between the General Council and the Executive Board. | **June 2013** | Completed | | Observed. |
| **MoU 3.9.4 MEFP (27)** | The Government will also amend the legislation in order to clarify the non-public nature of the fund. | **June 2013** | Completed | | Observed. |
| **MoU 3.9.5 MEFP (27)** | The BoG will develop, in coordination with the HFSF, and publish a memorandum of understanding governing the relationship of the HFSF as a shareholder and the BoG's role regarding the oversight of banks that have received state aid. | **April 2013** | Allocation of responsibilities between the two entities has been newly defined. Draft MoU available but not signed. | | Not Observed. |
| **MoU 3.9.6 MEFP (27)** | The BoG will adopt measures to address the governance weaknesses identified in the due diligence of core banks. Banks will submit to the BoG plans to address identified operational governance weaknesses - including safeguards on loans to related parties and risk concentration. These plans will include clear timetables for full implementation by end-December 2013.<br>(**MEFP**: In the event plans are inadequate, the BoG will take measures that may include the removal of board members and managers, and/or suspension of private shareholders (which would prevent them from participating in bank recapitalization)). | **May 2013** | | | Observed. |
| **MoU 3.9.7 MEFP (27)** | The MoF will invite the HFSF to publish on their website the relationship frameworks with each bank as soon as the amount of the injection will be known, upon completion of the subscription period, and in any case by end-May 2013. The relationship frameworks with all banks define the role of the HFSF as a shareholder on the basis of best international practices.<br>(**MEFP**: They ensure that the HFSF has limited influence in the bank's | **May 2013** | | | Observed. |

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| | commercial decisions, and clearly define the responsibilities of managers and the HFSF's veto rights. For banks that do not remain under private management, the relationship frameworks aim at ensuring that each bank remains a separate economic unit with independent powers of decision). | | | | |
| **MoU 3.10.1** | The Government commits to ensuring that the Loan and Consignment Fund is not crowding out competition in the financial sector. The commercial activities will continue to be in a gradual run-off and no more new business will be conducted. | **Continuous** | Legislation concerning the run-off is missing. Amendments to the law is due by end September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 3.10.2** | The Government commits to agree with the EC on the remit of activities of the reserved sector to ensure that they act only in case of market failure. | **May 2013** | Legislation concerning the run-off is missing. Amendments to the law is due by end September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 4.1.1** | The Government presents a proposal for the decision making mechanism on the annual update of the statutory minimum wage rates that will prevail after the end of the Programme period once the current freezes cease. It will define how the economic and labour market situation and prospects will be factored into the decision process in order to ensure that the objectives of supporting employment and safeguarding labour income are achieved in a balanced way. It will also establish the role of consultation with social partners, other stakeholders and independent experts. | **May 2013** | The minimum wage will be set with a M.D. of the Minister of Labour after a positive opinion of the Ministers' Cabinet. It is about to be voted in the latest Omnibus (article 103). Omnibus voted. | | Observed. |
| **MoU 4.3.1 MEFP (28)** | To help formality in labour arrangements by reforming the Labour Inspectorate and streamlining the administrative burden to foster compliance, the Government starts implementing a detailed action plan aimed at strengthening the fight against undeclared work and raising the effectiveness of the Labour Inspectorate. Prioritising the activities of the Inspectorate and fostering the detection of the most severe cases of labour law violations are expected to be at the core of those changes. | **Ongoing** | There is constant effort to enhance the role of SEPE. Several reports must be electronically filled through the IT application 'ERGANI' as M.D. 5072/6 25-02-2013 B',Gaz. 449 determines. Moreover, the Minister of Labour ordered SEPE to inspect businesses in the tourist sector as the tourist season has begun. Law 4144/2013 also gives the opportunity to Economic Police to help the inspections of SEPE, making the whole project more efficient. The IT systems of the operational units will be integrated in the near future. In addition, an Action Plan has been written after cooperation with I.L.O. about the strengthening and overall improvement of SEPE. | | Observed. Ongoing. |
| **MoU 4.4.2** | The Government shall prepare a report on the structure of the Labour Code. | **May 2013** | The relevant report by Group Koukiadis has been delivered. Based on this report, a new simpler Labour Code will be written until the end of the year. However, a tender must be conducted because the whole project cannot be done inside the Ministry. Moreover, consultation with Unions and other stakeholders must follow. The Committee is to be appointed by a MD until the end of the month. | | Observed. |
| **MoU 4.5.1** | To this end, and in order to provide continuing support to the labour market policies, the Government adopts an Action Plan **by May 2013** focusing on: | **May 2013** | A total Action Plan is almost ready. Troika has agreed on it and we wait for the final amendment and the signature from the Minister of Labour. There is a draft that is composed by OKE and has been delivered. | **July 2013** | Not Observed. Rephased |
| **MoU 4.5.1.i** | Expanding short-term public work programmes for the long-term unemployed and young people not in education, employment or training as a measure of emergency and temporary nature while labour demand remains sluggish (development by **June 2013**). Municipalities may participate directly in such public works programmes only under the full adequate and transparent control of such programmes (open calls, internet publication of projects with full details, and reporting helpline); | **June 2013** | The new program 'Voucher for Unemployed Young People ' has been launched with total budget 130 millions euro. It will benefit 35.000 persons aged from 18 up to 29 years old. Moreover, a new program benefiting 10.000 persons in the tourism sector with total budget 39 millions euro has been launched. | **July 2013** | Not Observed. Rephased |

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| **MoU 4.5.1.ii** | Preventing the erosion of the human capital of the unemployed and enhancing the effectiveness and adequacy of measures for training and re-skilling the unemployed and young people, including by promoting the training of the unemployed by potential future employers in the private sector through a youth voucher scheme; | **May 2013** | | **July 2013** | Observed. |
| **MoU 4.5.1.iii** | Supporting job matching between the unemployed and potential employers and activation of the unemployed through the reform of the Public Employment Service, including by developing a wide range of partnerships to deliver quality training, mentoring and employment services; | **May 2013** | There is a plan of restructuring OAED with cooperation of foreign experts. It is targeted to better linkage with labour market and changes in the apprenticeship schemes. | **July 2013** | Observed. Ongoing. |
| **MoU 4.5.1.iv** | Options on how to significantly improve and expand the current range and quality of apprenticeships and vocational training services and their linkage with employers | **June 2013** | There is a re-engineering plan of OAED and its apprenticeship scheme. Towards this target there is close collaboration with the Greek Ministry of Education, the German Ministry of Labour and the greek-german Chamber. | **September 2013** | Not Observed. Rephased |
| **MoU 4.5.1.iv** | To be further developed in a position paper to be presented | **June 2013** | There is collaboration between the Ministry of Labour and the Ministry of Education. | **September 2013** | Not Observed. Rephased |
| **MoU 4.5.1.v** | Strengthening social economy, e.g. in relation to childcare and care of the elderly. | **May 2013** | | | N/A |
| **MoU 4.5.2** | Government will produce a position paper on social protection and policy. | **June 2013** | The Ministry of Labour will present the social security programs in a 'Green Paper' form. This has already started to being written and it will be issued until mid-July. Social dialogue will be performed after that. The first draft is ready and has been delivered to the Ministry. | **September 2013** | Not Observed. Rephased |
| **MoU 4.5.2** | A specific position paper on this scheme shall be prepared also. That paper should also elaborate on the articulation of this scheme with the minimum income scheme that is also to be created on a pilot basis by January 2014 and with other active and passive policies labour market policies and social transfers. Such an integrated approach is necessary to foster fairness as well as effectiveness in supporting the needed. The early preparation will facilitate a front-loaded implementation of these scheme shall the fiscal space be found within the existing overall budget envelopes. | **June 2013** | It will be issued after the meeting with the World Bank 's executives, with whom there is close cooperation. There must be an official agreement with World Bank about the programming and implementation of the income support scheme. A first draft paper has just been delivered to the Ministry. | **July 2013** | Not Observed. Rephased |
| **MoU 4.5.3** | To provide health insurance access to uninsured citizens, the Authorities prepare an action plan in cooperation with foreign experts and work with the European Social Fund with the aim of extending the program's coverage to more beneficiaries and include more healthcare services. | **Second half of 2013** | | **December 2013 January 2014** | |
| **MoU 5.1.2.1.i** | Takes additional measures at the latest, to reduce by 50% the cost of starting a business, as measured by the World Bank's *Starting a Business*sub-indicator. The results will be monitored in the World Bank's 2014 edition of Doing Business. | **June 2013** | The action is completed.<br>Minimum capital requirement is abolished for EPE and IKE and therefore there can be no capital concentration tax.<br>Perforation of books and records is abolished.<br>Social insurance compliance certificate is abolished. There are also Changes derived from the switch from EPE to IKE<br>Eliminate the obligatory presence of a lawyer<br>Replace the publication of the summary of Articles of Association for new companies in the Official Gazette (Fyllo Efimeridas Kyvernisews) with online publication on the GEMI website<br>Moreover, we legislated Law 4156/2013 the following: | | Observed. |

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| | | | Removed the company seal<br>Eliminated the minimum capital requirement<br>Eliminated the requirement to perforate invoices | | |
| **MoU 5.1.2.2.i** | Art. 4.4, on preconditions for obtaining a licence for electricians, to reduce the number of specialisms, increase the mobility of electricians within the same level category and provide for the institution of private certification bodies. | **May 2013** | FEK 141A/12-6-2013 | | Observed. |
| **MoU 5.1.2.2.ii** | Art. 24.5, laying down the requirements for Citizens Service Centres' (KEP) for integrated electronic application among licensing bodies and for modalities of processing demands through it. | **May 2013** | JMD, FEK 1441B/14-6-2013 | | Observed. |
| **MoU 5.1.2.3** | To implement Law 4014/2011 on environmental licensing of projects and activities, the Government issues: | **May 2013** | | | N/A |
| **MoU 5.1.2.3.i** | the Ministerial Decision provided for in Art. 8.3, on environmental licensing of projects and activities (other than industrial activities), laying down the standard environmental commitments of projects and activities in category B. | **May 2013** | 4 JMDs have been signed and published, the others are being prepared.<br>The whole process is expected to be completed by September.<br>A timetable for JMD's and MD's has been given to Troika.<br>Deadlines have been brought forward. | **July 2013 September 2013** | Not Observed. Rephased |
| **MoU 5.1.2.3.ii** | A detailed timetable, inluding all intermediate steps and milestones for the remaining implementation legislation, including on Art 11.4 on the content of the Environmental Impact Assessment (EIA) reports, in consultation with the EC. | **May 2013** | A proposed timetable for the implementation of the remaining provisions of law 4014 is sent to the Commission. | | Observed. |
| **MoU 5.1.2.4** | To tackle the investment barriers caused by multiple and fragmented establishment and operating permits, the Government presents a strategic vision and an evaluation of inestement licensing procedures, with the objective of introducing more efficiency, transparency and clarity in investement licensing. The imlpementation of the strategy should lead to a large reduction in the number of licenses required by the public administration, with a view to replacing them, if needed, by less demanding instruments such as declarations or notifications, and to a rationalisation of the processes and responsibilities for issuing permits. | **June 2013** | The Strategy on investment licensing is presented to the Troika. The relevant document is sent to the Troika. | | Observed. |
| **MoU 5.1.2.5.i** | Launches a pilot enabling 24/7 customs operations for exports in the Athens airport and Piraeus Port. | **May 2013** | The relevant decision has been issued (protocol number Δ19A5016615/26.4.2013) for the pilot operation 24/7 in customs offices of Athens Airport and 5th and 6th of Piraeus. | | Observed. |
| **MoU 5.1.2.5.iv** | Reviews and streamlines pre-customs and customs procedures for selected pilot products (fresh vegetables fruits, white cheese) according to EU regulations and best practices and presents an approach for extending the simplification process to a wider set of frequently exported / imported products. | **May 2013** | α 42 N. 4141/FEK A 81/5-4-2013, KYA FEK B 1132/10.5.2013, KYA B 1380/6.6.2013 | | Observed. |
| **MoU 5.1.2.5.v** | Ensures that the e-customs system supports the submission of documents and electronic payments. | **June 2013** | In the revised MoU action is to be completed by November 2013. | **November 2013** | Not Observed. Rephased |
| **MoU 5.1.2.6.i** | The Government presents the results of the application of the Standard Cost Model (SCM) in 13 key sectors to identify administrative burdens for businesses. | **June 2013** | The preparatory analysis will be concluded by September 2013, the results will be presented by December 2013 and the relevant legislative amendments will be published by March 2014 (according to the new deadlines) | **September 2013** | Not Observed. Rephased |

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| **MoU 5.1.2.7.i.a** | simplify and reduce the time needed for town planning processes; | **June 2013** | The General Secretariat promotes a wider reform that covers all planning levels, that is to say regional and urban planning. The draft Law has been sent to Troika, possible comments are going to be inserted. The Law's voting by the Greek Parliament is estimated in the end of July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 5.1.2.7.i.b** | update legislation on forests, forest lands and parks; | **June 2013** | This action is a jurisdiction of the Secretariat of Forests.<br>The action relates updating and modernizing rules on investment in forests (e.g. renewable energy, tourism investments, etc.) and will not to be completed on schedule.<br>For **parks**: Law 4067/2012 has been voted. A MD for technical specifications is pending.<br>For **forests and forest lands**: there is a draft Law which is going to be in public consultation in July and after that in Parliament for voting. YPEKA asked for a 3 months extension in the deadline which was given. | **September 2013** | Not Observed. Rephased |
| **MoU 5.1.2.7.i.d** | It also licenses at least one disposal site for hazardous waste. | **June 2013** | The specific area has been found, it has Approval of Environmental Terms, but the operation license that is given from the local authorities is not a full one (someone cannot dispose all types of hazardous waste). There are negotiations with the local authorities in order to have a full license acquired.<br>New deadline: September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 5.1.2.7.iii.a** | followed by a second phase for modifications; | **May 2013** | New deadline: July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 5.1.2.8** | In view to establish a modern complete cadastre by 2020 the Government should: | | | | |
| **MoU 5.1.2.8.i** | put in place a clear and streamlined single political authority to oversee and coordinate the completion and operation of a modern, efficient and fully accessible nationwide Cadastre by 2020. | **June 2013** | The single political authority is already in place:<br>Deputy Minister of Environment, Energy and Climatic Change. | | Observed. |
| **MoU 5.1.2.8.ii** | shorten the time of judicial referrals concerning the legal validation of the property rights in the cadastral projects to come from ten to maximum five years. | **June 2013** | Law 4164/2013, FEK A 156 - 09.07.2013 (art. 2). | | Observed. |
| **MoU 5.1.2.8.iii** | transfer to Ktimatologio SA the exclusive competence for all issues related to development, establishment and operation of the cadastre and cadastre offices. | **June 2013** | Law 4164/2013, FEK A 156 - 09.07.2013 (art. 1). | | Observed. |
| **MoU 5.1.2.8.v** | Ensure that cadastre offices and notaries send electronically to the data base of Ktimatologio SA and the ministry of Finance all real estate acts they process on the basis of an IT platform provided by Ktimatologio SA. | **June 2013** | New deadline: September 2013. | **September 2013** | Not Observed. Rephased |
| **MoU 5.1.2.8.vi** | tender out all remaining rights (ca 15 million); | **June 2013** | After the voting of the Law, follows:<br>a) a Ministerial Decision that includes Specifications and Regulations of Estimated Fees,<br>b) the Public Consultation of Tender Documents and<br>c) tendering out all remaining rights (ca 15 million).<br>New MoU: September 2013. | **September 2013** | Not Observed. Rephased |

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| **MoU 5.1.3.1** | The Government, assisted by the OECD, completes the application of the Competition Assessment Toolkit in sectors such as food processing, retail trade, building materials and tourism to identify unnecessary restraints on these market activities and to develop alternative, less restrictive measures that still achieve the government policy objectives. | **June 2013** | The application of the tool is completed and the first results have been sent to the Troika. | | Observed. |
| **MoU 5.1.4.1** | The government will commission two reports analyzing the framework of a new growth model for Greece. One report should follow a microeconomic approach, providing for sectoral actions and legislation, based on the given funding possibilities and their optimal use. The second report should analyze the macroeconomiv environment and identify any horizontal policies needed. | **May 2013** | | | Observed. |
| **MoU 5.2.2** | In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4 of this Memorandum. | **Quarterly** | Statistics for the first quarter of 2013 were uploaded on the MoJ website. | | Not Observed. |
| **MoU 5.2.3** | Building on the 2012 Administrative Courts data reports and reports by the General Commission for the Administrative Courts, the Government: | **June 2013** | | | N/A |
| **MoU 5.2.3.1** | Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts. | **June 2013** | It will be based on the questionnaires that MoJ has sent to the Courts and refer to the period until end-June 2013. On June 27th a document of the General Commissioner of the administrative courts regarding the evaluation of the provisions of Law 3900/2012 & Law 4055/2012, was sent to Troika. | **July 2013** | Not Observed. Rephased |
| **MoU 5.2.3.2** | Prepares a study leading to the reallocation of the positions of administrative court judges, as from September 2013, to those administrative courts where the backlog is higher. | **June 2013** | In reality there is no need for redistribution of Judges' positions but there will be a good distribution of the new Judges. The relevant PD 107/2013 has been issued (GG 140/A/11-06-2013). | **July 2013** | Observed. |
| **MoU 5.2.3.3** | Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts. | **June 2013** | It will be based on the questionnaires that MoJ has sent to the Courts and refer to the period until end-June 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 5.2.4.2** | The Authorities prepare draft legislation providing for compulsory mediation for small claims (under 5.000,00 €) in civil cases; and Draft legislation providing for compulsory mediation in household insolvency cases (Law 3869/2010). The compulsory mediation to be introduced, ensures that this measure is in accordance with the right of to an effective remedy and to a fair trial as provided for in the Charter of Fundamental Rights of the European Union. The new legislation is enacted. | **June 2013** | The MoJ has already submitted draft legislation for the compulsory mediation of insolvency cases (Law 3869/2010) as well as for small claims. | | Observed. |
| **MoU 5.2.5.1** | The Government updates, further refines and operationalizes the e-justice Action Plan. Updated versions are to be submitted within 15 calendar days from the expiration of the relevant quarter. | **Quarterly** | The updated plan for Q2 has been submitted | | Observed. |
| **MoU 5.2.5.3** | Short term actions within the framework of the E-Justice Action Plan: | **June 2013** | | | N/A |
| **MoU 5.2.5.3.b.i** | The Government announces a call for tenders for the creation of the E-docket at the Athens Court of First Instance. | **June 2013** | The announcement of the call for tender has been made by the Prime Minister's office and the action was removed from the updated MoU text. | | Observed. |

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| **MoU 5.2.5.3.b.ii** | The Government presents draft legislation on the e-filing of judicial documents before the Council of State and the Administrative Courts. | **June 2013** | Action has been completed as the PD 40/2013 has been published (GG 75/A/22-3-2013) | | Observed. |
| **MoU 5.2.5.3.b.iii** | presents draft legislation on the e-filing of the pleadings as well as of the evidence and the rest of the relevant file documents before the Civil Courts. | **June 2013** | The relevant PD is ready. | | Observed. |
| **MoU 5.2.5.3.b.iv** | presents draft legislation on the use of videoconference before the Civil Courts. | **June 2013** | The relevant PD is ready. | | Observed. |
| **MoU 5.2.5.5** | The Government ensures consistency of the e-Justice action plan with the national e-government strategy. | **Continuous** | | | Observed. |
| **MoU 5.2.6.3** | The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website. | **Continuous** | Relevant statistical data have been uploaded | | Observed. |
| **MoU 5.2.7.3** | Study on the costs of civil litigation: the Government completes a study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, together with recommendations. | **June 2013** | In the updated version of MoU a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |
| **MoU 6.1.1.1** | The unbundled gas TSO is certified by the Greek energy regulator. (May 2013 [or prior to the clearance of the privatisation of DEPA, whichever date comes earlier]). | **May 2013 or prior to the privatisation of DEPA** | RAE's decision no: 199B/2013. | | Observed. |
| **MoU 6.1.2.1** | The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC. | **Continuous** | Continuous monitoring. YPEKA actions and initiative within the provisions of the directives. | | Observed. Ongoing. |
| **MoU 6.1.3.1** | The Government takes measures for the gradual phasing out of regulated electricity prices for all but vulnerable customers. | **June 2013** | Foreseen by Law. Since 1st of July, there will no more regulated prices. No action necessary from the Government's side. | | Observed. |
| **MoU 6.1.3.2** | In addition, the Government assesses best practices with a view to charging royalties for the use of hydro and lignite and publishes its report. | **June 2013** | In progress. In cooperation with RAE.<br>New deadline: July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 6.1.4.4** | The Goverment ensures that LAGIE, RAE, and the Ministry of Energy, publish monthly data on the evolution of the RES account with projections over the following 24 months from the date of publication. These projections will have to provide a baseline and a normative scenario to bring the debt down to zero by end-2014. | **Monthly** | LAGIE publish on its website the projections on RES account. | | Observed. Ongoing. |
| **MoU 6.1.4.5** | The Government shall complete and make operational a comprehensive electronic registry of all RES installations. | **June 2013** | The electronic registry of all RES installations is hosted on the website: http://www.resoffice.gr/main.html. | | Observed. |
| **MoU 6.1.4.6** | Adjusts the RES levy every six months (July 2013, January 2014 and July 2014) to eliminate the projected RES account debt by end-December 2014. | **Continuous** | For the 2nd semester of 2013 (from 1st July) the RES levy has been adjusted to € 14,96.<br>RAE's decision No 323/2013.<br>KAD: Δ79854/17-07-2013. | | Observed. |

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| **MoU 6.1.4.7** | Assesses and reports on the legal possibility to impose a validity period on outstanding production permits without an allocated capacity; and proceeds if possible to impose such validity period. | **May 2013** | Brief report compiled. | | Observed. |
| **MoU 6.1.4.8** | With a view to a complete clearing of existing arrears in the energy markets, the Ministry of Energy, in close cooperation with ADMIE and LAGIE, will publish the (aggregate) gross dept and credit positions of all participants in such market on a monthly basis, starting from May 2013. | **Monthly May 2013** | Data collected.<br>New MoU: Continuous (starting June) action: "will communicate to the EC, the ECB and the IMF the detailed gross debt and credit positions of all participants in such market on a monthly basis". | | Observed. |
| **MoU 6.1.4.9** | The Ministry of Energy, in close cooperation with RAE, will promote and facilitate through intermediation, the clearing of existing obligations among energy market participants, while encouraging them for a fair sharing of the outstanding debt. | **Continuous** | In progress (meeting held with stakeholders). | | Observed. |
| **MoU 6.1.4.10** | Effective May 1st, RAE will implement and monitor adequate regulatory provisions for netting of credit and dept positions by all actors in the energy market, including, inter alia, terms for clearance of debts and payment of interest and penalties in line with Directive 2011/7/EU on late payments, and Regulatory provisions will have to ensure equal treatment for all participants, avoiding any distortion or unjustified advantage coming from the belonging to vertically intergrated companies. | **Continuous** | RAE has already only provided partial regulatory provisions (for LAGIE). Process should be concluded in September 2013, including ADMIE. | | Not Observed. |
| **MoU 6.1.5.1** | Building upon the report of RAE published in December 2012 and RAE recommentations, the authorities will present to the EU Commission Services for consultation a detailed action plan with identified time bound steps and a date for its substantial completion, for the transition of the electricity market to the EU Target model. This plan will establish competition, stimulate entry, reflect the reforms of PPC and remove market distortions; and it will not entail State Aid. This plan will entail inter alia, | **Milestone June 2013 May 2013** | Action plan is announced (18.07.2013) and necessary decisions 338/2013, 339/2013 are taken from RAE. | | Observed. |
| **MoU 6.1.5.1.i** | fostering competition by stimulating entry through: | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.i** | • The auctioning of a significant amount of PPC produced electricity (at least 1600 MW) with characteristics reflecting PPCs generation portfolio; | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.i** | • Pricing of auctioned products will take into account the need to avoid a price squeeze at retail level; | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.i** | • To foster entry, eligible bidders in the auction will be electricity suppliers only; | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.i** | • The plan is to remain in place for a set duration. The plan will however include a mechanism for RAE to revise and/or extent it with a view to:<br>(i) ensure it remains in place until competitive conditions are satisfactory;<br>(ii) improve its continuing effectiveness in creating competitive conditions;<br>(iii) ensure that investment incentives are not unduly affected;<br>(iv) ensure it converges to the EU target model. | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.ii** | Removing market distortions through: | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |

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| **MoU 6.1.5.1.ii** | • A review to modify/phase out the variable cost recovery mechanism (30% rule) ensuring that the most efficient power plants are dispatched at all times; | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.ii** | • A review of the capacity reserve system with a view to create incentives to retire inefficient power plants and/or incentivise investments herein; | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.1.ii** | • The development of a balancing market. Industrial users should participate to this system. Rewards must be based on their objective contribution to system stability. | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | N/A |
| **MoU 6.1.5.2** | The plan is adopted, after incorporating any comments by the European Commission. | **Milestone June 2013 May 2013** | See 6.1.5.1 above. | | Observed. |
| **MoU 6.1.6.1** | To remove regulatory restrictions that hinder competition in the *wholesale* fuel sector, the Government, as per Opinion no. 29/VII/2012 of the Hellenic Competition Commission: | **June 2013** | | | N/A |
| **MoU 6.1.6.1.i** | assesses minimum capital requirement and adjusts them downwards in accordance with best practices and taking into account the relevant Opinion of the Hellenic Competition Commission; | **June 2013** | Omnibus Law (July 2013). Article: 104. | | Observed. |
| **MoU 6.1.6.1.ii** | mandates the conclusion of written contracts between fuel wholesalers and retailers, including the obligation to state the duration of the discounts offered on the payment documents; | **June 2013** | Provisions are included in the Market Policing Code which is submitted to the Parliament on 11/7. Once the code is voted, the action will have been completed. | **July 2013** | Not Observed. Rephased |
| **MoU 6.1.6.1.iii** | provides in legislation for the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain; new legislation to be put into force; | **June 2013** | 2 JMDs for depots and sea vessels will be signed. Clarifications on technical issues of these 2 JMDs have been asked from Troika. | **July 2013** | Not Observed. Rephased |
| **MoU 6.1.6.1.iv** | removes the restriction that a wholesaler’s storage facility needs to be accessible by either the sea, railway network, or through a refinery; | **June 2013** | Omnibus Law (July 2013). Article: 104. | | Observed. |
| **MoU 6.1.6.1.v** | abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them. | **June 2013** | Omnibus Law (July 2013). Article: 104. | | Observed. |
| **MoU 6.1.6.2 MEFP (TMU)** | To enhance competition in the *retail* fuel sector, the Government, as per the same opinion of the Hellenic Competition Commission: | | | | |
| **MoU 6.1.6.2.iii** | abolishes the possibility to impose a minimum price on the sale of fuels to consumers. | **June 2013** | It is included in the Omnibus Law, art 104, par. 4, pending FEK. | **July 2013** | Observed. |
| **MoU 6.2.1.i** | adopt necessary secondary legislation for the assignment of licenses for broadcasting and for the establishment of licensing procedures. | **June 2013** | At the meeting 16.7.2013 it was claimed that the assignment of licensing is not prerequisite for releasing digital dividend. A memo will be sent. | **September 2013** | Observed. |
| **MoU 6.2.1.iii** | resolve cross-border coordination issues with neighbouring countries, if any. If difficulties on international coordination make this date unfeasible, the frequency and broadcasting plans might indicate alternative channels for re-location of broadcasters, while continuing negotiations with third countries in view of the final assignment of frequencies to broadcasters and mobile operators. | **Continuous** | Up to this moment no issue of cross-border coordination has occurred. The neighbouring countries are broadcasting on analogue frequencies. If such a matter comes up, the Ministry is able to resolve it. | | Observed. Ongoing. |

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| **MoU 6.2.1.iv** | Adopt secondary legislation that defines a mandatory date for the switch-off of analogue broadcasting and a technologically neutral utilisation of the 800MHz band after the switch off, taking also into account the provisions of the draft Radio Spectrum Policy Programme (RSPP). | **June 2013** | JMD27294/Φ150/5.6.13, FEK 1500/B/20-06-2013<br><br>Date of switch off: 1.10.2014 | **July 2013** | Observed. |
| **MoU 6.2.1.v** | launch the tender for the assignment of rights of use for broadcasting transmission. | **June 2013** | The relevant law regarding the New Public TV is submitted to the Parliament. Once it is voted, three MDs will follow. The tender for broadcasting transmission is estimated to take place in end September. | **July 2013** | Not Observed. Rephased |
| **MoU 6.3.1.1** | Having completed the report on the functioning of the regular passenger services and the follow up strategy for the effective opening of the sector, the Government approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators. | **May 2013** | Draft law is agreed and i.e. ready to be submitted to the Parliament (KTEL law). By 25/07/2013, it will be submitted to the Parliament.<br>New deadline: July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 6.3.2.2** | On the basis of the new ports strategy and organisational model for ports, the Privatisation Fund (HRADF) defines a concrete privatisation strategy mainly through concessions with the objective of making the best use of the ports; | **May 2013** | | | Observed. |
| **MoU 6.3.2.2** | On the basis of the new ports strategy and organisational model for ports, the Privatisation Fund (HRADF) launches the appropriate call(s) for tender. | **June 2013** | (new deadline Q3 2013) | **July 2013** | Not Observed. Rephased |
| **MoU 6.3.2.3** | The government revises the legal framework governing port labour relations (see Annex 9.5 for a non-exhaustive list of labour regulations for ports). This revision provides, among others, for the training and certification of cargo-handling employees. The draft law proposal also foresees the integration into the scheme of the cargo-handling employees of Piraeus and Thessaloniki.<br>To this end the government submits draft legislation; | **May 2013** | JMD 9296/300/1.4.2013 (FEK B' 749/01-04-2013) for the training and certification of cargo-handling employees.<br>JMD National Registry of Stevedores (FEK B' 1110/2013).<br>JMD on port regulation (FEK 1230/2013). | | Observed. |
| **MoU 6.3.2.3** | and adopts the new legal framework. | **June 2013** | The new legal framework has been adopted. | | Observed. |
| **MoU 6.3.3.1** | Having submitted the National Airport Policy, the Privatisation Fund (HRADF) carries out the appropriate process leading to the privatisation of regional airports. Any State Aid issues must be clarified. The concession agreements must take into account the current best practices, including capping levels for airport charges and imposed taxes, facilitating investment approval, and allowing for transparent and swift dispute resolution mechanisms. | **Continuous** | At 1/4/2013 HRADF published the invitations to submit an expression of interest for 2 groups of regional airports | | Observed. |
| **MoU 6.3.3.2** | The Government ensures full implementation of EU Regulation (EU 691/2010) referring to the performance of air traffic management. | **Continuous** | Despite the improvements of the air traffic management system at AIA, additional efforts need to be implemented to improve the air traffic management on the Greek islands. | | Observed. Ongoing. |
| **MoU 6.3.3.3** | The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, and able to carry out its functions. To this end the government submits all necessary draft legislation. | **June 2013** | A note is sent to Troika on 22/07/2013 and comments are expected | | Not Observed. |
| **MoU 6.3.4.1** | The Government implements the spin-off of ROSCO (Maintenance Unit), GAIOSE (Real Estate), and the transfer of the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan. | **June 2013** | The spin-off of ROSCO and GAIOSE is implemented and the leasing of the rolling stock activities are transferred to the State, and the updated TRAINOSE Business Plan is ongoing. The comfort letter to the Authorities is sent.<br>New deadline: July 2013 | **July 2013** | Observed. |

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| **MoU 6.3.4.2.i** | The function of award authority for public service contracts for rail passenger transport according to Regulation 1370/2007/EU, is integrated into the new authority for contracting land passenger (both intercity bus and rail) services. The new legislation is adopted; | **May 2013** | This action is about the establishment of a single Award Authority for bus and train aw well. Draft Bill is agreed and soon will be submitted to the Parliament (KTEL Law). By 25/07/2013 it will be submitted to the Parliament<br>New deadline: July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 6.3.4.3** | The rent contracts concerning all rolling stock, employed in every public service contract are synchronized both in terms of their duration and to allow for any reallocation of rolling stock as it may become necessary when amending these public service contracts. | **Continuous** | The rent contracts concerning the rolling stock are synchronized. This action is already implemented. | | Observed. Ongoing. |
| **MoU 6.3.4.4** | OSE publishes its network statement for 2013 and 2014 in at least two official languages of the EU. It shall include full information on infrastructure as it is available and will be available, notably the rail link to Piraeus port. OSE concludes track access contracts with the railway undertakings using its network. | **June 2013** | The network statement of OSE for the year 2013 is already approved and uploaded on the website of OSE (in Greek and in English). The relevant link is be sent to Troika. | | Observed. |
| **MoU 6.3.4.5.i** | The State adopts legislation to allow the rail regulatory authority RAS to exert its right of imposing fines, notably (1) amending law L3891/2010 granting RAS the right to perform hearings, (2) granting RAS the right of adopting a hearing regulation and (3) granting RAS the right to adopt and publish in the Official Gazette regulatory acts and decisions on all matters of its competence. To this end, the government submits draft legislation; | **May 2013** | The obligation is about the submission of the draft legislation (art. 80 of draft bill for KTEL) is implemented. | | Observed. |
| **MoU 6.3.4.6** | The National Safety Authority establishes the examination of at least five examiners for train drivers according to the EU Regulation and publication of register of examiners on the web. The safety authority publishes the conditions and procedures to recognize drivers as well as all other accredited persons as required under Article 20.3 of the train driver Directive 2007/59/EC. | **May 2013** | -Draft legislative amendment of Article 11.5 of Law 3911/2011 with a target to reduce the cost of all required medical examinations for the accreditation of train-drivers is included in the Draft Bill for KTEL (is about to be submitted to the Parliament)<br>- Draft Joint Ministerial Decision to be issued as soon as the amendment has been voted, defining the conditions and procedures for doctors. | | Observed. |
| **MoU 6.3.4.7** | The function of safety authority is transferred to an independent authority. | **May 2013** | Legal provisions are agreed. Will be submitted to the Parliament (in the draft bill for road passenger services (KTEL). By 25/07/2013 it will be submitted to the Parliament<br>New deadline July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 6.3.4.8** | The HRADF launces tender procedure for Trainose. | **June 2013** | Completed. Invitation for EOI was published at 12/7/2013 | **July 2013** | Observed. |
| **MoU 6.4.1** | The Government adopts a Ministerial Decision repealing Market Regulation 7/2009, following the results of the notification procedure provided for in Directive 98/34 one month after the end of the standstill period. | **June 2013** | Ministerial Decision repealing Market Regulation 7/2009 will be issued after the voting and publishing of the Market Policing Code, new deadline July 2013 | **July 2013** | Not Observed. Rephased |
| **MoU 6.4.2** | The Government reviews and amends the Market Policing Code (Law 136 / 1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012. In addition, this should include (i) removal of restrictions in order to permit more freely discounts, promotions, and offers outside and during sale periods, more sales periods combined with more flexibility in the duration of the sales, (ii) increased flexibility in retailers' opening hours by, inter alia, giving all shops the option to remain open at least seven Sundays per year, especially | **June 2013** | Draft law was submitted to Parliament 11/7/2013 and was voted on 24/07/2013. | **July 2013** | Observed. |

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| | during holiday seasons. Trading on Sundays is likely to increase retail activity and competition and boost growth and employment, especially in small and medium enterprises. | | | | |
| **MoU 6.4.3** | The Government reviews and simplifies the licensing procedure for the establishment and operation of retail outlets. This exercise should lead to a significant reduction in the number of authorisations requested by the public administration for the opening and operation of shops, which should be replaced, if needed, by less demanding instruments such as declarations or notifications. The results and recommendations of the review are presented; | **June 2013** | The review is delivered to the Troika. | **July 2013** | Observed. |
| **MoU 6.4.4.i MEFP (29)** | To enhance competition in the market for over-the-counter (OTC) products the Government replaces the current system of fixed margins with maximum ones; | **June 2013** | MD was signed , FEK B 1446/14-6-2013 | | Observed. |
| **MoU 6.5.1.1 MEFP (29)** | For professions and economic activities included in Section 9.2, the Government prepares draft provisions amending sector specific legislation as per the opinions of the Hellenic Competition Commission and other specifications listed thereof. The legislation is adopted by **May 2013**, with the exception of 9.2.16 (geo-technicins) where the legislation will be set in force after period of four months and in accordance with the relevant HCC opinion. | **May 2013** | See Annex 9.2. below. New deadline for full implementation of pending legislation: September 2013 | **September 2013** | Not Observed. Rephased |
| **MoU 6.5.1.2** | A report on the implementation of Law 3919/2011 is published on the Government's website. | **June 2013** | The report is uploaded at MinFin site. | **July 2013** | Observed. |
| **MoU 6.5.1.2.i** | The report summarises the list of all professions / economic activities falling under the scope of that law and the restrictions and formalities eliminated as per Arts. 2 and 3 of the same law; | **June 2013** | The report is uploaded at MinFin site. | **July 2013** | Observed. |
| **MoU 6.5.1.2.ii** | The report on the implementation of l. 3919/2011 specifies whether the access to and exercise of a regulated profession or economic activity is subject to an authorisation procedure, to a declaration or to the holding of a professional identity card; | **June 2013** | The report is uploaded at MinFin site. | **July 2013** | Observed. |
| **MoU 6.5.1.2.iii** | The report on the implementation of l. 3919/2011 specifies whether access to a profession or economic activity requires the registration in a professional association and or to a professional registry; | **June 2013** | The report is uploaded at MinFin site. | **July 2013** | Observed. |
| **MoU 6.5.1.2.iv** | The report on the implementation of l. 3919/2011 specifies whether the exercise of the profession is conditional on the periodic renewal of authorisations. | **June 2013** | The report is uploaded at MinFin site. | **July 2013** | Observed. |
| **MoU 6.5.1.3.i** | To reinforce transparency in the functioning of professional bodies legislation is adopted mandating the publication on the webpage of each professional association the following information the rules regarding incompatibility and any situation characterised by a conflict of interests involving the members of the Governing Boards. | **May 2013** | Art. 73 par. 4 l. 4170/2013 (FEK 163) | | Observed. |
| **MoU 6.5.1.4.i** | To assess the proportionality and justification of activities reserved to specific regulated professions, the Government draws an exhaustive list of activities reserved (in exclusivity or not) to the different types of engineer, architect, geologist and land surveyor professions; | **June 2013** | The catalogue with the reserved activities is delivered by Task Force to the Ministry. | | Observed. |
| **MoU 6.5.1.4.ii** | To assess the proportionality and justification of activities reserved to specific regulated professions, the Government organises a mutual evaluation exercise, whereby representatives of the abovementioned professions assess the | **June 2013** | MinFin has contacted MinDev and MinAgr to have the evaluation made. | **July 2013** | Not Observed. Rephased |

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| | justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. The assessment excludes the requirements applicable to their own profession; | | | | |
| **MoU 6.5.1.4.iii** | To assess the proportionality and justification of activities reserved to specific regulated professions, the Government presents a proposal of which activities coule be reserved (in exclusivity) to specific professions. | **June 2013** | | **September 2013** | Not Observed. Rephased |
| **MoU 6.5.2.1 MEFP (29)** | A draft code revising Legislative Decree 3026/1954 is adopted. The new code of Lawyers should, among others:<br>i) ease the re-entry into the legal profession;<br>ii) repeal age limits to take the Bar examinations;<br>iii) abolish total bans on commercial communications;<br>iv) provide for licenses of unlimited duration;<br>v) remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry;<br>vi) clarify the nature of lawyers' fees provided for in current legislation. Fees are freely determined through a written agreement between lawyers and clients. In case there is no written agreement for court appearances, the fees shall be determined through reference fees;<br>vii) eliminate any kind of minimum wages for salaried lawyers working in the private sector. | **June 2013** | The final text of the Code will be submitted to the Parliament in July. | **July 2013** | Not Observed. Rephased |
| **MoU 6.5.2.2** | The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific ‘reference amount’. | **June 2013** | Combined with the new Code of Lawyers (draft). New deadline: end of July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 6.5.2.3** | It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts. | **June 2013** | Combined with the new Code of Lawyers (draft). New deadline: end of July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 6.5.2.4** | The Government takes additional measures, to reduce by 50% the cost of registering property, as measured by the World Bank's Registering Property sub-indicator. | **June 2013** | | | N/A |
| **MoU 6.5.3** | Measures are taken to ensure the effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings. In particular, | **Continuous** | | | N/A |
| **MoU 6.5.3.1** | the Government continues to update the information on the number of pending applications for the recognition of professional qualifications, and sends it to the European Commission. | **Quarterly** | Continuous / Done for Q1-2013. | | Observed. Ongoing. |
| **MoU 6.5.3.2** | the Government ensures the implementation of PD 38/2010 (as amended by law 4093/2012) and the recognition of qualifications derived from franchised degrees from other Member States to access to or exercise of an economic activity and to ensure that holders of franchised degrees from other Member States have the right to work in Greece under the same conditions as holders of Greek diplomas. | **Continuous** | Law voted. Art. 13 of law 4148/2013, FEK: 99A / 26-04-2013. | | Observed. Ongoing. |
| **MoU 6.5.4.1** | The Government ensures that there is adequate connection between the PSC and other relevant authorities (including one-stop shops, professional associations and the recognition of professional qualifications) and that the submission of on-line applications as regards the recognition of professional qualifications is fully operational, through removal the obligation from legislation to present paper originals. | **June 2013** | Pending JMD.<br>New deadline: September for the first step, December for the second step. | **September 2013** | Not Observed. Rephased |

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| **MoU 7.1** | Target of first half of the year € 1,284. | **June 2013** | The target is achieved | | Observed. |
| **MoU 7.2** | 6 applications are submitted. | **June 2013** | They have been submitted 8 applications. | | Observed. |
| **MoU 7.3** | In deciding the "Public Investment Budget" allocation, the Government ensures that the necessary national contribution remains available in order to complete the unfinished ERDF, ESF and Cohesion Fund projects of the 2000-2006 programming period and to cover the required national contribution including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period. | **Continuous** | Funding is ensured. The Ministry has allocated the necessary funds based on the payment requests sent by the Managing Authorities for all unfinished projects of the 2000-2006 programming period, in order to submit to the EC the final documents and the request of the final payment of the community contribution. Furthermore, The Managing Authorities are requesting the national contribution including non eligible expenditure (i.e. land acquisitions) for the projects of the 2007-2013 operational programs. After examination of the requests, the Ministry allocates the relevant funds for financing the projects.<br>Action is completed. | | Observed.<br>Ongoing. |
| **MoU 7.7** | The Government consolidates the simplification initiative by reviewing the "implementation trail" and the mapping of competences of the involved entities, permits and deadlines needed for the implementation of the main categories of projects supported by the Structural Funds and the Cohesion fund (e.g. transport, waste management, social infrastructure, entrepreneurship, ICT). It lifts the unnecessary steps, simplifies the implementation processes and sets reasonable deadlines. In particular, the Government establishes un alternative to the function of "ypologos" procedure for the EU co-funded projects and establishes the electronic payment. | **June 2013** | The General Secretariat for Public Investments and National Strategic Reference Framework 2007-2013 will complete up to the end of June 2013 the planning (mapping) of the competences for the implementation of the main categories of interventions (e.g. roads, waste management projects, social infrastructure etc.).<br>Within this framework the planning (mapping) includes: (a) the beneficiaries who have the competence to implement projects in national, regional and municipal level, (b) the authorizations and time deadlines that are required for the implementation of these projects. Moreover the legislative interventions for the simplification and the acceleration of the implementation of financed projects are in progress.<br>An alternative to the function of "ypologos" procedure for the EU co-funded is progress as well as the implementation of the electronic payment. New date: September 2013 | **September 2013** | Not Observed. Rephased |
| **MoU 7.8** | The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund. | **June 2013** | A meeting took place on 27/5/2013 with the participation of representatives of the European Anti Fraud Office (OLAF) and the competent Greek authorities, namely the Ministry of Development, the Ministry of Finance (in specific the Financial and Economic Crime Unit (S.D.O.E), the Financial Audit Committee (E.D.E.L) and the General Accounting Office), the Inspectors-Controllers Body for Public Administration, the General Inspector of Public Administration, the Ministry of Rural Development and the Ministry of Justice. The issues to be addressed are: the anti fraud co ordination authority, the anti fraud strategy and the cases' of suspected fraud reporting procedure. A relevant seminar for the Managing Authorities will be organized by MOD SA and will take place in July 2013. New Deadline: September 2013 | **September 2013** | Not Observed. Rephased |

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| **MoU 8.1.1** | Government will fully honor the Commitment on Confidence in Statistics signed in February 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility. | **Continuous** | It is a continuous action in the revised version of MoU. | | Under review. |
| **MoU 8.1.2** | Legal amendment will be introduced to ensure that ELSTAT will have access to the tax information (including tax registration number), at individual level, of legal entities under private law, associations of individuals and natural persons, notwithstanding tax confidentiality, so that it can carry out its statistical work for the production of official statistics, as it is provided for in Law 3832/2010 as in force, and is specifically set out in the Regulation on Statistical Obligations, while at the same time ELSTAT safeguards the confidentially of personal records. | **May 2013** | In the updated version of MoU the action was revised and a new completion deadline was set for July 2013. | **July 2013** | Not Observed. Rephased |
| **MoU 8.1.3** | Government respects the independence of ELSTAT in carrying its tasks and providing high<br>quality statistics. In this regard it fully respects the financial independence of ELSTAT, and<br>provides all the necessary resources in a timely manner, as approved in the annual budget of<br>ELSTAT, for the agency to complete uninterrupted its tasks. In this respect, Government cannot invoke art. 1 of Legal Act of 18/11/2012 and the Ministerial Decree 2/91674 of<br>201/12/2012, while, at the same time, ELSTAT provides to the Hellenic Parliament<br>information for monitoring the execution of its budget as provided for in the Regulation of<br>the Parliament (Article 31A) and the Statistical Law of Greece (Article 16). | **Continuous** | It is a continuous action in the revised version of MoU. | | Under review. |
| **MoU Annex 9.1** | Public Gas (DEPA). Binding offers submission. | **June 2013** | Completed. No binding offers were submitted | | Observed. |
| **MoU Annex 9.1** | Public Gas (DESFA). Binding offers submission. | **June 2013** | Completed | | Observed. |
| **MoU Annex 9.1** | Football Prognostics Organization (OPAP). Proceed with the phase B of the tendering process and finalize selection. | **April 2013** | Completed | | Observed. |
| **MoU Annex 9.1** | Horserace Betting Organization (ODIE) - Law for clarifying responsibilities between Jockey Club and the New Concessionaire, Law for clarifying the taxation regime of the Concession. | **May 2013** | Provisions regarding responsibilities are included in Omnibus (art.83-87). No need for tax law provisions because the issues will be included in the concession agreement. | | Observed. |
| **MoU Annex 9.1** | Thessaloniki Water (EYATH). Establish pricing policy. | **May 2013** | The pricing policy was published (19.07.2013) in the form of a formal announcement, by the ministers involved. | | Observed. |
| **MoU Annex 9.1** | Hellenic Vehicle Industry (ELVO). Transaction structure to be determined and agreed. EC (DG Comp) consent | **May 2013** | Pending government decision regarding the restructuring plan. A announcement has been issued about the restructuring/privatization of this company on 22/7 | | N/A |

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| **MoU Annex 9.1** | Mining and Metallurgical Company (LARCO). Law for establishing a new company. | **June 2013** | Pending government decision regarding the restructuring plan. A announcement has been issued about the restructuring/privatization of this company on 22/7 | | N/A |
| **MoU Annex 9.1** | Athens Airport (AIA). Agree on extension and sale process with Hochtief. | **June 2013** | It will be delayed due to the transfer of Hochtief share to a Canadian fund | | N/A |
| **MoU Annex 9.1** | Hellenic Defense Systems (EAS). Identify assets for privatisation. State Aid formal investigation clearance | **May 2013** | Pending government decision regarding the restructuring plan. A announcement has been issued about the restructuring/privatization of this company on 22/7 | | N/A |
| **MoU Annex 9.1** | Railways (Trainose). Comfort letter from EC (DG Comp) for TRAINOSE State Aid investigation clearance. | **May 2013** | EC response/ comfort letter is received. | | Observed. |
| **MoU Annex 9.1 MEFP (31)** | Public Power Corporation (PPC). Government approves and announces PPC restructuring and privatisation plan. | **April 2013** | A plan for PPC restructuring was agreed and published. | | Observed. |
| **MoU Annex 9.1** | Hellenic Vehicle Industry (ELVO) - Launch of tender. | **June 2013** | Pending government decision regarding the restructuring plan. A announcement has been issued about the restructuring/privatization of this company on 22/7 | | N/A |
| **MoU Annex 9.1** | Hellenic Petroleum (HELPE) - Launch of tender. | **June 2013** | New deadline Q4 2013 | **December 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Mining and Metallurgical Company (LARCO) - Launch of tender. | **June 2013** | Pending government decision regarding the restructuring plan. A announcement has been issued about the restructuring/privatization of this company on 22/7 | | N/A |
| **MoU Annex 9.1** | Athens Airport (AIA) - Launch of tender. | **June 2013** | It will be delayed due to the transfer of Hochtief share to a Canadian fund | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Railways (Trainose) - Launch of tender. | **June 2013** | Tender for Trainose was launched on 12.7.2013 | | Observed. |
| **MoU Annex 9.1** | Hellenic Motorways. Recommencement of construction expected in May 2013. Ratification of reset agreement by Parliament, after consent by Lenders and EU granted (expected in July 2013) | **May 2013** | Negotiations are conducted by a Special Mediator. The ratification of the agreement by Parliament is expected in July. (new deadline July 2013) | **July 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Small ports and marinas - Resolve issues related to urban zoning. | **May 2013** | Pending JMD for the Spacial Plan of Tourism (YPEKA & MoTourism) Strategic Environmental Assessment was submitted and the draft JMD was published for consultation until 22/7/2013. (New deadline July 2013). | **July 2013** | Not Observed. Rephased |
| **MoU Annex 9.1 MEFP (31)** | Regional airports - Establish regulatory framework. | **April 2013** | Law 4146 (FEK 90A/18-4-2013) includes provisions for the restructuring of HCAA (regulatory authority) | **July 2013** | Not Observed. Rephased |
| **MoU Annex 9.1 MEFP (31)** | Regional airports - Clarify state aid related issues. | **June 2013** | Discussions between HRADF, MoDevelopment and DGComp to clarify state aid issues.(new deadline July 2013) | **July 2013** | Not Observed. Rephased |

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| **MoU Annex 9.1** | Digital Dividend - Adopt secondary legislation for: a. TV stations and b. analogue switch-off date. Launch tender for TV network providers. | **June 2013** | Draft law has been submitted to the Parliament. Once it is voted, three JMDs will follow, so that the tender for broadcasting transmission takes place in end September.<br><br>The MD on assignment of licensing is not a prerequisite for releasing digital dividend.<br><br>JMD on switch off: FEK 1500/20.6.2013. | | N/A |
| **MoU Annex 9.1** | Thessaloniki Port (OLTH), Piraeus Port (OLP) & Large regional ports. Submit privatisation strategy. Establish regulatory framework. | **April 2013** | Law 4150 adopted by Parliament in April (FEK A 102/29-4-2013) provides for the establishment of the Regulatory Authority for Ports. HRADF sent in May the ports privatisation strategy to the Troika. | | Observed. |
| **MoU Annex 9.1** | Egnatia Odos - Launch of tender (dependent on: treatment of Piraeus loan granted to Egnatia Odos SA and legislative settlement of such arrangement - April 2013). | **June 2013** | New deadline Q3 2013 | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Thessaloniki Port (OLTH), Piraeus Port (OLP) & Large regional ports - Launch of tender. | **June 2013** | New deadline Q3 2013 | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Cassiopi - Right of surface establishment and creation of the SPV. | **June 2013** | About to be completed. | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Buildings abroad - Tender for the remaining 2 buildings will be relaunched. | **May 2013** | Completed | | Observed. |
| **MoU Annex 9.1** | Afantou - Binding offers submission, subject to timely issuance of decision by the Council of State. | **May 2013** | The current tender was cancelled, after consultation with the investors and the local Authorities. HRADF proceeded (12/7/2013) with new tender process and binding offers submission (new deadline Q3 2013) | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Afantou - ESCHADA submission. | **June 2013** | To be submitted to the Council of State in July (new deadline July 2013) | **July 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Real Estate lot 3 - At least 1,000 real estate properties to be transferred to HRADF (December 2013). The first 250 real estate assets are transferred to HRADF | **April 2013** | The JMD for the transfer of the first 250 assets was signed and published (FEK B 1020/25-4-2013).<br>The next 250 assets will be transferred by end-July | | Observed. Ongoing. |
| **MoU Annex 9.1** | Sale/repo 28 buildings - Launch second phase. | **May 2013** | Completed | | Observed. |
| **MoU Annex 9.1** | Sale / repo 28 buildings - Binding offers submission. | **June 2013** | New deadline Q4 2013 | **December 2013** | Not Observed. Rephased |
| **MoU Annex 9.1** | Paliouri - Launch second phase. | **April 2013** | Completed | | Observed. |
| **MoU Annex 9.1** | Paliouri - Binding offers submission. | **June 2013** | New deadline Q3 2013 | **September 2013** | Not Observed. Rephased |

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| **MoU Annex 9.1** | HEY - Launch second phase. | **April 2013** | Completed | | Observed. |
| **MoU Annex 9.2.1** | **Professions under the Greek Ministry of Citizen Protection:** i) sale of revolvers, pistols and target-shooting weapons; ii) preparation of explosives; manufacture, conversion, assembly, finishing and repair of firearms, and charging/recharging of firearm cartridges; iii) charging cartridges for hunting weapons for sale; iv) sale of fireworks and flare launchers; v) manufacture of fireworks and flare launchers; vi) operation of private security firms; vii) work by security staff of private security firms; viii) operation of private investigation offices; ix) work by staff of private investigation office: Cfr. HCC Opinion no. 13/VI/2012. | **May 2013** | Subpara. E14 of law 4251/2013 (FEK 107/9.5.2013) | | Observed. |
| **MoU Annex 9.2.2** | **Dealers in antiques and more recent artifacts and restorers of fine art and antiquities:** Cfr. HCC Opinion no. 18/VI/2012. The revision eliminates the geographical restrictions on antique dealers and provides for other ways of acquiring professional experience other than a Greek antique shop (e.g. experience on other antique shops abroad or in museums.) | **May 2013** | Subpara. E7 of law 4251/2013 (FEK 107/9.5.2013).<br>Circular ΑΔΑ: ΒΕΝ3Γ-ΕΔΚ/15.5.2013 | | Observed. |
| **MoU Annex 9.2.3** | **Professions / economic activities under the Greek Ministry of Citizen Protection - harbour guard**: i) Organisations certifying divers; ii) Suppliers of recreational diving services; iii) Rental of means of marine recreation; iv) Service boat operations; v) Towing operations; vi) Licensing for outdoor trading (stands or itinerant) on board ships; vi) Operation of casinos on board passenger vessels flying the Greek flag on international voyages; vii) Lifeguards: (i) Operation of public health establishments on anchored or floating craft and (ii) Operation of public health establishments on seafaring vessels: Cfr. HCC Opinion no. 22/VII/2012. | **May 2013** | Subpara. E13 of law 4251/2013. | | Observed. |
| **MoU Annex 9.2.4** | **Professions / economic activities under the Ministry of Labour,** Directorate-General for Welfare: i) Creative activity centres for children ii) Creative activity centres for children with disabilities iii) Nurseries and kondergartens iv) Private childrens' camps v) Child welfare istitutes: *Cfr* HCC Opinion no. 25/VII/2012 | **May 2013** | Subpara. E9 law 4152/2013.<br>Rehabilitation centres: PD in Council of State.<br>Day care centres for old people:MD D27/oik/9746/409/4.4.13/FEK 914/15.4.2013.<br>Creative activity centres for children: MD Δ27/οικ9734/408/4.3.13/FEK 921/16.4.13.<br>Elderly: MD D27/oik/7603/329/FEK/745.1.4.2013.<br>Creative activity centres for the disabled: MD on D29a/GPOIK/10800/526/11.4.13/FEK 965/19.4.13. | | Observed. |
| **MoU Annex 9.2.5** | **Petrol sellers, shotfirers, blasters and natural gas sales.** Cfr. HCC Opinion no 26/VII/2012. | **May 2013** | Subpara E8 law 4251/2013. | | Observed. |
| **MoU Annex 9.2.6** | **Actuaries:** Adopt secondary legislation to have examinations | **May 2013** | Examination procedure: 23937/B/1303/3.6.2013/ FEK 1424/12.6.2013<br>Matching of courses: 23938/B/1304/3.6.2013/FEK 1424/12.6.13<br>Examination committee: B 1349/11.6.2013/ΦΕΚ 297/B/21.6.13. Done | | Observed. |
| **MoU Annex 9.2.7** | **Selling and production of reproductive material for africultural plant species and selling of plant protecting material, fertilisers and pesticides:** Adopt implementating legislation that (i) abolish minimum square requirements and (ii) introduces a 3-month period for administation to issue license, after which professionals are free to operate; and adopt legislation that (i) allow sales | **May 2013** | Main pending issue the training in selling this material.<br>12/7: Drafts of two p.d. and two m.d are sent to Troika.<br>New deadline: July | **July 2013** | Not Observed. Rephased |

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| | of individuals with adequate training without the mandatory presence of scientists and (ii) define training standards. (HCC opinion no. 19/VI/2012) | | | | |
| **MoU Annex 9.2.8** | **Oenologists:** Abolishing minimum fees. | **May 2013** | Draft P.D. agreed. To be signed by MinAgric and MinFin. Afterwards to be submitted to the Council of State. | | Observed. |
| **MoU Annex 9.2.9** | **Oenology labs:** remove geographical restrictions for establishing multiple labs and administrative license. | **May 2013** | Draft P.D. agreed. To be signed by MinAgric and MinFin. Afterwards to be submitted to the Council of State. | | Observed. |
| **MoU Annex 9.2.10** | **Veterinarians:** remove the legal form requirment and allow any legal person, irrespective of the shareholders, to open a neterinary clinic long as the activity is being performed by veerinarians. Subject the licensing of such veterinary clinics to Art. 3 of Law 3919 | **May 2013** | Provisions in law 4251/2013 (Omnibus law).<br>Circular ΑΔΑ: ΒΕΑ8Β-Π42 | | Observed. |
| **MoU Annex 9.2.11** | **Accountants:** Abolish the four different classes of accountants and the activities reserved to each class. | **May 2013** | Subpara. H2 law 4251/2013. | | Observed. |
| **MoU Annex 9.2.12** | **Private education establishments**. Adopt secondary legislation provided for in paragraph 1.3.15 kai 16 of law 4093/2012, spelling out the details of the licensing procedure of private schools and providing for the approval procedure for programs of study. | **May 2013** | MD 10131/IA/18.11.2012/ FEK 3057/2012 on program studies.<br>MD 10136/IA/18.11.2012/FEK 3057/2012 on licensing.<br>MD 34566/IA/12.4.2013/FEK B 756 / 2013 on Private schools fees. | | Observed. |
| **MoU Annex 9.2.13** | **Tourist guides:** Amend legislation to allow educational entities other than universities to offer accelerated training courses for candidate tourist guides. | **May 2013** | Subpa. E15 law 4251/2013.<br>MD 6209/29.3.2013 ΑΔΑ: ΒΕ2ΨΟΟ-ΦΒΗ. | | Observed. |
| **MoU Annex 9.2.14** | **Stevedores at ports and for land operations.** Adopt secondary legislation referred to in section K7 of law 4093/2012 providing for the creation of the National Stevedores Registry, for the accreditation of stevedores, on special issues related to the organization and operation of control procedures on matters of health and safety at work of stevedores, providing for a new regulation on fees and remunerations for Port Funds and shipping agents, and providing for the terms and procedures for dock workers to enter the area of the port. | **May 2013** | Registry: JMD 9289/299/28.3.13/FEK 750 1.4.2013.<br>Accreditation: JMD 9296/300/1.4.2013/FEK 749/1.4.2013.<br>Amendment of registry:JMD 14366/416//9.5.13/FEK 1110/9.5.13.<br>MD on land regulations: 460/15662/20.5.2013 FEK 1225/20.5.13.<br>MD on port regulation: JMD 105107/437/FEK 1230/21.5.2013.<br>MD on labour inspection- SEPE: 15077/1912/15.5.13/ FEK 1193/15.5.13.<br>Fees: Art. 63 of law 4150/2013. | | Observed. |
| **MoU Annex 9.2.15** | **Sworn in valuers:**Adopt law and necessary secondary legislation to reflect abolished restrictions in November 2012 and to include (i) replacement of the current system of certification with a system of prior declaration that allows professionals to exercise activities unless the administration notifies against it; and (ii) reduction to 2 years in required professional experience to become a sworn-in valuers. | **May 2013** | Draft law is inserted in omnibus law.<br>Code of ethics: MD 19928/292/10.5.13 FEK 1147/13.5.2013<br>MDs on disciplinary committee and on examination committee have been sent to be published.ΚΑΔ 76013/8.7.13, ΚΑΔ 78781/15.7.13<br>One more MD (examination process) under preparation.<br>New deadline: July. | **July 2013** | Not Observed. Rephased |
| **MoU Annex 9.3.1.1 MEFP (30)** | The Task Force for the review of the Code of Civil Procedure presents to the Government an initial draft of the Code. Within 15 days, the Code of Civil Procedure is presented to the EC/IMF/ECB for comments. | **May 2013** | In the revised MoU the presentation of the initial draft of the Code has to take place at the earliest possible date following the completion of the third review of the economic adjustment program. | **September 2013** | Not Observed. Rephased |
| **MoU Annex 9.3.2** | The Government finalises the study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, and publishes the study. | **June 2013** | In the updated version of MoU a new completion deadline was set for October 2013. | **October 2013** | Not Observed. Rephased |

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| MoU Annex 9.4.1 | Every quarter, for civil and administrative first instance court, court of appeal as well as the Supreme Court and the Council of State) tables published will provide for: the number of judges and administrative staff , the stock of cases at the beginning of the period, the inflow of cases registered during the period, The outflow of cases closed during the period, the stock of cases at the end of the period. | **Quarterly** | Statistics for the first quarter of 2013 were uploaded on the MoJ website. | | N/A |
| MoU Annex 9.4.1.i | For the tax and customs cases, the data will also include the inflow of the new cases with a breakdown above and under 150,000 euros. | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.1.ii | For civil and commercial courts, the data for stock and flows of cases will also show the corporate insolvency cases. | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.1.iii | For administrative Justice, specific data, provided in another table, will include a breakdown by year of registration of the stock of cases for which no hearing date has been fixed yet. This will be provided for beginning and for end period. The table will also show the total number of cases with a hearing date. | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.2 | For some of the most relevant courts, defined in agreement with EC, IMF and ECB, the Ministry of Justice will also publish by quarter, or by semester or year if so agreed by EC-IMF/ECB: | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.2.i | The stock of cases (both at beginning and at end period), with a breakdown by year of registration. | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.2.ii | For civil and commercial Justice, more detailed information on corporate insolvency cases including: a more detailed breakdown by value, defined in agreement with EC, IMF and ECB, | **Quarterly** | As 9.4.1 | | N/A |
| MoU Annex 9.4.b.ii | a more detailed breakdown by sector (e.g., agriculture, construction, manufacturing, and services), defined in agreement with EC, IMF and ECB, | **Quarterly** | As 9.4.1 | | N/A |
| **To be provided by the Ministry of Finance** | | **Continuous** | | | |
| MoU Annex 9.7 | Preliminary monthly data on the state budget execution (including breakdown by main categories of revenue and expenditure and by line ministry).<br>(Data compiled by the Ministry of Finance).<br>(Monthly, 15 days after the end of each month, these data should also be included in subsequent transmissions in case of revision). | **Continuous** | | | Under review. |
| MoU Annex 9.7 | Updated monthly plans for the state budget execution for the remainder of the year, including breakdown by main categories of revenue and expenditure and by line ministry.<br>(Data compiled by the Ministry of Finance).<br>(Monthly, 30 days after the end of each month). | **Continuous** | | | Under review. |
| MoU Annex 9.7 | Monthly data on the public wage bill (of general government, including a breakdown in nominal wage and allowances paid to government employees per line ministry and public entity), number of employees (including a breakdown per ministry and public entities outside the central government) and average wage (including the relative shares of the base wage, allowances and bonuses).<br>(Data compiled by the Ministries of Interior and Finance).<br>(Monthly, 30 days after the end of each month). | **Continuous** | | | Under review. |

| Par / Page | Action | Deadline MoU | Comments | New Deadline | Status |
|---|---|---|---|---|---|
| **MoU Annex 9.7** | Preliminary monthly cash data on general government entities other than the state.<br>(Data compiled by the Ministry of Finance).<br>(Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Monthly data on staff: number of employees, entries, exits, transfers among government entities; and from and into the labour reserve, per entity.<br>(Data compiled by the Ministries of Administrative Reform and E-Governance and of Finance).<br>(Monthly, 30 days after the end of each month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered.<br>(Data compiled by the Ministry of Finance).<br>(Weekly on Friday, reporting on the previous Thursday). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on below-the-line financing for the general government.<br>(Data compiled by the Ministry of Finance).<br>(Monthly, no later than 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on expenditure pending payment (including arrears) of the general government, including the State, local government, social security, hospitals and legal entities.<br>(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries).<br>(Quarterly, within 55 days after the end of each quarter). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on use of international assistance loans split among following categories: Financial stability fund, escrow account, debt redemption, interest payments, other fiscal needs, building of cash buffer; per quarter and cumulative.<br>(Quarterly, by the end of each quarter). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on public debt and new guarantees issued by the general government to public enterprises and the private sector.<br>Data on maturing debt (planned redemptions per month, split between short-term (Treasury bills and other short-term debt) and long-term (bonds and other long-term debt).<br>Data on planned monthly interest outflows.<br>(Data compiled by the Ministry of Finance).<br>(Monthly, within one month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on assets privatised and proceeds collected.<br>(Data compiled by the Ministry of Finance).<br>(Monthly). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Data on state-owned enterprises: revenue, costs, payroll, number of employees and liabilities (including maturities of public enterprises' debts).<br>(Data compiled by the Ministry of Finance).<br>(Monthly, within three weeks of the end of each month for the ten largest enterprises.<br>Quarterly within three weeks of the end of each quarter for the other enterprises.<br>Quarterly for the maturities of state-owned enterprises' liabilities). | **Continuous** | | | Under review. |

| Par / Page | Action | Deadline MoU | Comments | New Deadline | Status |
|---|---|---|---|---|---|
| **MoU Annex 9.7** | Monthly statement of the transactions through off-budget accounts.<br>(Data compiled by the Ministries of Finance and Education).<br>(Monthly, at the end of each month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Monthly statement of the operations on the special accounts.<br>(Data compiled by the Ministry of Finance).<br>(Monthly, at the end of each month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Report on progress with fulfilment of policy conditionality.<br>(Report prepared by the Ministry of Finance).<br>(Quarterly before the respective review starts). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Monthly data on health care expenditure by the social security funds with a lag of three weeks after the end of the respective quarter.<br>(Data compiled by the Ministries of Labour and Health).<br>(Monthly, within three weeks of the end of each month). | **Continuous** | | | Under review. |
| **To be provided by the Bank of Greece** | | **Continuous** | | | |
| **MoU Annex 9.7** | Assets and liabilities of the Bank of Greece.<br>(Weekly, next working day). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions.<br>(Monthly, 30 days after the end of each month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Evolution of the external funding provided by Greek banks to their subsidiaries abroad.<br>(Monthly, 15 days after the end of each month). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Report on banking sector liquidity situation.<br>(Weekly, next working day). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Report on the evolution of financial stability indicators.<br>(Quarterly, 30 days after the publication data of each quarter). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Report on results from the regular quarterly solvency assessment exercise.<br>(Quarterly, 15 days after the end of each quarter depending on data availability). | **Continuous** | | | Under review. |
| **MoU Annex 9.7** | Weighted average of Loan-to-value (LTV) ratio for new loans with real estate collateral. (Yearly). | **Continuous** | | | Under review. |
| **To be provided by the Hellenic Financial Stability Fund** | | **Continuous** | | | |
| **MoU Annex 9.7** | Detailed report on the balance sheet of the Financial Stability Fund with indication and explanation of changes in the accounts.<br>(Weekly, next working day). | **Continuous** | | | Under review. |

# Annex 2: Macroeconomic forecast

Table A1: USE AND SUPPLY OF GOODS AND SERVICES (volume)

| *Annual % change* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| 1. Private consumption expenditure | -7.7 | -9.1 | -6.9 | -1.6 | 1.4 | 2.2 |
| 2. Government consumption expenditure | -5.2 | -4.2 | -4.0 | -6.2 | -4.8 | -4.0 |
| 3. Gross fixed capital formation | -19.6 | -19.2 | -4.0 | 8.4 | 11.3 | 14.5 |
| *3a. - of which, construction* | -21.0 | -22.7 | -5.1 | 7.0 | 10.1 | 11.7 |
| *3b. - of which, equipment* | -18.1 | -17.3 | -3.4 | 10.0 | 13.0 | 17.0 |
| **4. Final domestic demand** | **-9.3** | **-9.7** | **-5.9** | **-1.1** | **1.7** | **3.1** |
| 5. Change in inventories + net acquisitions of valuables (as % of GDP) | -0.4 | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| **6. Domestic demand** | **-9.7** | **-9.8** | **-5.6** | **-1.1** | **1.7** | **3.1** |
| 7. Exports of goods and services | 0.3 | -2.4 | 3.0 | 4.6 | 5.5 | 4.7 |
| *7a. - of which goods* | *4.0* | *1.8* | *3.0* | *4.1* | *5.0* | *4.3* |
| *7b. - of which services* | *-3.0* | *-6.7* | *3.3* | *5.1* | *6.0* | *5.1* |
| **8. Final demand** | **-8.0** | **-8.4** | **-3.8** | **0.1** | **2.6** | **3.5** |
| 9. Imports of goods and services | -7.4 | -13.8 | -6.4 | -1.9 | 1.2 | 2.7 |
| *9a. - of which goods* | *-6.4* | *-14.8* | *-6.8* | *-2.0* | *1.2* | *2.7* |
| *9b. - of which services* | *-10.9* | *-9.5* | *-5.6* | *-1.7* | *1.2* | *2.7* |
| **10. Gross domestic product at market prices** | **-7.1** | **-6.4** | **-4.2** | **0.6** | **2.9** | **3.7** |
| *Contribution to change in GDP* | | | | | | |
| 11. Final domestic demand | -10.1 | -10.4 | -6.1 | -1.1 | 1.7 | 3.1 |
| 12. Change in inventories + net acq. of valuables | -0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 |
| 13. External balance of goods and services | 2.4 | 3.6 | 2.7 | 1.8 | 1.2 | 0.6 |

Table A2: USE AND SUPPLY OF GOODS AND SERVICES (value)

| *Annual % change* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| 1. Private consumption expenditure | -4.6 | -8.2 | -7.6 | -2.0 | 1.7 | 3.3 |
| 2. Government consumption expenditure | -11.0 | -5.1 | -8.2 | -6.7 | -4.8 | -3.2 |
| 3. Gross fixed capital formation | -19.4 | -19.4 | -5.1 | 7.2 | 11.5 | 15.3 |
| *3a. - of which, construction* | -21.1 | -23.1 | -6.2 | 5.4 | 10.2 | 12.4 |
| *3b. - of which, equipment* | -17.8 | -17.6 | -4.5 | 8.9 | 13.2 | 17.9 |
| **4. Final domestic demand** | **-8.1** | **-9.3** | **-7.4** | **-1.6** | **2.0** | **4.2** |
| 5. Change in inventories + net acquisition of valuables | | | | | | |
| **6. Domestic demand** | **-7.1** | **-9.7** | **-7.8** | **-1.6** | **2.0** | **4.2** |
| 7. Exports of goods and services | 5.7 | 0.1 | 2.4 | 4.2 | 5.6 | 5.0 |
| *7a. - of which, goods* | 12.6 | 5.6 | 2.4 | 3.7 | 5.1 | 4.6 |
| *7a. - of which, services* | -0.4 | -5.4 | 2.5 | 4.7 | 6.1 | 5.4 |
| **8. Final demand** | -5.0 | -7.9 | -5.7 | -0.3 | 2.9 | 4.4 |
| 9. Imports of goods and services | -1.3 | -10.2 | -7.0 | -2.2 | 1.1 | 2.7 |
| *9a. - of which goods* | 0.7 | -10.7 | -7.3 | -2.3 | 1.1 | 2.7 |
| *9a. - of which, services* | -8.8 | -8.1 | -6.0 | -2.0 | 1.1 | 2.7 |
| **10. Gross domestic product at market prices** | **-6.1** | **-7.1** | **-5.3** | **0.3** | **3.4** | **4.9** |
| **11. Gross national income** | **-6.2** | **-3.8** | **-6.4** | **-0.5** | **3.1** | **4.6** |
| 12. Compensation of employees | -9.0 | -12.7 | -10.3 | -1.3 | 2.0 | 4.8 |
| 13. Gross operating surplus and mixed income | -4.5 | -2.8 | -2.7 | 1.3 | 4.2 | 4.6 |
| **14. Gross value added at basic prices** | **-6.2** | **-6.9** | **-5.4** | **0.4** | **3.6** | **4.8** |
| *14a. - of which, labour costs, including self-employed* | -8.8 | -12.2 | -10.3 | -0.9 | 2.6 | 5.6 |
| 15. Taxes net of subsidies | -5.7 | -8.5 | -4.3 | -0.9 | 2.2 | 5.7 |
| *15a. - taxes on products* | -5.7 | -8.4 | -4.2 | -0.8 | 2.1 | 5.6 |
| *15b. - subsidies on products* | -7.9 | 3.1 | 0.1 | 0.4 | 0.4 | 0.4 |
| **16. Gross domestic product at market prices** | **-6.1** | **-7.1** | **-5.3** | **0.3** | **3.4** | **4.9** |

Table A3: COSTS AND PRICES

| *% change in implicit price deflator* | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|
| 1. Private consumption expenditure | 3.4 | 0.9 | -0.8 | -0.4 | 0.3 | 1.1 |
| 2. Government consumption expenditure | -6.2 | -0.9 | -4.4 | -0.5 | 0.0 | 0.8 |
| 3. Gross fixed capital formation | 0.3 | -0.2 | -1.1 | -1.1 | 0.2 | 0.7 |
| *3a. - of which, construction* | -0.1 | -0.6 | -1.2 | -1.5 | 0.1 | 0.6 |
| *3b. - of which, equipment* | 0.4 | -0.4 | -1.1 | -1.0 | 0.2 | 0.8 |
| **4. Final domestic demand** | **1.3** | **0.5** | **-1.5** | **-0.5** | **0.3** | **1.0** |
| **5. Domestic demand** | **2.8** | **0.1** | **-2.4** | **-0.5** | **0.3** | **1.0** |
| 6. Exports of goods and services | 5.4 | 2.6 | -0.6 | -0.4 | 0.1 | 0.3 |
| *6a. - of which, goods* | 8.2 | 3.8 | -0.6 | -0.4 | 0.1 | 0.3 |
| *6b. - of which, services* | 2.6 | 1.4 | -0.8 | -0.4 | 0.1 | 0.3 |
| **7. Final demand** | **3.3** | **0.6** | **-1.9** | **-0.4** | **0.3** | **0.9** |
| 8. Imports of goods and services | 6.6 | 4.1 | -0.6 | -0.3 | -0.1 | 0.0 |
| *8a. - of which, goods* | 7.6 | 4.8 | -0.5 | -0.3 | -0.1 | 0.0 |
| *8b. - of which, services* | 2.4 | 1.5 | -0.4 | -0.3 | -0.1 | 0.0 |
| **9. Gross domestic product at market prices** | **1.0** | **-0.8** | **-1.1** | **-0.4** | **0.4** | **1.1** |
| 10. Terms of trade of goods and services | -1.1 | -1.3 | -0.2 | -0.1 | 0.2 | 0.3 |
| *10a. - of which, terms of trade of goods* | 0.6 | -1.0 | -0.1 | -0.1 | 0.2 | 0.3 |
| *10b. - of which, terms of trade of services* | 0.3 | -0.2 | -0.4 | -0.1 | 0.2 | 0.3 |
| **11. HICP** | **3.1** | **1.0** | **-0.8** | **-0.4** | **0.3** | **1.1** |
| **12. CPI** | **3.3** | **0.8** | **-0.8** | **-0.4** | **0.3** | **1.1** |

Table A4: LABOUR MARKET AND LABOUR COST

| *Annual % change* | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|
| 1. Gross value added at 1995 basic prices | -6.6 | -6.2 | -4.2 | 0.6 | 2.9 | 3.7 |
| 2. Employment ('000) | -5.6 | -8.3 | -3.5 | 0.6 | 2.6 | 4.0 |
| 3. GVA per occupied person | -1.0 | 2.4 | -0.7 | 0.0 | 0.3 | -0.3 |
| 4. Compensation of employees (per employee) | -3.4 | -4.2 | -7.0 | -1.5 | 0.0 | 1.5 |
| 5. Unit labour costs (1995=100) | -2.4 | -6.4 | -6.3 | -1.5 | -0.3 | 1.8 |
| 6. Total population | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 7. Population of working age (15-64 years) | -0.6 | -0.8 | -0.3 | -0.2 | -0.1 | -0.1 |
| 8. Total labour force | -0.3 | -0.8 | 0.0 | -0.8 | 0.0 | 0.1 |
| **9. Total employment** | -5.6 | -8.3 | -3.5 | 0.6 | 2.6 | 4.0 |
| *9a(i). - of which, employees* | -5.8 | -8.9 | -3.5 | 0.2 | 2.0 | 3.3 |
| *9a(ii). - of which, self-employed* | -5.3 | -7.3 | -3.5 | 1.4 | 3.7 | 5.3 |
| **10. Unemployment** | 39.5 | 37.3 | 12.0 | -4.7 | -8.1 | -13.5 |
| *10a. Calculated unemployment rate (%) (National accounts definition)* | 16.5 | 22.8 | 25.5 | 24.5 | 22.5 | 19.5 |

Table B1: USE AND SUPPLY OF GOODS AND SERVICES (value, in EUR billion)

| *levels* | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|
| 1. Private consumption expenditure | 155.6 | 142.8 | 131.9 | 129.2 | 131.4 | 135.8 |
| 2. Government consumption expenditure | 36.2 | 34.4 | 31.6 | 29.5 | 28.0 | 27.1 |
| 3. Gross fixed capital formation | 31.6 | 25.5 | 24.2 | 25.9 | 28.9 | 33.3 |
| **4. Final domestic demand (1+2+3)** | **223.4** | **202.6** | **187.6** | **184.6** | **188.4** | **196.3** |
| 5. Change in inventories + net acquisition of valuables | 2.0 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| **6. Domestic demand (4+5)** | **225.4** | **203.5** | **187.6** | **184.6** | **188.4** | **196.3** |
| 7. Exports of goods and services | 52.2 | 52.3 | 53.6 | 55.8 | 58.9 | 61.8 |
| *7a. - of which, goods* | 26.3 | 27.8 | 28.4 | 29.5 | 31.0 | 32.4 |
| *7b. - of which, services* | 26.0 | 24.5 | 25.2 | 26.3 | 27.9 | 29.4 |
| **8. Final demand (6+7)** | **277.7** | **255.8** | **241.2** | **240.4** | **247.3** | **258.1** |
| 9. Imports of goods and services | 69.1 | 62.1 | 57.7 | 56.4 | 57.0 | 58.6 |
| *9a. - of which goods* | 55.5 | 49.6 | 46.0 | 44.9 | 45.4 | 46.6 |
| *9b. - of which, services* | 13.6 | 12.5 | 11.7 | 11.5 | 11.6 | 11.9 |
| **10. Gross domestic product at market prices ( 8-9 )** | **208.5** | **193.7** | **183.5** | **184.0** | **190.2** | **199.5** |
| *10a. - of which, external balance of goods and services* | -16.9 | -9.7 | -4.1 | -0.6 | 1.9 | 3.3 |
| | | | | | | |
| **11. Gross national income at market prices (10+11a)** | **202.5** | **194.7** | **182.2** | **181.4** | **186.9** | **195.6** |
| *11a. Balance of primary income with rest of the world* | -6.0 | 1.0 | -1.3 | -2.6 | -3.3 | -3.9 |
| 12. Compensation of employees | 73.3 | 64.0 | 57.4 | 56.7 | 57.8 | 60.6 |
| 13. Gross operating surplus and mixed income | 112.2 | 109.0 | 106.1 | 107.5 | 112.1 | 117.2 |
| **14. Gross value added at basic prices** | **183.1** | **170.5** | **161.3** | **161.9** | **167.7** | **175.7** |
| *14a. - of which, labour costs, including self-employed* | 111.4 | 97.8 | 87.8 | 87.0 | 89.3 | 94.2 |
| 15. Taxes net of subsidies (15a-15b) | 25.39 | 23.2 | 22.2 | 22.0 | 22.5 | 23.8 |
| *15a. - taxes on products* | 25.8 | 23.6 | 22.6 | 22.5 | 22.9 | 24.2 |
| *15b. - subsidies on products* | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| **16. Gross domestic product at market prices (14+15)** | **208.5** | **193.7** | **183.5** | **184.0** | **190.2** | **199.5** |

Table B2: LABOUR MARKET AND LABOUR COST (in EUR billion unless otherwise stated)

| *levels* | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|
| 1. Gross value added at 1995 basic prices | 160.2 | 150.3 | 144.0 | 144.9 | 149.1 | 154.6 |
| 2. Employment ('000) | 4446.8 | 4076.2 | 3933.5 | 3957.1 | 4060.0 | 4222.4 |
| 3. GVA per occupied person (1:2) | 36.0 | 36.9 | 36.6 | 36.6 | 36.7 | 36.6 |
| 4. Compensation of employees (per employee) | 25.1 | 24.0 | 22.3 | 22.0 | 22.0 | 22.3 |
| *4a. - of which, private sector per head* | 22.4 | 21.0 | 19.4 | 19.3 | 19.4 | 20.0 |
| *4b. - of which, general government per head* | 31.9 | 31.5 | 29.7 | 29.2 | 29.3 | 29.7 |
| 5. Unit labour costs (4:3) (1995=100) | 69.5 | 65.1 | 61.0 | 60.1 | 59.9 | 61.0 |
| | | | | | | |
| 6. Total population | 11300.0 | 11290.1 | 11290.1 | 11290.1 | 11290.1 | 11290.1 |
| 7. Population of working age (15-64 years) | 7474.6 | 7414.8 | 7392.6 | 7377.8 | 7370.4 | 7363.1 |
| 8. Total labour force | 5323.7 | 5280.0 | 5281.8 | 5242.0 | 5240.8 | 5243.8 |
| *8a. -calculated activity rate (%) (8:7)* | *71.2* | *71.2* | *71.4* | *71.1* | *71.1* | *71.2* |
| | | | | | | |
| **9. Total employment** | **4446.8** | **4076.2** | **3933.5** | **3957.1** | **4060.0** | **4222.4** |
| *9a(i). - of which, employees* | *2924.6* | *2664.8* | *2571.5* | *2576.6* | *2628.2* | *2714.9* |
| *9a(ii). - of which, self-employed* | *1522.2* | *1411.4* | *1362.0* | *1380.5* | *1431.8* | *1507.5* |
| *9b(i). - of which, private sector* | 3637.0 | 3307.5 | 3201.8 | 3252.7 | 3378.1 | 3560.8 |
| *9b(ii). - of which, general government* | *809.7* | *768.6* | *731.7* | *704.4* | *681.9* | *661.6* |
| *9c. Calculated employment rate (9:7)* | *59.5* | *55.0* | *53.2* | *53.6* | *55.1* | *57.3* |
| **10. Unemployment** | **876.9** | **1203.8** | **1348.3** | **1284.9** | **1180.8** | **1021.4** |
| *10a. Calculated unemployment rate (%) (10:8)* | *16.5* | *22.8* | *25.5* | *24.5* | *22.5* | *19.5* |

Table B3: EXTERNAL BALANCE

| *levels* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| 1. Exports of goods (fob) | 26.3 | 27.8 | 28.4 | 29.5 | 31.0 | 32.4 |
| 2. Imports of goods (fob) | 55.5 | 49.6 | 46.0 | 44.9 | 45.4 | 46.6 |
| **3. Trade balance (goods, fob/fob) (1-2)** | **-29.3** | **-21.8** | **-17.6** | **-15.5** | **-14.5** | **-14.3** |
| *3a. p.m. (3) as % of GDP* | *-14.0* | *-11.3* | *-9.6* | *-8.4* | *-7.6* | *-7.1* |
| 4. Exports of services (a) | 26.0 | 24.5 | 25.2 | 26.3 | 27.9 | 29.4 |
| 5. Imports of services (a) | 13.6 | 12.5 | 11.7 | 11.5 | 11.6 | 11.9 |
| **6. Services balance (a) (4-5)** | **12.4** | **12.1** | **13.4** | **14.8** | **16.3** | **17.5** |
| *6a. p.m. 6 as % of GDP* | *5.9* | *6.2* | *7.3* | *8.1* | *8.6* | *8.8* |
| **7. External balance of goods & services (3+6)** | **-16.9** | **-9.7** | **-4.1** | **-0.6** | **1.9** | **3.3** |
| *7a. p.m. 7 as % of GDP* | *-8.1* | *-5.0* | *-2.2* | *-0.3* | *1.0* | *1.6* |
| 8. Balance of primary incomes and current Transfers | -7.6 | -0.6 | -1.0 | -2.5 | -3.7 | -4.7 |
| *8a. - of which, balance of primary income* | *-6.0* | *1.0* | *-1.3* | *-2.6* | *-3.3* | *-3.9* |
| *8b. - of which, net current Transfers* | *-1.6* | *-1.5* | *0.3* | *0.1* | *-0.4* | *-0.8* |
| *8c. p.m. 8 as % of GDP* | *-3.7* | *-0.3* | *-0.5* | *-1.4* | *-1.9* | *-2.4* |
| **9. Current external balance (7+8)** | **-24.5** | **-10.3** | **-5.1** | **-3.1** | **-1.8** | **-1.4** |
| *9a. p.m. 9 as % of GDP* | *-11.7* | *-5.3* | *-2.8* | *-1.7* | *-1.0* | *-0.7* |
| 10. Net capital transactions | 4.1 | 4.6 | 3.2 | 3.2 | 3.3 | 3.4 |
| **11. Net lending (+)/ net borrowing (-) (9+10)** | **-20.4** | **-5.7** | **-1.9** | **0.1** | **1.5** | **2.0** |
| *11a. p.m. 11 as % of GDP* | *-9.8* | *-2.9* | *-1.1* | *0.0* | *0.8* | *1.0* |

**C1: FISCAL ACCOUNTS AND FORECAST 1/**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| | | | *Levels (in EUR billion)* | | | |
| **Total revenue** | **88.4** | **85.4** | **79.4** | **80.3** | **80.8** | **84.0** |
| Indirect taxes | 26.6 | 24.3 | 23.2 | 23.2 | 23.4 | 24.8 |
| Direct taxes | 18.0 | 19.0 | 17.5 | 19.5 | 19.8 | 20.4 |
| Social contributions | 27.4 | 26.5 | 24.8 | 24.3 | 24.8 | 26.2 |
| Sales | 5.6 | 5.8 | 4.9 | 5.0 | 5.1 | 5.3 |
| Other current resources | 5.7 | 4.7 | 4.3 | 4.1 | 4.2 | 4.4 |
| Capital transfers received | 5.0 | 4.9 | 4.7 | 4.2 | 3.5 | 3.0 |
| **Total expenditure** | **108.0** | **97.6** | **86.9** | **86.2** | **88.3** | **89.5** |
| Intermediate consumption | 9.8 | 9.5 | 9.0 | 8.0 | 7.9 | 7.9 |
| Compensation of employees | 25.9 | 24.2 | 21.7 | 21.1 | 20.8 | 20.5 |
| Social transfers other than in kind | 47.5 | 44.4 | 39.1 | 38.8 | 39.6 | 40.0 |
| Interest | 14.9 | 9.7 | 7.5 | 8.7 | 9.8 | 10.5 |
| Subsidies | 1.0 | 1.0 | 0.7 | 0.7 | 0.8 | 0.8 |
| Other current expenditure | 2.6 | 2.3 | 2.0 | 1.9 | 2.2 | 2.3 |
| Gross fixed capital formation | 3.6 | 3.5 | 3.7 | 3.6 | 3.8 | 3.8 |
| Other capital expenditure | 2.9 | 3.1 | 3.3 | 3.4 | 3.5 | 3.6 |
| *Measures to be identified* | *0.0* | *0.0* | *0.0* | *0.0* | *3.4* | *4.0* |
| *Primary balance* | *-4.7* | *-2.6* | *0.0* | *2.8* | *2.3* | *5.0* |
| **Primary balance** | **-4.698** | **-2.6** | **0.0** | **2.8** | **5.7** | **9.0** |
| **General Government balance** | **-19.6** | **-12.3** | **-7.5** | **-6.0** | **-4.1** | **-1.6** |
| | | | *% of GDP* | | | |
| **Total revenue** | **42.4** | **44.1** | **43.2** | **43.6** | **42.5** | **42.1** |
| Indirect taxes | 12.8 | 12.6 | 12.6 | 12.6 | 12.3 | 12.4 |
| Direct taxes | 8.6 | 9.8 | 9.5 | 10.6 | 10.4 | 10.2 |
| Social contributions | 13.2 | 13.7 | 13.5 | 13.2 | 13.0 | 13.1 |
| Sales | 2.7 | 3.0 | 2.7 | 2.7 | 2.7 | 2.7 |
| Other current resources | 2.7 | 2.4 | 2.3 | 2.2 | 2.2 | 2.2 |
| Capital transfers received | 2.4 | 2.5 | 2.6 | 2.3 | 1.8 | 1.5 |
| **Total expenditure** | **51.8** | **50.4** | **47.4** | **46.9** | **46.4** | **44.9** |
| Intermediate consumption | 4.7 | 4.9 | 4.9 | 4.4 | 4.2 | 4.0 |
| Compensation of employees | 12.4 | 12.5 | 11.8 | 11.5 | 10.9 | 10.3 |
| Social transfers other than in kind | 22.8 | 22.9 | 21.3 | 21.1 | 20.8 | 20.1 |
| Interest | 7.1 | 5.0 | 4.1 | 4.8 | 5.1 | 5.3 |
| Subsidies | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other current expenditure | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 1.1 |
| Gross fixed capital formation | 1.7 | 1.8 | 2.0 | 2.0 | 2.0 | 1.9 |
| Other capital expenditure 2/ | 1.4 | 1.6 | 1.8 | 1.8 | 1.8 | 1.8 |
| *Measures to be identified* | *0.0* | *0.0* | *0.0* | *0.0* | *1.8* | *2.0* |
| **Primary balance** | **-2.3** | **-1.3** | **0.0** | **1.5** | **3.0** | **4.5** |
| **General Government balance** | **-9.4** | **-6.3** | **-4.1** | **-3.3** | **-2.1** | **-0.8** |
| *Memorandum item:* | | | | | | |
| **General Government balance (ESA-95 defintion)** | *-9.5* | *-10.0* | … | … | … | … |

1/ The numbers in the table are consistent with program definitions as laid out in the technical memorandum of understanding (TMU). The main differences compared with the ESA-95 definition are the exclusion from the program definition of ANFA and SMP profit transfers, most sales of non-financial assets, and costs related to bank resolutions and recapitalisations.

**C2: GOVERNMENT DEBT**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| | | | *levels (EUR billion)* | | | |
| **Debt** | **355.2** | **303.9** | **322.2** | **322.0** | **323.3** | **322.0** |
| Change in debt | 26.6 | -51.3 | 18.3 | -0.1 | 1.3 | -1.3 |
| **Government deficit (+ is a deficit) 1/** | **19.6** | **12.3** | **7.5** | **6.0** | **4.1** | **1.5** |
| **Stock-flow adjustment** | **7.0** | **-63.5** | **10.7** | **-6.1** | **-2.8** | **-2.9** |
| | | | *% GDP* | | | |
| **Debt** | **170.3** | **156.9** | **175.5** | **175.0** | **170.0** | **161.4** |
| Change in the ratio | 22.4 | -13.5 | 18.7 | -0.5 | -5.1 | -8.6 |
| *Contributions:* | | | | | | |
| **Primary balance (+ is a deficit) 1/** | **2.3** | **1.3** | **0.0** | **-1.5** | **-3.0** | **-4.5** |
| **"Snow-ball" effect** | **16.8** | **18.0** | **12.8** | **4.3** | **-0.6** | **-2.6** |
| **Stock-flow adjustment** | **3.4** | **-32.8** | **5.8** | **-3.3** | **-1.5** | **-1.4** |

1/ The numbers in the table are consistent with program definitions as laid out in the technical memorandum of understanding (TMU). The main differences compared with the ESA-95 definition are the exclusion from the program definition of ANFA and SMP profit transfers, most sales of non-financial assets, and costs related to bank resolutions and recapitalisations.

## Annex 3: Updated programme documents

Letter of Intent

Memorandum of Understanding

a) Memorandum of Economic and Financial Policies

b) Memorandum of Understanding on Specific Economic Policy conditionality

c) Technical Memorandum of Understanding

**HELLENIC REPUBLIC**

Athens, 19 July 2013

Mr. Jeroen Dijsselbloem,
President,
Eurogroup,
Brussels.

Mr. Olli Rehn,
Vice President for Economic and Monetary Affairs and the Euro,
European Commission,
Brussels.

Mr. Mario Draghi,
President,
European Central Bank,
Frankfurt am Main.

Dear Messrs Dijsselbloem, Rehn and Draghi,

In the attached update to the Memorandum of Understanding (formed by the Memorandum of Economic and Financial Policies and the MoU on Specific Economic Policy Conditionality) we describe progress and policy steps towards meeting the objectives of the economic adjustment programme of the Greek government.

Progress under the programme and early signs that the recession has bottomed out have contributed to a significant improvement in confidence and liquidity. Fiscal consolidation continues, bond yields have declined sharply since the 2012 peak, deposits have increased, economic sentiment is improving, and several Greek companies have recently accessed markets. The external position has improved, supported by steady competitiveness gains, and the pace of job losses is now slowing. We are optimistic that the economy will return to growth next year, although significant downside risks remain.

While data to assess performance against our end-June 2013 quantitative performance criteria are not yet available, we expect to have met all targets. However, the indicative targets on privatisation receipts, transfers to the mobility scheme, and domestic arrears (despite progress) were missed. Some structural benchmarks relevant for this programme review were also missed. Against this setting, we are taking corrective steps and are adopting key reforms, including as prior actions for this review. We also remain committed to a steadfast implementation of the ambitious reform agenda that lies ahead, including by:

- **Restoring fiscal sustainability**. As prior actions for this review, we are taking policy steps to ensure that the fiscal targets for 2013–14 will be met, bring down the debt in the Renewable Energy Account, reform the income tax code and the tax procedure code to support our fiscal programme, bring the public administration reforms back on track, and advance the privatisation programme.

- **Strengthening fiscal institutions**. As prior actions, we are adopting legislation to allow the transfer of functions and staff to the revenue administration to strengthen its autonomy and improve operations, and to limit the deferral of payments arising from audit assessments only through the basic and fresh start schemes to improve collection efficiency. We are also implementing reforms that will strengthen expenditure control to help prevent accumulation of new arrears, and will mitigate long delays in payment processes to speed up clearance of existing arrears.

- **Safeguarding financial stability**. As prior actions, we are completing a comprehensive banking sector strategy centered around the core four pillar banks, and are completing the disposal of the two bridge banks under HFSF control consistent with the above strategy. The recapitalisation of our core banks is now complete, with three of these banks attracting sufficient private capital to allow them to remain under private management control. For the remaining core bank that was fully recapitalised by HFSF, we are committed to place by March 2014 a substantial equity stake with a private strategic international investor.

- **Accelerating growth-enhancing reforms**. Our structural reform agenda focuses on strengthening the investment climate and domestic competition, reducing administrative burdens, and improving the functioning of our labour market. To that end, efforts continue to open up restricted professions, remove excessive regulations in the labour market, streamline export procedures, improve the functioning of our judicial system, and advance the privatisation programme.

- **Facilitating employment creation and protecting vulnerable groups**. We are introducing employment programmes targeted at unemployed youths, and are strengthening social protection to cushion vulnerable groups from the crisis impact, including by leveraging EU structural funds.

We believe that the policies set forth in the attached memoranda are adequate to achieve the objectives under the programme and stand ready to take any measures that may become appropriate for this purpose as circumstances change. We will consult with the European Commission, the IMF and the ECB before the adoption of any such actions and in advance of revisions to the policies contained in these memoranda.

The implementation of our programme will be monitored through quantitative performance criteria and structural benchmarks as described in the attached programme documents. The quarterly reviews will assess progress in implementing the programme and reach understandings on any additional measures that may be needed to achieve its objectives.

On this basis, we request the disbursement of the amount of EUR 3.0 billion stemming out of the financing arrangements by the EFSF supporting the Second Adjustment Programme for Greece.

This letter is being copied to Ms Lagarde.

Antonis C. Samaras.

*Antonis Samaras*

Prime Minister

*Yannis Stournaras*

Minister of Finance

*George Provopoulos*

Governor of the Bank of Greece

# SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING

(Third addendum to the Memorandum of Understanding)

## BETWEEN

## THE EUROPEAN COMMISSION
## ACTING ON BEHALF
## OF THE EURO-AREA MEMBER STATES,

## AND

## THE HELLENIC REPUBLIC

**The present supplemental memorandum of understanding contains the following documents:**

(a) A memorandum of economic and financial policies;
(b) A memorandum on specific economic policy conditionality;
(c) A technical memorandum of understanding.

The memorandum of understanding may be amended upon mutual agreement of the parties in the form of an Addendum. The addendum will be an integral part of the Memorandum and will become effective upon signature.

Done in Brussels on __ July 2013 and in Athens on __ July 2013 in 3 originals in the English language.

**For the Republic of Greece,**

______________/S/_________________
*Yannis Stournaras*
Minister of Finance

____________/S/________________
*George Provopoulos*
Governor of the Bank of Greece

**For the European Commission, acting on behalf of the euro area Member States,**

_____________/S/_______________
*Olli Rehn*
Vice President of the European Commission

# Greece: Memorandum of Economic and Financial Policies

## Outlook and Strategy

1. **Macroeconomic developments remain broadly in line with program projections.** The economic situation is still difficult, with high unemployment entailing exceptionally large social costs. Domestic demand continues to be weak. However, the pace of output contraction has begun to decelerate, liquidity and confidence indicators have strengthened, and lower unit labor costs are improving cost competitiveness. There are tentative signs that exports are beginning to contribute more to the external adjustment, with strong tourism bookings so far this year. In addition, price adjustments have started to accelerate, which will help restore competitiveness and cushion the impact on household income of the recession and ongoing wage adjustment.

2. **Against this backdrop, no significant modifications are needed to the program's macroeconomic framework.** We continue to expect annual growth to turn positive in 2014, based on factors such as the recent improvement in economic sentiment and a revival of tourism. The outlook remains uncertain, however, and we will continue to monitor developments closely with a view to revise the framework, if warranted by new developments.

3. **We are fully committed to implement our program to stabilize the economy and create the foundations for growth and employment.** During this review of the program, we have particularly focused on steps to:

- **Fully implement the fiscal strategy for 2013–14.** This is key for restoring fiscal sustainability and eventually exiting the need for external assistance.

- **Modernize fiscal institutions.** We have made progress on reforming the revenue administration, aimed at making it more independent, efficient, and accountable for delivering results. We also continue to strengthen public financial management.

- **Ensure a healthy financial sector.** We have finalized the recapitalization of our core banks, strengthened the financial sector governance framework, and adopted new tools to resolve distressed household debt.

- **Strengthen competitiveness and productivity.** We continue to liberalize regulated professions and improve the business environment by removing unnecessary restrictions. We are initiating steps to further improve labor market functioning.

- **Protect vulnerable groups.** We have adopted employment creation programs targeting young workers and jobless households, are strengthening our apprenticeship programs to improve employability, and are improving the targeting of our social safety net programs to the most vulnerable groups.

## Fiscal Policy

4. **We have made significant progress since 2010 in addressing fiscal imbalances.** The adjustment has been one of the largest to date by any international comparison, with a headline primary adjustment of 9.2 percent of GDP during 2010-12. In cyclically-adjusted terms, the fiscal adjustment during this period was about 15 percent of GDP. The 2012 fiscal deficit target was met with a comfortable margin (0.2 percent of GDP). Moreover, we are taking measures to achieve primary balance in 2013. We are fully committed to complete the programmed fiscal adjustment—reaching a primary balance of 4½ percent of GDP by end-2016—to help put debt firmly on a downward path.

5. **We are taking steps to ensure full implementation of our fiscal program for 2013–14.** As a **prior action**, we will:

- Bring forward into 2013, according to the program target definition, some of the property tax collected via the public power company (PPC) by temporarily shortening the pay period for PPC of the revenues it collects in March 2014.

- Offset overspending by EOPYY to meet fiscal targets in health care for the period 2013–15 by introducing additional "claw backs" in diagnostics and private hospitals. The claw back will be supported by new structural measures in quality control and prices in the coming months. The claw back of overspending in the first 6 months of the year will be collected by September 2013. In the event that the claw back's effectiveness is not confirmed by this date, we will promptly activate contingency measures (e.g., across-the-board cut in prices, reduction in access of the insured to private providers, and/or introduction of entry fees on contractual arrangements) which ensure that an equivalent amount of savings is obtained. We are setting up an early warning monitoring system to identify slippages and gaps in the healthcare sector so as to facilitate prompt corrective actions going forward.

- Complete the signatures on the Memorandum of Understanding with the Greek merchant fleet which, together with the tonnage tax, will ensure €140 million accrued in annual revenue in 2013–15.

- Bring forward to August 1, 2013 through legislation the luxury tax on cars, swimming pools, and airplanes. By end August 2013, we will also introduce a docking fee on leisure boats effective October 1, 2013.

- Pass legislation to limit the use of untaxed reserve accounts for capital gains by 2015, so as to raise revenue of at least €50 million in 2014.

6. **To support our fiscal program and improve the efficiency of our tax system, and in consultation with EC/ECB/IMF staff, we will pass legislation to reform our income tax code and submit to parliament a new tax procedure code, as a prior action.**

- We will pass legislation to introduce a new income tax code. The core objectives of the income tax reform are to simplify the existing tax regime, increase transparency, and remove ambiguities. The reform will be revenue neutral. However, a simplified and more transparent income tax legislation will allow easier administration, and over time encourage tax compliance and ensure more robust revenue collection. The new income tax code will provide for a capital gains tax—including on real estate—of 15 percent. It will also reduce filing requirements, consolidate cross-border merger and reorganization provisions, introduce some provisions to combat (international) tax avoidance, and extend the alternative minimum (presumptive) taxation. Further, by end-September 2013, we will amend legislation to consolidate domestic merger and reorganization provisions into the income tax code and will review further and amend as necessary the provisions concerning withholding of employment income and the advance payment of business taxes, as well as provisions necessary to ensure consistency between the ITC and TPC. And, by end-October 2013, we will adopt all necessary secondary legislation to support timely implementation of the code.

- We will submit to parliament for adoption by late July 2013, a new tax procedures code (TPC) to consolidate and streamline provisions existing in current legislation and fill legislative gaps in the enforcement of collection methods, mandatory data provision to the tax authorities, interest and penalties, internal review procedures, as well as procedures to combat (international) tax avoidance. To ensure that the TPC will be fully implemented by January 2014, we will complete the following interim actions: (i) by end-July, establish a working group to implement the TPC; (ii) by mid-August, develop a project plan for TPC implementation; and (iii) by end-October, as a **structural benchmark**, adopt all highest priority secondary legislation necessary to support implementation. By end-October, we will also legislate any changes necessary to modernize the Code of Public Revenue Collection and ensure full compatibility with the TPC reform.

**7. We are seeking to introduce a new unified property tax as of January 2014 to replace the PPC levy and FAP**:

- We will establish a working group in July consisting of staff of the revenue department of the MoF, GAO, and the GSPR with a mandate to develop a framework for the new property tax and identify needed actions to ensure adequate collection of the new tax.

- We have agreed, in consultation with the EC/ECB/IMF staff, on the broad parameters of the framework, including: (i) the definition of the tax base; (ii) broadening the coverage of the tax base to include commercial, industrial and agricultural land and buildings; (iii) the distribution of tax burden across different types of property (residential vs. commercial, and industrial); (iv) only exemptions (focused on hardship cases) that are mutually agreed and clear progressivity; (v) taxing individual properties rather than aggregate holdings by individuals or holdings of property rights; (vi) the taxes to be unified within the new real estate tax (FAP and PPC tax); and (vii) revenue neutrality of the reforms relative to the programmed revenue, net of exemptions, of €2.7 billion (or of €2.9 billion should it be decided to reduce significantly or eliminate the property transaction tax). We have agreed to broaden the tax base, and set the rates consistent with the agreed burden sharing to deliver adequate collections in line with the programmed target.

- We started the collection of updated comprehensive information on taxpayers' land and real estate assets (form E9), and will complete this process by end-September 2013. We have also adopted legislation to ensure the availability of cadastral information to tax authorities for information cross-checks.

- We will issue by end-August a time-bound action plan that identifies immediate steps and resources needed to improve property tax collection rates.

- As a **structural benchmark** for end-September 2013, we will adopt legislation on the new property tax for 2014 in accordance with the agreed framework, allowing property rights to be taxed on a transitional basis until end-2014. The new property tax regime for 2014 will be calibrated to collect the programmed revenue, net of exemptions, of €2.7 billion to replace FAP and the PPC tax (or of €2.9 billion should it be decided to reduce significantly or eliminate the property transaction tax). However, since it is an ambitious undertaking to implement a new property tax in a short time frame, if it proves impossible to implement with a very high degree of certainty the new property tax regime that achieves the programmed revenue in 2014, based on an assessment undertaken jointly with EC/ECB/IMF staff, we will take all necessary actions (including the extension of already legislated measures) to compensate.

- Over time, we will fully align property assessment values with market values. To this end, we will develop by end December 2013 a medium-term reform plan that outlines actions needed: (i) by January 2015, to adjust the zone prices to reflect more accurately real estate market conditions and to change the tax subject (individual properties rather than aggregate holdings by individuals or holdings of property rights); and (ii) by January 2016, to align the property assessment values with market values.

**8. To improve transparency and fiscal control, we will rationalize existing tax incentives, which are disbursed across different legislative documents.** These incentives will be consolidated into the new income tax code by end-September via an amendment. The reforms will replace existing tax incentives with standard tax incentives such as an investment allowance, an investment tax credit, and an accelerated depreciation deduction. We will quantify tax incentives provided as tax expenditures under the new law and record them as budget allocations starting with the 2014 budget to enhance transparency and control revenue losses.

**9. To prevent the accumulation of debt in the renewable energy account (RES) and restructure the electricity market, we are undertaking the following reforms.** As a **prior action,** following the recommendation of RAE, we are increasing the RES Special Levy from the current average of €9.30 per MwH to €14.96 per MwH, and have fully liberalized all end-user tariffs as provided by law. Now we will monitor developments closely, including the number of new producers in the renewable energy market, to ensure that the RES deficit remains in line with targets, and adjust the Renewable Energy Special Levy every six months, as necessary, to eliminate the debt in the RES Account by end-2014. Starting from end-June 2013, we will provide EC, ECB, and IMF staff with monthly tables on the stock of arrears. The

Government Cabinet will approve in July the PPC restructuring and privatization plan, including the timeline to complete the process by Q1-2016.

**10. To meet our medium-term fiscal targets, we have started preparation of the medium-term fiscal strategy for 2014–17**. We are identifying necessary measures to close projected gaps in 2015-16. This would include a review of social security contributions, with a view to eliminating exemptions, starting 2014. We will have a preliminary draft MTFS in early September.

**11. We are committed to public administration reform.** This is necessary to build a more effective civil service and support our medium-term fiscal targets. This is an area where we have fallen well behind schedule, and we are taking decisive steps to catch up.

- To this end, consistent with our program commitments, we estimate that we have met our end-September targets on mandatory exits. In fact, we have expanded our reform program to facilitate reallocation of staff to where they are needed most, for instance, by transferring teachers from secondary to primary education by end August. We will also address the problem of contractual staff in judicial litigation to obtain permanent positions. These were not part of the program before.

- We are undertaking the following efforts within the existing framework of the mobility and exit schemes and staffing plans:

- As a **prior action**, we will issue all necessary legal acts so as to place at least 4,200 ordinary employees in the mobility scheme by end-July. We will complete shifting at least 12,500 ordinary employees to the scheme by end-September and at least another 12,500 ordinary employees to the mobility scheme by end-December 2013. Consistency of the mobility targets with the exit targets will imply that a substantial fraction of those in the scheme would exit. Employees placed in the mobility scheme will have their wages cut to 75 percent. They will be assessed, within a centrally-defined evaluation framework to be established by end-September, before reallocation to new positions or exit (if they fail to be reallocated).

- We have established minimum monthly targets on the number of people who will be continuously in the mobility scheme until they exit from the public sector (TMU ¶25). We will begin with a significant upfront transfer of 2,000 ordinary employees into the mobility scheme destined for eventual exit. For any additional employee that exits from other sources, the numbers will be reduced accordingly, but only after the cumulative exit target for Q1 2014 has been met.

- Given implementation delays to date and to meet exit targets for early next year, we will change the legislation on the mobility scheme to reduce the time spent in the scheme from 12 months to 8 months. Consequently, we will front load the exit targets for the second half of 2014 (TMU ¶25), and will maintain the programmed definition for exits. To support the end-2013 cumulative exit target of 4000, we will accelerate our efforts in addressing the disciplinary cases and further evaluating other entities.

- We are committed to establish a permanent tool for personnel reallocation to enhance the human resources management. To this end, we will establish quarterly minimum targets for the mobility scheme for 2014 in September 2013. The Government will hire one new employee for each exit as a result of (i) disciplinary cases; (ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment; (iii) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (iv) the elapse of an 8-month period in the mobility scheme.

- While there has been a delay in preparing staffing plans, we will complete 400,000 positions by end-September, and accelerate completion to maintain the year-end deadline for general government. We are also working on developing a staff assessment system. By end-August 2013, we will define detailed hiring plans for 2013 that reflect government priorities, and prepare a staffing and hiring plan to be included in the budget for 2014. By end-September, we will bring all employees into the Census Database and the Single Payment Authority, to complete our monitoring framework for government employment and the wage bill.

- Finally, as of July 2013, we have begun publishing on the government website detailed monthly data on ordinary staff (full-time public sector employees) and other staff (contractual employees, political appointees, etc.), the number of employees in the mobility scheme, the number of exits, and the number of pending disciplinary cases.

**12. We are taking steps to expand employment and training programs and to improve targeting of our social safety net**:

- **Employment and training programs**. We have launched the youth internship and employment voucher program that supports six-month vocational training and internships for 45,000 beneficiaries (see ¶14 of the May 20, 2013 MEFP for a description of the program). We plan to announce later in 2013 a social community work program that targets about 50,000 individuals from jobless households, for which we are seeking dedicated financing from EU structural funds. Finally, we plan to increase the number of entrants into apprenticeship and vocational training programs, while seeking to strengthen the quality of such education through curricula improvements and ensuring better coordination between businesses and the apprenticeship professional schools.

- **Social protection**. We are launching a Health Voucher Program that will provide 100,000 long-term uninsured citizens with access to primary healthcare services and, with funding from the European Social Fund, we plan to extend the program to more beneficiaries while expanding the coverage of healthcare services. We will start making payments in July on the new child benefit law. Preparations are underway for implementing the income-tested program that targets long-term unemployed (to start no later than 2014). We are also undertaking a wide-ranging review of the effectiveness of our income support programs in targeting the truly needy. To that end, with assistance from the World Bank, we intend to launch as a high priority a pilot means-tested income support program (minimum guaranteed income) by January 2014, and aim to roll it out nationally by 2015. Further, we seek to fill any other gaps in our social safety nets that become apparent, within the overall existing budget envelope.

# Fiscal Institutional Reforms

## Revenue administration

**13. We are bolstering the autonomy of the revenue administration and moving forward with organizational reforms.** With the passage of legislation in May, we have provided greater flexibility to the Secretary General of Public Revenue (SGPR) over budget allocation and organizational structure and for hiring and grading SGPR staff. Implementation of this legislation is advancing:

- We are proceeding with plans to integrate into the Revenue Administration the Internal Affairs Department (IAD) of the MoF and the revenue-related functions of the General Secretariat for Information Services (GSIS) and the Corp for the Prosecution of Economic Crimes (SDOE). Specifically, as a **prior action**, we have issued ministerial decisions for the transfer of the IAD and the Directorates for Computer Applications (excluding the sections for Budget and Public Expenditure, Payroll, and Pensions) and for Computer Data Entry and Control of the GSIS. These ministerial decisions allow us to transfer all functions, staff, and budget allocations of the relevant units to the revenue administration.

- We have established a new Strategic Planning and Financial Control Directorate, which will manage the budget of the revenue administration starting with the preparation of the SGPR's 2014 budget, support the SGPR in project management, and monitor progress with reform and KPI implementation. By September 2013, we will have staffed the Directorate to make it fully functional.

- By end-July, we will identify the functions and staff of the SDOE that will be transferred to the revenue administration by October 2013 (TMU ¶28).

- We are screening the legislation relevant for identifying the remaining constraints to the delegation of powers to SGPR, and in early-August, we will issue a report proposing solutions and, by end-September, will adopt amending legislation.

- We have selected a 5-member Advisory Council to the SGPR, which comprises 3 domestic experts and 2 high-level external experts with significant international experience in carrying out revenue administration reforms. The first meeting of the Advisory Council will be held before the end of July, and a regular bi-monthly schedule of meetings has been established for the first year.

- To ensure timely and complete implementation of upcoming reforms, we have hired an external consultant to advise us on the project management of organizational reforms. We have prepared a timeline for the completion of the October structural benchmark that requires approval of the new organizational structure, staffing numbers, grading system, and qualification and appointment processes of the revenue administration. We have prepared a strategic plan, and by end-October, we will also prepare a 2014-15 business plan for the revenue administration.

**14. We are committed to strengthening Anti Money Laundering (AML) procedures to bolster tax compliance and fight evasion**. To take full advantage of the existing AML legislation, we will amend it by July 2013 to (i) ensure that the General Secretariat of Public Revenues (GSPR) is represented at the Board of the financial Intelligence Unit (FIU); (ii) enable the GSPR to obtain from the FIU information relevant to individual tax audits and debt collection cases; (iii) require that information on relevant cases of failure to pay confirmed debt over €50,000 be transmitted to the FIU (for purposes of implementing the AML law); and (iv) require the FIU to promptly inform the GSPR when assets are frozen in relation to the laundering of proceeds of tax crimes.

**15. We are continuing to improve the efficiency of revenue administration.**

- **Audit**. We have appointed new management and an adequate number of supervisors at the high-wealth individuals (HWI) audit center unit, which will help speed up the assignment of tasks and monitoring of work progress. We have issued audit orders on more than 250 capital remittance cases, and we will issue by end-September audit reports on more than 15 cases based on indirect audit methods.

- **Debt collection**. We started a reorganization of the Large Debtor Unit (LDU) to focus its work on collectable debt. To this end, we have issued a circular specifying the criteria to determine fresh debt and have assigned 30 staff to the collection of fresh debt. Finally, we have adopted legislation for the creation of an indirect bank account register that by early August will start providing authorized revenue administration personnel access to information about bank accounts held by taxpayers. We have appointed a project manager and initial staffing of a new internal review unit. The aim is to have this unit established and operational by end-August.

- **Collection efficiency**. Collection efforts still need to be strengthened. To this end, as a **prior action**, we will submit (for adoption by late July) the legislation to close effective August 1, 2013 for new entrants any installment or deferred arrangements for payment liabilities arising from audit assessments other than entry into the fresh start and basic installment schemes. We have amended Law 3888/2010, as of January 2013, to ensure that taxpayers cannot avoid an audit by requesting a settlement from the moment when the taxpayer was selected for audit to the completion of an audit by the issuance of the audit report and tax assessment. This will ensure that all indications of substantial undeclared income must be examined during the course of the audit. To ensure that the suspension of the payment obligation for disputed tax amounts from pending court cases is only granted in cases of financial hardship, we have issued the joint MoF/MoJ decision required according to Article 203 of the Administrative Procedures Code, amended by Law 4051/2012. Going forward, we will abstain from extending the deadlines for the filing and payment of taxes. In addition, we will publish every December the schedule for the following year for filing and payment of all taxes and levies for the state government and social budgets.

- **Personnel management**. By end-July, we will complete the external hiring of 186 auditors. To ensure that the number of such hires reaches our target of 200 by end-October, we will revise Law 4038/2012 to provide that short-listed candidates who were not selected are put on a waiting list to substitute for selected candidates who did not accept their job offers. We have also completed the certification of 2,000 internally selected auditors, and by early September will appoint a team of full-time trainers who will complete the basic audit training of all these auditors and the new external hires by mid-2014.

- **VAT refunds**. To speed up the processing of tax refund claims, by end-September 2013, we will adopt legislation introducing a 90-day deadline for VAT refund payments and a 90-day deadline for income tax refund payments. By end-September 2013, we will (i) optimize the VAT refund risk analysis system; and (ii) issue a circular guiding VAT refund audits by local tax offices. By end-September 2013, we will also introduce a risk analysis system for processing income tax refunds, including by prioritizing the largest refund claims.

**16. The new tax and SSC installment schemes have been launched.** For the processing and verification of applications for the tax installment schemes, we have assigned additional staff to collection in the largest tax offices. We are introducing an electronic application system for tax installments, and will start collection before end-July. An electronic application system for SSC installment arrangements has been introduced by IKA and OAEE, and this process for remaining SSFs will be completed by end-2013. To monitor performance of the fresh start and basic installment schemes, we have developed a set of indicators (TMU ¶29), which will be published monthly.

**17. We are undertaking initiatives to improve collection of social security contributions.** We will adopt by end-July legislation to establish the organization of a new joint collection center for SSC debt (KEAO). Following adoption of this legislation, by end-August 2013 we will assign 200 staff to KEAO, and by end-2013 complete the assignment and external recruitment of 400 additional recovery officers to boost its debt recovery capacity. In August, we will adopt secondary legislation to establish a procedure to quarantine uncollectable debt, create a single SSC debt database, and transfer €4.2 billion of SSC collectable debt to KEAO. To improve SSC collection, we have introduced key performance indicators for enforcement and collection of current obligations and arrears (TMU ¶31).

**18. Information on June 2013 KPIs on tax administration is not yet available, but shortfalls are very likely, and we have taken remedial actions** (Table 5). Shortfalls are likely to be significant in debt collection and collection of assessed amounts, as well as on audits of assets of managers of local tax offices and auditors. Measures described in ¶15 above on collection efficiency will address slippages in the collection rate indicators. Furthermore, we have requested access to bank information to complete the audits of assets of managers of local tax offices and of auditors and by end-July will complete 35 cases for which such information has been provided. We expect that all cases will be completed by mid-August after the integration of the IAD in the revenue administration. The weakening of the number of audits at the HWI unit and of the full-scope LTU audits immediately after the appointment of new supervisory teams requires close monitoring. Therefore, we have set targets for these indicators for end-September 2013 (**structural benchmark**).

***Public financial management***

**19. General Directorates for Financial Services (GDFS) are now operating in most line ministries and commitment controls have been strengthened.**

- **GDFS.** The recently issued joint ministerial decisions clarified the organizational structure of the GDFS and cleared the way for preparing staffing plans for the units. We will pass by end-July 2013 legislation to establish permanent procedures for the appointment of accounting officers in the context of the reorganization of the ministries expected in September 2013. In the meantime, vacant accounting officers' positions will be filled with temporary acting appointments.

- **Commitment registers.** We have issued a circular requesting all General Government entities to send to GAO queries they have concerning reporting requirements on the commitment registers by end-July. By end-September, we will send an interpretive circular responding to these queries with a view to eliminating discrepancies in reporting between commitment registers and surveys. We have issued a circular to suspend state transfer payments starting in October 2013 for those entities—having more than €1 million in spending—that do not report on commitment registries. In the context of the revision of the organic budget law, we will amend the legislation (Law 3871/2010) to introduce further penalty procedures to General Government entities that fail to provide timely reporting to GAO.

**20. We continue to strengthen the budget process.** To start the new budget preparation cycle, we have issued to line ministries a circular and a budget preparation timeline to guide completion of the 2014–17 medium-term fiscal strategy by October 1, 2013. We have established a working group to prepare the planned amendments to the organic budget law and explore the scope for further strengthening the budget process (see MEFP of May 20, 2013, first bullet of ¶9), and will adopt these amendments by end-October 2013. We will issue by end-July a Joint Ministerial Decision establishing a common methodology for the preparation and adoption of local government budgets to prevent delays and ensure consistency with the MTFS targets. We have set financial targets for the 12 reclassified state-owned enterprises (SOEs) and have published their budget execution for the first quarter of 2013 relative to those targets. We have also published the budget execution for the first quarter of 2013 relative to their targets of 27 Legal Entities with expenditure over €20 million.

**21. We are addressing institutional shortcomings that continue to cause delays in payment processes and in clearance of arrears.**

- We have issued a joint ministerial decision instructing fiscal audit offices to process all payment requests within 20 days, and set deadlines for each stage of the payment process.

- We have adopted legislation to move responsibility for payment execution from tax offices to fiscal audit offices and by end-September we will submit to the Council of

State a Presidential Decree with the new administrative processes needed to implement this reform by January 2014. By end-October, we will (i) make necessary changes to our IT and administrative processes so that payment orders and accompanying documentation can be authorized electronically and that fiscal audit offices are in a position to execute payments on a pilot basis starting in November, and (ii) put in place statistical reports to enable follow-up on progress

- By end October, we will prepare a medium-term action plan for meeting the requirement of the Late Payment Directive that will include: (i) an analysis of the IT system; (ii) a review of the legal framework on payment processes with a view to simplify it considerably, and ensure that line ministries are fully versed in the documentation that needs to accompany each payment request; and (iii) standardized thresholds above which different level of approval are required across all line ministries.

- By end-December, the Hellenic Court of Auditors (HCA) and GAO will produce a joint note on the role and scope for streamlining of the HCA's ex ante audits in financial control following the review of the effectiveness of the HCA's ex-post audit pilot scheme expected in November with the assistance of the Dutch Court of Audit.

- We have appointed teams to conduct by end-August focused audits of the commitment registers of SSFs comprising EOPYY, starting with IKA, OPAD, OAEE, TAYTEKO, and ETAA. These audits will help identify key issues that will form the terms of reference for a subsequent comprehensive external audit of EOPYY's outstanding liabilities.

**22. Measures are underway to strengthen the reporting requirements of general government entities of systemic importance.** To ensure consistent monitoring of targets in the SSFs sector, we will require pension and employment funds, EOPYY, and hospitals to provide monthly reports in accordance with reporting templates agreed with GAO. These templates will enhance transparency of the social budget by covering monthly cash outturns, accounts receivable and payable, and arrears. The provision of data to GAO will take place within three weeks of the completion of the month, and it will start by October 2013. To improve the internal consistency of the medium-term budget forecast, we will pursue the examination of the existing forecasting and accounting procedures and further take any necessary action, which will enable us to begin reporting projected state transfers to each subsector as separate items in line with the templates agreed with GAO.

**23. The numbers for the June KPI targets are not yet available, but we expect them to have been met** (Table 6). For May, 91 percent of general government entities reported their arrears through the e-portal and 77 percent reported a comprehensive set of information from their commitment registers (compared to a June floor of 80 and 65 percent, respectively) with a discrepancy of less than 2 percent (compared to a June ceiling of 10 percent). We have also set targets for these indicators for end-September 2013 (**structural benchmark**).

## Financial Sector Policies

**24. The recapitalization and consolidation of the banking sector is in its final stages:**

- The recapitalization of the four core banks is now complete. Three banks raised the minimum 10 percent in private sector capital required to remain under private sector control. A fourth core bank is under the control of the HFSF. The banks have conducted another round of liability management exercises, leading to an increase in Core Tier I capital of €585 million for the four core banks.

- We invited international and domestic bids for the sale of the two bridge banks. This disposal will be completed as a prior action. The decision on the transactions will take into consideration the public interest, financial stability, as well as the protection of HFSF assets.

- The two remaining undercapitalized non-core banks were given an extended deadline to raise their entire capital needs from private sources. One bank managed to raise adequate private capital. The second bank has until July 26 to complete this process; and if unsuccessful, we will immediately proceed with its resolution through a purchase and assumption by a core bank.

- We will develop the implementation plan for rationalizing the cooperative sector, including Panellenia Bank, as part of our comprehensive banking sector strategy. By end September, we will take the legal and regulatory steps necessary to implement the strategy for the cooperative sector, taking into account the findings of the BoG report "Assessment of the Greek Cooperative Banking Sector" (February 2013).

- We will undertake to place a substantial equity stake in Eurobank to a privately owned strategic international investor by end-March 2014. To this end, we will contract consultants by end-August 2013, develop an evaluation metric for potential investors by mid-October 2013, and allow them to start the due diligence process no later than end-November 2013. We will also structure this placement with a view to incentivize participation of investors who want to obtain a majority stake in the future.

**25. We will complete a comprehensive banking sector strategy as a prior action**, in consultation with the EC/ECB/IMF. The strategy provides a roadmap of policies needed to safeguard financial stability and ensure that the sector is competitive and well-placed to maintain a flow of financing to the real economy to support the recovery. We are committed to a four-pillar banking sector while we own a majority stake in the core banks. Therefore, the strategy is built around four core banks run on a purely commercial basis, with no role for directed lending or credit targets. It will propose a path for the prompt disposal of HFSF shares to the private sector in accordance with the existing legal framework. Now that the recapitalization of the four core banks is complete, we will review by end-September 2013 the functioning of the HFSF, in cooperation with the EC/ECB/IMF staff. Any adaptation will take into consideration its evolving tasks, in line with the program and the long-term interests of the banking sector and taxpayers.

**26. Preparations for the supervisory stress test and the distressed credit operations review are well underway.** We have established a timeline and the modalities of the stress test to be completed by end year, including objectives, scope and output, with our counterparts from the EC/ECB/IMF. The exercise will be overseen by a steering committee comprised of representatives from the BoG, EC, ECB, IMF, and EBA. We have engaged a consultant to conduct the asset quality review, with an interim deadline of completion by end October 2013. The distressed credit operations review is scheduled to be completed by end-September 2013.

**27. We will take no fiscal policy actions that would undermine the solvency of banks.** In particular, the banks will not be required to pay any dividends on preference shares, or fees or taxes in lieu of this, unless they have distributable profits (excluding profits from acquisitions and selling of subsidiaries abroad), and the BoG has given its consent, confirming that such a payment would be compatible with the preservation of adequate capital buffers going forward.

**28. We are committed to preserve sufficient banking system liquidity in line with Eurosystem rules.** The BoG, following the procedures and rules of the Eurosystem, stands ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner, if needed. Over the medium term, banks are expected to achieve a sustainable funding model by broadening their funding base and reducing their reliance on extraordinary central bank liquidity support and government guarantees. To this end, after completion of the recapitalization exercise, the BoG will request banks to provide standardized quarterly balance sheet forecasts (funding plans). These plans will serve as a tool for the BoG and the ECB to monitor this process and assess, in cooperation with the EC and IMF, whether the banks' plans are at the aggregate level consistent with the program's macroeconomic framework.

**29. We continue to improve the management of assets under liquidation.** We have made significant progress in enhancing the legal, as well as the regulatory and operational frameworks governing assets under liquidation. The new legislation and regulatory framework provide us with additional tools to deal with these assets, including options to employ liquidation entities and restructuring tools. On an operational level, we have outsourced, in certain cases, asset recovery to collection companies with significant improvement in results. To ensure an effective utilization of our enhanced tools, we will develop, by end-July, an implementation plan outlining further steps to improve collections and establish targets.

**30. We have made significant progress in strengthening bank governance.** The Relationship Framework Agreements between the HFSF and the core banks have been approved by the HFSF's General Council, signed by the parties, and published. The core banks are implementing the recommendations of the monitoring trustees contained in their first quarterly reports. We have initiated a review of our supervisory model to bring it in line with international best practices and consistent with the Single Supervisory Mechanism guidance, we have started with the sanctioning toolkit, and aim to complete this process by end-2013. Further, Law 3864/2010 will be amended so that all decisions of the General Council and the Executive Board are meant to be in accordance with the HFSF's mandate, if taken in accordance with the law and with a view to protecting the public interest, in particular the financial stability, in accordance with the commitments of the Hellenic Republic set out in Law 4046/2012 (FEK A 28), as these commitments are updated from time to time in accordance with paragraph 5 of the same law.

**31. We have adopted and enhanced tools to resolve distressed household debt.** The "Facilitation Program" has been adopted by Parliament, and the necessary regulations to implement it will be put in place by end-August 2013. The amendments to Law 3869/2010 aimed at encouraging out of court settlements for distressed household debt (such as allowing for a decision on an out-of-court settlement to be adopted by a specific majority of creditors, and introducing minimum debt payments in the period between filing of a petition and the court hearing) have also been adopted by Parliament. Further, by end-September 2013, we will adopt definitions for terms such as "acceptable living expenses" and "cooperative borrowers," as guidance for the judiciary and banks, with a view to protect vulnerable households.

**32. We will continue monitoring closely the resolution of distressed debts for households, SMEs, and corporates.** Building on the significant achievements toward reforming insolvency regimes, further steps will be taken in order to deal with the private sector debt overhang, and to stem the rise of NPLs—factors that have contributed to the stifling of credit to the real economy:

- We are establishing a working group to identify ways to improve the effectiveness of debt resolution processes for households, SMEs, and corporates. We will by end-July 2013, in consultation with EC/ECB/IMF staff, identify key bottlenecks and, by end-October 2013, with their technical assistance, propose concrete steps for enhancements in this area.

- Using the review of banks' distressed credit operations as input, the BoG will issue, by end-2013 and in consultation with banks and EC/ECB/IMF staff, a time-bound framework for banks to facilitate settlement of borrower arrears using standardized protocols. These include assessment procedures, engagement rules, defined timelines, and termination strategies. In addition, the BoG will require banks to present, by mid-September 2013, a strategy for improving their distressed credit operations (e.g., by strengthening internal arrears management units, and contracting external work-out specialists) and, by end-November 2013, submit a comprehensive operational plan that will address the shortfalls identified in the review. While we will refrain from adopting new or modifying existing debt restructuring schemes, we will undertake the first assessment of the effectiveness of the Facilitation Program within six months of launch.

**33. The government intends to establish the Institution for Growth (IfG), a non-bank financial institution, to support innovation and growth by catalyzing private sector financing, especially for SMEs, while minimizing fiscal risks.** The IfG will use its expertise and that of its sponsors, as well as funding ability and will operate to ensure a sustainable fund, while supporting public policy objectives. The ongoing deleveraging by banks has exacerbated the economic contraction and curtailed access to credit, especially for

SMEs. The IfG will: (i) provide debt financing for SMEs; (ii) provide equity capital to SMEs having significant growth potential, and to private equity and venture funds; (iii) provide debt or equity financing for infrastructure projects; (iv) where it provides debt financing, make such loans available only under co-financing arrangements with a significant participation by commercial or cooperative banks; (v) lend and invest at market terms; (vi) not accept deposits; (vii) not accept capital contributions or other financing from domestic financial institutions owned or controlled by the public sector, including HFSF; and (viii) limit any guarantees to a level not exceeding the Hellenic Republic's (HR's) capital subscription. The HR will seek to become a minority shareholder eventually, with its own capital contribution limited to €350 million over the next three years. Shareholders other than the HR will have to agree on the appointment of the management of the IfG. The IfG board will have a strong international presence to ensure a high degree of independence. Finally, overlapping functions between ETEAN and IfG will be avoided, and some of these functions may be performed by the IfG upon an HR request and subject to IfG investor's approval.

## Structural Reforms

**34. We are advancing the liberalization of regulated professions and will assess the implementation to ensure that what has been completed so far is delivering the desired results.**

- We will adopt a new Code of Lawyers by end-July, which eliminates unjustified restrictions on legal services and aligns our legal framework with international best practice. We have issued implementing legislation to complete the liberalization of a number of professions, including certified auditors and actuaries (TMU ¶39). With these steps, the remaining list of regulated professions from the end-2012 structural benchmark has now been addressed, except for firms trading petroleum, geo-technicians, chartered valuers and electricians (for which the implementing ministerial decision will be issued at the latest by end-September 2013) and engineers. On the latter, we have already identified the reserved activities for all engineering specialties. With HCC assistance, we will determine areas where reserved activities for such specialties are justified from the public interest perspective, and remove all excessive restrictions by end-2013.

- Continuous monitoring of regulated professions is key to ensure their de facto liberalization. To that end, we have tasked KEPE to complete by end-July 2013 a study on the degree of effective liberalization of 20 economically important professions, including a review of new entries and exits and price changes. We are committed to act promptly, no later than end-September, to address any remaining excessive restrictions identified. Moreover, given the ongoing reforms in this area, the time needed for legislative changes to deliver their intended effect, and the possible persistence of unidentified legal or regulatory restrictions, we will conduct by end-2013 an in-depth follow-up review of the reforms of regulated professions, including interviews and surveys of stakeholders, with the support of outside experts. Finally, the monitoring unit for regulated professions at the Ministry of Finance will, in consultation with the EC/ECB/IMF staff, develop a list of high-frequency indicators by

October 2013 to assess on an ongoing basis the impact of reforms in this area, and publish these indicators on a regular basis to strengthen public accountability.

**35. Promoting competition and reducing the administrative burden are an ongoing priority.**

- In the **retail sector**, to increase competition for over-the-counter products sold in pharmacies, we have replaced the previous system of fixed margins with maximum ones. By end-September 2013, we will allow the sale of selected products outside of pharmacies. We will adopt by end-July a new law to remove restrictions on discounts and increase the flexibility of retailers' opening days. In the **rental sector**, we have created a working group to complete by end-August a review of the current regime for commercial rentals, and will adopt legislation to address existing rigidities by end-September 2013. In the **transportation sector**, we will liberalize long-distance bus transportation services (adopt legislation to open lines for competition, and streamline mandatory discounts) (August 2013), we have rationalized mandatory discounts for ferry tickets and will further increase the flexibility for ferry transportation (October 2013), and streamline public service obligations (PSO) for regional flights to bring down costs (i.e., reducing frequency in the winter and removing PSO in the tourist season when existing contracts expire) (October 2013).

- To **reduce unnecessary regulatory and administrative burdens**, with OECD assistance we are conducting two separate in-depth studies: on regulatory barriers to competition in four key sectors (tourism, retail, building materials, and food processing), and on administrative burdens in thirteen sectors. An initial screening of legislation under both studies has identified a number of areas that need attention. We are committed to adopt by end-2013 legislation to implement the specific recommendations for the first study.

- To **facilitate trade,** by end-July 2013, we will expand to imports the 24/7 working shifts in the Athens airport and the two shifts in the Piraeus port, which are already in place for exports. In addition, by end-November 2013, we will introduce an electronic submission system for all import declarations. With assistance from the World Customs Organization, we will assess the results of pilot customs offices in Athens airport and Piraeus port, including the effectiveness of the risk-based system for the release of export consignments (by end-2013), adopts the optimized procedures in the Athens airport and Piraeus port custom offices by January 2014, and extend these procedures fully nation-wide by end-2014.

- To **facilitate investment,** by end-2013 we will pass legislation to comprehensively streamline the system of investment licenses and permits (operational, environmental, land use and use of public infrastructure licenses) by reducing their number, the approval time and procedures (one stop shop, certification by independent bodies) in line with international best practices. In parallel, we will also establish a tracking system to monitor implementation and ensure accountability.

- To **reduce the costs of doing business**, we will eliminate or transfer nuisance taxes and levies (and the associated spending) to the state budget (September 2013 structural benchmark). Further, we will adopt legislation to reform the system of social security contributions to reduce the rates by 3.9 percentage points. These will be phased in on January 1, in 2014, 2015, and 2016, and will be revenue neutral and preserve the actuarial balance of the various funds (November 2013 structural benchmark).

**36. We will build on our success in liberalizing labor markets by focusing on remaining areas where excessive restrictions remain.** Excessive rigidities remain in some areas, notwithstanding the steps taken under the program. In addition, some sectors (such as maritime and private education) have been shielded from labor market reforms. Against this background, and consistent with existing program commitments, we will take the following actions:

- We have issued a ministerial decision to clarify that individual labor agreements are allowed in the maritime sector when the sectoral collective agreement has expired, and we have issued a circular to clarify that law 4046/2012 on severance payments and Cabinet Act (FEK 38/28-2-2012) on dismissals apply to the private education sector.

- By mid-July, 2013, we will adopt a law to establish a new minimum wage mechanism so that the statutory minimum wage and minimum daily wages are set by the government, consistent with our commitments outlined in the MEFP of December 21, 2012.

- To attract investment, support job creation and growth, and safeguard the right to work, we will complete a study for discussion at the next review, comparing Greece's regulations on temporary employment, scope of temporary employment agencies, and collective dismissal rules and procedures with those in other EU member states. Drawing on this review, we intend to identify any appropriate reforms needed to bring our legal and regulatory framework in these areas into line with EU best practices. On this basis, we will prepare, in consultation with social partners, a draft set of reforms by end-November and implement such reforms by end-2013.

- Looking forward, to reduce the administrative burden on businesses we will significantly streamline labor reporting requirements by end-September, following a comprehensive review to be completed by end-July. In the context of this work we will adjust sanctions for violations of labor law by end-July, by better linking punishments to the severity of violations, and will focus detection on more severe cases. Finally, in light of the many recent labor reforms introduced during the program, we will compile a Labor Code by end-2013, which will eliminate possible inconsistencies and increase transparency.

- By end-October 2013, we will assess, in consultation with stakeholders, the impact of recent labor reforms in the maritime sector, and adopt further steps to strengthen its competitiveness, including by increasing the flexibility of labor arrangements.

**37. We have made further progress on judicial reforms and have strengthened our anti-corruption framework:**

- **Judicial reform.** We have continued to reduce the case backlog (both tax and non-tax), and are publishing quarterly data on court performance. To further improve the efficiency of our court system, we will (i) by end-July 2013, present to the EC/IMF/ECB staff an assessment of the operation of magistrates' courts; (ii) by end-September 2013, reallocate judges to the administrative courts, having in mind the backlog reduction needs, and adopt an action plan to reduce civil and commercial case backlogs; (iii) by end-October 2013, undertake an analysis of court fees for civil and commercial cases; and (iv) by end-December 2013, undertake an analysis of the enforcement framework for civil and commercial decisions. However, our preparation of amendments to the Code of Civil Procedure has been delayed and will now be presented to EC/ECB/IMF staff by end-September 2013.

- **Anti-Corruption.** Following up on our publication of an anti-corruption plan, we will present to EC/ECB/IMF staff by end-July 2013 draft legislation to bring our anti-corruption legal framework in line with relevant international standards (delayed from the program target of submission to parliament by end-June). Following the recent appointment of a National Anti-Corruption Coordinator, and the establishment and staffing of his office, we will, by end-July 2013, start the implementation of all outstanding actions in the anti-corruption plan, initially scheduled for the period March-July 2013.

**38. We continue to make progress in preparing assets for privatization, although delays in sales have occurred.** The failure to attract a bidder for the natural gas company (DEPA) will cause a delay of 2013 receipts relative to program assumptions. Nonetheless, we will press forward with sales of other privatization assets, and will evaluate progress in the September review.

- Our focus in 2013 is to finalize the sale of OPAP and the State Lotteries, as well as several smaller corporate transactions and several sales of real estate assets, and to re-launch and conclude as soon as possible the sale of DEPA (followed by HELPE). For the State Lottery transaction, the required SPV will be set up before end-July 2013. We expect to finalize the OPAP sale by end-September 2013. To compensate for some of the delays, we will increase the stakes in the ports to be sold and accelerate their tenders.

- We continue to take actions to prepare assets for sale, including putting all regulatory frameworks in place, taking all necessary steps to complete the clearance for state aid, and transfer the quarterly batches of 250 real estate assets to the HRADF.

**39.** To minimize further delays in privatization and liquidation of entities that cannot be privatized, we will take the following steps as a **prior action**: (i) formally announce a restructuring or resolution of ELVO, HDS, and LARCO, with a view to completion by December-2013; (ii) issue the five year pricing policy (for the period 2014-18) for EYATH (water tariffs); and (iii) adopt legislative acts permitting the payment of arrears owed to

EYDAP and EYATH directly from the arrears clearance program (the Expression-of-Interest for EYDAP privatization will then be issued in Q4 2013). In addition, and subsequent to meeting the prior action, we will validate the amount of payment arrears to the two water companies by end-August, and clear these arrears by end-September. We will also issue the Joint Ministerial Decision to shift the second parcel of 250 real estate assets to the HRADF.

## Table 1a. Greece: Quantitative Performance Criteria and Indicative Targets, Dec., 2012–Jun., 2013

(Billions of euros, unless otherwise indicated)

| | 2012 | | 2013 | | 2013 | |
|---|---|---|---|---|---|---|
| | Dec-12 | | Mar-13 | | Jun-13 | |
| | Progr. | Actual | Progr. | Actual | Progr. | Actual |
| **Performance criteria** | | | | | | |
| 1. Floor on the modified general government primary cash balance 1/ | -3.8 | -3.3 | 1.5 | 1.8 | -1.2 | ... |
| 2. Ceiling on state budget primary spending 1/ | 56.8 | 55.4 | 13.9 | 11.8 | 26.0 | 24.1 |
| 3. Ceiling on the overall stock of central government debt | 340.0 | 311.4 | 347.0 | 313.3 | 347.0 | ... |
| 4. Ceiling on the new guarantees granted by the central government 2/ | 0.2 | 0.1 | 0.2 | 0.2 | 0.0 | 0.0 |
| 5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6. Ceiling on the Stock of Domestic Arrears (narrow definition) | 3.6 | 2.9 | 3.0 | 2.6 | 2.0 | ... |
| **Indicative targets** | | | | | | |
| 7. Ceiling on the Stock of Domestic Arrears (General Government Definition) | 8.0 | 7.6 | 4.5 | 7.1 | 3.0 | ... |
| 8. Floor on privatization receipts 4/ | 3.2 | 0.0 | 0.1 | 0.1 | 1.1 | 0.1 |
| 9. Transfers to the Mobility Scheme (employees, in thousands) 4/ | ... | ... | ... | ... | 12.5 | 0.0 |

1/ Applies cumulatively from start of the target's calendar year.
2/ Applies cumulatively from Oct 1, 2012. As of the end-June target, applies cumulatively from April 1, 2013.
3/ Applies on a continuous basis from program approval.
4/ For 2012, cumulative from program approval. For 2013, cumulative January 1, 2013.

## Table 1b. Greece: Quantitative Performance Criteria and Indicative Targets, Sep., 2013–Dec., 2017

(Billions of euros, unless otherwise indicated)

| | 2013 | | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | Sep-13 | Dec-13 | Dec-14 | Dec-15 | Dec-16 | Dec-17 |
| **Performance criteria** | | | | | | |
| 1. Floor on the modified general government primary cash balance 1/ | -0.8 | -0.3 | ... | ... | ... | ... |
| 2. Ceiling on state budget primary spending 1/ | 38.8 | 53.2 | ... | ... | ... | ... |
| 3. Ceiling on the overall stock of central government debt | 335.0 | 335.0 | ... | ... | ... | ... |
| 4. Ceiling on the new guarantees granted by the central government 2/ | 0.0 | 0.0 | ... | ... | ... | ... |
| 5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/ | 0.0 | 0.0 | ... | ... | ... | ... |
| 6. Ceiling on the stock of domestic arrears (narrow definition) | 1.0 | 0.0 | ... | ... | ... | ... |
| 7. Floor on Privatization Receipts 4/ | 0.9 | ... | ... | ... | ... | ... |
| **Indicative targets** | | | | | | |
| 1. Floor on the modified general government primary cash balance 1/ | ... | ... | 2.0 | 3.6 | 5.9 | ... |
| 2. Ceiling on state budget primary spending 1/ | ... | ... | 49.4 | 46.3 | 48.7 | ... |
| 3. Ceiling on the overall stock of central government debt | ... | ... | 330 | 330 | ... | ... |
| 4. Ceiling on the new guarantees granted by the central government 2/ | ... | ... | 0.0 | 0.0 | 0.0 | ... |
| 5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/ | ... | ... | 0.0 | 0.0 | 0.0 | ... |
| 6. Ceiling on the stock of domestic arrears (narrow definition) | ... | ... | 0.0 | 0.0 | 0.0 | ... |
| 7. Ceiling on the stock of domestic arrears of the general government | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | ... |
| 8. Floor on privatization receipts 4/ | ... | 1.6 | 4.3 | 6.3 | 8.4 | 10.8 |
| 9. Mandatory Exits (employees, in thousands) 4/ 5/ | 2.0 | 4.0 | 15.0 | ... | ... | ... |
| 10. Transfers to the Mobility Scheme (employees, in thousands) 4/ | 12.5 | 25.0 | ... | ... | ... | ... |
| 11. Floor on the stock of employees in the mobility scheme that will exit 2/ | 5.0 | 11.0 | ... | ... | ... | ... |

1/ Applies cumulatively from start of the target's calendar year.
2/ Cumulative from April 1, 2013.
3/ Applied on a continuous basis since program approval.
4/ Cumulative from January 1, 2013.
5/ Quarterly targets have also been set for 2014 (cumulative from April 1, 2013): Q1: 5,000; Q2: 9,000; July: 10,500; August: 12,000; Q3: 14,000; and Q4: 15,000.

## Table 2. Greece: Structural Benchmarks, June–July, 2013

| Measure | Status |
| --- | --- |
| **End-June 2013** | |
| 1. Government to meet quarterly performance indicators for revenue administration (IMF country report No. 13/153, MEFP ¶8 and Annex II). | Not expected to be observed (¶18) |
| 2. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/153, MEFP ¶11 and Annex IV). | Expected to be observed (¶23) |
| 3. Adopt a new Tax Procedures Code and simplify income tax legislation (IMF country report No. 13/153, Table 4). | Not observed. Prior action (see Table 3) |
| 4. Complete resolution of all undercapitalized or insolvent non–core banks (IMF country report No 13/20, MEFP ¶20). | Not observed. Recapitalization completed in July for one bank; treatment to be finalized in July for second bank |
| **July 15, 2013** | |
| 5. Complete a comprehensive banking sector strategy (IMF country report No. 13/153, MEFP ¶18). | Prior action (see Table 3) |
| 6. Conclude sale of New Hellenic Postbank (IMF country report No. 13/153, MEFP ¶19). | Prior action (see Table 3) |

**Table 3. Greece: Prior Actions**

| Measure | Macro critical relevance |
| --- | --- |
| **Fiscal measures** | |
| 1. Government to take steps to ensure full implementation of the fiscal program for 2013–14 (¶5). | • Fiscal sustainability (revenue) |
| 2. Adopt legislation to reform income tax code and government to submit to parliament a tax procedure code (¶6). | • Fiscal sustainability (revenue) |
| 3. Government to take steps to prevent accumulation of debt in the renewable energy account (¶9). | • Fiscal sustainability (contingent liabilities) |
| 4. Government to issue all necessary legal acts so as to place at least 4,200 ordinary employees in the mobility scheme by end-July (¶11). | • Fiscal sustainability (spending) and government efficiency |
| **Fiscal institutional reforms** | |
| 5. Government to issue ministerial decisions for the transfer to the revenue administration of IAD, and the Directorates for Computer Applications, and for Computer Data Entry and Controls of the GSIS (¶13). | • Fiscal sustainability (revenue) |
| 6. Amend legislation to close effective August 1, 2013 for new entrants any installment or deferred arrangements for payment liabilities arising from audit assessments other than entry into the fresh start and basic installment schemes (¶15). | • Fiscal sustainability (revenue) |
| **Financial sector** | |
| 7. Complete sale of the New Hellenic Postbank and Nea Proton Bank (¶24). | • Financial stability |
| 8. Authorities to complete a comprehensive banking sector strategy to ensure a banking sector based on four viable core banks (¶25). | • Financial stability |
| **Privatization** | |
| 9. Authorities to remove obstacles in the privatization program (¶39). | • Fiscal sustainability (budget) and economic efficiency |

**Table 4. Greece: Existing and Proposed Structural Benchmarks**

| Measure | Macro critical relevance |
| --- | --- |
| **End-September 2013** | |
| 1. Ministry of Finance to produce a comprehensive list of nuisance taxes and levies, and eliminate them or transfer them (and the associated spending) to the central government budget (IMF Country Report No. 13/20, MEFP ¶9). | • Growth/competitiveness (business environment) |
| 2. Adopt legislation on a new property tax regime (¶7). Proposed. | • Fiscal sustainability (revenue) |
| 3. Banks to update their restructuring plans and submit them for validation by DG-Competition (IMF country report No. 13/20, MEFP ¶23). Proposed to be rephased from end-July 2013. | • Financial stability |
| 4. Government to meet quarterly performance indicators for revenue administration (¶18). Proposed. | • Fiscal sustainability (revenue) |
| 5. Government to meet quarterly performance indicators for public financial management (¶23). Proposed. | • Fiscal sustainability (budget) |
| **End-October 2013** | |
| 6. Approve the new organizational structure of the Revenue Administration, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration (IMF country report No. 13/153, MEFP ¶3). | • Fiscal sustainability (revenue) |
| 7. Adopt all secondary legislation needed to implement the tax procedures code (¶6). Proposed. | • Fiscal sustainability (revenue) |

**Table 4. Greece: Existing and Proposed Structural Benchmarks (concluded)**

| Measure | Macro critical relevance |
|---|---|
| **End-November 2013** | |
| 8. Adopt legislation to reform the system of social security contributions to: (i) broaden the contribution base; (ii) simplify the contribution schedule across the various funds; and (iii) reduce contribution rates by 3.9 percentage points. The reforms will be fully phased in by January 1, 2016 and will be revenue neutral and preserve the actuarial balance of the various funds (IMF country report No. 13/20, MEFP ¶10). | • Growth/competitiveness (business environment) |
| **End-December 2013** | |
| 9. Government to meet quarterly performance indicators for revenue administration (IMF country report No. 13/153 MEFP ¶8 and Annex II). | • Fiscal sustainability (revenue) |
| 10. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/153, MEFP ¶11 and Annex IV). | • Fiscal sustainability (budget) |
| 11. Bank of Greece to complete a follow-up stress test for banks based on end-June 2013 data, using a methodology designed in consultation with the EC, ECB, and the IMF, and to update banks' capital needs on this basis (IMF country report No. 13/20, MEFP ¶23). | • Financial sustainability |
| 12. Ministry of Finance to complete a targeted audit of general government accounts payable, to verify whether any arrears remain, and to review compliance with the conditions set for clearing arrears (IMF Country Report No. 13/20, MEFP ¶39). | • Fiscal sustainability (debt) |

## Table 5. Key Performance Indicators on Tax Administration

| Indicator | 2013 Target 1/ | | |
|---|---|---|---|
| | End-Jun. | End-Sep. | End-Dec. |
| **Debt collection** | | | |
| Collection of tax debts as of the end of the previous year | 1140 | 1558 | 1,900 |
| Collection of new debts in the current year (percent of new debt in the year) | 14.0% | 19.0% | 24.5% |
| **Tax audits and collection of large tax payers** | | | |
| Number of risk-based full scope audits in the year 2/ | 176 | 386 | 596 |
| Number of risk based temporary audits in the year 3/ | 260 | 470 | 680 |
| *Of which* : field audits | | | |
| Collection full scope audits in the year (percent of assessed tax and penalties) | 65.0% | 70.0% | 75.0% |
| Collection temporary audits in the year (percent of assessed tax and penalties) | 45.0% | 50.0% | 55.0% |
| **Audits and collection of high wealth individuals** | | | |
| Number of completed risk-based audits in the year 4/ | 280 | 550 | 910 |
| Collection of assessed audits in the year (percent of assessed tax and penalties) | 40.0% | 55.0% | 65.0% |
| **Internal control and human resource integrity** | | | |
| MoF audit of assets of managers of local tax offices 5/ | 50 | 80 | 110 |
| MoF audit of assets of auditors 5/ | 50 | 90 | 130 |

Source: Ministry of Finance; and IMF staff.

1/ Cumulative for the calendar year.
2/ The amount of tax and penalty assessed will be no less than €430 million in September.

3/ The amount of tax and penalty assessed will be no less than €215 million in September.

4/ The amount of tax and penalty assessed will be no less than €115million in September.

5/ Until end-July, the audit is performed by the Internal Affairs Directorate of the MoF, and subsequently by the Internal Affairs Directorate under the GSPR.

## Table 6. Key Performance Indicators on Public Financial Management Reforms

| Indicator | 2013 Target | | |
|---|---|---|---|
| | End-Jun. | End-Sep. | End-Dec. |
| a. Percent of institutional units (State and general government entities) reporting on the E-portal of GAO total budget allocations (including any revisions), pending outstanding commitments, unpaid commitments, and arrears data (for both ordinary and investment) at the end of each month, based on data from their commitment registers, is above the target. | | | |
| 2013 entity coverage 1/ | 80% | 94% | 97% |
| b. Discrepancy between the total arrears to third parties of non-state general government entities reported under the E-Portal of GAO using data from commitment registers and the total arrears reported through monthly surveys, i.e. the sum across all entities of the absolute value of (arrears monthly survey less arrears E-portal) divided by total arrears | | | |
| 2013 entity coverage 1/ | 10% | 2% | 1% |
| c. Percentage of institutional units (State and general government entities) reporting on the E-portal of GAO all the prescribed items with financial information of the circular on commitment registers at the end of each month, based on data from their commitment registers, is above the target. | | | |
| 2013 entity coverage 1/ | 65% | 78% | 93% |

Source: Ministry of Finance; and IMF staff.

1/ Includes new entities in the end-Septemeber 2012 ELSTAT register with spending above €1 million.

# GREECE

## Memorandum of Understanding
## on
## Specific Economic Policy Conditionality

The disbursements of financial assistance to Greece, by the European Financial Stability Facility (EFSF), are subject to quarterly reviews of conditionality for the duration of the arrangement. The release of the tranches is based on observance of quantitative performance criteria and a positive evaluation of progress made with respect to policy criteria in Council Decision 2011/734/EU of 12 July 2011 (as amended; hereinafter the Council Decision), and in the Memorandum of Understanding, composed of the Memorandum of economic and financial policies (MEFP) and of this Memorandum of Understanding on Specific Economic Policy Conditionality.

The annex on data provision is part of the Memorandum and how well it has been respected will be considered in the assessment of compliance.

Greece commits to consult with the European Commission, the ECB and the IMF staff on the adoption of policies falling within the scope of this Memorandum allowing sufficient time for review. The Government publishes a quarterly report in line with Article 4 of the Council Decision.

In line with the conclusions of the euro-area summit of 26 October 2011, the Government will fully cooperate with the Commission, the ECB and the IMF staff teams to strengthen the monitoring of programme implementation, and will provide the staff teams with access to all relevant data and other information in the Greek administration.

The ownership of the programme and all executive responsibilities in the programme implementation remain with the Greek Government.

# GREECE

## Memorandum of Understanding on Specific Economic Policy Conditionality

# 1 Achieving sound public finances

After overperforming the 2012 fiscal target, fiscal developments up to May have been broadly on track but overruns in the healthcare sector occurred. The 2012 primary balance according to the programme definition reached -1.3% of GDP, slightly better than the target of -1.5% of GDP. The overall balance declined by 3.1 percentage points of GDP and reached 6.3% of GDP in 2012. The underlying fiscal improvement was even larger given that this was accomplished during a deep recession.

After measures had been taken in May to avoid the emergence of a fiscal gap for 2013 and 2014, the mission identified shortfalls that threatened the achievement of the fiscal targets. While the very large and highly front-loaded package of fiscal consolidation measures (totalling over 6.5% of GDP over 2013-14) continues to be largely implemented, shortfalls appeared in a number of the following areas. First, the renewed fiscal gap reflects expenditure overruns in the main health care fund EOPYY in the area of diagnostics and private clinics. Second, the delays in the issuance of property tax bills are expected to result in a revenue shortfall in 2013 because the tax collection will shift in part beyond the 2013 accrual period (i.e., beyond end-March 2014). Third, the yield of some measures, most notably in the area of social security contribution, has been revised downwards, thereby contributing to the gap. Finally, the government has decided to identify other measures alternative to some of the previously agreed measures for 2014, namely special solidarity contribution for self-employed and application of the new wage grid for armed forces.

The authorities are taking measures to close the emerging fiscal gap in 2013-14. In particular, the authorities are undertaking corrective actions to address the healthcare overruns. Thanks to monitoring tools now available, expenditure overruns were detected early in the main health care fund EOPYY diagnostics and private health care clinics, so that corrective measures in the second half of the year can produce significant yields. To address the problems on a permanent basis, a set of structural measures will start being implemented in the autumn aimed at rationing the healthcare provision and preventing misuse of publicly funded services. To ensure that expenditures are brought in line with the budget by the end of 2013, a claw-back mechanism will be applied to diagnostics and private health care clinics. Consequently, invoices in excess of the annual targets will be effectively not reimbursed. Besides the actions in the healthcare sector, a set fiscal measures related to the income tax reform – such as special solidarity surcharge on income from interests and dividends and lower tax deduction allowance for medical expenses – will generate additional moderate revenue. Some measures planned for 2014 would also be frontloaded, such as the luxury tax and an increase in fees for lawsuits. Further, the authorities will produce in autumn a plan for the reduction in social security contribution rates to be introduced in phases over the coming years. The authorities are also committed to take measures in order to achieve the primary programme targets for 2015-16.

**Fiscal consolidation**

The adjustment path towards the correction of the excessive deficit shall aim to achieve general Government primary surpluses in programme terms of at least EUR 0 million (0.0% of GDP) in 2013, EUR 2,750 million (1.5% of GDP) in 2014, EUR 5,700 million (3.0% of GDP) in 2015 and EUR 8,975 million (4.5% of GDP) in 2016. These targets for the primary surpluses imply an overall Government deficit of 4.1% of GDP in 2013, 3.3% of GDP in 2014, 2.1% of GDP in 2015 and 0.8% of GDP in 2016.

These numbers could be estimated to translate into an improvement in the cyclically-adjusted primary balance to GDP ratio from 4.5% in 2012 to 6.2% in 2013 and an average of about 5½% of GDP in 2014-16 and into a cyclically-adjusted Government deficit to GDP ratio at -½% in 2012, 2.1% in 2013, 1.5% in 2014, 0.5% in 2015 and -0.4% in 2016, reflecting the profile of interest payments.

Proceeds from the privatisation of financial and non-financial assets, transactions related to bank recapitalisation and other bank support measures, as well as all transfers related to the Eurogroup decision of 21 February 2012 in regard to income of euro zone national central banks, including the Bank of Greece (BoG), stemming from their investment portfolio holdings of Greek Government bonds shall not reduce the required fiscal consolidation effort and shall not be counted in the assessment of these targets.

The adjustment path referred to in the previous paragraphs, taking into account the impact of the debt-reducing measures to be implemented in December 2012, would be consistent with a general Government consolidated debt ratio to GDP of around 160% in 2016.

The Government has put in place a number of measures to strengthen the underlying policies with the aim of catching any possible slippages. Specifically, regarding the solidarity contribution for the self-employed, the Government confirmed its commitment in implementing this measure in 2014, especially given the expected recovery of the economy which will mitigate its any negative impact of this measure on Greece's adjustment process.

**Prior to the disbursement** the Government will:

a. Bring forward into 2013, according to the program target definition, some of the property tax collected via the public power company (PPC) by temporarily shortening the pay period for PPC of the final instalment to March 2014;

b. Complete the signatures on the Memorandum of Understanding with the Greek merchant fleet which, together with the tonnage tax, will ensure €140 million accrued in annual revenue in 2013-15;

c. Bring forward to August 1, 2013 through legislation the luxury tax on cars, swimming pools, and airplanes;

d. Pass legislation to limit the use of untaxed reserve accounts for capital gains by 2015, so as to raise revenue of at least €50 million in 2014;

Additional Measures:

1. The authorities will introduce a docking fee on leisure boats effective October 1, 2013 (**August 2013)**

2. The Authorities will carry out a comprehensive review of social security contribution of OAEE with the aim at identifying all the current exemptions and initiatives to enhance the collection rates introducing more effective payment procedures (**September 2013**).

# 2 Structural reforms with budgetary relevance

## *2.1 Privatising to boost efficiency in the economy and reduce public debt*

The privatisation of public companies contributes to the reduction of public debt, as well as to the reduction of subsidies, other transfers or state guarantees to state-owned enterprises. It also aims at increasing the efficiency of companies and, by extension, the competitiveness of the economy as a whole, while attracting foreign direct investment. This is why the Greek Authorities have committed to proceed swiftly and efficiently with the Privatisation Plan even if the sale of assets goes beyond the duration of the Economic Adjustment Programme. Within this context, the Government is committed to continue to insulate the privatisation process from political pressures.

The provision of basic public goods and services by privatized industries will be fully safeguarded, in line with the national policy goals and in compliance with the EU Treaty and appropriate secondary legislation rules. The Authorities must proceed swiftly to establish the regulatory framework in those areas which are necessary for the privatisation process (airports, ports, water, horse betting), consistent with EU legislation, taking into account international best practises. Transferring of assets to the HRADF quickly will facilitate the privatisation process and will signal the clear intention of the Authorities to bring the privatisation process forward. The Authorities should take immediate actions to address the state-aid related issues pending, which is a pre-condition for proceeding with the privatisation of these assets.

Privatisation of real estate assets is of outmost importance in the privatisation process.

Prior to disbursement the Authorities:

a. Adopt legislative acts permitting the payment of arrears owed to EYDAP and EYATH directly from the arrears clearance program;
b. General Government entities validate outstanding water and drainage bills to EYDAP and EYATH and send to GAO official documentation confirming the level of outstanding debt.
c. In order to facilitate the privatisation of ODIE adopt in parliament the law for clarifying responsibilities between Jockey Club and the New Concessionaire.

**Actions** to be taken by the Government include the following:

1. Rapid adoption of necessary primary and secondary legislation and implementation decisions, in consistency with the required actions for implementing the Privatisation Plan. All Government actions pending in these three areas are listed in Annex 9.1.

2. General Government entities relating to public investment projects validate all other outstanding debt to EYDAP and EYATH and submit to GAO an agreed claim with creditors to GAO. (**August 2013**)

3. Pay the outstanding water, drainage debts to EYDAP and EYATH (**August 2013**).

4. Pay all the outstanding other debts EYDAP and EYATH (**September 2013**).

5. Adopts irreversible decisions by August 2013 on the restructuring, involving substantial downsizing, ahead of privatisation or on the resolution of ELVO, HDS, and LARCO, both in compliance with State aid rules, with a view to implementing these decisions by December-2013.

6. High priority should be given in the preparation of real estate assets (title clearance, licencing etc.) given the time lags involved in such a process and the need to secure a sufficient number of assets in the privatisation pipeline. Hence, the Authorities should proceed with the transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF (by end-2013), at a rate of 250 real assets transferred **per quarter in 2013**.
7. In order to enhance the asset management capacity of the Hellenic Republic, the Authorities:

   i. Will propose a plan to prepare the remaining (not in the privatisation pipeline) real estate assets owned by the Hellenic Republic, and managed by ETAD, for securitisation or direct privatisation. Currently some 80,000 public properties are under the management of ETAD. Additional properties are under management by different ministries. The status of these properties in many instances is unknown, or unverifiable. This implies waste and limits possibilities for developing public property and deriving income from it. This plan should contain analysis of the status of properties and the steps needed to quickly prepare properties for exploitation by the State. (**November 2013**).

ii. Contextually and based on this plan, ETAD will **by November 2013** present proposals to improve the governance, effectiveness and ability to carry out these tasks by ETAD, to be completed in stages according to the plan.

iii. Will bring all remaining (non-operational) properties (e.g., those under the Ministry of Defence, Agriculture) under the management of ETAD, by **December 2013**

iv. The Authorities will prepare a first progress report by **June 2013** on the numbers of properties by Ministry/Public Entity, the nature, state and of these properties and providing detailed information, where applicable, to its current use; a second and third progress report with the number already transferred to ETAD by **August 2013** and **October 2013**; and a final report by **January 2014**.

8. The Authorities will ensure that there will be no transfer or withholding of any real estate assets, without prior consultation and agreement with the HRADF and the EC/IMF/ECB, to entities other than the HRADF, including to municipalities and the recently established pension fund SPV or other dedicated legal entities, or until such time as the assets necessary to supply the privatisation plan have been secured **(Continuous)**.

9. The HRADF, drawing in particular from a report to be prepared by the ESM, will assess the possibility of raising additional revenues, or bringing forward future receipts, from the private sector, with a focus on international investors, by means of securitisation of assets, through the exploitation of assets not yet included in its privatisation plan and specified in paragraph 2.1.9 (**Continuous**)

10. The HRADF will continue to be tasked with selling assets as quickly and effectively as possible. In particular, there will be no further political review once an asset has been transferred to the HRADF **(Continuous)**

11. The HRADF will publish quarterly reports on its steps to facilitate privatisations, financial accounts, including a profit and loss statement, a cash flow statement, and a balance sheet, no later than 60 days after the conclusion of every calendar quarter **(Quarterly)**.

12. Securing privatisation receipts which, cumulatively since January 2011, should be at least EUR 1.6 billion by **end-2012**, EUR 3.1 billion by **end-2013**, EUR 6.5 billion by **end-2014**, EUR 7.7 billion by **end-2015**, EUR 11.1 billion **by end-2016**.

## *2.2 Tax policy reform*

P**rior to the disbursement the Government will**:

a. adopt legislation to introduce a new Income Tax Code that will simplify the existing law, increase its transparency, and remove ambiguities, whilst allowing easier administration, encouraging tax compliance, and ensuring more robust revenue through the cycle. The new income tax code will reduce filing requirements for pay-as-you-earn taxpayers and those who receive investment income, consolidate cross-border merger and reorganization provisions, and introduce anti-avoidance provisions to combat international tax avoidance;

b. introduce legislation to Parliament for a new Tax Procedures Code (TPC) to enter into force by January 1st 2014. The new TPC consolidates and streamlines provisions existing in current legislation, and fills legislative gaps in enforced collection methods, requirement for mandatory data provision to the tax authorities, interest and penalties, and internal review procedures. This code should reduce the costs of administration and compliance and incorporate procedural reforms in all major administrative areas that are necessary to support modern tax administration (e.g., tax filing, audit and penalties, enforcement powers and debt collection;

c. open the E9 filing period for submitting updated information on land and real estate assets.

### Other Actions

1. The Authorities submit proposals for further simplification and improvement of the Code of Tax Recording of Transactions (formerly code of books and records) and corresponding amendments required in the commercial and accounting legislation in order to come into effect by 1/1/2014 (**October 2013**);

2. Amendments needed to the ITC in covering investment tax incentives will be completed by (September **2013)**.

3. To ensure that the TPC will be fully implemented by January 2014, the Government will adopt all secondary legislation necessary to support implementation; and legislate the necessary changes to modernize the Code of Public Revenue Collection to ensure full compatibility with the TPC reform (**October 2013**).

4. The Government will pass legislation on the property tax regime to take effect in 2014.

5. The Government continues work on a standard procedure for revision of legal values of real estate to better align them with market prices that will be in place for the purposes of capital taxation for the fiscal year 2016, and issues a status report on the work and a detailed timetable (**September 2013**).

6. The Authorities will develop the tax policy capacity in the policy unit of the Ministry of Finance with appropriate and adequate legal and economic expertise for the development, economic impact, and revenue assessment of new tax policy initiatives (**September 2013**).

7. The Government will publish every December the schedule for the following year for filing and payment of all taxes and levies for the state Government and social budgets (**December 2013**).

8. The Authorities will abstain from extending deadlines for filing and payment of all taxes and levies for the state Government and social budgets (**continuous**).

9. Extend through 2016 (tax reporting for 2017) the special solidarity surcharge, with 1-4 percent rate (**November 2013**).

### 2.3 Revenue administration reforms

A strong and focused reform programme undertaken in the coming months must continue to address all the weaknesses in the existing system and support the fight against tax evasion and corruption. The Government will continue to reform the current institutional framework in line with that in many other EU and OECD economies to ensure more autonomy for the tax administration department, especially for day-to-day operations, while leaving policy matters in the hands of the Government. The reform must be undertaken in a gradual way after assessing carefully the impact of each step undertaken:

- The re-organisation of tax offices must continue to take place to increase the efficiency of audits and tax collection.
- Methods must continue to be improved, using risk assessment techniques, to increase focused audits on high yield targets, and on substantial issues in order to detect tax evasion. This requires the creation of a new single tax procedure code.
- Collection of taxes should continue to be reinforced. The debt collection function should be consolidated into a small number of offices and conducted by a full time work force of specialized collection staff, and where possible integrated with the collection of debt related to social security contribution and local Government.
- The management will be improved, under the leadership of a Secretary General for Public Revenue (SGPR) with increased powers. Managers and auditors should be subject to performance targets and regular assessment. The SGPR must have the capacity to replace non-performing managers and auditors. Besides, managers must rotate regularly.
- The structure of the Secretariat General for Public Revenue has to be reorganized to include other functions related to the implementation of the tax and customs legislation and which are not at the moment integrated in the Revenue Administration, including audit, controls, information systems and internal audits.
- The headquarters must include units dedicated to budgetary preparation and follow-up, strategic planning and project management.
- Fighting tax evasion and corruption is a priority in this effort.
- The current administrative review process has to be replaced by a cost effective compulsory pre-settlement administrative procedure, in order to significantly reduce the number of unnecessary tax litigation, so as to lighten the burden of courts and ensure a timely settlement of the cases.

To deal with all these challenges, full use should be made of technical assistance provided in this sector. This implies a structured process involving technical assistance advice working on an on-going basis with the administration on new legislation and implementing decision, with enough time to guarantee proper consultation and with a constant effort to keep rules simple and in line with current administrative capacity.

With the aim of strengthening the Revenue Administration, as part of the reform programme, the Government**, prior to the disbursement**:

a. Issue the ministerial decision for the transfer to the revenue administration of the Ministry of Finance internal affairs department;

b. Issues the ministerial decision for the transfer to the revenue administration of all functions, staff, and budget allocations of the Directorates for Computer Applications (excluding the sections for Budget and Public Expenditure, Payroll, and Pensions) and for Computer Data Entry and Control of the General Secretariat for Information Systems (GSIS).

### 2.3.1 Organization

1. To increase the autonomy of the revenue administration, the Authorities:

    i. Identify the functions and staff of the Corp for the Prosecution of Economic Crimes (SDOE) that will be transferred to the revenue administration (**July 2013**);

    ii. Transfer the revenue-related functions, personnel, and budget allocation of the Corp for the Prosecution of Economic Crimes (SDOE) under the revenue administration is completed (**October 2013);**

    iii. Establish a new Strategic Planning and Financial Control Directorate, which will manage the budget of the revenue administration starting with the preparation of the revenue administration's 2014 budget, support the Secretary General of the Revenue administration (SGPR) in project management, and monitor progress with reform and KPI implementation (**July 2013**);

    iv. Staff the Strategic Planning and Financial Control Directorate to make it fully functional (**September 2013**);

    v. Issue a report proposing solutions to lift the remaining constraints to the delegation of powers to the SGPR (**August 2013**);

    vi. Adopt amending legislation to lift the remaining constraints to the delegation of powers to the SGPR (**September 2013**);

    vii. Select a 5-member Advisory Council to the SGPR, comprising 3 domestic experts and 2 high-level external experts with significant international experience in carrying out revenue administration reforms and establishes a regular at least bi-monthly schedule of meetings for the first year. (**July 2013**);

    viii. Prepare a 2014-15 business plan for the revenue administration (**October 2013**)

2. Continue to centralise and merge local tax offices leaving 120 open at the time when payment through banks will operational all over the territory (**September 2013**).

3. Establish an internal review unit by:

    i. Appointing a project manager and provide initial staffing of a new Internal Review Unit (**July 2013**);

    ii. Making the Internal Review Unit operational (**August 2013**)

### 2.3.2 Fight against tax evasion, money laundering and corruption

1. The SGPR takes all appropriate measures to form a strong audit force:

    i. Completes the certification of 2000 tax auditors (**July 2013);**

    ii. Completes the external hiring of the additional 186 auditors (**July 2013**);

    iii. Ensures that the basic audit training of the of 2000 newly certified tax auditors and of the all the 200 new external hires is completed (**June 2014**);

iv. Provides a plan, including training, for the integration of new staff in the revenue administration; (**July 2013**);

v. Appoints a team of full-time trainers (**September 2013**);

vi. Ensures an adequate number of supervisors in the High Wealth Individual (HWI) and Large Tax Payers Unit (LTU) (**Continuous**);

vii. Ensures that all staff are assessed for their performance on a bi-annual basis under the new assessment system (**Continuous**).

2. The SGPR takes all appropriate measures to secure effective audits by issuing:

i. audit reports on more than 15 cases based on indirect audit methods in the high-wealth individuals (HWI) unit (**September 2013**);

ii. orders for more than 250 capital remittance cases in the high-wealth individuals (HWI) unit (**July 2013**);

3. a decision to enhance targeted auditing based on risk assessment techniques (**July 2013**).

4. The SGPR reinforces the provisions for protecting whistle-blowers who report corruption in the modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption (**September 2013**);.

5. The Authorities:

i. Revise legislation to enable prosecution for major tax evasion regardless of the tax payer paying the tax assessment in cases of settlement (September 2013);

ii. Amend the legislation to close effective August 1, 2013 for new entrants any instalment or deferred arrangements for payment liabilities arising from audit assessments other than entry into the fresh start and basic instalment schemes (July 2013);

6. To reinforce transparency in financial transactions, the Authorities:

i. adopt legislation for the creation of an indirect bank account register that will provide authorized revenue administration personnel access to information about existence of bank accounts held by taxpayers, and about the current balance on the account (**July 2013**);

ii. complete the development of the IT system necessary for the indirect bank account register, which will be implemented on a pilot basis. (**August 2013**);

iii. complete a full implementation of the indirect bank account register (**September 2013**);

iv. ensure that Ministries and State Owned Enterprises (SOEs) which have a fiscal relationship with taxpayers and beneficiaries utilize their tax identification number for financial transactions with them (**July 2013**);

v. make compulsory the use of tax identification numbers for all official transaction with the whole public administration (**December 2013**);

vi. introduce a system to consolidate and link all of the different identification numbers now used across various Government agencies (**June 2014**).

### 2.3.3 Revenue and debt collection

1. To reinforce the tax and related debt collection capacity, the SGPR:

    i. presents a plan for providing a compulsory professional training programme for debt management staff (**July 2013**);

    ii. issues a circular specifying the criteria to determine fresh debt; (**July 2013**);

    iii. assigns 30 staff of the Large Debtor Unit to the collection of fresh debt; (**July 2013**);

    iv. completes the consolidation of debt collection in the largest tax offices (DOYs) by (**September 2013**).

2. To secure a swift tax collection, the Authorities:

    i. introduce the possibility of direct debiting of bank accounts for taxpayers in arrears (**September 2013**);

    ii. present a plan to replace payments in cash and cheque in tax offices with bank transfers (**July 2013);**

    iii. amend the legislation (Law 2648/1998) to close for new entrants any instalment or deferred payment arrangements for payment liabilities arising from audit assessments other than entry into the fresh start and basic instalment schemes **(July 2013);**

3. To preserve appropriate incentives towards a sound payment culture, the Authorities:

    i. commit not to adopt new tax amnesties, or extend existing amnesties for the collection of taxes and social contributions during the years covered by the economic adjustment programme (**Continuous**);

    ii. abstain from extending the deadlines for the filing and payment of taxes; (**Continuous**);

    iii. publish every December the schedule for the following year for filing and payment of all taxes and levies for the state government and social budgets) (**December 2013 and Continuous**);

4. The Authorities repeal the application of the Code for Collection of Public Revenue for collection of social security contributions, and enact a new legal framework for public revenue collections in line with international best practice (**February 2014**);

5. The Authorities, to ensure full application of Law 4051/2012, issue the joint Ministry of finance-Ministry of Justice decision required according to Article 203 of the Administrative Procedures Code, amended by Law 4051/2012 (July 2013);

6. The Authorities publish monthly indicators to monitor performance of the fresh start and basic instalment schemes (**continuous, starting July 2013**).

### 2.3.4 Social Security Contribution

1. The special working group - created to examine the arrears stock across the four largest Social Security Funds (SSFs), to assess collectability, and identify collectible arrears for transferring them to the new single collection entity - will develop a framework for coordination and integration of tax and social security contributions (SSC) arrears collection (**December 2013**).

2. To strengthen the collection of social security contributions and related debt, the Authorities:

    i. Adopt legislation to establish the organization of a new joint collection centre for social security contributions debt (KEAO) (**July 2013);**

    ii. Assign and recruit 600 staff for the single collection centre:

        i. 200 by August 2013;

        ii. 400 additional by December 2013;

    iii. Create a single social security contributions debt database, (**August 2013**),

    iv. Transfer 4.2 billion of social security contributions collectable debt to the single collection centre (**August 2013**),

    v. Establish a procedure to quarantine uncollectable debt (**August 2013**),

3. Develop an electronic application system for social security contributions instalment schemes:

    i. to be introduced for IKA and OAEE by (**July 2013**);

    ii. And in other funds by (**December 2013**).

### 2.3.5 Management of the State Revenue Service

1. The SGPR replaces managers who do not meet performance targets (**Continuous)**;

2. The Authorities update at least monthly the website used for publication of summary statistics on key performance indicators, the number of tax evasion cases sent to the FIU and to prosecution by the tax administration (**Continuous)**

3. The SGPR makes full application of the paragraph 21 of 55 of l. 4002/2011 to rotate the managers mentioned in the law:

    i. For those managers in place for more than three years: in (September 2013);

    ii. Continuously after September 2013;

### 2.3.6 Tools

1. The new ELENXIS system will be operational in major tax offices and audit centres by (**December 2013)**. The National Centre for Public Administration and Local Government (EKDAA) will provide the necessary support.

2. The new TAXIS system is operational in all tax offices (**October 2013**).

## *2.4 Public Financial Management Reforms*

Developing a solid public financial management framework is key in controlling expenditures and thus being able to achieve fiscal targets. The Government is committed to enacting targeted reforms for strengthening the framework both within the General Accounting Office (GAO) and line ministries.

### 2.4.1 Monitoring and reporting

In this area, the Authorities undertake to implement important reforms which include monitoring expenditure across different public entities, as well as in local Governments and state-owned enterprises, and putting in place triggers for ensuring that the budget is executed in an orderly manner and expenditure is kept under control.

The Government will:

1. Identify other areas of operational expenditure where real time monitoring mechanisms could be introduced or strengthened (**Continuous**)

2. Enhance the monitoring system for the budget execution of Extra Budgetary Funds with expenditure below 20 million, to be effective from 1st January 2014 (**December 2013**).

3. Ensure consistent monitoring of targets in the SSFs sector requiring pension and employment funds, EOPYY, and hospitals monthly reports according to templates agreed with GAO. The provision of data to GAO will take place within three weeks of the completion of the month, and it will start by October 2013.

### 2.4.2 Payment flows and clearance of arrears

One important area where significant progress must be made is in preventing the build-up of arrears, both on the tax and expenditure sides. Greece has transposed the Late Payment Directive aiming at restoring normal lending to the economy. Implementation of the Directive requires payment of invoices within 30 days in principle, or 60 days in exceptional cases. In Greece the transposition and implementation of the Directive is particularly challenging, as existing payment processes are extremely slow, encumbered by excessive layers of control and hampered by lack of automation.
However a joint Ministerial Decision was issued instructing fiscal audit offices to process all payment requests within 20 days, and set deadlines for each stage of the payment process. Within the scope of the on-going comprehensive re-engineering of financial management work processes, called the ERP project, it is necessary to streamline payment processes in the short-medium term to meet the 30 day target. An interim solution should have the objective of removing the main bottlenecks in the current process and improving efficiency. This must include changes in work practice and legislation based on the action plan prepared by the Authorities following the provision of technical assistance. The authorities initiated the streamlining of the current process with the adoption of L. 4151/2013 that shifted the responsibility for payment execution from tax offices (DOYs) to the fiscal audit offices.

**T**he Government will:

1. submit to the Council of State a Presidential Decree outlining the new administrative processes needed for fiscal audit offices to execute payments **(September 2013)**;

2. implement necessary changes to its IT and administrative processes to permit payment orders and accompanying documentation from fiscal audit offices to be authorized and accepted electronically (**October 2013**);

3. put in place statistical reports to enable follow-up on progress (**October 2013**)

4. prepare a medium-term action plan for meeting the requirement of the Late Payment Directive (**October 2013**) that will include

   i. an analysis of the IT systems to ensure that such a move is feasible by the January 2014 deadline;

   ii. a review the legal framework on payment processes with a view to simplify it considerably;

   iii. standardized thresholds above which different levels of approval are required across all line ministries.

5. produce a joint note by the Hellenic Court of Auditors (HCA) and GAO on the role and scope for streamlining of the HCA's ex ante audits in financial control following the review of the effectiveness of the HCA's ex-post audit pilot scheme expected to be completed in November with the assistance of the Dutch Court of Audit (**December 2013**);

6. To address problems still lying in the extra-budgetary funds and in the social security sector, especially in relation to the transfer of competencies from SSFs to EOPPY, despite the progress in the setting-up of the commitment/co-payment registries, the Government will:
   i. ensure that commitment registers are in operation in 94% per cent of general government entities based on 2013 entity coverage **(September 2013)**.
   ii. monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system (**Continuous)**.
   iii. enforce the obligation of accounting officers to report commitments by enacting sanctions to entities not submitting needed data, though disciplinary action for accounting officers, and by strengthening the role of GAO in providing support and guidance to Accounting Officers (**Continuous)**
   iv. take actions as soon as significant deviations from yearly targets of EOPYY become evident (**Continuous**).

7. To address other problems still lying in the central government sector the Government will:
   i. complete procedures for identifying fully qualified senior financial managers for the Accounting Office positions in all line ministries (**September2013**).
   ii. Appoints the Accounting Officers based on these new procedures. (**September 2013**).
   iii. The MoF/GAO and MAREG, in consultation with the Accounting Officers of the Ministries, ensure adequate staffing for the financial functions in line ministries and develop training material and a training scheme for GDFS staff (**continuous**).

8. To clear expenditure arrears and tax refunds, the conditions for a government unit to meet to allow funds for arrears clearance to be disbursed will include, for expenditure arrears: (i) establishment by the unit of a fully functioning commitment register and (ii) reporting of at least three months of consistent data on commitments, payments, and arrears (2 months for EOPYY); and, for both expenditure arrears and tax refunds: (iii) verification of claims. Entities which meet these conditions can clear their arrears even if their parent agency does not meet the conditions. Arrears should not delay the execution of the pharmaceutical spending clawback or any related measure. The Government will:
   i. Ensure the administrative capacity to make the clearance of arrears effective by staffing the necessary units (**September 2013**)
   ii. Prioritize repayments by Local Governments and their legal entities to public companies for provisions of public services (namely water supplies) also through direct transfers from the special budget allocation for clearance of arrears recorded in the State budget (**September 2013**).
   iii. Identify and implement actions by **September 2013** to ensure clearance of all outstanding lump-sum pensions (accounted for as arrears until Dec-2011) by December 2013.

9. Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated (**Continuous**).

## *2.5 Safeguards for the delivery of fiscal commitments*

Enhancing credibility is essential to the success of the Adjustment Programme for Greece. One way is through the early implementation of the EU's Fiscal Compact. Greece has already signed and ratified the intergovernmental Treaty on Stability, Coordination and Governance in the EMU. A key part of the Treaty is the fiscal compact that introduces national budgetary rules as well as enhanced enforcement mechanisms at European level. Within a comprehensive approach, key steps to safeguard the delivery of fiscal commitments are necessary in the areas of: Budget preparation and implementation, monitoring and reporting, corrective and sanctioning mechanisms, transparency, accountability and oversight, debt servicing.

### 2.5.1 Enhancing national budgetary rules in line with the EU's Fiscal Compact

1. The Government will adopt the necessary legislation to transpose the Fiscal Compact provisions with a view to introducing a structural budget balance rule with an automatic correction mechanism (**October 2013**)

### 2.5.2 Budget preparation and implementation

The Government will:

1. Submit to the Parliament the 2014 medium-term fiscal strategy (MTFS) (**September 2013**).

2. Adopt the organic budget law by **October 2013** to introduce:
   i. The MTFS will set fixed expenditure ceilings for line ministries and the health care sector and every year a ceiling for an additional year will be added while the already set ceilings (i.e. for the first two years of the rolling three-year period covered by the ceilings) would remain as previously fixed;
   ii. Establish binding annual budget balance targets for local governments;
   iii. identify performance targets for SOEs;
   iv. Provisions to freeze ex-ante 10% of discretionary appropriations per budget line as part of the MTFS. The frozen appropriations would be released in the second half of

the year conditional upon meeting the fiscal targets. The first application should concern the 2014 budget.

v. A revenue rule for the general government, according to which at least 30% of windfall revenues in excess of the target will be devoted to debt repayment while up to 70% could be used the following year by the Government to support temporary policies aiming to boost growth and social cohesion automatically, conditional to the achievement of the fiscal targets.

### 2.5.3 Corrective and sanctioning mechanisms

The Government will:

1. Ensure a continuous balance between pension contributions and benefits, by bringing forward to June 2014 the entry in force of the binding mechanism (for auxiliary pensions) already legislated to enter in force as of 2015. (**September 2013**)
2. Strengthen HRADF's governance and independence and implement an automatic correction mechanism, should there be any difficulties in the privatisation process or slippages in the targets, by (**quarterly)**:
    i. Reviewing the functioning of the privatisation framework law, through specific QPCs to be enforced the moment the privatisation plan derails.

    ii. Taking, in cooperation with EC/ECB/IMF, appropriate steps, including changes in existing legislation and/or in the composition of the Board, to safeguard and strengthen the independence and the functioning of the HRADF, if targets for the sale of assets to be privatised were missed substantially for two consecutive quarters. In all circumstances, the HRADF remains fully accountable to parliament on an ex-post basis for the integrity of every privatisation sale.

    iii. Increasing automatically the primary surplus target, should there be a shortfall of privatisation proceeds due to the delay in sales of specific assets compared to programme targets for two consecutive quarters. Any shortfall in privatisation proceeds ceteris paribus increases the financing need and the debt ratio. To mitigate this undesirable outcome, unless other adjustments are agreed with the EC/ECB/IMF, the primary surplus target would be raised with immediate effect by 50 percent of the shortfall in proceeds, and should be achieved by means of current expenditure cuts in the general government. The adjustment within any year would be capped at €1 billion.
3. Enhance the corrective mechanism for local governments (LGs) through a top down approach for the preparation of 2014 realistic budgets for LGs. This approach foresees subsequent steps:
    i. an agreement between Ministry of Interior and GAO on the total grants from the State to the LGs consistent with the updated macro-economic projections and with the binding ceilings for 2014-15 within the preparation of the MTFS (**July 2013**).

    ii. the issuance of a Joint Ministerial Decision for the preparation of 2014 LGs' budgets (July 2013) consistent with the level of grants from the State, their own resources and with the guidelines for the assessment of the local government's budgets;

    iii. Municipalities prepare budgets for 2014 consistent with the balance budget rule (**September 2013**)

    iv. a review process of LG's budgets by the Observatory of local authorities, in order to ensure consistency with the overall MTFS targets for LGS to be completed before the adoption of the MTFS. (**November 2013**)

    v. Submission and approval of the LGs' budgets by the decentralized administration (**December 2013**)

### 2.5.4 Transparency, accountability and oversight

The Government will:

1. Increase transparency and accountability to the public/parliament, by e.g. releasing status reports on the implementation of the legislated fiscal measures, publication of hiring numbers, proper fiscal impact assessment of legislation, statement of the main sources of fiscal risks related to changes in key economic assumptions in the forecast, as well as an assessment of the fiscal impact of the main sources of fiscal risk including government guarantees and other contingent liabilities etc. (**December 2013**)
2. Take steps to strengthen the reputation of the existing Parliamentary Budget Office, independence and technical competence towards a fully-fledged fiscal council (e.g. provision/endorsement of forecasts for the budget preparation, monitoring of compliance with budgetary targets and fiscal rules, provision of independent assessments of fiscal developments and challenges, etc.), building on best international practices. (**December 2013**)

### 2.5.5 Debt servicing account

1. The Government will ensure an effective implementation of the debt servicing account to monitor cash flows, avoid diversion of official financing and secure a timely debt servicing. Law 4063/2012 established a segregated account in the Bank of Greece. Bylaw, disbursements to this account cannot be used for any other purposes than debt servicing. Via this account the amortization and interest payment costs of all HR's loans, debt management transactions and derivatives, as well as any parallel cost (fees and other expenses) related to debt servicing and in general to Public Debt Management are paid. The proceeds of this account are the disbursement of EFSF's loans, subject to an EFSF acceptance notice, as well as the Hellenic Republic's contributions to debt servicing, including all revenues from the privatisation of State assets and at least 30% of windfall revenues. All payments from this account will be subject to prior detailed reporting to the EFSF/ESM and ex-post confirmation by the account holder. (**Continuous**)

## *2.6 Other institutional requirements*

Prior to disbursement the Government:

a. adopts final amendments to the law creating a Central State Aid Unit CSAU. The Central State Aid Unit is responsible for screening all measures, from across the Government, for their compliance with State aid rules, before they are implemented. The Central State Aid Unit will be the only contact point for the Commission on all State aid matters, including for notifications. The aim is to ensure a timely and effective clearance of state aid issues.

b. launches the call for interest in order to appoint the Director, and relevant officials of the CSAU, and launches the procedures for staffing the CSAU.

c. amends the law concerning recovery of illegal State aid with a view to clearly excluding any possibility of recovery in instalments. Indeed, Article 22.1.b of the law 4002/2011 currently states that recovery may take place in instalments and refers to the Code of Collection of Public Revenues, which also foresees this possibility. The updated law should exclude the possibility of recovery in instalments while, possibly, maintaining reference to the above-mentioned Code for other procedural aspects.

**Other Actions**

1. The Government completes the staffing of the CSAU so that thus is fully operational within its new framework (**August 2013**).

2. All actions attributable to public Authorities should be in compliance with the rules on free movement of capital (TFEU, Article 63) **(Continuous)**.

## *2.7 Making the public administration more efficient and effective*

Reforming the public sector constitutes an essential step for the reduction in waste, the containment of public wages and the increase in efficiency and productivity levels. As a prerequisite, the following actions will be taken in the next months.

### 2.7.1 Reforming the public administration

In order to achieve a leaner and more efficient state, the Government implements a rigorous evaluation of administrative structures and personnel, in order to maintain the right skill mix of employees over time. Reorganisation of entities continues, including closures, and employees are either transferred to the mobility scheme for internal reallocation or for restructuration purposes, or dismissed. This reform process will involve all extra budgetary funds and regional and local administrations before end-2013.

Rational reallocation of personnel, through evaluation, mobility and qualitative renewal through exits are the tools in the Government's efforts to improve the effectiveness of the public sector, since exits are an important channel for hiring new, fresh, highly qualified employees through fair, objective and transparent procedures managed by the recruitment agency (ASEP).

**Prior to disbursement the Authorities**:

a. issue all necessary legal acts in order to place 4,200 employees in the labour mobility scheme with a view to these employees being effectively placed in the labour mobility scheme before the end of July 2013;
b. through the Governmental Council of Reform, adopt staffing plans for 360,000 employees;
c. revise the legislation on the mobility scheme to reduce the time spent in the scheme from 12 months to 8 months, in order to meet exit targets for early next year.

**Other Actions**

**To** further advance the reform agenda during 2013 **the Authorities will**:

1. Complete shifting at least 12,500 ordinary employees to the scheme by **September 2013** and at least another 12,500 ordinary employees to the mobility scheme by (**December 2013**). Consistency of the mobility targets with the exit targets will imply that a substantial fraction of those in the scheme would eventually exit. Employees placed in the mobility scheme will have their wages cut to 75 percent.

2. Employees placed in the mobility scheme will be assessed, within a centrally-defined evaluation framework to be established by **September 2013**, before reallocation to new positions or exit (if they fail to be reallocated).

3. Agree to minimum monthly targets on the number of people who will be continuously in the mobility scheme until they exit from the public sector (**July 2013**).

4. Establish quarterly minimum targets for the mobility scheme for 2014 (**September 2013**).

5. Front load the exit targets for the second half of 2014, and will maintain the programmed definition for exits. To support the end-2013 cumulative exit target of 4000, the authorities will accelerate efforts in addressing the disciplinary cases and further evaluating other entities.

6. Complete assessments of 400,000 positions by end-September, and accelerate completion to maintain the year-end deadline for general government.

7. the Authorities will seek a strategic planning and management of the reform process. To this end, they will:
   i. adopt a two-year strategy and action plan for administrative reform, presenting the vision, objectives, responsibilities and the necessary steps for achieving the objectives of the reform (**September 2013**).
   ii. prepare a communication plan for this reform strategy addressed to the administration, main stakeholders and to citizens (**September 2013**).

8. To foster the effective restructuring of the public sector and use of the mobility and exit scheme, the Authorities will:
   i. prepare a detailed action plan to be adopted by the Governmental Council of Reform (GCR) in **July 2013**, including a precise and realistic timetable for the structural evaluations and the completion of staffing plans, taking into account the priorities set by the GRC. This timetable should cover the full list of the public entities separately.
   ii. complete staffing plans for all general Government entities, to be adopted by the GCR progressively and at the latest by **December 2013**. Staffing plans are to be implemented with their respective legal acts for each entity **within three months** after their adoption by the GCR.
   iii. involve the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement when taking related decisions (**continuous**);
   iv. adopt by the GCR common guidelines by August 2013 to ensure a consistent and effective functioning of the mobility scheme across the administration. The Human Resources Units (HR) and functions and the senior management in all administrations must operate under these common coordinated frameworks, objectives and guidelines.
   v. develop the necessary tools for the functioning of the mobility scheme (**September 2013)**. This will include setting up a database for the management of personnel, committees for the selection of personnel, a database for the management of open positions within the administration, detailed procedure, departure package. These tools are communicated across the administration as soon as possible.
   vi. complete the assessment of individual employees for the purpose the mobility scheme (**December 2013**).

9. Introduce a permanent, continuous, system of individual evaluations. The first round to be completed by December 2014.

10. The Greek Authorities will provide a full and updated picture of public employment. Accordingly, they will:
   i. publish on a monthly basis data on full time public sector employment and contractual positions, the number of employees in the mobility scheme, the number of exits and the number of pending disciplinary cases in the various stages (**monthly**)
   ii. record all employees into the census database by **September 2013**.

11. The consolidation program will make room to hire new staff, and this room will be used to address areas where we face deficits of skilled staff. To this end:
    i. The Government will hire one new employee for each exit as a result of (i) disciplinary cases; (ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment; (iii) evaluation of the personnel using the mobility scheme, including before any reallocation to a new position; (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (v) the elapse of a 8-month period in the mobility scheme. (**continuous**).
    ii. If the assessment (to be provided to EC/IMF/ECB **monthly**) at any point shows that the employment developments and plans are no longer on track to achieve our aggregate targets, the Authorities commit to reduce the 1:1 hiring ratio for exits mentioned under (i.) (**continuous, monthly**).
    iii. For all other exits than those mentioned under (i.), the hiring ratio will remain 1:5, as envisaged in the program (**continuous**).
    iv. By **July 2013**, the Authorities will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF.
    v. By **September 2013**, in line with the preparation of the annual Budget and the MTFS, the Cabinet of Ministers will adopt detailed hiring plans for 2014, in consultation with the EC/ECB/IMF
    vi. Provide the hiring plans to ASEP with at least a six-month notice with respect to the desired recruitment process, so as to allow proper planning and that selections can be carried out to the highest standards, compatible with the budgetary constraints. Ensure a sufficient budget so that modern methods are used by ASEP for the selections, including through a competency-based approach **(continuous).**

12. To develop and implement a human resources strategy, to valorise the public employment, the Authorities will:
    i. Define **by July 2013** a human resources strategy in order to:
        - identify and address the weaknesses of the public service management of human resources;
        - identify and implement the best possible way to manage the career of civil servants (including recruitment procedures, appointments, trainings, evaluation as well as mobility, etc.); and
        - assess and clarify the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management, leading to a reduction of the number of advisors, who should be provided with a specific job description.
    ii. reflect this strategy in legislation (**September 2013**). This legal act will aim at ensuring institutional continuity and higher levels of efficiency in the public administration, and provide a basis for evaluating and developing the competences of the senior management and the staff at large.

13. The Authorities define the full set of instructions to organise the HR services under regular, common and transversal standards and put them in place, with a view to develop a

coordinated, respected and efficient HR network within and across the different Ministries (October **2013**).

### 2.7.2 Fighting corruption

1. The Authorities will by **July 2013**:

i. Present draft legislation to bring the anti-corruption legal framework in line with relevant international standards, including the UN anti-corruption convention, and the OECD and Council of Europe anti-corruption conventions and recommendations;

ii. Initiate the implementation of all the outstanding actions in the action plan, initially scheduled for the period March-July 2013.

2. The Authorities will ensure that the National coordinator for anti-corruption is fully operational. This will require the availability of premises and all the necessary infrastructure, the start of operation of the National Coordinator governance structure, and the development of internal and external coordination mechanisms (**September 2013**).

### 2.7.3 Coordination of Government Policies and E-Government

The Authorities:

1. take action to consolidate the current preparatory work into a comprehensive and endorsed national e-Government strategy, setting the vision, objectives, priorities, monitoring and coordination mechanisms for supporting the development, promotion and application of e-Government and e-services for a better internal functioning of the administration and to citizens. The strategy, which will encompass an implementation plan, will be adopted by the GCR (**October 2013)**.
2. complete the staffing (with a priority for heads of clusters) of the Secretariat General for Coordination (SGC), and set-up the training of its staff and of the coordination correspondents in the Ministries (**October 2013**).
3. finalise the design of the procedures (regarding planning, coordination, control and monitoring, and preparation of arbitrages) the SGC is in charge of, and commence concrete operations on priorities (**October 2013**). Complete the implementation of these procedures by December 2013.

## *2.8 Avoiding waste and increasing quality through sound public procurement*

Important fiscal savings and higher quality purchases can be realised by sound public procurement processes. The reforms aim at i) making the Single Public Procurement Authority, the newly created procurement watchdog, fully operational; ii) establishing an e-procurement platform and mandating gradually its use by the public administration; iii) increasing the share of supplies and services tendered through Central Purchasing Bodies, including by the use of framework contracts and iv) at codifying and simplifying all public procurement legislation.

#### 2.8.1.1 To make the Single Public Procurement Authority (SPPA) operational

The Government:

1. The SPPA ensures coordination and coherence of the functioning of the Central Purchasing Bodies, of the reform of the Greek public procurement regulations and of the e-procurement framework with the overall public procurement system and strategy. (**Continuous)**

#### 2.8.1.2 To increase the efficiency of procurement processes:

The Government moves towards more centralised procurement, especially in the field of health procurement, services and supplies (including civil supplies and services for defence not falling under the scope of Directive 2009/81 on procurement in the fields of defence and security). It also starts building a system of statistics in the field of procurement, uses framework contracts and reviews the public procurement legislation including works, supplies and services. In particular, the Government:

*Agora portal*

1. Following the adoption of the JMD on the Agora Portal for contract transparency, facilitates compliance, by reviewing standard documents and providing support to contracting Authorities and eliminating overlap with other reporting obligations (**Continuous**);

2. publishes a set of standard forms for contract notices based on those used to publish notices on EU Tenders Electronic Daily (**October 2013**);

3. starting from **October 2013**, publishes all contract award notices and contracts;

4. publishes consolidated data on the number of contract notices on supplies, services and works and on the number of contracting authorities uploading information on the portal (for contracts with value above 30'000€) (**Continuous**);

5. publishes the findings of an independent evaluation of the functioning of the portal, including a review of functionality and results (e.g. numbers of contract notices/contract award notices published, numbers and type of contracting authority, estimated values of contracts) (**October 2013**).

*Central Purchasing Bodies (CPB)*:

6. Adopts decisions leading to the creation of a Central Purchasing Body at the General Directorate for the procurement of goods and services. In particular, the Government and - once it has become operational - the CPB:
   i. Based on the list of categories defined in June 2013, establishes and publishes a detailed list of supplies and services where the requirements of multiple contracting Authorities will be standardised into a limited number of alternatives. (**September 2013**);
   ii. confirms at least 3 promising categories for procurement via framework contracts, finalises design of the call for tender and prepares tender specifications (**October 2013**);
   iii. publishes contract notices for at least 3 framework contracts used in frequently purchased supplies or services at central government level through the CPB; (**December 2013**) and award contracts by mid-2014;
   iv. mandates the relevant administrations to source via the framework contracts submitted to the Commission services (**October 2013**);
   v. draws framework contracts for the procurement of the abovementioned standardised supplies and services through the CPB. (**Continuous**) ;
   vi. issues legislation mandating the purchase of the identified standard supplies and services through the CPB for all central Government authorities, with no monetary thresholds and with transitory periods agreed with the Commission services. Military purchases of standardised civil supplies and services (not falling under the scope of Directive 2009/81 on procurement in the fields of defence and security), and fuel, are also carried out through the CPB with a view of commencing on January 2014. (**July 2013**);

iv. tenders at least three framework contracts used in frequently purchased supplies or services at central Government level through the CPB. (**December 2013**).

*Reform of public procurement legislation*:

7. Undertakes to adopt **by December 2013** a reform of the public procurement system including works, supplies and services under the coordination of the SPPA with a view to:
   i. simplifying, streamlining and consolidating the body of public procurement legislation;
   ii. rationalising the administrative structures and processes in public procurement to desired procurement results in terms of efficiency and efficacy;
   iii. improving national review procedures, including the reduction of delays triggered by the redress system and assessing the role to confer to the SPPA in the area of redress (remedies and judicial protection).

8. Proceeds with the reform of the public procurement legislation, in accordance with the action plan submitted to the Commission services in February 2013. The drafts of all legislative and organisational measures implementing the above-mentioned Action Plan are presented to the European Commission by **September 2013**.

#### 2.8.1.3 To run public procurement procedures by electronic means (i.e., E-procurement):

The Government:

1. Following the transmission of the e-procurement plan to the Commission, adopts all necessary measures for its implementation according to the deadlines, including:
   i. the operation of supplies, services and public works procurement contracts through the e-procurement platform;
   ii. the availably of functionalities such as e-notification and e-tendering;
   iii. the mandatory use of the platform by the central Government, regional Government and other public sector entities;
   iv. the communication and training programmes for users of the platform;
   v. the periodic monitoring mechanisms for the take-up of e-procurement platform by its users and the specification of target usage levels;
   vi. the interaction of the platform with the planned simplification of procurement legislation;
   vii. the means to facilitate access and use to the platform by users, including easy to use e-signature and e-ID solutions.

   The execution of the plan and the respect of deadlines will be closely monitored in cooperation with the Commission, starting from **September 2013**.

2. In the *development* of the e-procurement platform, commits to:
   i. run supplies and services contracts for the Central Government through the e-procurement platform starting from **July 1st 2013**.
   ii. present the results of the pilot testing of the system software/architecture. The "fitness for purpose" of the system will be subject to an independent assessment (**September 2013**).

3. Ensures the use of the platform as follows:

i. the Central Purchasing Bodies (General Directorate for public procurement for supplies and services of the GSC and EPY") manage the e-procurement platform for all their tendering procedures. (**June 2014**)
ii. the whole public sector in Greece uses the e-procurement platform for commonly bought supplies and services by **December 2015**.

4. Submits to the Commission services the data of the *monitoring* activities covering year 2013 against the target user levels. (**1st half of January 2014**) In addition, it presents data on:
    i. the number of calls for tender published electronically (in absolute terms and as a percentage of total number of published calls for tender);
    ii. the number of tenders with specifications published online;
    iii. the number of contracts carried out electronically relative to the total number of contracts.
    iv. the types of purchases carried out with the e-procurement platform.
    v. the number of contracting Authorities using e-procurement.

## *2.9 Completing the pension reform to secure sustainability*

The Government:

1. Ensures that all social security contributions to ETEA will be recorded electronically (**December 2013**).

2. Ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts to be finalised by **December 2013.**

3. Produces a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions. (Continuous, **next report, September 2013**)

## *2.10 Modernising the health care system*

The Government continues to implement the comprehensive health sector reform with the objective of stabilising public health expenditure at, or below, 6 percent of GDP, while maintaining universal access and improving the quality of care delivery. Policy measures include reducing the fragmented governance structure, reinforcing and integrating the primary healthcare network, streamlining the hospital network, strengthening central procurement and developing a strong monitoring and assessment capability and e-health capacity.

The programme measures aim at achieving savings in the purchasing (accrual basis) of pharmaceuticals to reach spending on outpatient pharmaceuticals of about EUR 2371 billion and spending on inpatient pharmaceuticals of about EUR 0.66 billion in 2013 (accrual basis). The goal is to bring public spending on outpatient pharmaceuticals to about 1 percent of GDP i.e. around EUR 2 billion euro (in line with the EU average) in 2014. Total (outpatient plus inpatient) public expenditure on pharmaceuticals should be no more than 1.5 percent of GDP in 2013 and 1.3 percent of GDP in 2014.

### 2.10.1 Governance

To strengthen health system governance, improve health policy coherence, reduce fragmentation in the purchasing of health services and reduce administrative costs, the Government (i) ensures the effective concentration of all health insurance funds, without exception, into EOPYY, monitoring the transfer of staff and assets; (ii) ensures the effective transfer of all health-related decision making procedures and responsibilities (including payroll expenditures) under the Ministry of Health.

1. From **January 2014,** hospital services will start to be purchased directly by EOPYY through prospective budgets based on KEN-DRGs costing procedure (and payroll costs, should be at least reported).

2. EOPYY ensures that the number of doctors is reduced in headcount by a further 10% **in 2013**.

### 2.10.2 Controlling pharmaceutical spending

In order to reach the 1 percent of GDP target in 2014, the Government steps up its efforts, and further develops the set of incentives and obligations for all participants along the medicines supply chain (including producers, wholesalers, pharmacies, doctors and patients) to promote the use of generic medicines and the cost-effective use of medicines more generally.

#### 2.10.2.1 Contingency measures to deliver the overall targets

1. The Government applies an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets **(Continuous).** A note on the collection of claw back for the first half of 2013 is submitted by **September 2013**.

2. Activates contingency measures (including e.g. across-the-board cut in prices or entry fee for the positive list), if, for any reason, the claw-back is not able to achieve the target. Such measures produce an equivalent amount of savings. **(October 2013)**.

3. In addition and if necessary, EOPYY introduces additional incentives and mechanisms, including a prescription quota system for physicians, to ensure generic substitution (**September 2013**).

#### 2.10.2.2 Pricing of medicines

The Government:

1. Revises downward the price of medicines, based on the three EU countries with the lowest prices **(quarterly update** of price list **every four months** in line with the provisions of Council Directive 89/105/EEC, next lists to be published **by end June 2013 and September 2013).**

2. On the basis of the report on the impact of the new profit margins of pharmacies, reduce the profit margins down to 15%, starting from **1st January 2014**.

3. Ensures that EOPYY negotiates a 5% discount through price-volume or risk sharing agreements focusing on the top spending medicines sold in EOPYY pharmacies **(Continuous for 2013 and 2014).**

#### 2.10.2.3 Prescribing and monitoring

The Government will,

1. Update the positive list of reimbursed medicines and the list of OTC medicines. These lists must be updated after every price bulletin (or the corrective)**(deadlines should follow 2.10.2.2.1 with some offset ).**
2. Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals) **by September 2013**. E-prescribing is made compulsory and must include at least 90 percent of all outpatient medical acts covered by public funds (medicines, referrals, diagnostics) (**Continuous**).
3. Finalise the implementation of the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA. **(New Deadline September 2013).**
4. Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory **(Continuous)**.
5. Enforce the application of prescription guidelines through the e-prescription system starting with at least 5 therapeutic groups by **September 2013.**

6. Further develop the e-prescription system by monitoring the compulsory ICD-10 and enforcing SPC filters in the e-prescription system **(At a pace of 500 drugs per month starting October 2013).**
7. Enhance monitoring and assessment through:
   i. detailed monthly auditing reports on the use of e-prescription in NHS facilities and by providers contracted by EOPYY. These reports are shared with the European Commission, ECB and IMF staff teams. **(Continuous)**;
   ii. regular assessment of the information obtained through the e-prescribing system. **(Continuous);**
   iii. detailed quarterly reports on pharmaceutical prescription and expenditure which include information on the volume and value of medicines, on the use of generics and the use of off-patent medicines, and on the rebate received from pharmacies and from pharmaceutical companies. These reports are shared with the European Commission, ECB and IMF staff teams. **(Continuous, Quarterly, new report July 2013);**
   iv. detailed reporting on individual prescription behaviour to each physician relative to the average of comparable (specialty, patient workload) physicians (both in NHS facilities and contracted by EOPYY and other social security funds until they merge) and signals when they breach prescription guidelines. This feedback is provided at least every month and a yearly report is published covering: 1) the volume and value of the doctor's prescription in comparison to their peers and in comparison to prescription guidelines; 2) the doctor's prescription of generic medicines vis-à-vis branded and patent medicines and 3) the prescription of antibiotics. **(Continuous)**;
8. Enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines **(Continuous)**;
9. Electronic monitoring and the introduction of cancelation mechanisms to barcodes of pharmaceutical products should be finalized by collaboration of EOF and IDIKA **(September 2013)**.

#### 2.10.2.4 Increasing use of generic medicines

**Prior to the disbursement,** the Government:

a. Enforces compulsory ICD10 in the electronic prescription.

The Government also:

1. Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent (in volume) by **December 2013**. This will be achieved by:
   i. automatically reducing the maximum price of originator medicines when their patent (exclusivity period) expires (off-patent branded medicines) to 50 percent of its price at the time of the patent expiry. Further reduction will be achieved by linking off-patent products to the average of the three lowest prices in the EU, to be revised periodically with price list. Producers can offer lower prices, thus allowing an increased competition in the market. **(September 2013)**;
   ii. setting the maximum price of the generic to 40 percent of the price of the originator patented medicine with same active substance at the time its patent (exclusivity period) expired. After this first reduction, the price of the generic medicine is set to 80% of the downward revised price of the off-patient products (when the exclusivity period expires) which is to be set on the basis of the average of the three lowest prices in the EU as defined in point i. Producers are allowed to offer lower prices, thus allowing an increased competition in the market. **(September 2013);**

iii. Finalises the pricing of the large backlog of generic medicines waiting for a price in compliance with EU Transparency Directive and ensures dynamic price reductions (**September 2013**).
iv. deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC. **(Continuous);**
v. excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria. **(Continuous);**
vi. in the frame of the Administrative Reform process of EOF, set up scientific capacity in order to include cost effectiveness criteria in the reimbursement and licensing process and to manage the positive and internal reference price mechanism (October 2013).

2. Takes further measures to ensure that at least 50 percent of the volume of medicines used by public hospitals for inpatients is made up of generics with a price below that of similar branded products and off-patent medicines. **(Continuous)**
3. Ensures that all public hospitals to procure at least 2/3 of pharmaceutical products by active substance, using the centralised tender procedures developed by EPY and by enforcing compliance with therapeutic protocols and prescription guidelines. **(Continuous)**

### 2.10.3 Reviewing the provision of medical services contracted by EOPYY

**Prior to the disbursement,** the Government:

a. Takes legislative action that allows the Minister of Health to set a claw back mechanism and targets for non-pharmaceutical expenses of EOPYY in order to meet fiscal targets in the health care sector for the period 2013-2015.

Further the Government:

1. Activates contingency measures (including e.g. across-the-board cut in prices and access to private providers or entry fee on contractual arrangement), if, for any reason, the claw-back is not able to achieve the target. Such measures produce an equivalent amount of savings. **(October 2013)**.

2. monitors the implementation of the various policies introduced in late 2012 to improve the current financial situation of EOPYY and ensure that the budgetary execution is closer to a balanced budget in 2013. Measures to monitor include: changes in OGA contributions, in the benefit package, in cost-sharing for private care and in the fees for diagnostic and physiotherapy services, as well as the use of price-volume agreements and case-mix agreements with private providers and the use of a reference price system for reimbursement of medical devices. (**Continuous**)

3. will implement all the measures included in the “Action Plan towards a Comprehensive Set of New Measures to Control the Expenditure of EOPYY” as agreed with EC/IMF/ECB and produce an implementation report. (**Quarterly**)

4. publishes a monthly report on the prescription and expenditure of diagnostic tests and private clinics. (**Continuous**)

5. Initiates tendering procedure for the introduction of in house financial and analytical cost accounting systems of EOPYY. (**January 2014**)

## 2.10.4 National Health System (NHS) service provision

### 2.10.4.1 Reorganisation and management of the health care sector

The Government:

1. Implements the plan for the reorganisation and restructuring, as set in Law 4052 / March 2012, with a view to reducing existing inefficiencies, utilising economies of scale and scope, and improving quality of care for patients, thus contributing to better aligning working organisation with Directive 2003/88/EC. This implies reducing hospital operating costs by an additional 5% **in 2013** and reducing beds substantially, as legislated by MD OG1681/B (28-7-2011). This is to be achieved through:
   i. increasing the mobility of healthcare staff (including doctors) within and across health facilities and health regions;
   ii. adjusting public hospital provision within and between hospitals within the same district and health region;
   iii. revising the activity of small hospitals towards specialisation in areas such as rehabilitation, cancer treatment or terminal care where relevant;
   iv. revising emergency and on-call;
   v. optimising and balancing the resource allocation of heavy medical equipment (e.g. scanners, radiotherapy facilities, etc.) on the basis of need.
   vi. reducing administrative costs notably by removing deputy managers posts;
   vii. reducing cost with outsourcing services such as IT services, laboratory services and hospital servicing costs (e.g. cleaning services).

2. Produces an annual report comparing hospitals performance on the basis of the defined set of benchmarking indicators **(Continuous; next report 1st April 2014)**. On the basis of the 2013 annual report produce a benchmarking study **by October 2013.**

3. Updates a report on human resources for the whole health care sector annually and uses it as a human resource planning instrument. **(Continuous; next report 1st April 2014)**

4. The Government presents an analysis on healthcare needs of the long-term unemployed (and dependent family members) who lack healthcare coverage by EOPYY. This analysis addresses present and expected patient numbers as well as related public budgets needed. This analysis includes priority settings scenarios varied by clinical needs of impacted patient subgroups. **(September 2013)**

### 2.10.4.2 Accounting, costing, control, IT and monitoring systems

The Government ensures that:

1. EOPYY publishes a monthly report with analysis and description of detailed data on healthcare expenditure with a lag of three weeks after the end of the respective month. This report will make possible the more detailed monitoring of budget execution, by including both expenditure commitments/purchases (accrual basis) and actual payments (cash basis). The report will also (1) describe performance on the execution of budget and accumulation of arrears, and (2) recommend remedial actions to be taken. **(Continuous)**

2. Further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through:
   i. the introduction of analytical cost accounting systems, with the implementation of the respective action plan, due to be finalised, with complete hospital coverage, by **November 2013**;

ii. the regular annual publication of balance sheets in all hospitals. **(September 2013);**

iii. the introduction of the uniform coding system for medical supplies developed by the Health Procurement Commission (EPY) and the National Centre for Medical Technology (EKEVYL) and the use of the observe.net system to monitor the procurement and use of tenders for medical supplies. **(Continuous);**

iv. the introduction of inbound hospital logistics and warehouse management systems using barcode scanning systems for pharmaceuticals and medical consumables. **(December 2013);**

v. implement necessary action to ensure timely invoicing of full treatment costs (including staff payroll costs) **-** i.e. no later than 2 months to other EU countries and private health insurers for the treatment of non-nationals/non-residents. **(Continuous);**

vi. enforcing the collection of co-payments and implementing mechanisms that fight corruption and eliminate informal payments in hospitals. **(Continuous).**

3. ELSTAT continues providing expenditure data in line with Eurostat, OECD and WHO databases i.e. in line with the System of Health Accounts (joint questionnaire collection exercise). **(**2012 figures to be released by **January 2014)**

4. The programme of hospital computerisation allows for a measurement of financial and activity data in hospital and health centres. Moreover, the Minister of Health defines a core set of non-expenditure data (e.g. activity indicators) in line with Eurostat, OECD and WHO health databases, which takes account of the future roll-out of DRG (diagnostic-related groups) schemes in hospitals. **(Continuous)**

5. The Government starts to develop a system of patient electronic medical records. **(Continuous)**

6. The Government, with technical assistance from experts across EU, continues to improve the existing KEN/DRG system, with a view to developing a modern hospital costing system for contracting (on the basis of prospective block contracts between EOPYY and NHS). The existing set of KEN/DRGs is used in all hospitals

   i. The KEN/DRG Management Institute is established (**October 2013)**.

   ii. DRGs will include a detailed item on costs of personnel. (**Continuous**)

7. A follow up analysis of how hospital accounting schemes integrate DRGs at hospital level in view of future activity-based cost reporting and prospective budgets payment for hospitals will be submitted by **September 2013.**

### 2.10.5 Centralised procurement

1. The Government increases substantially the number of expenditure items and therefore the share of expenditure covered by centralised tender procedures through EPY up to 45% of all the expenditure in medicines and medical devices by 2014. This share goes up to 60% in 2015. The Government ensures the use of such tender procedures. **(Continuous)**

2. EPY will undertake tender procedures for framework contracts for the most expensive medicines sold in EOPYY pharmacies. **(Continuous)**

3. EPY will publish a detailed annual report on its activity **(2012 report published in September 2013)**

4. In compliance with EU procurement rules, the Government conducts the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system) including the full and integrated system of hospitals' IT systems. **(Continuous)**

### 2.11 Upgrading the education system

1. The Government implements the Action Plan for the improvement of the effectiveness and efficiency of the education system and regularly reports on the progress of its implementation including on the results of the external evaluation of high education institutions (**Continuous**, **June and December of each year**).

2. On higher education, the provisions of the laws 4009/2011 and 4076/2012 are fully and promptly implemented including:
   i. The external evaluation of the higher education institutions by the Quality Assurance Authority is completed. (**December 2013**);
   ii. The organisation charts and internal regulations of the Higher Education Institutions are completed (**March 2014**);
   iii. Update on the progress of the on-going consolidation/merging of departments of universities and technological institutes (ATHINA Project) **(September 2013)**.

3. On primary and secondary education, the new policy of evaluation of schools (including the schools' self-assessment) and educational staff starts being implemented. **(September 2013**). The first cycle of evaluation of the educational staff, in particular School Directors, School Advisors and Regional Directors is completed. ( **December 2013**).

# 3 Stabilising the Financial System

1. The Government ensures that no state aid will be granted to banks before it is approved by the EC under state aid rules.

### 3.1 Framework for restructuring and strengthening of the banking system

**Prior to disbursement,**

1. The Government commits to invite HFSF to complete the disposal of the two bridge-banks**.** The decision on the transactions should take into consideration the public interest, financial stability, as well as the protection of HFSF assets.
2. The MoF and the BoG commit to complete a comprehensive banking sector strategy in coordination with the HFSF and the EC/ECB/IMF. The MoF and the BoG commit to maintain a four-pillar banking sector as long as HFSF has a majority stake in the core banks

The BoG commits to:

1. Develop the implementation plan for rationalising the cooperative sector, including Panellinia Bank, as part of the comprehensive banking sector strategy.

2. Take the legal and regulatory steps necessary to implement the strategy for the cooperative sector by **end-September 2013**.

The Government commits to invite the HFSF to:

3. Undertake to place a substantial equity stake in Eurobank with a privately owned strategic international investor by **end-March 2014**. To this end, consultants will be contracted by **end-August 2013**, an evaluation metric for potential investors will be developed by **end-October 2013** and potential bidders will be allowed to start a due diligence process no later than **end-November 2013**. The structure of the placement will also be designed with a view to incentivize participation of investors who want to obtain a majority stake in the future.

### 3.2 Funding

The BoG commits to:

1. Preserve sufficient banking system liquidity in line with Eurosystem rules (**continuous**).

2. Request banks to provide standardized quarterly balance sheet forecasts (funding plans) **after the completion of the recapitalization exercise**. Banks shall set out a path towards achieving, over the medium term, a sustainable funding model by broadening their funding base and reducing their reliance on extraordinary central bank liquidity support and government guarantees. The funding plans will serve as a tool for the BoG and the ECB to monitor this process and assess, in cooperation with the EC and IMF, whether the banks' plans are at the aggregate level consistent with the program's macroeconomic framework.

### 3.3 State-owned preference shares of the banks

The Government commits to:

1. Not take any fiscal policy actions that would undermine the solvency of banks (**continuous**).

2. Not require banks to pay any dividends on preference shares, or fees or taxes in lieu of this, unless they have distributable profits (excluding profits from acquisitions and selling of subsidiaries abroad) and the BoG has given its consent, confirming that such a payment would be compatible with the preservation of adequate capital buffers going forward (**continuous**).

### 3.4 Follow up stress testing

The BoG:

1. Shall continue the preparations for the supervisory stress test to be completed by **end-December 2013**, including objectives, scope and output, under the oversight of the Steering Committee composed of the representatives of the BoG/EC/ECB/IMF and EBA.

2. Has engaged a consultant to conduct the asset quality review, with an interim deadline of completion **by end-October 2013 and delivery of the final report by end-November**. The distressed credit operations review is scheduled to be completed by **end-September 2013**.

### 3.5 Management of assets under liquidation

The BoG commits to:

1. Continue improving the management of assets under liquidation (**continuous**).

2. Develop by **end-July 2013** an implementation plan outlining further steps to improve collections and establish targets, in order to ensure an effective utilization of the enhanced tools.

### 3.6 Supervisory model and HFSF's liability

The BoG commits to:

1. Review its supervisory model to bring it in line with international best practices and consistent with the Single Supervisory Mechanism guidance and aim to complete this process by **end-December 2013**.

The Government commits to:

2. Amend law 3864/2010 that all decisions of the Governing Council and the Executive Board , are meant to be in accordance with the HFSF's mandate, if taken in accordance with the law and with a view to protecting the public interest, in particular the financial stability, in accordance with the commitments of the Hellenic Republic set out in Law 4046/2012 (FEK A 28), as these commitments are updated from time to time in accordance with paragraph 5 of the same law (**July 2013**).

3. Review in cooperation with the EC/ECB/IMF staff the functioning of the HFSF by **end-September 2013**. Any adaptation will take into consideration its evolving tasks, in line with the program and the long-term interests of the banking sector and taxpayers.

### 3.7 Review of legal insolvency frameworks

The Government commits to:

1. Implement the necessary regulations to put in place the "Facilitation Program" that has been adopted by Parliament, by **end-August 2013**.

2. Adopt definitions for terms such as "acceptable living expenses" and "cooperative borrowers," as guidance for the judiciary and banks by **end-September 2013**.

3. Continue monitoring closely the resolution of distressed debts for households, SMEs, and corporates (**continuous**).

4. Build on the significant achievements toward reforming insolvency regimes, by taking the following steps:

   i. Established a working group to identify ways to improve the effectiveness of debt resolution processes for households, SMEs, and corporates by **end-July 2013**.
   ii. To this end, the Government will, by **end-July 2013**, in consultation with EC/ECB/IMF staff, identify key bottlenecks and,
   iii. by **end-October 2013**, with technical assistance, propose concrete steps for enhancements in this area.

Under the review of banks' distressed credit operations review as input, the BoG will:

5. Issue in consultation with banks and EC/ECB/IMF staff by **end-December 2013**, based on the review of banks' distressed credit operations, a time-bound framework for banks to facilitate settlement of borrower arrears using standardized protocols.

7. Require banks to present, by **mid-September 2013** a strategy for improving their distressed credit operations (e.g., by strengthening internal arrears management units, contracting external work-out specialists).

8. Require banks to submit by **end-November 2013** a comprehensive operational plan that will address the shortfalls identified in the review.

9. While the Government is refraining from adopting new or modifying existing debt restructuring schemes, undertake the first assessment of the effectiveness of the Facilitation Program **within six months of its launch**.

### *3.8 Establishment of the Institution for Growth (IfG)*

The Government intends to:

1. Establish the IfG, a non-bank financial institution, to catalyze private sector financing, especially for SMEs, while minimizing fiscal risks.

2. To help address credit constraints while containing fiscal risks, the IfG will: (i) provide debt financing for SMEs; (ii) provide equity capital to SMEs having significant growth potential and to private equity and venture funds; (iii) provide debt or equity financing for infrastructure projects; (iv) where it provides debt financing, make such loans available only under co-financing arrangements with significant participation by commercial or cooperative banks; and (v) lend and invest at market terms.

3. the IfG will (vi) not take deposits and (vii) not accept capital contributions or other financing from domestic financial institutions owned or controlled by the public sector; and (viii) limit any guarantees to a level not exceeding the Hellenic Republic's (HR's) capital subscription.

4. The HR will seek to become a minority shareholder eventually, with its own capital contribution limited to € 350 million over the next three years.

5. Shareholders other than the HR will have to agree on the appointment of the management of the IfG. The IfG board will have a strong international presence to ensure a high degree of independence.

6. Finally, overlapping functions between ETEAN and IfG will be avoided, and such functions will be performed by the IfG upon an HR request and subject to IfG investor's approval.

### *3.9 Loan and Consignment Fund*

The Government commits to:

1. Ensure that the Loan and Consignment Fund is not crowding out competition in the financial sector (**continuous)**.

2. Ensure that the commercial sector part of the Loan and Consignment Fund will be in a gradual run-off. In that respect, the Government commits to revise the legal framework of the Loan and Consignment Fund by **September 2013** to provide that its commercial sector part will not grant any new loans and will not take any new deposits, except the roll-over of existing deposits.

3. In consultation with the EC, to revise the legal framework of the Loan and Consignment Fund by **September 2013** regarding the scope of activities of the reserved sector part to ensure that it acts only in case of market failure.

# 4 Strengthening labour market institutions and promoting employment

The Government will foster the effective implementation of the recent labour reforms and build upon them to support restoring cost-competitiveness, notably the on-going reduction in nominal unit labour costs in the economy by 15 per cent over the period 2012-14, and boost employment. Effective implementation of reforms of product and service markets will help improve the transmission of labour cost reductions into lower prices and enhance competitiveness.

The Government is promoting an efficient wage-setting system, reducing non-wage labour costs, fighting undeclared work and informality, also by streamlining administrative burdens and increasing the transparency and enforceability of the labour law. The Government will enhance policies in order to help the unemployed in remaining attached to the labour market and to increase their matching to potential employers and to improve social safety nets in an affordable and adequate way. Reforms in labour legislation will be implemented in consultation with social partners, and in respect of EU Directives and Core Labour Standards.

## *4.1 Reforms in the wage-setting system*

The reform of the statutory minimum wage framework at the national level is ensuring that wage dynamics support employment while setting a floor for labour income. Thus, the Government:

1. Adopts by **July 2013** a law defining the decision-making mechanism for the statutory minimum wage that will prevail after the end of the Programme period once the current freezes cease. This law will establish the procedure for consultation with social partners, other stakeholders and independent experts before the minimum wage is set through a Ministerial Decision after the consent of the Council of Ministers. It will also define how the conditions of the Greek economy, notably its growth prospects, productivity and competitiveness levels, will be factored into the decision process in order to ensure that the objectives of promoting and maintaining high employment and reducing the high unemployment rates, and of safeguarding labour income, are achieved in a balanced way.

2. Reviews the current structure of the minimum wage rates system, with a view to possibly improve its simplicity and effectiveness to promote employability and fight unemployment and enhance the competitiveness of the economy **by March 2014**.

## *4.2 Reducing non-wage labour costs*

With a view to dampen non-wage labour costs and thereby foster employment creation, the Government:

1. Adopts legislation **by November 2013** reforming the system of social contributions in a revenue-neutral way, inter alia by broadening the base for contributions, simplifying the schedule across the various funds, shifting funds away from nuisance taxes and onto contributions, and reducing average contribution rates by 3.9 percentage points from their current levels, which will be phased in over 2014, 2015 and 2016.

2. As intermediate steps, studies of possible changes in the system of social contributions will be carried out and action plans proposed **by September 2013**.

3. Carries out studies of first-pillar pension schemes in companies where the contributions for such schemes exceed social contribution rates for private sector employees in comparable firms/industries covered in IKA and presents options for the reduction of social contribution rates **by September 2013**.

4. Based on these studies of first-pillar pension schemes, and together with the reform of the system of social contributions, reduces the rates mentioned in the previous entry that are found to be too high and adjusts benefits in a fiscally-neutral manner **by December 2013.**

### *4.3 Lowering compliance costs, fighting undeclared work and informality*

To help formality in labour arrangements by reforming the Labour Inspectorate and streamlining the administrative burden to foster compliance, the Government:

1. Strengthens the fight against undeclared work and raises the effectiveness of the Labour Inspectorate. Prioritising the activities of the Inspectorate and fostering the detection of the most severe cases of labour law violations are expected to be at the core of those changes (**Continuous**).
2. Revises the sanctions for violations of the labour law by **July 2013**.
3. Streamlines the reporting by employers and employees by **September 2013**.

### *4.4 Further improving regulatory framework*

The Government will review existing labour regulations with the purpose of identifying measures that, building on recent reforms, would further contribute to attract investment and support job creation while aligning Greece with best practices in other countries. This exercise will include a comparative review of regulatory issues concerning the re-structuring of companies and collective dismissals to ensure a balance between adjustment needs and a fair sharing of the burden of adjustment between workers, firms and Government. In this light, the Government:

1. Identifies reforms and changes that appear necessary, in consultation with social partners, by November 2013, and implements them **December 2013**.

### *4.5 More transparent and enforceable labour law*

To ease interpretation, reduce compliance costs with and increase the enforceability of labour law, the Government codifies **by December 2013** all existing legislation relevant for labour and industrial relations into a single Labour Code.

### *4.6 Support to the unemployed*

The Government steps up efforts to prevent unemployment becoming permanent and to mitigate the hardship of unemployment, focusing on: promoting the integration of the long-term unemployed, young people and disabled in the labour market; easing labour market mismatches and facilitating the transition of workers across occupations and sectors by improving training policies and promoting the employability of the disadvantaged groups; targeting the segments of the population with the strongest needs of income support and with no entitlement to social transfers, and strengthening social economy. In these efforts, the Government will aim at involving the private sector to the maximum extent possible. The Government will improve its ability to assess labour market needs and to carry out evidence-based policy analysis in order to strengthen the design, monitoring, and co-ordination of labour market and social policies.

1. To this end, and in order to provide continuing support to the labour market policies, the Government as a whole adopts a comprehensive Action Plan by **July 2013** focusing on:

   i. Expanding short-term public work programmes targeted at jobless households, the long-term unemployed and young people not in education, employment or training as a measure of emergency and temporary nature while labour demand remains sluggish. It may target up to 50 000 persons in a first round as a measure of emergency and temporary nature while labour demand remains rather subdued. Municipalities and other public Authorities may participate directly in such public works programmes only under the full adequate and transparent control of such programmes (open calls, internet publication of projects with full details, and reporting helpline);

   ii. Promoting the implementation of the youth voucher scheme;

   iii. Supporting job matching between the unemployed and potential employers and activation of the unemployed through the reform of the Public Employment Service, including by developing partnerships to deliver quality training, mentoring and employment services;

   iv. Improving and expanding over the medium term, in coordination with educational reforms, the range and quality of apprenticeships and vocational training schemes and strengthening their linkage with labour market needs and potential employers. The Government will provide a plan on how these objectives can be achieved with concrete measures by **September 2013**.

   The Action Plan should inform on the financing of the forthcoming initiatives.

2. The Government will produce a Green Paper on social protection and policy with a view to increase the effectiveness of income support programmes by **September 2013**.

3. The Government will launch a means-tested income support scheme (minimum guaranteed income scheme) that targets the poor, including the long-term unemployed, to mitigate poverty and prevent the deterioration of skills and human capital (pilot phase **by January 2014** at the latest and national roll-out by 2015). The pilot phase will enable the development and testing of targeting mechanisms, registration procedures and benefits platform, delivery channels and payment systems with adequate control procedures. The pilot programme will include some activation of beneficiaries; and there will be phased integration of other benefits and social services. The Government will also consider further enhancing support to the long-term unemployed and other specific categories of workers without entitlement to unemployment insurance by putting in place an unemployment assistance scheme targeted to the poor; like for the income support scheme it should be means tested and promoting the activation of beneficiaries and the integration of other benefits and social services.

4. A specific position paper on the means-tested minimum guaranteed income scheme shall be prepared by **July 2013**. The paper will set out the timetable and roadmap for the national roll-out, identify pilot geographical areas and targeted population, present budgetary provisions and describe the institutional framework including registry. It will make initial proposals for mutual responsibilities, and means of activation of beneficiaries, describe how this scheme will interact and integrate with other labour market policies and social transfers, and propose specific monitoring and evaluation mechanisms. The position paper will identify general principles that will ensure transparent and equitable selection of partners for complementary services among state and local agencies, local community organisations, NGOs, and private partners. The (eventual) integration of the minimum guaranteed income scheme and of the unemployment assistance scheme with existing cash transfers, labour activation services, and

other social services is important to ensure adequate support for the needy, and move them closer to work and will also be discussed in the position paper. The early preparation will facilitate a front-loading of the new initiatives should the fiscal space be found within the existing overall budget envelopes.

5. To provide health insurance access to uninsured citizens, the Government prepares an action plan in cooperation with foreign experts (**to be finalized in the second half of 2013**), and work with the aim of extending the programme's coverage to more beneficiaries and include more healthcare services (**January 2014)**.

# 5 Creating favourable conditions for economic activity

The program places strong emphasis on implementing structural reforms that aim at improving the business and overall economic environment and contribute in enhancing competition and competitiveness. These include horizontal measures to reduce time and costs to create a company, to get establishment and operating licenses for manufacturing activities, to get permits for environmental projects and activities, and to export and import, combined with measures to improve the functioning of the judicial system.

## *5.1 Promoting an efficient and competitive business environment*

### 5.1.1 Rationalising / eliminating quasi-fiscal charges

1. The Government eliminates in the 2014 budget the vast majority of the quasi fiscal charges identified in the list presented to the Commission services in November 2011 in a budget neutral way (**October 2013)**.

### 5.1.2 Reducing procedural and other administrative burden

1. The Government takes additional measures to ease doing business, as measured by the World Bank's Doing Business indicator, by **May 2014**.

2. To implement law 3982/2011 on the **fast track licensing procedure** for technical professions, the Government issues secondary legislation on:
   - i. Defining the fees paid for obtaining a license for cooling technicians by **July 2013**.
   - ii. The notification process of technical profession for electricians by **July 2013**.
   - iii. The fees paid for notification of technical profession for electricians by **July 2013**.
   - iv. Syllabus and process for obtaining a license for machine operators by **August 2013**.
   - v. Defining the fees paid for obtaining a license for machine operators by **September 2013.**
   - vi. The syllabus and process for obtaining a license for electricians by **September 2013**.
   - vii. Defining the fees paid for obtaining a license for electricians by **October 2013**.
   - viii. Conditions of conducting exams by private entities by **November 2013**.
   - ix. Replacing of professional experience by seminars organized by approved bodies by **March 2014.**
   - x. The fees for the seminars replacing professional experience by **March 2014**.

3. **To implement Law 4014/2011** on environmental licensing of projects and activities, the Government issues:
   i. The Ministerial Decisions (Art. 8.3) on laying down the standard environmental commitments of projects and activities in category B:

      a. Power stations using gas or liquid fuels; mining project; car repair shops; detention centres and prisons; building projects; gas stations; poultry and farming activities; and aquaculture (**July 2013**).

      b. Garages and parking spaces; hydraulic works; ports; environmental infrastructure projects for waste and wastewaters; roads; hospitals; air transport projects; ultrahigh voltage centres; and special projects and activities (**September 2013**).
   ii. The Ministerial Decision (Art.10.2) on the content of the Special Environmental Assessment according to the type of project or activity (**September 2013**).
   iii. The Ministerial Decision (Art. 19.9) on the specification of procedures for consultation and participation during the public consultation process (**October 2013**).
   iv. The Presidential Decree (Art. 14.5) on the establishment of the environmental licensing directorate (**October 2013**).
   v. The Ministerial Decisions and Circulars (Articles 11.3, 11.4, 11.5, and 11.6) on the content of the dossier for the Preliminary Determination of Environmental Requirements and the Environmental Impact Assessment (**October 2013**).
   vi. The Ministerial Decision (Art.18.5) Digital Environmental Registry (**February 2014**).
   vii. The Ministerial Decision (Art. 17.8) on fixing compensatory fees and procedures (**April 2014**).
   viii. The Presidential Decrees (Art. 16.6) on the establishment of the certified Environmental Impact Assessment assessors registry (**June 2014**).
   ix. To confirm progress in the area of environmental licensing, a review of the implementation of law 4014/2011 examining the degree to which licensing procedures have been simplified and shortened (**December 2013**).

4. To improve **waste management**, the Government licenses at least two disposal sites for hazardous waste (**September 2013**).

5. To tackle the investment barriers caused by multiple and fragmented establishment and operating permits, the Government presents a strategic vision and an evaluation of investment licensing procedures in **July 2013**, followed by a roadmap in **September 2013**, with the objective of introducing more efficiency, transparency and clarity in investment licensing. The implementation of the strategy should lead to a large reduction in the number of licenses required by the public administration, with a view to replacing them, if needed, by less demanding instruments such as declarations or notifications, and to a rationalisation of the processes and responsibilities for issuing permits.

6. To simplify export and import procedures, the Government:
   i. a. Appoints at least 20 exporters in the authorised trader scheme for fresh fruits and vegetables by **December 2013**.

      b. Fully implements risk based control system based on EU best practice for fresh fruits and vegetables by **January 2014**.

      c. Following the example of fresh fruits and white cheese, reviews pre-customs and customs procedures for 5 more products by (olive oil, cosmetics, aluminium profiles, canned peaches, dual use product) by **December 2013**, and

d. Streamlines relevant procedures by **March 2014**.

ii. Launches a pilot for imports enabling 24/7 customs operations in the customs offices of Athens airport and two shifts in Piraeus Port by **July 2013**.

iii. Adopts the following procedures in pilot customs offices by **July 2013**:

a. Allow 'presentation of goods' at appointed locations other than only the Customs office under normal procedures.

b. Supporting documents are only requested when the declaration is selected by the risk assessment system for documentary or physical control.

c. When supporting documents are requested for any type of declaration, photocopies, faxes or email attachments are accepted; and

d. The authorization from the represented trader to the customs representative should be made in a simple fashion without any need of a witness or notarization.

iv. a. Implements automatic clearance for low risk declarations in line with EU best practices in customs pilot offices by **November 2013**, and

b. Across all customs offices by **December 2013**.

c. Aligns the risk assessment system for exports with best practices in EU Member States, to ensure that the level of controls converges across all customs offices to the average level of controls in the EU by **September 2013**.

d. Makes similar alignments to the risk assessment system for imports by **March 2014**.

v. a. Ensures that the e-customs system supports the submission of declarations and supporting documents for exports in all customs offices by **July 2013**.

b. Ensures that the e-customs system supports the submission of declarations and supporting documents for imports in the pilot customs offices by **July 2013.**

c. Ensures that the e-customs system supports the submission of declarations and supporting documents for imports, and electronic payments for exports and imports, in all customs offices by **November 2013**.

vi. a. With assistance by the World Customs Organization, assesses the results of the pilots by **November 2013**.

b. Presents a detailed plan with timetable on how optimised procedures will be rolled out across all other customs offices by **December 2013**.

c. Applies optimised procedures permanently in pilot customs offices of the Athens airport and Piraeus Port by **January 2014.**

d. Rolls-outs optimised procedures during 2014 and applies them permanently in all other customs offices by **December 2014**.

vii. Staffs and empowers the Operational Steering Committee for the National Trade Facilitation Strategy and Roadmap project to coordinate and monitor the implementation of the reform by **September 2013**.

7. To identify and eliminate unnecessary **reporting requirements** for businesses:

i. The Government concludes the preparatory analysis of the Standard Cost Model in 13 sectors to identify administrative burdens for businesses (**September 2013)**.

ii. The Government presents the results of the Standard Cost Model in 13 sectors (**December 2013**).

iii. Following the identification of administrative burdens the Government completes the amendments to sector specific legislation (**March 2014)**.

8. To facilitate **spatial planning**, the Government:

i. Adopts a revised framework legislation to simplify and reduce the time needed for town planning processes (**July 2013**).

ii. Completes the revision of the regional spatial plans to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:

a. After the completion of the first phase, the second phase of modification is completed by **July 2013.**

b. The third phase for the formulation of proposals is completed by **November 2013.**

c. The fourth phase for the legislation of the final proposal is completed by **February 2014**.

iii. Completes the revision of the spatial plan for South Aegean to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:

a. The first phase of this revision is completed by **September 2013**.

b. The second phase of modification is completed by **November 2013.**

c. The third phase for the formulation of proposals is completed by **March 2014.**

d. The fourth phase for the legislation of the final proposal is completed by **June 2014**.

iv. Reforms the forestry legislation as follows:

a. Updates the legislation on forests and forest lands by **September 2013.**

b. Codifies the legislation on parks, forests and forest lands by **December 2014.**

9. Accelerating work on a modern **cadastre** is essential to ensure the timely completion of cadastral property register covering all land and buildings in Greece. This is necessary to secure fiscal revenues from real estate tax and will also provide the legal certainty needed to open up the real estate market to new investment, including for foreign direct investment. Following the adoption of Law 4164/2013 the government will:

i. Ensure that the Ministry of Finance and tax administration has full access to the cadastral database for taxation purposes, including for the purpose of the E9 tax fiches (**July 2013**).

ii. Establish a business plan to create a nation-wide system of new Cadastral Offices under EKXA AE. The business plan will include the proposed organograms for each office in order to prepare their transformation into final offices. Ensure that until the full cadastre is in place, registrars operate as agents of these Cadastral offices. **(November 2013)**

iii. Ensure the immediate transformation of temporary cadastral offices into final ones in the capital of the regions where the cadastre is operational by issuing the respective PD for each office. Ensure that all responsibilities of registrars are transferred to these Offices. (**December 2013)**

iv. Ensure that all real estate related transactions in the country are registered electronically using the web platform provided by EKXA AE and that a standard format for registration is used (**September 2013**).

v. Ensure that the transaction fees that are due to the State are transferred automatically to the account of the Ministry of Finance. Data on all other transaction fees should be fully accounted and audited by the Ministry of Finance (**September 2013**).

vi. Ensure that Urban Planning and Construction Permits to be built on maps provides by or in conformity with EKXA AE (**December 2013**).

vii. Ensure that all other cadastral efforts (e.g. archaeological or industrial development) necessary for operations in different Ministries must be based on the cadastral database and layers developed and managed by EKXA AE (**December 2013**)

viii. Adopt secondary legislation to ensure that the Cadastre SA database is linked to other databases, such as on real estate, urban planning database, construction permits, and LPIS for agricultural subsidies calculation based on cadastral database (**December 2013**)

ix. Extend the cadastral database to include transaction prices, objective values of transactions. (**December 2013**) The scope of the cadastre should be widened to include buildings and other constructions on non-urban land (**December 2014**).

10. In order to achieve a timely realisation of the cadastre, the government will:

i. Based on existing surveys, provide maps of constructions on non-urban land (**June 2014**).

ii. Legally validate the forest maps and the coastal zone of the entire country based upon the respective maps of the EKXA delivered in 2009 (**December 2015)** Milestones will be set for the completion of particular areas.

iii. Proceed with the awarding of the seven (7) million active property rights tendered since December 2011 (**March 2014**); tender out all remaining rights (ca. 15 million). (**September 2013**). Complete the award of tenders for unfinished cadastral projects (**December 2014**).

iv. Make it compulsory to include the single cadastral code number of each parcel in tax declarations (form E9) of real estate (**July 2013**).

### 5.1.3 Enhancing competition and promoting better regulation

1. Following the competition assessment in sectors such as food processing, retail trade, building materials and tourism, the Government prepares the legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit (**September 2013)**.

2. The new legislation will be enacted in **November 2013**.

3. To implement law 4048/ 2012 on regulatory governance: principles, procedures and tools of good law making, the Government issues the Presidential Decrees provided for in Art. 21 of that law, providing for the setting up of the better regulation structures (i.e., the Better Regulation Offices, the Legislative Initiative Offices of the Ministries and the Inter-ministerial Sector for Better Regulation) (**October 2013).**

4. The Government presents an annual better regulation plan (as provided for in Art. 15 of law 4048/2012) with measurable objectives to simplify legislation (including through codification) and to eliminate superfluous regulations. (**December 2013**).

## *5.2 Reforming the judicial system to support economic activity*

To improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy, and without prejudice to the constitutional principles and the independence of justice, the Government: (i) ensures effective and timely enforcement of contracts, competition rules and judicial decisions; (ii) increases efficiency by adopting organisational changes to courts; (iii) speeds up the administration of justice by eliminating backlog of court cases and by facilitating out-of-court settlement mechanisms.

In designing and implementing the measures below, the Government consults the EC/IMF/ECB.

### 5.2.1 Review of the code of civil procedure

The Government commits to review the Code of Civil Procedure in accordance with the roadmap defined in section 9.3 of this Memorandum, which defines intermediate steps towards its completion by **March 2014**.

### 5.2.2 Judicial statistics

In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4 of this Memorandum. (**Quarterly**)

### 5.2.3 Tax case backlog reduction

Building on the 2012 Administrative Courts data reports and reports by the General Commission for the Administrative Courts, the Government:

1. Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts. (**July 2013**).

2. Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts (**July 2013**).

### 5.2.4 Non-tax case backlog reduction

1. Based on the study on the backlog of non-tax cases in courts conducted by an external body of experts, the Government prepares by **July 2013** an Action Plan with specific measures aiming at continuously reducing the number of civil and commercial cases pending in Courts. This should include short term and longer term actions.

2. The Authorities prepare by **July 2013**, draft legislation on compulsory mediation for small claims.

### 5.2.5 Development of e-justice applications in courts

1. The Government updates, further refines and operationalizes the e-justice Action Plan (**Continuous**, on a **quarterly basis**). Updated versions are to be submitted within 15 calendar days from the expiration of the relevant quarter.

2. The action plan will include additional actions as follows:

    i. An evaluation of the use of IT systems in courts (**March 2014**);

    ii. a timetable, including proposed deadlines, for the extension of case e-registration and e-tracking to all courts (**March 2014**).

3. Short term actions within the framework of the E-Justice Action Plan. The Government:

    a. By **September 2013,** the Government ensures the full operation (for all types of civil procedures, except of those for which this is not feasible due to jurisdictional/procedural rules/reasons i.e. payment orders, interim measures, provisional orders) of the e-filing project at the Athens Court of First Instance

b. By **December 2013,** the Government completes the pilot implementation of e-filing in the Piraeus and Thessaloniki Courts of First Instance (provided that the respective Bar Associations co-operate with the MoJ to meet the above deadline).

4. Implementation of integrated e-justice systems within the Framework of the E-justice Action Plan:
   c. **By December 2015**, the Government completes the implementation of integrated e-justice applications, enabling e-filing, e-registration and e-tracking for courts that cover the **majority** of the total in flow of cases in the country:

      i. the Magistrate Courts, Civil and Criminal Courts of First Instance & the Courts of Appeal of Athens, Piraeus, Thessaloniki & Chalkida, including the respective Prosecutors Offices

      ii. All the Administrative Courts

   d. The Government completes the extension of the above applications to the other courts (**December 2017)**.

5. The Government ensures consistency of the e-Justice action plan with the national e-government strategy. (**Continuous**)

### 5.2.6 Promotion of pre-trial conciliation and mediation

1. By **September 2013**, the Government conducts an assessment of whether the enactment of Law 3898/2010 on mediation in civil and commercial matters has delivered the results which the legislation intended to achieve, and presents data and analyses concerning costs, time and success rates arising from alternative dispute resolution.

2. By **December 2013**, the Government presents a legislative proposal for the effective opening of the mediator's profession to non-lawyers.

3. The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website (**Continuous**).

### 5.2.7 Other measures on judicial reform

1. Assessment of the Law on fair trial and conciliation (4055/2012): The Government conducts an assessment whether the enactment of Law 4055/12 has delivered the results which the legislation intended to achieve, in particular as regards civil courts, improved case processing in multi-member first instance courts, the speeding-up of the issue of provisional measures, the strengthening of the institution of 'voluntary jurisdiction' in certain matters at the level of the magistrates' courts and efficiency gains in enforcement proceedings, and as regards administrative courts, the strengthening and general application of pilot proceedings in the Council of State and the speeding-up of the issue of provisional measures. An interim assessment is presented by **July 2013**, in order to assess the Law after a six-month regular operation of the courts1, and the final assessment is presented by **January 2014**, that is after a twelve month of regular operation of the courts.

[1] *Three months for the Magistrate Courts.*

2. Administrative review of cases: The Government prepares, in accordance with Law 4048/2012 on better regulation, draft legislation providing for, where appropriate, a compulsory administrative review before an independent committee before a case may be brought before the administrative courts and submits it to the Greek Parliament. (**September 2013**)

3. Study on the costs of civil litigation: the Government completes a study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, together with recommendations. The study will include a table of court fees in civil and administrative courts (including magistrate courts) per court procedure and for each degree of jurisdiction, with a break down distinguishing between court fees and mandatory legal fees for lawyers, and a further break down of court fees in their different components. The table should focus on contract, land, insolvency, labour, rent, tax, attachments/seizures, injunctions, summary proceedings (**October 2013**)

4. Brief on enforcement measures: the government presents an initial brief on the current situation and on the legal framework on the enforcement framework of civil decisions, including the powers, tools, fees, and organization of enforcement agents. The brief will include references to the legislation (**December 2013**).

# 6 Efficient Network Industries and Services

## *6.1 Energy policy*

Important reforms are ongoing in the energy sector. The privatisation and restructuring of PPC, the transition to the EU target model for the electricity market and the improved sustainability of the incentives for renewable energies are part of a comprehensive approach to make this sector competitive and effectively contribute to Greece's growth.

### 6.1.1 PPC restructuring and privatisation

Following the plan adopted by the Government in its cabinet meeting of 24 July 2013, and published in the Official Gazette (FEK 168 A/24.7.2013), the Government takes the following actions by **September 2013**:

1. Adopts legislation:

    a. To provide full ownership unbundling of ADMIE from PPC within the second quarter of 2014.

    b. To cap the maximum generation capacity that can be owned and/or operated by any power generator in Greece, following the definition of the assets of the new generation company, and taking into account the need for the new company to have at least 30% of PPC generation capacity, taking into account decommissioning and investment plans of PPC.

    c. To clear further possible legislative obstacles to the privatisation process while protecting the rights of minority shareholders.

2. Ownership by the State or by any other entity controlled by the State of any quota of ADMIE shares will be subject to the following conditions:

a. ADMIE shares will be managed separately (i.e. by separate state entities) from those of the PPC or another energy company;

b. The privatisation strategy and targets of the Government are fully respected;

c. The process of acquiring the shares will have no tax or financial consequences for the Government that are incompatible with the objectives of the Adjustment Programme for Greece.

3. The execution of the plan will be made in strict adherence to the announced timetable, and in full agreement with the European Commission services so as to ensure consistency with the relevant EU legislation and best practice and with the current fiscal programme and financing targets (**continuous**)

### 6.1.2 Provisions regarding the privatisation of PPC and DESFA:

1. The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC. (**Continuous**)

### 6.1.3 Ensuring that electricity prices reflect costs

1. RAE ensures that electricity prices fully reflect system marginal costs at wholesale level and a retail margin allowing retail competition for all customer categories when assessing price change proposals from PPC **(continuous).**

2. In reviewing PPC's price change proposals, RAE will endeavour to eliminate currently existing cross subsidisation, such as may exist for instance for agricultural electricity consumers and for consumers connected to the low voltage grid with low consumption (**continuous**).

3. The Government assesses best practices with a view to charging royalties for the use of hydro and lignite and publishes its report. (**July 2013**)

### 6.1.4 Providing for a financially sustainable development of renewable energy sources

The Authorities commit to design and implement a comprehensive reform of renewable energy policies, with the support and in close cooperation with the technical assistance provided by the European Union, also taking into account proposals in Ministry's “Plan to Reform the Sector of Renewable Energy Sources (RES)” and the view of industry, to provide long-term sustainability at zero average deficits.

The Authorities monitor the evolution of the Renewable energy sector in order to stimulate its appropriate development as provided by EU policies and legislation, while ensuring sustainability of incentives and security of the network. In this view, the Authorities:

1. Adjust the RES levy every six months (July 2013, January and July 2014) to eliminate the projected RES account debt by end-December 2014 (**continuous**).

2. Complete by **September 2013** the negotiations with the industry for introducing permanent adjustments to existing power purchasing contracts, in particular for PV installations, with a view to align rates of return to sustainable EU average levels, considering Greek-specific conditions. The results of the negotiations will have to provide the financial sustainability of

the RES account to avoid an extension of the “special solidarity contribution”, without putting an excessive burden on consumers.

3. Ensure that measures taken to ensure the financial sustainability of the RES special account do not endanger the economic viability of existing projects and that measures aimed at reducing excessive windfall profits (special solidarity contribution or negotiated Purchasing Power Agreement (PPA) payments) are only taken in cases where tariffs had not been previously adjusted to competitive levels already (**continuous**).

4. Ensure that LAGIE, RAE, and the Ministry of Energy, publish monthly data on the evolution of the RES account with rolling projections over the following 24 months from the date of publication. (**Monthly/continuous**) These projections will have to provide a baseline and a normative scenario to bring the debt down to zero by end-2014 and support policy choices after 2014.

5. To ensure the financial sustainability of the RES account, and ensure that no excessive burdens are put on consumers, introduces constraints that will cap the newly-installed RES capacity receiving incentives, effective 1$^{st}$ of January 2014.

6. Following the entry in operation of the electronic registry of RES installations, the Government ensures the monthly publication of a report, detailed by source, on the state of existing installations (installed power and production). The report also includes data on the evolution of the licensing and installation process for forthcoming new plants. (**September 2013, continuous)**

7. The Government modifies (**September 2013)** Ministerial Decision **ΥΑΠΕ/Φ1/οικ. 24840 (ΦΕΚ 1900/Β’/03.12.2010)** to allow the inclusion of PV rooftop plants in the registry **(October 2013)**.

### 6.1.5 Liquidity and arrears in the energy sector

1. With a view to a complete clearing of existing arrears in the energy markets, the Ministry of Energy, in close cooperation with ADMIE and LAGIE, will communicate to the EC, the ECB and the IMF the detailed gross debt and credit positions of all participants in such market on a monthly basis, starting from June 2013 (**continuous**).

2. The Ministry of Energy, in close cooperation with RAE, will promote, and facilitate through intermediation, the clearing of existing obligations among energy market participants, while encouraging them for a fair sharing of the outstanding debt (**continuous**).

3. RAE implements and monitors adequate regulatory provisions for netting of credit and debt positions by all actors in the energy markets, including, inter alia, terms for clearance of debts and payment of interest and penalties in line with Directive 2011/7/EU on late payments, and Regulatory provisions will have to ensure equal treatment for all participants, avoiding any distortion or unjustified advantage coming from the belonging to vertically integrated companies (**June 2013 - continuous**).

### 6.1.6 Planning the development of the electricity market in the medium to long term

1. Based on the plan for the transitional reform of the electricity market adopted by the Government and RAE in consultation with the European Commission the Government and RAE implement the following actions:

a. Following the removal of the 10% margin, provide a timeline for the full phasing out of the 30% rule in view of the establishment of a proper mechanism for the scheduling of power producing units. (**September 2013**). In order to incentivise user of the 30% rule to seek alternative destinations for gas, full recovery of variable costs should not be allowed after (**March 2014**).

b. Calibrate the procurement of reserve capacity volumes of by type (warm, cold reserves) in line with the reserve requirements as established by ADMIE (**September 2013**).

c. Review capacity payment mechanisms with a view to incentivise the retirement of power plants that have reached the end of their economic life (**September 2013**). The revised capacity mechanism(s) will be in line with EU law, including forthcoming revisions of guidelines in this field.

2. Finalize the structure and the parameters of the auctions of NOME-type products, limiting the participation in auctions to generators and suppliers (**September 2013**).

### 6.1.7 Fuel market

The Government will:

1. Make operational a system for the storage of fuel reserves based, alternatively, on a non-profit independent organisation or on regulated third-party access to existing facilities; and allow the national network to use storage capacity of other EU countries in compliance with EU regulation 119/2009. (**July 2013**) Repeal minimum duration of one year for contracts on storage facilities' use by third parties. (**September 2013**)

2. Introduce a compulsory requirement for refineries to transmit to the Ministry and the regulator monthly data on storage and other cost components charged to domestic and international customers. (**July 2013**)

3. To remove regulatory restrictions that hinder competition in the *wholesale* fuel sector, the Government, as per Opinion no. 29/VII/2012 of the Hellenic Competition Commission:

   i. assesses minimum capital requirements and adjusts them downwards in accordance with best practices and taking into account the relevant Opinion of the Hellenic Competition Commission (**July 2013**);

   ii. mandates the conclusion of written contracts between fuel wholesalers and retailers, including the obligation to state the duration of the discounts offered on the payment documents (**July 2013**);

   iii. provides in legislation for the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain; new legislation to be put into force (**July 2013**);

   iv. removes the restriction that a wholesaler’s storage facility needs to be accessible by either the sea, railway network, or through a refinery(**July 2013**);

   v. abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them. (**July 2013**)

4. To enhance competition in the *retail* fuel sector, as per the same opinion of the Hellenic Competition Commission:

i. mandates gas stations to state the price and quantity of liquid fuel on all receipts issued by **March 2014** (Athens-Thessaloniki **August 2013**, other urban areas by September, remaining March 2014) ;

ii. completes the installation of inflow-outflow systems by **March 2014** (Athens-Thessaloniki **August 2013**, other urban areas by September, remaining March 2014)

iii. abolishes the possibility to impose a minimum price on the sale of fuels to consumers. (**July 2013**)

## *6.2 Electronic communications*

The switch-over from analogue to digital TV technology will release a significant amount of high quality radio spectrum which will be free for the deployment of new services and new technologies. This 'digital dividend' can boost both the broadcasting sector and the wireless communication industry, make a major impact on competitiveness and growth, and provide a wide range of social benefits. The items below provide a roadmap for the release of the digital dividend in Greece.

1. **Regarding the release of Digital Dividend, the Government (and/or EETT) undertakes to:**

   i. Adopt necessary secondary legislation for the establishment of licensing procedures for the DTT broadcasting network providers (**September 2013**)

   ii. resolve cross-border coordination issues with neighbouring countries, if any. If difficulties on international coordination make this date unfeasible, the frequency and broadcasting plans might indicate alternative channels for re-location of broadcasters, while continuing negotiations with third countries in view of the final assignment of frequencies to broadcasters and mobile operators. (**Continuous**)

   iii. launch the tender for the assignment of rights of use for DTT broadcasting transmission (**September 2013**)

   iv. launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services, in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. **(March 2014)** *(*)*

   v. launch the tender procedure for the assignment of frequencies of the digital dividend, allocating and authorising the use of the digital dividend (800 MHz band) to Electronic Communications Services in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. (**October 2014**). The obligation to ensure the 800 MHz band can actually be used for electronic communications other than broadcasting from 1 November 2014 *(*)*

*(*)* The deadlines for steps (iv) and (v) might be amended according to the Decision of the European Commission on the request for derogation from the deadline provided by Art. 6.4 of the Radio Spectrum Policy Programme submitted by the Greek Government on 15 May 2012.

## *6.3 Transport*

The opening of the road haulage and occasional passenger transport is completed. Therefore, priorities now shift to measures that will help promote tourism and investment, particularly with respect to road (limousines and shuttle services), maritime and port activities (domestic ferry and port services) and aviation. Specific actions are expected to lead to the reduction of operating costs of service providers, while increasing consumers' choice. The gradual restructuring of railways should also lead to its effective privatisation.

### 6.3.1 Transport strategy

1. The Authorities develop a comprehensive framework for transport investment which supports infrastructure development and tackles strategically key road, rail, port and airport infrastructure networks in order to improve connectivity to core networks, enhancing the country's possibilities as an international logistics hub. (**June 2014**)

### 6.3.2 Road

1. Having completed the report on the functioning of the regular passenger services and the follow up strategy for the effective opening of the sector, the Government approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators **(July 2013).**

### 6.3.3 Aviation

1. Having submitted the National Airport Policy strategy, the Privatisation Fund (HRADF) carries out the appropriate process leading to the privatisation of regional airports. Any State Aid issues must be clarified. The concession agreements must take into account the current best practices, including capping levels for airport charges and imposed taxes, facilitating investment approval, and allowing for transparent and swift dispute resolution mechanisms (**Continuous**).

2. The Government ensures full implementation of EU Regulation (EU 691/2010) referring to the performance of air traffic management (**Continuous**). The Government takes full advantage of the assistance offered by the Network Manager in delivery of the additional capacity for the first Reference Period as required by Regulation (EU) 691/2010, and in looking forward to the second Reference Period of the Performance scheme as enabled in regulation (EU) 390/2013.

3. The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, and able to carry out its functions (**December 2013**). To this end the Government submits all necessary draft legislation (**June 2013**), adopts legislation (**September 2013)** and fully implements the relative legislation by **December 2013**.

### 6.3.4 Railways

1. The Government implements the spin-off of ROSCO (Maintenance Unit), GAIAOSE (Real Estate), and the transfer of the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan (**July 2013**).

2. The function of award authority for public service contracts for rail passenger transport according to Regulation 1370/2007/EU, is integrated into the new authority for contracting land passenger (both intercity bus and rail) services. The new legislation:
   i. Is adopted by **July 2013** and,
   ii. fully implemented by **December 2013**.

3. The renewal of the current public service contract for rail passenger transport is to be completed by direct award by end April 2014 and should have a maximum duration of five

years. Public service contracts concluded subsequently will be awarded by means of competitive tender. The rent contracts concerning all rolling stock, employed in every public service contract are synchronized both in terms of their duration and to allow for any reallocation of rolling stock as it may become necessary when amending these public service contracts. (**continuous**). The rent contract between TRAINOSE and the State will be initially synchronized with the 5 year PSO contract including one additional renewal option of five year maximum duration. Contracts will be awarded at market prices.

4. The State adopts legislation to allow the rail regulatory authority RAS to exert its right of imposing fines, notably (1) amending law L3891/2010 granting RAS the right to perform hearings, (2) granting RAS the right of adopting a hearing regulation and (3) granting RAS the right to adopt and publish in the Official Gazette regulatory acts and decisions on all matters of its competence. To this end, the Government;
    iii. submits draft legislation by **May 2013** and
    iv. adopts it by **July 2013**.

5. The function of safety authority is transferred to an independent authority. (**July 2013**).

6. The HRADF launches tender procedure for Trainose (**July 2013**).

### 6.3.5 Maritime Activities and Ports

The Government:

1. An assessment of the impact of recent reforms, in consultation with stakeholders, will be completed by **October 2013** and additional measures will be introduced with the aim to further improve the competitiveness of the sector, including by increasing flexibility of labour arrangements.

2. The HRADF launches the appropriate call(s) for tender for ports (through concessions of individual terminals or through the sale of shares in the "master concessions" port companies ) (**September 2013**). The sustainability of the financing of those Port Authorities of the twelve major ports to be privatised by selling concessions in profitable activities should be ensured (**continuous**).

## *6.4 The Retail Sector*

On retail, the selected measures aim at allowing a wider class of goods to be sold by more efficient retailers, and reduce their operating costs. Measures not only look into retail specific regulations (such as rules on pricing, sales and labelling) but also, into the rules on licensing applicable to retail outlets. Combined, the measures should help contribute to lower prices and more choice for consumers.

The Government:

1. Adopts a Ministerial Decision repealing Market Regulation 7/2009, following the results of the notification procedure provided for in Directive 98/34 one month after the end of the standstill period (**July 2013**).

2. Reviews and amends the Market Policing Code (Law 136 /1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012. In addition, this should include (i) removal of restrictions in order to permit more freely discounts, promotions, and offers outside and during sale periods,

more sales periods combined with more flexibility in the duration of the sales, (ii) increased flexibility in retailers' opening hours by, inter alia, giving all shops the option to remain open at least seven Sundays per year, especially during holiday seasons. Trading on Sundays is likely to increase retail activity and competition and boost growth and employment, especially in small and medium enterprises (**July 2013**).

3. Reviews and simplifies the licensing procedure for the establishment and operation of retail outlets. This exercise should lead to a significant reduction in the number of authorisations requested by the public administration for the opening and operation of shops, which should be replaced, if needed, by less demanding instruments such as declarations or notifications. The results and recommendations of the review are presented in **July 2013**, and adopted before **December 2013**.

4. To enhance competition in the market for over-the-counter (OTC) products, allows the sales of selected products (e.g., vitamins) in other points than pharmacies **(September 2013**).

## *6.5 Regulated professions, professional qualifications and provision of services*

1. For professions and economic activities included in Section 9.2, the Government adopts legislation amending sector specific legislation as per the opinions of the Hellenic Competition Commission and other requirements. The pending legislation is fully adopted by **September 2013.**

2. A report on the implementation of Law 3919/2011 is published on the Government's website (**July 2013**). The report:
   i. Summarises the list of all professions/economic activities falling under the scope of that law and the restrictions and formalities eliminated as per Arts. 2 and 3 of the same law;
   ii. Specifies whether the access to and exercise of a regulated profession or economic activity is subject to an authorisation procedure, to a declaration or to the holding of a professional identity card;
   iii. Specifies whether access to a profession or economic activity requires the registration in a professional association and or to a professional registry;
   iv. Specifies whether the exercise of the profession is conditional on the periodic renewal of authorisations.

3. To assess the proportionality and justification of **activities reserved** to specific regulated professions, the Government:
   i. Organises a mutual evaluation exercise, whereby representatives of the engineer, architect, geologist and land surveyor professions assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. The assessment excludes the requirements applicable to their own profession (**July 2013**).
   ii. Presents a proposal specifying the activities with an exclusive and/or shared reserve for the different types of engineer, architect, geologist and land surveyor professions for an opinion to the Hellenic Competition Commission. (**September 2013**).
   iii. Following the opinion of the Hellenic Competition Commission, submit draft legislation to Parliament amending unjustified or disproportionate requirements reserving certain activities to specific professions (**December 2013**).

### 6.5.1 Additional measures

1. A draft code revising Legislative Decree 3026/1954 is adopted by **July 2013**. The new code should, among others:
    i. Ease the re-entry into the legal profession;
    ii. Repeal age limits to take the Bar examinations
    iii. Abolish total bans on commercial communications;
    iv. Provide for licenses of unlimited duration;
    v. Remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry;
    vi. Clarify the nature of lawyers' fees provided for in current legislation. Fees are freely determined through a written agreement between lawyers and clients. In case there is no written agreement for court appearances, the fees shall be determined through reference fees;
    vii. Eliminate any kind of minimum wages for salaried lawyers working in the private sector.

2. The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific 'reference amount' (**July 2013)**.
3. It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts (**July 2013**).
4. To confirm progress in the area of regulated professions, the Government:
    i. Completes a study of the 20 largest professions examining the degree to which they have been liberalized, including results with respect to new entrants and price changes (**July 2013**).
    ii. Conducts an in-depth follow-up review of the reforms of regulated professions, including interviews and surveys of stakeholders, with the support of outside experts (**December 2013**).
    iii. In consultation with the EC/ECB/IMF staff, develops a list of high-frequency indicators to assess on an ongoing basis the impact of reforms in this area, and publish these indicators on a regular basis to strengthen public accountability (**October 2013**).
5. The Government reviews the recent reforms on the regulation of temporary employment agencies and on that basis fine tunes the scope of temporary employment agencies and reduces barriers to entry into this market by **December 2013**.

### 6.5.2 Easing the recognition of professional qualifications

Measures are taken to ensure the effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings. In particular, the Government:

1. Continues to update the information on the number of pending applications for the recognition of professional qualifications, and sends it to the European Commission. (**Quarterly**)

2. Ensures the implementation of PD 38/2010 (as amended by law 4093/2012) and the recognition of qualifications derived from franchised degrees from other Member States to access to or exercise of an economic activity and to ensure that holders of franchised degrees from other Member States have the right to work in Greece under the same conditions as holders of Greek diplomas. (**Continuous**)

### 6.5.3 Services Directive: exploiting the information benefits of the Point of Single Contact

The Government:

1. Amends the joint ministerial decision 25209/2011 in order to include also the submission of applications and documents by electronic signature (**July 2013)**.

2. Ensures that there is adequate connection between the PSC and other relevant authorities (including one-stop shops, professional associations and the recognition of professional qualifications) and launches the submission of on-line applications as regards the recognition of professional qualifications on a pilot basis to verify technical feasibility (**September 2013)**.

3. Ensures that the submission of on-line applications as regards the recognition of professional qualifications is fully operational (**December 2013)**.

# 7 Increasing the impact of structural and cohesion funds

1. The Government meets targets for payment claims in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data.

Targets for **payment claims** in the absorption of Structural and Cohesion Funds (programming period 2007-2013) to be submitted in 2013
(EUR million)

| | **2013** |
|---|---|
| European Regional Development Fund (ERDF) and Cohesion Fund | 3,000 |
| European Social Fund (ESF) | 890 |
| Target of first half of the year | 1,284 |
| Target of second half of the year | 2,606 |
| **Total annual target** | 3,890 |

2. The Government submits complete applications for all remaining major projects for which a Commission decision under Article 41 of Regulation (EC) No 1083/2006 has to be adopted. (December 2013). Out of these applications, at least 4 applications **by September 2013** and the remaining **by December 2013**.

3. In deciding the "Public Investment Budget" allocation, the Government ensures that the necessary national contribution remains available in order to complete the unfinished ERDF, ESF and Cohesion Fund projects of the 2000-2006 programming period and to cover the required national contribution including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period (**Ongoing**).

4. The Government takes measures in order to accelerate the implementation of the projects which should be completed by December 2015, especially in particular those which are critical for the development of the country — as the functional review of the public administration, the "Elenxis" project for the tax control services, the land register, the solid waste management infrastructures, the railway projects, the e-prescription, the e procurement, the development of a social economy sector and the national registry. On top of the 24 priority projects, already finished and the 2 priority projects cancelled, the Government takes measures in order to ensure completion of 27 priority projects by end 2013, of 20 priority projects by end 2014 and of 70 priority projects by end 2015. The Greek Authorities take necessary measures to limit the number of the priority projects that will be phased.

5. Within the review of the public procurement regulations standardised tendering documents per category of works are set up in view to simplify procedures on contract awarding. (**September 2013**)

6. The monitoring tool for expropriations is completed and operational and the data are made accessible to the public. (**July 2013**)

7. The Government consolidates the simplification initiative by reviewing the "implementation trail" and the mapping of competences of the involved entities, permits and deadlines needed for the implementation of the main categories of projects supported by the Structural Funds and the Cohesion fund (e.g. transport, waste management, social infrastructure, entrepreneurship, ICT). It lifts the unnecessary steps, simplifies the implementation processes and sets reasonable deadlines. In particular, the Government establishes an alternative to the function of "ypologos" procedure for the EU co-funded projects and establishes the electronic payment (**September 2013**). The ypologos should be abolished by December 2013. Periodically and until the end of the programming period 2007-2013, it reviews the "sleeping" projects, un-activated delegations and "sleeping" contracts and informs the Commission on those eliminated.

8. The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund (**September 2013**).

9. The Government reports the Commission monthly on the progress of the Financial Engineering Instruments. If necessary and where appropriate, it proposes a rationalisation of the current allocations and instruments. **(September 2013)**

10. The Government establishes an efficient inter-service consultation procedure for the EU co-financed projects supported by an electronic system. An integrated project will be fully operational for the EU co-financed projects by end of 2013 **(December 2013).**

# 8 Monitoring

## 8.1 Statistics

1. Government will fully honour the Commitment on Confidence in Statistics signed in February 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility. (**continuous**)

2. Legal amendment will be introduced to ensure that ELSTAT will have access to the tax information (including tax registration number), at individual level, of legal entities under private law, associations of individuals and natural persons, notwithstanding tax confidentiality, so that it can carry out its statistical work for the production of official statistics, as it is provided for in Law 3832/2010 as in force, and is specifically set out in the Regulation on Statistical Obligations, while at the same time ELSTAT safeguards the confidentially of personal records. (**July 2013**)

3. Government respects the independence of ELSTAT in carrying its tasks and providing high quality statistics. In this regard it fully respects the financial independence of ELSTAT, and provides all the necessary resources in a timely manner, as approved in the annual budget of ELSTAT, for the agency to complete uninterrupted its tasks. In this respect, Government cannot invoke art. 1 of Legal Act of 18/11/2012 and the Ministerial Decree 2/91674 of 201/12/2012, while, at the same time, ELSTAT provides to the Hellenic Parliament information for monitoring the execution of its budget as provided for in the Regulation of the Parliament (Article 31A) and the Statistical Law of Greece (Article 16). (**continuous**)

4. Government will facilitate ELSTAT to complete, as soon as possible, the acquisition of qualified staff under way for staffing essential positions in its central office, as well as receive additional qualified staff through transfers from other Government entities for addressing urgent staffing needs in prefecture offices and the central office, as reflected in the Medium term plan of ELSTAT submitted in the context of the preparation of the MTFS preparation and incorporated in the latter. (**September 2013**)

# 9 Annexes

## 9.1 Privatisation plan and intermediate steps

**Greece--Hellenic Asset Development Fund: Projects Under Development 2013-14**

| Timing of Privatization (Launch of Tender) | Binding offers (submission) | Project | Intermediate Steps |
|---|---|---|---|
| **I. State-owned enterprise/share sale** | | | |
| --- | | OTE | Done. |
| --- | | 4 Airbus | Delivery of aircrafts pending. |
| n/a | n/a | 2 Airplanes | |
| 2012 Q1 | Q2/13 | Public Gas (DESFA) | State aid clearance (DG Comp). |
| Q4 | Q2/13 | Football Prognostics Organization (OPAP) | Proceed with the phase B of the tendering process and finalize selection (April 2013 - **DONE** ). |
| 2013 Q1 | Q3/13 | Horserace Betting Organization (ODIE) | Launch of tender (March 2013- **DONE**). Law by Ministry of Education and Religious Affairs, Culture and Sports for clarifying responsibilities between Jockey Club and the New Concessionaire (July 2013- **DONE**). |
| Q1 | Q4/13 | Thessaloniki Water (EYATH) | Establish regulatory framework (March 2013 - **DONE**). Establishing pricing policy and amend the license (November 2013). |
| n/a | n/a | Hellenic Vehicle Industry (ELVO) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| Q3 | Q2/14 | Railways (Trainose) | Trainose will be transferred to HRADF (March 2013 - **DONE**). Comfort letter from DG Comp for TRAINOSE State Aid investigation clearance (June 2013 - **DONE**) |
| n/a | n/a | Mining and Metallurgical Company (LARCO) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| n/a | n/a | Public Gas (DEPA) | Currently under assesment |
| Q3 | Q2/14 | Athens Airport (AIA) | Agreement on transaction process with Hochtief Airports new shareholder PSP Investments. |
| Q3 | Q1/14 | Hellenic Post (ELTA) | Ministerial decisions for (i) the determination of the content of universal service (**DONE)** and (ii) the compensation mechanism for USP drafted and prenotified to DGComp (further clarifications/ amendments asked by EC are being processed by HR & ELTA). |
| n/a | n/a | Hellenic Defense Systems (EAS) | Government to announce a restructuring or resolution plan with a view to completion by end-2013 |
| Q3 | Q3/14 | Public Power Corporation (PPC) | The launching refers to the tender of ADMIE by PPC. Government approves and announces PPC restructuring and privatisation plan (April 2013 - **DONE**). |
| Q4 | Q3/14 | Hellenic Petroleum (HELPE) | Following divestment of DEPA. |
| Q4 | Q3/14 | Athens Water (EYDAP) | Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy and amend license (November 2014). Settlement of receivables from the State (February 2014). |
| n/a | n/a | Casino Mont Parnes | Pending European Court decision |
| **II. Concessions** | | | |
| --- | | OPAP 1 | Done. |
| --- | | OPAP 2 | Done. |
| | | Mobile Telephony | Done. |
| n/a | n/a | Hellenic Motorways | Negotiations for the restart of projects currently in progress. Agreement with CJV's regarding claims reached. Recommencement of construction (May 2013 - **DONE**). Ratification of reset agreement by Parliament, after consent by Lenders and EU granted (July 2013). |
| 2011 Q4 | Q4/12 | State Lottery | Court of auditors approval - **DONE** |
| 2013 Q1 | Q4/13 | Small ports and marinas | Resolve issues related to urban zoning (July 2013). |
| Q1 | Q4/13 | Regional airports | State aid clearance (DG Comp, July 2013). Establish regulatory framework (April 2013 - **DONE**). |
| Q3 | Q1/14 | Egnatia Odos | Launching of tender process dependent on: a) agreement/finalisation with Ministry of Development on key characteristics of the concession and conclusion of business plan (**DONE**) b)decision on tolling policy/toll collection-system (**DONE**) c) treatment of Piraeus loan granted to Egnatia Odos SA and legislative settlement of such arrangement (April 2013 - **DONE**) |
| Q3 | Q2/14 | Thessaloniki Port (OLTH),Piraeus Port (OLP) & Large regional ports | State aid clearance (DG Comp,May 2013 - **DONE**). Submit privatization strategy (April 2013 - **DONE**). Establish regulatory framework (April 2013 - **DONE**). |
| Q3 | n/a | South Kavala Gas Storage | Decision on the best exploitation option (December 2012 - **DONE**). |
| 2014 Q2 | Q4/2014 | Digital Dividend | Entire process led by Ministry of Development. Adopt secondary legislation for: a. TV stations (tbc) and b. analogue switch-off date (June 2013 - **DONE**). Launch tender for TV network providers (tbc). |
| n/a | n/a | Mining rights | |
| **III. Real Estate** | | | |
| 2011 Q4 | Q4/13 | Hellenikon 1 | Transfer of Hellinikon SA ownership to HRADF (Pending decision: December 2012- **DONE**). Launch Phase B of tender process (December 2012 - **DONE**). Binding offers submission (December 2013) |
| 2012 Q1 | Q3/12 | IBC | ESCHADA submission (**DONE**). Have approval from Court of Audit (December 2012- **DONE**). |
| Q1 | Q1/13 | Cassiopi | Right of surface establishment and creation of the SPV (September 2013). ESCHADA submission (October 2012 - **DONE**). |
| Q4/12 | Q1/13 | Buildings abroad | Launch tender process (December 2012- **DONE).** Tender concluded for 4/6 buildings. Court of Audit approval-**DONE**. Launch of tender for the remaining 2 buildings (May 2013 - **DONE**). |
| 2013 Q1 | Q4/13 | Sale/repo 28 buildings | All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE**). Launch second phase (May 2013 - **DONE**). |
| Q1 | Q4/13 | Astir Vouliagmenis | Finalize the negotiations with NBG - **DONE**. Transfer EOT property to HRADF (March 2013 - **DONE**). Launch the request for EoI (April 2013 - **DONE**). ESCHADA submission (September 2013). |
| Q1 | Q3/13 | Paliouri | Launch tender process (December 2012 - **DONE).** Transfer of asset to HRADF (March 2012-**DONE).** Launch second phase (April 2013 -**DONE**). |
| Q1 | Q3/13 | HEY | Launch tender process (February 2013-**DONE).** Transfer of asset to HRADF (March 2013-**DONE**). Launch second phase (April 2013 - **DONE**). |
| Q1 | Q4/13 | Agios Ioannis | All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE).** ESCHADA submission (January 2014). |
| Q1 | n/a | Real Estate lot 2 | The 40 properties already identified are transferred to HRADF (March 2013 - **DONE**). |
| Q3 | Q4/13 | Afantou | New tender in one phase to be launched (July 2013 - **DONE)**. ESCHADA submission (July 2013) |
| Q4 | n/a | Real Estate lot 3 | At least 1,000 real estate properties to be transferred to HRADF (December 2013). The first 250 real estate assets are transferred to HRADF (April 2013 - **DONE**). |

Source: HRADF update on projects under development.

1/ ESCHADA = zoning and land planning permit.

## *9.2 Regulated professions: regulated professions / economic activities whose regulatory framework needs to be adjusted to applicable opinions of the Hellenic Competition Commission and other requirements*

1. **Selling and production of reproductive material for agricultural plant species and selling of plant-protecting material, fertilizers, and pesticides**: Adopt implementing legislation that (i) abolish minimum square requirements and (ii) introduces a 3-month period for administration to issue license, after which professionals are free to operate; and adopt legislation that (i) allow sales by individuals with adequate training without the mandatory presence of scientists and (ii) define training standards (*cfr*. HCC opinion no. 19/VI/2012) (**July 2013**).
2. **Chartered valuers**: Ament Law 4152/2013 to (i) set up certification from the Ministry of Finance and establish procedures for state examination (**July 2013**) and (ii) abolish the requirement for applicants to provide academic qualifications on top of certification for registration (**September 2013**).
3. **Geo-technician**: Issue secondary legislation to abolish administrative license and mandatory issuance of professional IDs (from the Geo-Technical Chamber) (**August 2013**).

## *9.3 Agreed roadmap between the Greek Ministry of Justice and the EC/IMF/ECB for the review of the code of Civil Procedure*

### 9.3.1 Code of civil procedure

1. The Task Force for the review of the Code of Civil Procedure presents an initial draft of the Code at the earliest possible date following the completion of the third review of the economic adjustment programme. By mid-September 2013, the draft Code of Civil Procedure is presented by the Task Force to the Authorities. Within 15 days, by end September 2013, the draft Code of Civil Procedure is presented to the EC/IMF/ECB for comments.
2. On the basis of the above cooperation, the Task Force presents to the Authorities, **by November 2013**, a revised version of the draft Code of Civil Procedure. The Authorities carry out a broad public consultation, including EC/IMF/ECB, on the draft law bringing the Code of Civil Procedure in line with international best practice.
3. The Authorities submit the final draft Code to the Hellenic Parliament (**March 2014)**.

## 9.4 Statistics to be published by the Ministry of Justice

1. Every quarter, for civil and administrative first instance court, court of appeal as well as the Supreme Court and the Council of State) tables published will provide for:
   - the number of judges and administrative staff[2],
   - the stock of cases at the beginning of the period,
   - the inflow of cases registered during the period,
   - The outflow of cases closed during the period[3]
   - the stock of cases at the end of the period.

   The tables will also include the following data:

   i. For the tax and customs cases, the data will also include the inflow of the new cases with a breakdown above and under 150 000 euros.

   ii. For civil and commercial courts, the data for stock and flows of cases will also show the corporate insolvency cases.

   iii. For administrative Justice, specific data, provided in another table, will include a breakdown by year of registration of the stock of cases for which no hearing date has been fixed yet. This will be provided for beginning and for end period. The table will also show the total number of cases with a hearing date.

2. For some of the most relevant courts, defined in agreement with EC, IMF and ECB, the Ministry of Justice will also publish by quarter, or by semester or year if so agreed by EC-IMF/ECB:

   i. The stock of cases (both at beginning and at end period), with a breakdown by year of registration.

   ii. for civil and commercial Justice, more detailed information on corporate insolvency cases including:
      - a more detailed breakdown by value[4], defined in agreement with EC, IMF and ECB,
      - a more detailed breakdown by sector (e.g., agriculture, construction, manufacturing, and services), defined in agreement with EC, IMF and ECB,

3. Ministry of Justice and General Secretariat for public revenue:

[2] At the end of the period.

[3] A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

[4] "Value" of the case could correspond to the value of the liabilities of bankruptcy, as this appears after the 3-months period of the submission of announcements by the debtors has expired.

i. The General Secretariat for public revenue will conduct and publish by September 2013 one study based on small but random sample, in order to gather information on recovery rate for tax and customs cases.
ii. The Ministry of Justice will try and propose a method to get relevant information on recovery rates for corporate insolvency cases.

4. When the IT system will be fully in place, the Ministry of Justice will publish:

i. Tables showing:

- the number of judges and administrative staff5,
- the stock of cases at the beginning of the period,
- the inflow of cases registered during the period,
- The outflow of cases closed during the period6,
- the stock of cases at the end of the period.

ii. The stock of cases at beginning and at end period will be broken down by year of registration,
iii. The stock of cases at beginning and at end period and the flow of cases will be broken down by categories of litigations,
iv. The average duration of the outflow cases during the period.

[5] At the end of the period.

[6] A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

## 9.5 Provision of Data

During the programme, the following data shall be made available to the European Commission, the ECB and the IMF staff on a regular basis.

These data should be sent to the following e-mail address:

**ecfin-greece-data@ec.europa.eu**

This address should also be used for the transmission of other data and reports related to the monitoring of the programme.

| To be provided by the Ministry of Finance | |
|---|---|
| Preliminary monthly data on the state budget execution (including breakdown by main categories of revenue and expenditure and by line ministry).<br>*(Data compiled by the Ministry of Finance)* | Monthly, 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision. |
| Final monthly state budget execution, including breakdown by main categories of revenue and expenditure and by line ministry.<br>*(Data compiled by the Ministry of Finance)* | Monthly, 30 days after the end of each month. |
| Monthly data on staff: number of employees, entries, exits, transfers among Government entities; and from and into the mobility and exit scheme, per entity, average wage(including the relative shares of the base wage, allowances and bonuses)..<br>*(Data compiled by Ministries of Administrative Reform and E-Governance and of Finance)* | Monthly, 30 days after the end of each month. |
| Monthly above the line cash data on general Government entities other than the state.<br>*(Data compiled by the Ministry of Finance)* | Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision. |

| | |
|---|---|
| See 2 cells up | |
| Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered.<br>*(Data compiled by the Ministry of Finance)* | Weekly on Friday, reporting on the previous Thursday. |
| Data on below-the-line financing for the general | Monthly, no later than |

| | |
|---|---|
| Government.<br><br>*(Data compiled by the Ministry of Finance)* | 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision. |
| Data on expenditure pending payment and clearance (including arrears) of the general Government, including the State, local Government, social security, hospitals and legal entities.<br><br>*(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)* | Monthly, within 30 days after the end of each month. |
| Data on use of international assistance loans split among following categories: Financial stability fund, segregated account, debt redemption, interest payments, other fiscal needs, building of cash buffer; per quarter and cumulative | Quarterly, by the end of each quarter. |
| Data on public debt and new guarantees issued by the general Government to public enterprises and the private sector.<br><br>Data on maturing debt (planned redemptions per month, split between short-term (Treasury bills and other short-term debt) and long-term (bonds and other long-term) debt).<br><br>Data on planned monthly interest outflows.<br><br>*(Data compiled by the Ministry of Finance)* | Monthly, within one month. |

| | |
|---|---|
| Data on assets privatised and proceeds collected.<br>*(Data compiled by the Ministry of Finance)* | Monthly. |
| Data on state-owned enterprises: revenue, costs, payroll, number of employees and liabilities (including maturities of public enterprises' debts)<br>*(Data compiled by the Ministry of Finance)* | Monthly, within three weeks of the end of each month for the ten largest enterprises. Quarterly within three weeks of the end of each quarter for the other enterprises. Quarterly for the maturities of state-owned enterprises' liabilities. |
| Monthly statement of the transactions through off-budget accounts.<br>*(Data compiled by the Ministries of Finance and Education, Religious Affairs, Culture and Sport)* | Monthly, at the end of each month. |
| Monthly statement of the operations on the special accounts.<br>*(Data compiled by the Ministry of Finance)* | Monthly, at the end of each month. |
| Report on progress with fulfilment of policy conditionality.<br>*(Report prepared by the Ministry of Finance)* | Quarterly before the respective review starts. |
| Monthly data on health care expenditure by the social security funds with a lag of three weeks after the end of the respective quarter.<br>*(Data compiled by the Ministries of Labour and Health)* | Monthly, within three weeks of the end of each month. |
| Monthly execution of SOEs and EBFs financial results and the quarterly targets for the monitoring of the corrective mechanisms<br>*(Data compiled by the Ministry of Finance)* | Monthly, 30 days after the end of each month. |

**To be provided by the Bank of Greece**

| | |
|---|---|
| Assets and liabilities of the Bank of Greece. | Weekly, next working day. |
| Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions. | Monthly, 30 days after the end of each month. |
| Evolution of the external funding provided by Greek banks to their subsidiaries abroad. | Monthly, 15 days after the end of each month. |
| Report on banking sector liquidity situation. | Weekly, next working day. |
| Report on the evolution of financial stability indicators. | Quarterly, 30 days after the publication data of each quarter. |
| Report on NPLs, restructured loans and write-offs on a 30, 60, 90 and 180 days basis. | Quarterly. |
| Weighted average of Loan-to-value (LTV) ratio for new loans with real estate collateral | Yearly. |

**To be provided by the Hellenic Financial Stability Fund**

| | |
|---|---|
| Detailed report on the balance sheet of the Hellenic Financial Stability Fund with indication and explanation of changes in the accounts. | Monthly. |

# Abbreviations

| | |
|---|---|
| ASEP | Supreme Council for Staff Selection |
| ADMIE | Independent Power transmission operator |
| CPB | Central Purchasing Bodies |
| DEPA | Public Gas Corporation |
| DOY | |
| DRG | Diagnostic-Related Group |
| DSO | Distribution System Operator |
| EBFs | Extra budgetary Funds |
| EC | European Commission |
| ECB | European Central Bank |
| EEA | European Economic Area |
| EETT | Hellenic Telecommunications and Post Commission |
| EFSF | European Financial Stability Facility |
| EKDAA | National Centre for Public Administration and Local Government |
| EKEVYL | National Centre for Medical Technology |
| ELENXIS | |
| ELSTAT | Hellenic Statistical Authority |
| EOF | National Organisation for Medicines |
| EOPYY | National Organisation for the provision of Health services |
| EPY | Health Procurement Commission |
| ERDF | European Regional Development Fund |
| ERP | Enterprise Resource Planning |
| ESA | European System of Accounts |
| ESF | European Social Fund |
| ESY | National Health System |
| ETEA | |
| EU | European Union |
| GAIA OSE | Real estate agency |
| GAO | General Accounting office |
| GDFS | |
| GDP | Gross Domestic Product |
| GEMI | General Commercial Registry |
| GSIS | General Secretariat for Information Systems |
| HCA | |
| HCAA | Hellenic Civil Aviation Authority |
| HFSF | Hellenic Financial Stability Fund |
| HRADF | Hellenic Republic Asset Development Fund |
| HSCA | Hellenic Slot Coordinator Authority |
| HWI-HISE | High Wealth Individual and High Income Self Employed |
| ICD – 10 | International Classifications of Diseases |
| IDIKA | E-governance of social insurance |
| IMF | International Monetary Fund |
| JMD | Joint Ministerial Decision |
| KEN-DRGs | Diagnosis Related Groups |
| KPI | Key performance indicators |
| KTEL | Joint Fund for Bus Receipts |
| LAGIE | Operator of electricity market |

| | |
|---|---|
| LG | Local Government |
| LNG | Liquefied Natural Gas |
| LTU | Large Tax Payers Unit |
| LTV | Loan-to-value |
| MAREG | Ministry of Administrative reform and Electronic governance |
| MD | Ministerial Decision |
| MEFP | Memorandum of Economic and Financial Policies |
| MIS | |
| MTFS | Medium-Term Fiscal Strategy |
| NHS | National Health System |
| NPL | Non-performing loans |
| OASA | Athens Urban Transport Organisation |
| OECD | Organisation for Economic Cooperation and Development |
| OGA | Agricultural Insurance Organisation |
| OSE | Railway Organisation of Greece |
| OTC | Over - the – counter |
| OTE | Hellenic Telecommunication Company |
| PIB | Public investment budget |
| PPC | Public Power Corporation |
| PSC | Point of Single Contact |
| QV | |
| RAE | Regulatory Authority for Energy |
| RAS | Regulatory Authority for Railways |
| ROSCO | Rolling Stock & Railroad Maintenance business unit |
| RSPP | Radio Spectrum Policy Programme |
| SDOE | Corps for the Prosecution of Financial Crimes |
| SOE | State Owned Enterprises |
| SPA | Single Payment Authority |
| SPC | |
| SPPA | Single Public Procurement Authority |
| SSC | Social security contributions |
| SSF | Social Security Funds |
| TAP | trans-Adriatic pipeline |
| TAXIS | |
| TEN-T | Trans European Transport network |
| TSO | Transmission System Operator |
| WHO | World Health Organisation |

# Greece: Technical Memorandum of Understanding

July 17, 2013

**1.** This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the indicators subject to quantitative targets (performance criteria and indicative targets), specified in the tables annexed to the Memorandum of Economic and Financial Policies. It also describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. We will provide the European Commission, ECB and the International Monetary Fund with the necessary information for program monitoring.

**2.** For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on January 31, 2012. In particular, the exchange rates for the purposes of the program are set: €1 = 1.3176 U.S. dollar, €1 = 100.63 Japanese yen, and €1.1772= 1 SDR.

***General Government***

**3.** **Definition**: For the purposes of the program, the general government includes**:**

- The central government. This includes:
  - The entities covered under the State Budget as defined in Chapter 2 of the Law 2362/1995 as being modified by Law 3871/2010 regarding "Public Accounting, Auditing of Government Expenditures and Other Regulations," and other entities belonging to the budgetary central government.
  - Other entities or extra-budgetary funds (EBFs) not part of the State budget, but which are, under European System of Accounts (ESA95) rules (*"ESA95 Manual on Government Deficit and Debt"*), classified under central government. The following state enterprises and organizations included by the National Statistical Service (ELSTAT) under the definition of central gover*nment (ATTIKO METRO, OSY, ELGA, HELLENIC DEFE*NCE SYSTEMS S.A., OSE, TRAINOSE, ELECTROMECHANICA KYMI LTD, OPEKEPE (excluding the account ELEGEP that is included in the State Budget by ELSTAT, KEELPNO, EOT, GAIAOSE, ERGOSE, INFORMATION SOCIETY IN GREECE, Unit for the Organization and Management of Development Projects S.A., and the Green Fund (ETERPS).
- Local government comprising municipalities and prefectures including their basic and special budgets, including all agencies and institutions attached thereto, which are classified as local governments according to ESA 95.

- Social security sector (pension funds, employment funds, health fun (EOPYY), and hospitals) comprising all funds that are established as social security funds in the registry of ELSTAT.

- Other extra budgetary entities included by ELSTAT under general government, which are not yet counted under central government.

- This definition of general (central) government also includes any new funds, or other special budgetary and extra budgetary programs that may be created during the program period to carry out operations of a fiscal nature. The government will inform IMF, European Commission and ECB staff of the creation of any such new funds, programs, or entities immediately. In particular, GAO will indicate the classification of the Institution for Growth as soon as there is a formal decision on this matter by ELSTAT.

- **Supporting material**: The Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign cash balances of the central government at the central bank of Greece, all other sources of financing including capital transactions, and arrears of the general government. The Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures for local governments, as collected in the Ministry databank. The Minister of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures in main social security funds (including IKA, OGA, OAEE, OAED) and the central healthcare fund (EOPYY). The Bank of Greece will provide detailed monthly data on assets and liabilities of local authorities, social security funds, the Green Fund (and other extra-budgetary funds), and state enterprises included in the definition of general government in line with monetary survey data. Data will be provided within four weeks after the closing of each month.

## QUANTITATIVE AND CONTINUOUS PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND CONTINUOUS PERFORMANCE CRITERIA: DEFINITIONS AND REPORTING STANDARDS

### A. Floor on the Modified General Government Primary Cash Balance (Performance Criterion)

**4.** **Definition**: The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus interest payments by the state budget. The MGGCB is defined as the sum of the cash balances of the ordinary state budget, the cash balance of the public investment budget, the change in net financial assets of local government, the change in net financial assets of social security, the change in net financial assets of the Green Fund, the change in net financial assets of reclassified public enterprises (RPEs). Privatization receipts, as defined below, and the proceeds from the sale of land and buildings will be excluded from cash receipts. Net lending operations by the state budget will be recorded as cash expenditures.

- **The cash balance of the ordinary state budget.** The cash balance of the ordinary state budget will be measured from above the line, based on: (i) gross ordinary budget revenues (recurrent revenue plus non-recurrent revenue, minus tax refunds (excluding any payments relating to tax refund claims made before end-September 2012); minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the ordinary state budget. Ordinary budget expenditures will exclude amortization payments, but include: salaries and pensions; grants to social security funds, medical care and social protection; operational and other expenditure; earmarked spending; returned resources; payments in exchange of claims of insurance fund for the personnel working in the Public Electricity Company; the contingency reserve; disbursement fee to EFSF; interest payments; transfers for the settlement of past debt, payments for military equipment procurement on a cash basis;, capital transfers to social security funds or other entities by bonds; and called guarantees where the state or central government assumes payments on behalf of entities outside of the general government.

- **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures of the investment state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.

- **The change in net financial assets of local governments** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of local authorities adjusted for valuation changes by the Bank of Greece.

    - Financial assets include (but are not limited to) deposits of local governments in the Bank of Greece and deposits of local governments in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.

    - Financial liabilities include (but are not limited to) short- and long-term loans from domestic credit institutions to local governments, measured at face value, consistent with recording for monetary survey data.

- **The change in net financial assets of social security funds** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of social security funds, adjusted for valuation changes by the Bank of Greece.

    - Financial assets include

    - Deposits of social security funds in the Bank of Greece and deposits of social security funds in the domestic credit institutions and deposits held either directly or indirectly through the IKA mutual fund. Deposits are measured at face value excluding accrued interest, consistent with reporting requirements for monetary survey data.

    - Holdings of shares quoted on the Athens Stock Exchange held by social security funds either directly or indirectly through the IKA mutual fund.

    - Direct or indirect holdings of Mutual Fund units issued by Greek management companies (other than the IKA mutual fund).

    - Holdings of central government bonds, including short and long-term securities issued domestically, long-term securities issued abroad operated from Bank of Greece accounts, and indirect holdings through the IKA mutual fund. Holdings will be measured at nominal value.

    - Holdings of bonds issued abroad and other foreign assets.

  - Financial liabilities include the short and long term loans from domestic credit institutions to the social security funds, measured consistently with monetary survey data.

- **The change in net financial assets of the Green Fund** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of the Green Fund, adjusted for valuation changes by the Bank of Greece.

  - Financial assets include

    - Deposits of the Green Fund in the Bank of Greece and in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.

    - Holdings of shares, held by the Green Fund, quoted on the Athens stock exchange.

    - Holdings of Mutual Fund units issued by Greek management companies.

    - Holdings of central government bonds.

    - Holdings of other bonds issued abroad.

  - Financial liabilities include the short and long term loans from the domestic credit institutions to the Green Fund, measured consistently with monetary survey data, or other lending from the Bank of Greece.

- **The change in net financial assets of reclassified public enterprises (RPEs)** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of RPEs, adjusted for valuation, minus the amount of guarantees called from entities which are consolidated within the general government. RPEs will include the following organizations: ELGA, KEELPNO, OPEKEPE (excluding the account ELEGEP), EOT, ATTIKO METRO, HELLENIC DEFENCE SYSTEMS S.A., ERT, TRAINOSE, ERGOSE, GAIAOSE, OSY, ELECTROMECHANICA KYMI LTD, INFORMATION SOCIETY IN GREECE, MANAGEMENT ORGANISATION UNIT, TAIPED (HRADF) and OSE.

    - Financial assets include

        - Deposits of RPEs in the Bank of Greece and deposits of RPEs in the credit institutions (domestic and foreign). Deposits will be measured at face value excluding accrued interest.

        - Holdings of shares, held by RPEs quoted on the Athens Stock Exchange.

        - Holdings of Mutual Fund units issued by Greek management companies.

        - Holdings of central government bonds.

        - Holdings of other bonds issued abroad.

    - Financial liabilities include the short and long term loans from the domestic credit institutions to RPEs, measured consistently with monetary survey data. They also include short and long term loans from the foreign banking system, as well as loans from the EIB or other official lenders, as measured by the difference between new loans granted to these entities (as approved by the GAO in line with the Fiscal Responsibility Act) and amortization of these loans through called guarantees of the government or amortization of these loans made by actual payments by the companies themselves, upon monitoring and information provided by the General Accounting Office (D25).

- The MGGPCB will also exclude all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regards to income of euro area national central banks, including the BoG, stemming from their investment portfolio holdings of Greek government bonds.

- Receipts from privatization are excluded from cash general government revenue receipts. However, for the entire program period where this is applicable, sales of those gaming licenses, telecom licenses, sales of aircrafts, and extension of the airport concession that were established in the context of the May 2010 SBA program or the 2011 budget (Second Review) discussions will be recorded as cash revenue receipts and taken into account for the MGGPCB criterion, irrespective of whether the realized proceeds accrue to the privatization agency or not.

- The primary expenditure of the central government excludes payments related to bank support that are part of the program's financial sector strategy. Transactions that may be excluded from the balance include loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; purchases of troubled assets, and operations related to the HFSF. Any financial operation by central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to IMF, European Commission, and ECB staff.

- The primary revenue of the central government will exclude any cash payments from loss-making banks beyond those which would accrue from the ELA guarantee fee structure existing on November 30, 2012 (25 basis points).

- Capital transfers to social security funds or other entities by bonds shall exclude bond issuance for settlement of end-2009 health related arrears, and the settlement related to the judiciary liabilities.

**5. Supporting material.**

- Data on cash balances of the State ordinary and investment budgets will be provided to the European Commission, ECB and IMF by the General Accounting Office in the Ministry of Finance within three weeks after the end of each month. Data will include detailed information on revenue and expenditure items, in line with monthly reports published on the official website of the Ministry of Finance. The monthly data will indicate which portion of tax refund payments relate to claims that were made before end-September 2012. Data will also include data on capital transfers to social security funds or other entities in bonds and called guarantees.

- Data on the change in net financial assets of local authorities and social security funds, extra-budgetary funds including AKAGE, and reclassified public enterprises including the Green Fund will be provided to the IMF, European Commission and ECB by the GAO in cooperation with the Statistics Department of the Bank of Greece within four weeks after the end of each month. With respect to reclassified public enterprises, GAO will also provide on a monthly basis the change in foreign liabilities to correct for the fact that the below the line data of the BOG only refers to changes in domestic liabilities.

## B. Ceiling of State Budget Primary Spending (Performance Criterion)

**6. Definition.** The state budget primary spending consists of state budget spending (spending of the ordinary state budget plus spending of the public investment budget) minus interest expenditures paid by the state budget, minus any arrears payments made. Ordinary state budget spending includes called guarantees to entities inside the general government (as opposed to the definition of the modified general government primary cash balance criterion above that excludes this spending item). Primary expenditure of the central government that is monitored for the Performance Criterion excludes any cash payments related to bank support in line with the definition above in paragraph 5 bullet 3. However, any financial operation by central or general government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to European Commission, ECB and IMF staff.

**7. Supporting material.** The General Accounting Office of the Ministry of Finance will provide monthly expenditure data of the ordinary and investment state budget, as defined above.

## C. Ceiling on the Stock of Domestic Arrears (narrow definition) (Performance Criterion)

**8. Definition.** For the purpose of the program, domestic arrears (narrow definition) are defined as: (i) unpaid invoices of line ministries and hospitals that are 90 days past their due date; plus (ii) tax refunds for which a refund document ("AFEK") has been issued and cleared but have not been repaid to the taxpayer. In case no due date is specified on the supplier contract, an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. The stock of arrears excludes hospital arrears to pharmaceutical companies which were incurred by end-2009 (€113 million as of November 30, 2012). Beginning July 1, 2013, the definition will include the change in the stock of tax refund claims made on or after July 1 (cumulative from July 1) that have not been paid or rejected within 90 days; and beginning January 1, 2014, it will include the entire stock of tax refund claims that have not been paid or rejected within 90 days. In both cases refund claims that are under legal dispute will be excluded.

**9. Supporting material.** Monthly data on arrears of line ministries and public hospitals will be provided by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will publish this information on its website. The expenditure arrears data will be based on survey data, until data from commitment registers are assessed by the IMF, European Commission, and ECB staff to provide comprehensive and reliable information. These reports will also include data on accounts payable overdue by 0–30, 31–60, and 61–90 days for the central government (line ministries and Decentralized Prefectures) based on the commitment registers. Tax refund arrears data will be based on information provided by General Secretariat for Information Systems and General Secretariat for Tax and Customs. The Ministry of Finance will also provide a monthly table on tax refund arrears as defined above (with AFEK issued) as well as on full tax refund accounts payable that include any refund claims for which AFEK has not been issued (and showing those that have not been assessed after 90 days).

## D. Ceiling on the Stock of Domestic Arrears of the General Government (Indicative Target)

**10. Definition.** For the purpose of the program, domestic arrears of the general government are defined as: (i) unpaid invoices of general government entities that are 90 days past their due date; plus (ii) tax refunds for which a refund document "AFEK" has been issued and cleared but have not been repaid to the taxpayer. In case no due date is specified on the supplier contract, an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. The stock of all general government arrears excludes: (i) the arrears accumulated by the Civil Servants' Welfare Fund; and (ii) hospital arrears to pharmaceutical companies which were incurred by end-2009 (€113 million as of November

30, 2012). Beginning July 1, 2013, the definition will include any new tax refund claims made on or after July 1 that have not been paid or rejected within 90 days; and beginning January 1, 2014, it will include all tax refund claims that have not been assessed within 90 days. In both cases refund claims that are under legal dispute will be excluded.

**11. Supporting material.** The Ministry of Finance will provide consistent data on monthly expenditure and tax refund arrears of the general government, as defined above within four weeks after the end of each month, and publish this information on the Ministry of Finance website. The expenditure arrears data will be based on survey data, until data from commitment registers are assessed by the IMF, European Commission, and ECB staff to provide comprehensive and reliable information. These reports will also include data on accounts payable overdue by 0–30, 31–60, and 61–90 days for the central government (line ministries and Decentralized Prefectures), based on the commitment registers. Tax refund arrears data will be based on information provided by General Secretariat for Information Systems and General Secretariat for Tax and Customs.

## E. Ceiling on the Overall Stock of Central Government Debt (Performance Criterion)

**12. Definition.** The overall stock of central government debt will refer to ESA95 central government debt, which includes the state debt, debts of extra budgetary funds and public enterprises that are consolidated into the central government, and other ESA 95 adjustments. Holdings of intra-government debt will be netted out. It will be defined for the purposes of the program as total outstanding gross debt liabilities. It will include, but not be limited to, liabilities in the form of securities and loans. It will exclude accounts payable. Debt will be measured at nominal value. The program exchange rates will apply to all non euro-denominated debt. Inflation indexation will apply to inflation indexed debt, using the relevant index as specified in the debt instrument. For the purposes of the program, the ceiling on the stock of central government debt will exclude debt arising from payments for bank restructuring, when carried out under the program's banking sector restructuring strategy (this does not cover the debt related to the Financial Stability Fund). This includes loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; and purchase of troubled assets. However, any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, with the exception of Hellenic Republic intermediation in repos between foreign and domestic financial institutions will be immediately reported to IMF, European Commission and ECB staff.

**13. Adjusters.** The ceiling on the overall stock of ESA95 central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2012 ESA95 central government debt of €311.4 billion.

**14. Supporting material.** Data on the total stock of central government debt will be provided to the European Commission, ECB and IMF staff by the General Accounting Office consistent with the ESA95 definition no later than 30 days after the end of each month.

## F. Ceiling on New Central Government Guarantees (Performance Criterion)

**15. Definition.** The ceiling on the new central government guarantees shall include new guarantees granted by the state, as well as new guarantees granted by any other entity that is classified under ESA95 under central government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of central government debt as defined in paragraph 15. The ceiling shall exclude: (i) guarantees to support banks; (ii) guarantees related to EIB financed loans; (iii) guarantees granted by ETEAN (up to a total amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); and (iv) guarantees granted under a risk sharing instrument of the EU structural funds (see COM (2011) 655 final) that do not create contingent liabilities for the Greek State. New guarantees are guarantees extended during the current fiscal year, but for those for which the maturity is being extended beyond the initial contractual provisions, only 50 percent of the full value will be counted. Modification of existing guarantees (without changing the maturity, amount of guarantees, and beneficiaries of the loan) will not be treated as new guarantees.

**16. Supporting material.** All new central government guarantees will be reported in detail, identifying amounts and beneficiaries. The General Accounting Office will provide the data on a monthly basis within three weeks after the end of each month. Non-state entities classified under the central government shall report the new guarantees they extended to the General Accounting Office on a monthly basis within three weeks after the end of each month.

## G. Non-Accumulation of External Debt Payment Arrears by the General Government (Continuous Performance Criterion)

**17. Definition.** For the purposes of the program, an external debt payment arrear will be defined as a payment on debt to non-residents contracted or guaranteed by the general government, which has not been made within seven days after falling due. For purposes of this program, the term "falling due" means the date in which external debt payments are due according to the relevant contractual agreement, including any contractual grace periods. The performance criterion will apply on a continuous basis throughout the program period.

**18. Supporting material.** The stock of external arrears of the general government will be provided by the General Accounting Office with a lag of not more than seven days.

## H. Floor on Privatization Proceeds (Indicative Target and Performance Criterion)

**19. Definition.** Privatization proceeds will be defined as the cash receipts from the asset sales carried out by the privatization agency (HRADF), cash receipts from direct government sales, and cash receipts from the sale of any bank participations through the HFSF, the HRADF, or from the government directly. These will include, but not be limited to, the sale of equity of listed or non-listed companies and banks, shareholdings in public infrastructure, shareholdings in SPVs, leasehold in commercial real estate and publicly held land, sale-lease back operations, securitization of asset-related cash streams, or other assets incorporated in the authorities' privatization program, as well as sale of rights and concessions (including securitization of the proceeds of concessions). Proceeds will be valued in Euros and will be measured as the inflows of cash received by the HRADF and deposited in the Segregated Account at the Bank of Greece within 10 days after the settlement of the transaction.

**20. Supporting material.** Monthly information on the cash receipts from asset sales into the segregated account will be made available by the GAO, in collaboration with the HRADF, within 30 days after the end of each month.

## I. ESA "Program" Deficit and Overall Monitoring and Reporting Requirements

**21. ESA program deficit.** For the purposes of the program, the ESA deficit (EDP B.9) will have the following adjustments (i) the sale of non-financial assets such as land, buildings, and other concessions or licenses will be excluded, unless these have been agreed in the context of the program; (ii) costs related to banking support as defined in MGGPCB above will be excluded; (iii) all payments relating to tax refund claims made before September 2012 will be excluded; (iv) the accrual revenue from the PPC levy of a given year will include cash receipts within the year plus amounts pertaining to the given year received through March of the following year; (v) all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regard to income of euro zone national central banks will be excluded, including the BoG, stemming from their investment portfolio holdings of Greek government bonds (schedule B provides the latest estimates) and (vi) any called guarantees to entities outside the general government related to liquidated public enterprises above what is already expected in the fiscal program for the current fiscal year.

**Schedule A: Indicative Amounts to be Transferred to the Greek Government by Eurosystem National Central Banks**

(Billions of euros, accrual terms)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total 12-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| ANFA | 349.0 | 636.0 | 518.0 | 500.0 | 557.0 | 464.0 | 367.0 | 306.0 | 253.0 | 3,950.0 |
| SMP | | 2,098.0 | 1,941.0 | 1,503.0 | 1,134.0 | 898.0 | 729.0 | 580.0 | 422.0 | 9,305.0 |

Source: Greek authorities, ECB, IMF staff estimates.

**22. ESA primary balance**. For the purpose of the program, the ESA primary balance is defined as general government ESA95 balance (EDP B.9) minus ESA 95 general government consolidated interest payable (EDP D.41).

**23. Overall monitoring and reporting requirements.** Performance under the program will be monitored from data supplied to the EC, ECB, and IMF by ELSTAT, the Ministry of Finance, the General Accounting Office, and Bank of Greece. The authorities will transmit to the IMF, EC, and ECB staff any data revisions in a timely manner.

## J. Floor on Mandatory Exits (Indicative target)

**24. Definition**: Employees counted as mandatory exits to the private sector will originate from those that: (i) are employed by the general government (ESA95 definition) on a permanent employment contract or on a contract of indefinite duration; and (ii) have no entitlement to early retirement within the next 3 years. Mandatory exit means that the employee leaves the public sector on an involuntary basis, but includes exits from the mobility scheme to the private sector. Mandatory exits are not entitled to severance pay or any other form of compensation (if not provided for under current legislation). The count of mandatory exits will exclude those employees that leave the public sector because the entity they belong to is being privatized under the HRADF privatization program or that leave as part of a restructuring ahead of such privatization. Further, employees that are separated from the public sector for outsourcing will not qualify to be replaced under the 1:1 re-hiring rule. Mandatory exits cannot be rehired into the public sector except via a merit-based selection procedure by ASEP, open to external candidates.

## K. Floor on Entrants for Future Exit in the Mobility Scheme (Indicative Target)

**25. Definition:** Employees counted toward this target have no entitlement to early retirement within the next three years and eight months, qualify for the definition of entrants to the mobility scheme (section x above), which will stay in the scheme until they exit from the public sector after a maximum of eight months. After April 1, 2014, if all previous exit targets have been observed, the floor on the minimum staff will be adjusted downward by any additional exits above the cumulative end-March 2014 target of 5,000 exits from other eligible sources.

**Annual Overall Employment Ceilings for the General Government (Revised) 1/**

(Number of persons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **General government** | **712,494** | **676,421** | **649,878** | **628,295** | **608,928** |
| Ordinary staff | 628,972 | 608,871 | 588,662 | 569,990 | 553,342 |
| Other staff | 55,979 | 40,529 | 34,838 | 32,562 | 30,514 |
| Chapter A entities | 24,914 | 24,392 | 23,749 | 23,114 | 22,443 |
| Chapter A fixed term contracts | 2,629 | 2,629 | 2,629 | 2,629 | 2,629 |
| Memorandum items: | | | | | |
| ESPA and self-financed other staff | 15,343 | 15,343 | 15,343 | 15,343 | 15,343 |
| Total general government | 727,837 | 691,764 | 665,221 | 643,638 | 624,271 |

Source: MAREG.

1/ Revised for small update in Dec 2012 (379 staff) and to exclude ESPA and self-financed staff.

Note 1. The number of employees in Chapter A entities will be adjusted for any privatizations.

Note 2. The number of employees in Chapter A entities will be adjusted for the inclusion of employees of municipal private law legal entities. These employees are already in the wage bill but not yet counted in the Census Data Base.

Note 3. Some small private law legal entities are being verified whether they belong in the general government. If so and their employees are already in the wage bill, the above ceilings will be adjusted accordingly.

Note 4. The above ceilings are based on GAO projections and reflect the measures of the MTFS 2013-2016 as well as other assumptions that may be updated in cooperation with the EC/ECB/IMF (e.g. for revised ESPA numbers; finalization of hiring ceilings for 2013/14, etc.)

**Mobility and Exit Scheme**

(Cumulative numbers of persons)

| | Staffing Plans | | Into Mobility Scheme | | Exits From Government | |
|---|---|---|---|---|---|---|
| | Total Personnel Covered | Actual To Date | Total Personnel Covered | Actual To Date | Total Personnel Covered | Actual To Date |
| 2013 | | | | | | |
| March | | 205,000 | | 0 | | 0 |
| April | | 211,000 | | 0 | | 0 |
| May | | 221,000 | | 0 | | 0 |
| June 1/ | | 361,000 | | 0 | | 2,000 |
| July | | | | | | |
| August | | | | | | |
| September | 400,000 | | 12,500 | | 2,000 | |
| October | | | | | | |
| November | | | | | | |
| December | 650,786 | | 25,000 | | 4,000 | |
| 2014 | | | | | | |
| Q1 | | | | | 5,000 | |
| Q2 | | | | | 9,000 | |
| July | | | | | 10,500 | |
| August | | | | | 12,000 | |
| Q3 | | | | | 14,000 | |
| Q4 | | | | | 15,000 | |

Source: MAREG.

1/ Actual to date for exits from government a preliminary estimate.

## L. Floor on Entrants to the Mobility Scheme (Indicative Target)

**26. Definition:** Employees counted as transferred to the mobility scheme will originate from those that are employed by the general government (ESA95 definition) on a permanent employment contract or on a contract of indefinite duration. Entrance into the labor mobility scheme is defined when the employee's payment is reduced to 75 percent of the remuneration in the case of "availability," or to one-third of the remuneration in the case of "disciplinary suspension." It does not include employees that belong to entities that are in the process of being privatized under the HRADF privatization program or that are part of a restructuring ahead of such privatization.

**27. Supporting material.** The Ministry of Administrative Reform and E-Governance (MAREG) will report on a monthly basis (15 days after the closing of each month) for the mobility scheme on entrants (number, entity they previously belonged to, reason for entry, number of entrants which will exit) and departures (number, reasons for departure, new entity transferred to or exit), and the stock of employees currently in the scheme (grouped by the months of their entrance). Further, MAREG will report monthly (15 days after the closing of the month) on exits, the number, the general government entity they came from, the reason for the exit, if any. MAREG will report on a monthly basis (15 days after the closing of the month) the stock of general government employees defined as in the Census Data Base.

## M. Actions to Achieve a Semi-Autonomous Revenue Administration

**28. Issue secondary legislation and other supporting documentation to achieve a semi-autonomous revenue administration** (defined as the entire remit of the General Secretariat of Public Revenue), including the following steps:

- Issue Ministerial Decisions as required under Law [4152]/2013 to transfer to the revenue administration the following units:
    - Ministry of Finance internal affairs department, including its staff and available resources.
    - The competences, staff and available resources of the following organic units of GSIS, pertaining to the exercise of tax and customs administration: i) The Directorate for Computer Applications (Directorate 30), with the exception of the Sections for Budget and Public Expenditure, Payroll and Pensions; and ii) The Directorate for Computer Data Entry and Control (Directorate 32).
- Issue a report to identify all the tax and customs administrative functions, personnel, and budget allocations necessary to exert the competences specified in case β' par. 2 and cases α' and δ' of par. 5, article 30 of L. 3296/2004, including: (i) preventive checks and temporary tax audits, especially for withholding and imposed taxes, focusing on Value Added Tax (VAT); (ii) checks of transit, imports and exports, trading, supply and distribution of products subject to Special Consumption Tax (Excise Duty); (iii) checks in customs warehouses; (iv) checks the goods under special duty-suspension procedures and implementation of customs legislation in general; (v) checks in means of transportation, shops, warehouses, etc; and (vi) Confiscation of books, documents, goods, means of transportation and other evidence.
- Create a five member advisory Council comprised of high level experts to be appointed by the Minister of Finance (two of which will be selected among persons with significant international work experience in revenue administration). The SGPR will be an ex-officio member of the board. The advisory board will report to the Minister of Finance, give advice on major matters of revenue administration strategy including human resource issues, monitor performance of the revenue administration against plans and targets, support the revenue administration in managing external stakeholders, and provide assurance that the SGPR is exercising powers appropriately. The Board will have no role in taxpayer specific issues, and will not have access to any specific taxpayer information. Issue a ministerial decision to determine the qualifications, duration of appointment and compensation for the board members and will specify the rules for dealing with conflict of interest, reporting to the Minister, and administrative support for the board. The Board members term will be three years.
- Establish a new Strategic Planning and Financial Control Directorate in the revenue administration that manages its budget (while maintaining the role of the GDFS as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) and has the following functions: (i) coordinates the preparation of the revenue administration's budget; (ii) follows up its implementation;

and (iii) proposes reallocations of non-wage recurrent spending in line the organic budget law; (iv) supports the SGPR in project management and monitors progress with reform and KPI implementation.

- The institutional reform working group (IRWG) chaired by the SGPR, issues a report shared with the Minister and Troika that analyzes and maps the constraints to the operational and administrative autonomy of the SGPR and proposes immediate solutions. Though not limited to the following matters the IRWG examination incorporates any limits to autonomy within:

  - Revenue laws (income tax, VAT, property tax, customs and excise and other taxes administered by the SGPR).

  - Other general laws related to human resources and financial management within the civil service.

  - Powers delegated to the SGPR.

The IRWG will also determine whether additional changes to law are required to authorize SGPR competence for tax administration beyond singular decisions affecting taxpayers.

## N. Monitoring of Tax and SSC Installment Schemes

**29. Definitions** – The framework for monitoring tax and SSC installments under the "fresh start" and "basic" schemes has two sections to monitor participation, one focused on values and a second focused on the number of debtors.

a. Values-Based Indicators:

   i. Stocks: (i) the outstanding stock of debt (including principal and surcharges) accumulated before end-2012 (ii) the amount of this debt (including principal and surcharges) that is currently in the Fresh Start scheme, (iii) the amount of this debt (including principal and surcharges) current in the Fresh Start scheme that has also been legally "verified"

   ii. Flows: (i) the amount of debt (including principal and surcharges) that has entered into the scheme during that month (ii) the increase in the amount of debt (including principal and surcharges) that has been legally "verified" during the month; (iii) the total amount actually paid thus far under the scheme and, of this, the amount that refers to upfront full payment (including principal and surcharges paid). iv) the amount that has become delinquent during the month.

b. Number of Debtor-based Indicators

   i. Stocks: (i) the current number of debtors with outstanding debt accumulated before end-2012 (ii) the total number of applications for participation in the scheme thus far (iii) the total number of applications which have been legally "verified".

   ii. Flows: (i) the total number of applications submitted for participation in the scheme during that month, (ii) the number of applications that have been legally verified during that month, (iii) the number of debtors that made an upfront full payment, the number of debtors that made their installment payment and the number of debtors that are newly delinquent as of that month. (iv) the number of debtors that have made their last installment payment

**30. Supporting material.** There will be a weekly report that includes a subset of the data above and will be received by Tuesday after the week to which it refers. The first such report will be received on July 16 and will refer to the previous week. It will include the following variables i) number of debtors currently in the scheme ii) total debt currently under the scheme iii) amount paid year to date and iv) amount of payment contractually expected in the rest of the year based on amount of debt in the scheme at that time. Then, the SGPR and the MoL will report on a monthly basis (within three weeks of the closing of each month) the full set of indicators defined in the monitoring framework for the "fresh start" and "basic" installment schemes, with the first report coming at end-August. The report by the MoL of the SSC installment schemes will provide individual information for the two largest SSFs (IKA, OAEE)

## O. Monitoring of SSC Debt Collection

### 31. Definitions

- The monitoring framework for SSC debt collections includes: (i) the stock of debt and collection of SSC debt accumulated by December 31, 2012; (ii) the stock of debt and collection of SSC debt incurred during the current year; and (iii) the number of debt assessments completed by the SSFs.

- The monitoring framework for debt collection by IKA also includes the number and value of legal collection actions (garnishments, seizure writs issued, immovable property seizure, movable property seizure, mortgage and liens, auctions, and bankruptcies and liquidations).

**32. Supporting material.** The MoL will report according to the monitoring framework for SSC debt collection and for debt collection by KEAO on a monthly basis (three weeks after the closing of each month) . The MoL will provide individual information for the two largest SSFs (IKA, OAEE) starting in late August

## P. Monitoring of Structural Benchmarks

**33. Benchmark on progress in revenue administration, 2013.** Progress in revenue administration in 2013 will be defined as reaching or exceeding the targets set in MEFP Table 1.

**34. Definitions:**

- **A completed audit is defined as an audit repo**rted as formally finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the **taxpayer ass**essment has been issued, or the audit report states that no underpayment has occurred.

  - Audit reports which are brought to the Tax Dispute Administration Resolution Committee (Article 70A Committee) for settlement after 1 January 2013 are defined as a completed audit when the case is submitted to the committee.

  - High Wealth Individual (HWI) audits carried out on a legal person owned or controlled by the high wealth individual will also be regarded as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual. Furthermore, audit of off-shore companies with the aim of identifying the natural person owing or controlling the offshore company will also be regarded as an HWI audit case. These audits will be reported separately.

- The **assessment amounts** from the audit reports submitted to the Article 70A committee are included when reporting on the assessment performance for HWI and Large Taxpayer Unit (LTU) audits. The assessment amount is only included for reporting on the LTU and HWI audit case collection performance when the final assessment is issued following the decision of the committee. These amounts shall be adjusted for any difference between the audit report assessment amount and the final assessment amount.

- **Risk-based audits** for large taxpayers are defined as audits selected on a risk basis using the ELENXIS audit management system.

- **Collection** on HWI and LTU full scope audits and temporary audits are amounts collected in the year from such LTU and HWI audits completed during the year or previous years.

- **Collection of tax debt** does not include debts such as calls on loan guarantees, fines, etc., of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities.

- In 2013, **new tax debt collection** includes collection of debt accrued in the month of December, 2012.

- An **audit of assets of a manager, director or auditor** includes an audit of all assets, both movable and immovable, including those of his/her spouse. This will include but will not be limited to an examination of all his/her financial accounts for a period of up to 10 years from a current date, all immovable assets compared against information from State registries and of the acquisition of all moveable assets. The purpose of this audit will be to trace and justify the legal acquisition of these assets. These audits will be conducted annually by the Internal Affairs Directorate of the MoF.

**35. Supporting material.** Monthly information on risk-based full-scope audits and temporary audits of large taxpayers, self employed and high wealth individuals, and VAT non-filers, collection of assessed taxes and penalties, collection of tax debt, and audits of asset declarations from auditors and managers of local tax offices will be made available by the Minister of Finance no later than two weeks after the end of each month. The monthly submission will also include, for each local tax office and special unit, the number of audits, hours spent on audits, assessed tax specified for income tax and VAT, assessed penalties and surcharges, collected tax amount from assessments, collected penalties and surcharges from assessments, specified for temporary and full scope audits.

**36. Benchmark on progress in public financial management, 2013.** Progress in implementing public financial management reforms in 2013 will be defined as reaching or exceeding the targets set in MEFP Table 2.

**37. Definition.** For the purpose of the 2013 target, the reporting institutional units (state and general government entities) include any unit under the general government as defined by ELSTAT as of end-September 2012 whose overall annual spending exceeded €1 million in 2011. Entries under the e-portal include all fields with financial information as prescribed in the GAO circular of Dec 29, 2010 (protocol number 2/91118/0026); this includes inter alia cumulative appropriations released, commitments made, the sum of invoices received, and payments made.

**38. Supporting material.** Monthly summary information from the e-portal, surveys, and other sources on performance against the above indicators will be published by the General Accounting Office of the Ministry of Finance on their website no later than four weeks after the end of each month. Data submission will include data back to end-2011. Survey information will continue to be provided after December 2013 unless discrepancies between survey and e-portal data are fully eliminated. An authoritative list of entities included under general government as defined by ELSTAT (including annual spending in 2011) will be made available by ELSTAT by August 30, 2013 and will be updated upon updating the ELSTAT register of general government entities.

## Q. Regulated Professions

**39. As referenced in the MEFP (paragraph 34), the targets on professions are delineated in the table below**.

## Table 1. Greece: Actions on Regulated Professions, 2013–14

| Profession | Restrictions to be Eliminated | Timing | Instrument |
|---|---|---|---|
| Chartered valuators | • Adopt secondary legislation to set up certification from the Ministry of Finance | • July 19, 2013 | • 3 Ministerial decisions |
| | • Amend L4152/2013 to (i) allow the Ministry of Finance the option to provide certification exams itself; and (ii) to abolish the requirement for applicants to provide academic qualifications on top of certification for registration. | • September, 2013 | • Amend L4093 (subparagraph C2) |
| Actuaries | • Adopt secondary legislation to start examinations by October 2013 | • July 15, 2013 | • Ministerial decision |
| Electricians (41 professions) | Issue secondary legislation on: | | |
| | • the notification process of technical profession | • July 15, 2013 | • 4 Joint Ministerial decisions |
| | • the fees paid for notification of technical profession | • July 15, 2013 | |
| | • the syllabus and process for obtaining a license | • September 2013 | |
| | • defining the fees paid for obtaining a license | • October 2013 | |
| Technical professions (56 professions) | Issue secondary legislation on: | | |
| | • conditions of conducting exams by private entities | • End-November 2013 | • Joint Ministerial Decision |
| | • replacing of professional experience by seminars organized by approved bodies | • End-March 2014 | • 6 Presidential Decrees |
| | • the fees for the seminars replacing professional experience | • End-March 2014 | • Ministerial Decision |
| | • syllabus and process for obtaining a license for cooling technicians | • End-June 2013 | • Joint Ministerial Decision |
| | • defining the fees paid for obtaining a license for cooling technicians | • End-July 2013 | • Joint Ministerial Decision |
| | • syllabus and process for obtaining a license for machine operators | • End-August 2013 | • Joint Ministerial Decision |
| | • defining the fees paid for obtaining a license for machine operators | • End-September 2013 | • Joint Ministerial Decision |
| Slimming/dietary businesses | Issue circular to clarify that no restriction for co-establishment of medical or paramedical professions apply | • End-July, 2013 | • Circular |
| Sales of fertilizers, propagation and plant-protecting material (10 professions) | • Adopt implementing legislation that (i) abolish minimum space requirements and (ii) introduce a 3-month period for administration to issue license, after which professionals are free to operate | • End-July, 2013 | • 2 Ministerial decisions |
| | • Adopt legislation that (i) allow sales by individuals with adequate training without the mandatory presence of scientists and (ii) define training standards | • End-July 2013 | • Presidential decree |
| Geo-technicians (agronomists, foresters, geologists, ichthyologists) | • Issue secondary legislation to abolish mandatory issuance of professional IDs (from the Geo-Technical Chamber) | • End-August 2013 | • Presidential decree |
| | • Issue implementing regulation to abolish mandatory presence of scientist for specific activities (for example sale of plant-protecting products) | • End-August 2013 | • Circular |
| Lawyers | • Adopt legislation to: (i) ease the re-entry into the legal professions; (ii) repeal age limit to take the Bar examinations; (iii) abolish total bans on commercial communications; (iv) provide for licenses of unlimited duration; (v) remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry; (vi) clarify that lawyers' fees are freely determined through a written agreement between lawyers and clients (in case there is no written agreement for court appearances, reference fees still apply); (vii) eliminate any kind of minimum wages for salaried lawyers working in the private sector; (viii) de-link contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts; and (ix) set a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific 'reference amount'. | • End- July, 2013 | • Code of lawyers and Presidential decree |
| Engineers (including architects and land surveyors) | • Present a proposal of which activities could be reserved (in exclusivity) to specific professions in consultation with the HCC | • End-September 2013 | • Proposal |
| | • Amend unjustified or disproportionate requirements reserving certain activities to specific professions | • End-December 2013 | • Law and Presidential decree |
| Firms trading Petroleum | **Wholesale**: Adopt legislation to: (i) abolish minimum capital requirement; (ii) mandate written contracts between fuel wholesalers and retailers; (iii) abolish the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them; (iv) remove the restriction that a wholesaler's storage facility needs to be accessible by either the sea, railway network, or through a refinery; and (v) require the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain | • End-July 2013 | • Laws and 2 MDs |
| | **Retail**: Adopt legislation to : (i) mandate gasoline stations to state the price and quantity of liquid fuel on all receipts issued; (ii) complete the installation of inflow-outflow systems in the retail market; and (iii) repeal law provisions that provide the Ministry of Development with the possibility to impose a minimum price on the sale of fuels to consumers. | • End-July 2013 | • Market Policing Code and 1 MD |
| | • Issue secondary legislation to provide details on insurance scheme (as alternative to minimum capital requirement) | • End-October 2013 | • MD |
| Mediators | • Adopt legislation to allow mediation to be done by non-lawyers | • End-2013 | • Law |

Source: IMF staff estimates.

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