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The Second Economic Adjustment Programme for Greece
Second Review – May 2013

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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 27 February and 11 April 2013. The report examines current macroeconomic, financial and fiscal developments, assesses compliance with programme conditionality and makes a detailed assessment of the policy programme up to 2016.

Greece continues to make progress under the Second Economic Adjustment Programme. Public finances are steadily improving, the banking sector recapitalisation has reached an advanced stage and important structural reforms are being implemented, although further major efforts are needed to fully deliver the delayed public administration reform and to make the new semi-autonomous revenue administration effective in the fight against tax evasion. Falling unit labour costs, supported by the successful labour market reform, are improving cost competitiveness, but an acceleration of product and services markets reforms is necessary to speed up the transmission from cost savings to prices.

The economic outlook is largely unchanged from the previous Review, with prospects for a gradual return to growth in 2014. On the one hand, slightly-worse-than-expected data for the last quarter of 2012 led to an annual GDP decline of 6.4% in 2012 compared to 6.0% in the last review, implying a somewhat higher negative carry-over into 2013. On the other hand, leading conjunctural and financial market indicators have shown improving confidence in the recovery prospects of Greece. By end-April, the European Commission Economic Sentiment Indicator (ESI) for Greece has risen to a level 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 affected by the recent developments in Cyprus. In contrast, current hard indicators continue to provide recessionary signals, with industrial production as well as retail and construction continuing to contract. Given the strong negative carry-over from 2012 and still falling domestic demand, a GDP contraction of 4.2% continues to be expected in 2013. 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.

While Greece is quickly regaining cost competitiveness and the current account balance is clearly improving, the price adjustment is still insufficient. Falling unit labour costs, supported by successful labour market reforms, are bolstering Greek cost competitiveness, creating new business opportunities and encourage job creation. The MoU target of reducing economy-wide nominal unit labour costs by 15% in the period 2012-2014 will likely be achieved, thereby regaining the 1995 labour cost competitiveness position relative to the euro area. The HICP is expected to decline by 0.8% in 2013 and 0.4% in 2014, with inflation well below the euro area average through 2016. The current account balance is expected to improve sharply from -11.7% of GDP in 2011 to -1.7% of GDP by 2014. While there is some evidence that lower wage costs have started to feed through into prices, a significantly stronger adjustment in prices than has been observed so far would help to contain the fall in disposable income and sustainably strengthen Greece's competitiveness. This points to the need for an acceleration of structural reforms aiming to enhance competition and further liberalise product and services markets.

The 2012 fiscal deficit target under the programme has been met with a comfortable margin, despite the somewhat deeper-than-expected recession in 2012. The primary balance of -1.3% of GDP was slightly better than the programme target of -1.5% of GDP.[1] The general government deficit in accrual terms has been reduced from 9.4% of GDP in 2011 to 6.3% of GDP in 2012.[2] The underlying fiscal effort is even larger when taking into account the deep recession. The successful fiscal consolidation primarily reflects cuts in those public expenditure categories where the largest increases had been recorded before

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[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 inception of the first programme (notably public sector wages and social transfers). Fiscal consolidation was also supported by improvements in the budgetary control procedures. All quantitative performance criteria under the programme and the indicative target for arrears were met.

Measures have been agreed to avoid the emergence of a fiscal gap for 2013 and 2014 and to meet the programme targets for the primary deficit in both years. The very large and highly front-loaded package of fiscal consolidation measures for 2013 and 2014 (totalling over 6.5% of GDP) has been largely implemented. The mission identified revenue shortfalls of social contribution collection and from lower-than-expected receipts from the equalisation of tax rates on diesel oil. Moreover, the authorities had not implemented some previously agreed measures, most notably the special solidarity contribution for self-employed. To avoid the emergence of a fiscal gap, the authorities committed to implement offsetting measures in 2013 (in particular, tightening pension eligibility criteria and increase in cargo tariffs) and fully implement the special solidarity contribution for self-employed in 2014. In addition, several one-off factors play a role. First, transfers of Bank of Greece dividends to the budget are expected to be higher than previously anticipated due to extraordinarily high income in 2013. Second, newly designed instalment schemes for tax and social security contribution debt are expected to generate additional revenue in 2013 and in 2014. The mission raised concerns about the authorities' intentions to reduce specific tax rates. To largely contain the revenue shortfall, the authorities broadened the tax base to compensate a reduction in the property tax (PPC levy) rate by 15% in 2013. Moreover, they agreed that, at this point in time, there is no fiscal space to consider a reduction in the VAT rate for restaurants and catering and that this issue be reassessed during the next review.

The fiscal outlook beyond 2014 remains inherently uncertain. The fiscal outlook depends to a large extent on progress in strengthening the tax and social security revenue administrations. Within the current macroeconomic framework, the gaps are currently estimated at about 1.7% of GDP in 2015 and 2.1% of GDP in 2016. The task of filling the gap in 2015-16 will be taken up in the context of the 2014 budget negotiations in the fall. At that time, new macroeconomic data will provide more complete information on the precise size of any remaining gap.

A comprehensive income tax reform was legislated in January 2013 that broadens the tax base and will share more equally the tax burden. The tax reform sets up a new tax system for the net income of the self-employed with no tax allowance, and also refocuses the corporate income tax from taxes on dividends to profits taxation. It also eliminates special tax regimes and tax expenditures in order to share the burden of taxation more widely. The tax reform will greatly widen the tax base. The elimination of the tax allowance for the self-employed is expected to generate substantial additional revenue. Furthermore, by increasing the taxation of profits and reducing that of dividends, the reforms aim at reducing the tax avoidance. The success of the reform will also require further improvements being made to tax administration and the replacement of the Code of Books and Records with a revised and greatly simplified set of business tax accounting rules. The tax reform is expected to produce net revenues of close to EUR 2 billion, with the full budgetary impact felt in 2014. The authorities are working on a new Income Tax Code that 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. A new law on taxation of real estate will be adopted by end-June for 2014 onwards ensuring the same revenues of the various property taxes which will be replaced.

While progress was made in the organization, much work remains to be done to improve the effectiveness of the revenue administration. Despite significant technical assistance, tax administration reform has so far fallen short of what is needed to tackle the pervasive problem of tax evasion. It is commendable that the authorities have now agreed to adopt as a prior action the legislation to establish a semi-autonomous revenue administration, which will give to the Secretary General for Public Revenues significant powers, including in the areas of HR management, organisational structure, the power to determine the wage scale of auditors and budgeting. Key services of the Ministry of Finance will be split to allow for the transfer to the General Secretariat for Public Revenue Administration (GSPR) of all tax-relevant services. Moreover, the service agreement between the GSPR and the General Secretariat for Information Systems will ensure the provision of remaining non-tax-related, but relevant, services, such as hardware administration. However, 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. 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. Separately, the newly designed instalment schemes for tax and social security contribution arrears are expected to terminate the detrimental practice of a multitude of instalment schemes carrying the features of tax amnesties. Putting the framework in place by mid-2013 will be a significant challenge and requires proper capacity for operating the schemes.

Further progress was made in improving Public Financial Management (PFM), but some weaknesses remain. While expenditure reporting was strengthened including the health fund EOPYY in the e-portal and a tight control on expenditures helped to meet the target for last year, existing budget execution and payment processes could be further strengthened through more efficient procedures and streamlining the excessive layers of control. After the completion of the previous review, a large amount of tax refunds was identified for which claims still need to be confirmed. In addition, while Greece has timely transposed the Late Payment Directive, its implementation requires both a further strengthening of the PFM framework and a reform of the overall audit system. The plan for the clearance of arrears is proceeding at a slower pace. While disbursements have now started and reached EUR 419 million in February, the current plan for arrears clearance foreseeing the release of appropriations of almost EUR 6 billion by July 2013 is delayed. It is crucial to complete the plan as soon as possible in order to give an impulse to the economy by injecting the liquidity that many firms need to survive.

While progress has been made in preparing assets for privatisation, the overall speed of the privatisation process remains unsatisfactory. The end-December target for privatisation proceeds was missed by a wide margin and proceeds expected at end-2013 have been moderately revised downwards. The majority of state-owned enterprises destined for privatisation have now been transferred to the privatisation fund, but additional efforts are needed to reinforce the momentum. In particular, major efforts are needed in the liberalisation and privatisation in the energy sector, e.g. to provide the restructuring plan of the incumbent electricity company PPC. Further action is also needed in relation to real estate assets. Inter alia, additional steps are needed to expedite approvals from the Court of Auditors, Council of State, and Competition Commission 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. Additional measures are also needed to secure improved governance and transparency.

While progress has been made since 2010 in downsizing the public administration, further reforms are urgently needed to render it efficient and effective. The 1:5 attrition rule (by which only one in five employees exiting from the public sector should be replaced by a newly hired employee), combined with an increase in early retirements is expected to bring about the targeted reduction of public employment by at least 150,000 in the period 2011-2015. However, in itself the attrition rule does not satisfy the need to hire highly-qualified and young employees in a number of priority areas (e.g., tax administration). While increased internal mobility – including through the scheme introduced last Autumn – is necessary to improve the allocation of staff, staffing needs cannot always be met through transfers within the civil service, owing to special qualification requirements. Mandatory exits from the civil service, and in sizeable amount, are therefore necessary and urgent to create the fiscal space for such hiring.

Significant delays have occurred in the public administration reform, but the authorities have now taken measures to speed it up. The authorities are committed to proceed with an ambitious public administration reform to be carried out in phases during 2013. Whilst the milestone was not completed by end-February and no further transfers to the mobility scheme have so far taken place beyond the 2,000 employees transferred in Q4 2012, by end-April, the authorities (i) completed staffing plans for line Ministries involving 206,000 staff; (ii) indicated how many posts will concomitantly be abolished; and (iii) established quarterly targets for mandatory exits cumulating to 4,000 by end-2013 and 15,000 by end-2014. It was agreed during the mission, that for each of these exits, one person can be hired, thereby strengthening the rewards for pursuing the public administration reform. According to the authorities, exits will be the 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 12-month period in the mobility scheme. Moreover, the authorities confirmed their commitment to transfer 12,500 employees to the mobility scheme by June and 25,000 by December 2013. A strategy for the allocation of the hiring which would then become available for 2013 will be agreed by mid-2013. By June, the Greek authorities will also provide the staffing plans involving cumulatively 450.000 employees (covering the whole public administration by end-2013) and finalise the Human Resource strategy.

Swiftly finalising the recapitalisation of the banking sector is now a key priority. The authorities have reconfirmed the end-April deadline for taking the necessary decisions to carry out the recapitalisation, in line with the programme. All four Greek core banks will be recapitalised separately and have now called their extraordinary general assemblies, which are expected to approve the recapitalisation and initiate the subscription period for the rights issuance by April 30, at the latest. After the recapitalisation of core banks is finalised, the focus will shift to the acquisition of bridge banks, rationalisation and re-privatisation. The authorities will prepare a comprehensive financial sector strategy by mid-July, which will outline the targeted medium- to long-term landscape of the banking sector. In the meantime, the four core banks will have to acquire existing bridge banks and participate in purchase and assumption transactions with other banks undergoing resolution and to immediately start ambitious operational restructuring – including the downsizing of staff and the branch network. Concerning core banks that will not have been able to remain under private control, the strategy will include options and operational steps for the HFSF to promptly proceed with their privatisation. Moreover, the governance of the Hellenic Financial Stability Fund is being further improved in order to ensure the independent oversight of individual banks that have received HFSF support post-recapitalisation. Against these developments, the banking sector faces a challenging macroeconomic environment and a perceptible deterioration in the repayment culture. The new household insolvency framework is expected to help address the latter.

The extensive labour market reforms in 2012 are delivering results in terms of wage flexibility and improved unit labour cost competitiveness. The recent falls in labour costs should help mitigate the effects of the recession on employment. A temporary public work programme for the long-term unemployed and young people expected to be introduced shortly will provide support on a short-term basis until labour demand recovers in early 2015. Reforms to the Public Employment Service are planned to enhance opportunities for apprenticeships and vocational training and improve job matching, thereby contributing to improve human capital and productivity. Other reforms will lighten labour reporting requirements and foster compliance with labour laws, while steps to regenerate social dialogue are being taken.

Product and service market reforms remain crucial for strengthening investment, innovation and competition, complementing the reforms in the labour market. There is some preliminary evidence that retail market reforms may have started to increase competition. Further action is planned to liberalise sales periods and trading days and hours. As a precondition for further substantive reforms in the energy market, the liberalisation process has started for end-user prices for low-voltage customers. Some progress has been made in the transport sector to relax restrictions on road haulage and to restructuring the railways sector. New strategies for liberalisation and growth are being implemented in the airport and maritime sectors. However, the still insufficient relative adjustment of prices suggests that an acceleration of product and services market reforms is needed to 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.

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. Action has been taken to begin removing restrictions and entry barriers in regulated professions, although this has been a slow and long drawn-out process. Greece has also begun to deliver on its export strategy that facilitates trade, simplifies customs operations and strengthens its trade and investment promotion capacity. Nevertheless, much 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.

The authorities are seeking ways to improve the social safety net within the current budgetary envelope. To that end, the Government is expected to report on policy options by mid-2013. That is foreseen to include at least the creation of an unemployment assistance scheme for the long-term unemployed, means tested and targeted to the poor by January 2014 and the creation of a minimum income scheme (on a pilot basis). That document should also elaborate on the articulation of these schemes with other active and passive labour policies and social transfers.

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. As the debt-to-GDP ratio will nevertheless remain elevated in the near future, full capital market access for Greece will remain challenging in the years ahead.

Implementation risks to the programme remain formidable, but there are also some upside risks. The key risks concern the government's perseverance vis-à-vis vested interests, not least given the vulnerability of a coalition government with a relatively thin majority. 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. In addition, key reforms in the revenue administration and the public administration may face resistance, weakening the capacity to deliver the needed revenues and the wage bill adjustment while missing the significant efficiency and productivity gains. Should product and services market reforms not accelerate as foreseen under the programme, positive economic growth could not return in 2014 as foreseen. A failure to implement these reforms in time would thus amplify the social distress coming from very high unemployment and from the pressure exerted on the population by the prolonged recession and the wide-ranging economic and social adjustment. However, there are also important upside risks. In particular, sustained strong policy implementation will help lift uncertainty and support confidence. There could also be a somewhat stronger impact from the liquidity injection expected from the clearance of government arrears and the initiatives to bring long-term unemployment to work, and from a more dynamic tourist season. Finally, investment could grow faster with the restart of major projects such as in motorways and a strong absorption of the EU funds, if the banking sector is in a position to support after the recapitalisation, and with a stronger return of foreign capital.

With the adoption of the measures related to March milestones for the last sub-tranche of the December release of EUR 49.1 billion, the latter will be fully disbursed, pending the request for the funds related to the bank recapitalisation. After the disbursement of EUR 34.3 billion last December, the EFSF Board of Directors agreed on 28 January 2013 on the disbursement of the sub-tranche of EUR 2 billion related to the January milestones (a major tax reform has been concluded, electricity prices have begun to move towards market levels), as well as on the disbursement of EUR 7.2 billion to cover bank recapitalisation and resolution costs (although the latter has not been requested by the Greek authorities yet). The MoU milestone for February (the update of the public financial management framework, including to set binding expenditure ceilings) was also achieved and the EWG of 21 February decided for the disbursement of the February sub-tranche. The steps taken by the authorities have allowed to significantly catch up with the delivery of the March milestones (related to the public administration and the health sector), and hence the disbursement of the related EUR 2.8 bn from the EFSF tranche remaining from the previous Review has been made by the EFSF on 3rd May.

The Commission services recommend disbursement of EFSF funds, broadly corresponding to the planned tranches of the second programme for Q1 and Q2 2013, conditional on continued implementation of the commitments undertaken by the Greek authorities as specified in the revised MEFP and MoU, including all prior actions. Estimated financing needs for the coming quarter to be covered by the EU equal to EUR 7.5 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 4.2 billion paid in May 2013. The disbursement of the remaining amount will be made in June 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 previously agreed programme conditionality and provides a detailed assessment of the policy programme up to 2016, agreed between the Greek Authorities and the European Commission, ECB, and IMF staff teams. The agreed economic adjustment programme is set out in a Memorandum of Understanding and a Memorandum of Economic and Financial Policies (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 27 February and 11 April 2013 and the continued interaction with the authorities, including through Commission staff based in Athens.

2. **Greece continues to make substantial progress under the economic adjustment programme** (see Box 2). 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. Whilst public finances are steadily improving in line with programme objectives, the banking sector recapitalisation has reached an advanced stage and important structural reforms are being implemented. However, further major efforts are needed to fully deliver the delayed public administration reform and to make the new semi-autonomous revenue administration effective in the fight against tax evasion. Falling wages and unit labour costs, following labour market reforms, are improving cost competitiveness.

3. **The 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 May 2013, the international assistance loans disbursed so far to Greece amount to EUR 200.9 bn. Of this amount, EUR 73.0 bn were disbursed within the first programme (EUR 52.9 bn have been paid by the euro area Member States and EUR 20.1 bn by the IMF). Within the second programme, the EFSF and the IMF have already disbursed EUR 127.9 bn as a part of the first and second releases under the second programme (including EUR 123.1 bn from EFSF and EUR 4.84 bn 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; (2) the 'Memorandum of Understanding' (hereafter MoU), and (3) the 'Memorandum of Economic and Financial Policies' (hereafter MEFP), 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).

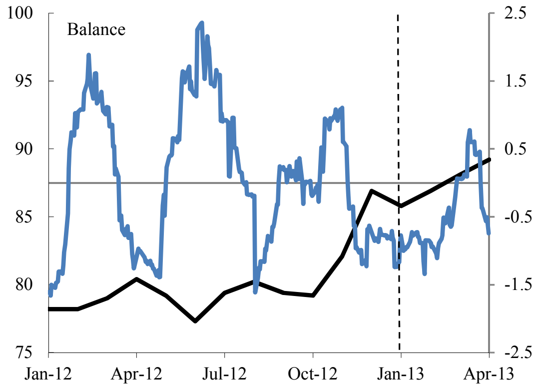
The EU Council decision 2011/734/EU, last amended by decision 2013/6/EU of 4 December 2012 based upon a recommendation of the European Commission, sets the steps and deadlines to be respected to correct the situation of excessive deficit. The MoU and MEFP are drafted jointly by the Troika institutions (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 eighth subsequent version.

2. MACROECONOMIC AND FINANCIAL DEVELOPMENTS

2.1 MACROECONOMIC DEVELOPMENTS

1. **In the first quarter of 2013, conjunctural and financial market leading indicators have shown improving confidence in the medium-term recovery prospects of Greece, while hard indicators are still lagging.** With the programme having been brought back on track in late 2012 and Grexit concerns having receded, the European Commission Economic Sentiment Indicator (ESI) for Greece has risen to a level close to the Eurozone average by the end of April. Stock market volatility, a proxy for economic uncertainty, fell to a protracted low in January and February, before temporarily increasing again as the negotiations on the support package for Cyprus reached a climax at the end of March (Graph 1). This general improvement in confidence was reflected inter alia in continued inflows of deposits to Greek banks and a further decline in Greek sovereign spreads (Graph 2). By contrast most hard indicators are still negative, with industrial production as well as retail and construction continuing to contract (Graph 3). However, early bookings suggest a notable improvement in tourist receipts this summer. At the bottom of the economic cycle, labour market developments remain fragile. While the fall in employment is slowing down due to increased hiring, the monthly unemployment rate continues to increase (Graph 4).

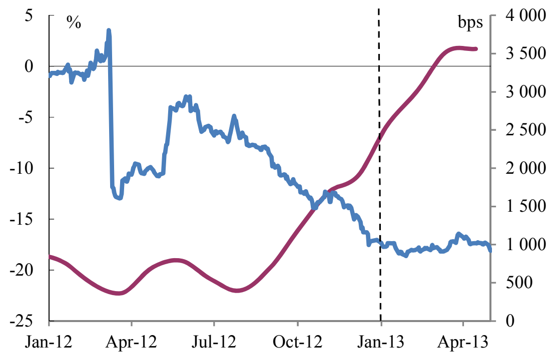
Graph 1. Economic Sentiment Indicator (ESI) and Greek Uncertainty index



Greece ESI (lhs) Uncertainty index (normalized, rhs)

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.

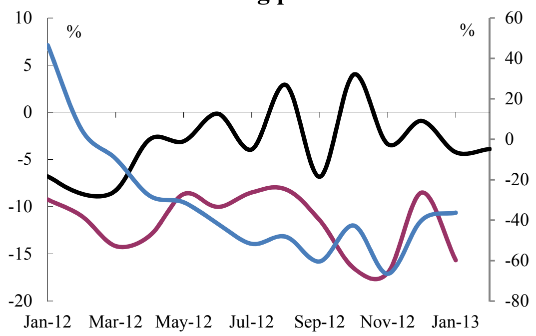
Graph 2. Monthly deposits and government bond spreads



Deposits and repos of non MFIs in MFIs in Greece (excluding the Bank of Greece, y-o-y % change, lhs)
10 year Greek Government Bond Yield, spread vs Bundes (bps, rhs)

Sources : BoG, European Commission services' calculations, Thomson Reuters

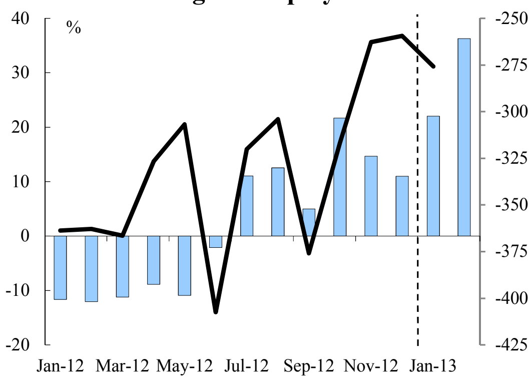
Graph 3. Industrial production, retail turnover and building permits



Production Index in Industry (y-o-y % change, lhs)
Retail trade - Turnover Index (except automotive fuel, y-o-y % change, lhs)
Greece, Building Permits (y-o-y % change, rhs)

Sources : EL.STAT.

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



Growth in hiring (y-o-y % change)
Y-o-y net change in employment (thousand persons, rhs)

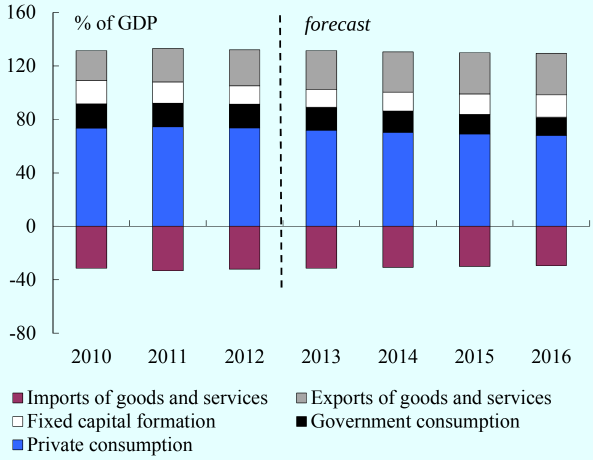
Sources : EL.STAT., OAED

Box 2. Preliminary assessment of the fallout of recent events in Cyprus

While the fallout from the events in Cyprus appears overall limited, it needs to be monitored closely. Key elements of the March agreement on the Cypriot economic adjustment programme included (i) a major restructuring of the Cypriot banking sector (including a bail-in of deposits above EUR 100,000), (ii) temporary capital controls as well as (iii) important additional fiscal consolidation measures. While this agreement prevented a collapse of the Cypriot economy that could have resulted in serious adverse effects across the euro zone, the resulting reductions in private sector wealth, expected weaker bank credit growth and the temporary increase in general economic uncertainty are nevertheless expected to lead to a substantially sharper-than-previously-projected contraction of the Cypriot economy this year.

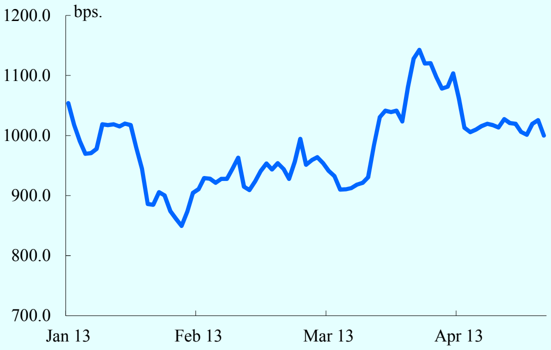
- The direct trade impact for Greece is likely to be limited, since only 4.8% of Greek goods exports went to Cyprus in 2012, and total exports make up only about one quarter of Greek GDP[3].
- Subsidiaries of Cypriot banks in Greece have been ring-fenced from the restructuring of the Cypriot banking system, and the direct financial exposure of Greek business and households to Cypriot banks appears to be limited. Hence the direct adverse effects on the balance sheets of Greek households and corporations can be expected to be small.
- The immediate effects in early April of developments in Cyprus included a temporary increase in Greek government bond spreads, a decline in Greek stock prices and a marked increase in stock market volatility. These have since largely faded away.

Graph 2.1. GDP components as % of GDP

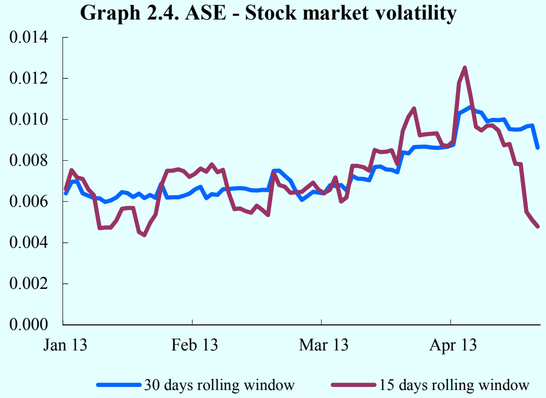


Graph 2.2. Destination of Greek goods exports

Graph 2.3. Greek government bond spreads with bund



Graph 2.4. ASE - Stock market volatility

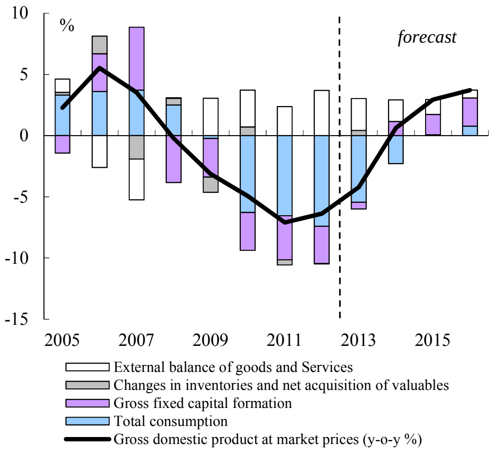


Source: Eurostat and Thomson –Reuters

[3] Also incorporating bilateral data on trade in services available from the Balance of Payments statistics would give rise to an even lower share (4%) of all exports to Cyprus in total Greek exports. The Balance of Payments framework differs slightly in approaches to valuation from the available bilateral trade in goods statistics from the National Accounts.

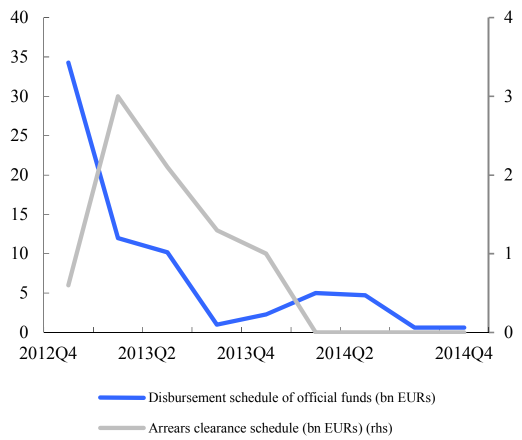
2. **The macroeconomic assessment is broadly unchanged from the previous review.** On the one hand, a slightly worse than expected end of 2012, leading to annual GDP decline of -6.4% instead of -6.0%, has somewhat worsened the carry-over into 2013. On the other hand, the improvement in confidence following the December debt-reducing agreements has proven so far strong and resilient. Overall, given the strong negative carry over from 2012 and still falling domestic demand, a GDP contraction of -4.2% continues to be expected in 2013 (Graph 5)**.** High unemployment combined with reductions in wages and social transfers are expected to result in a further contraction in private consumption by 6.9% in 2013. Fiscal adjustment is estimated to be associated with a fall in government consumption by 4% in 2013. Continued deleveraging and negative domestic growth continue to weigh on credit and to hold back the recovery of private investment. However, the projected clearance of government arrears (Graph 6), the restarting of large-scale highway projects and accelerated absorption of EU funds will provide a major support to investment already through this year. In annual terms, investment is projected to fall by -4% in 2013. Net trade is projected to develop more positively. Export growth is projected to turn positive at 3% in 2013, buoyed by a rebound in tourism receipts and further expansion in goods exports. However, weak Eurozone demand and limited availability of trade credit will delay a stronger expansion. Imports are expected to decline by a further 6.4% on the back of declining domestic consumption and investment. The rebound of the economy is expected to come no earlier than around the turn of the year.

Graph 5. Contribution of GDP components to GDP growth



Sources : European Commission

Graph 6. Arrears clearance and disbursement schedule of official funds



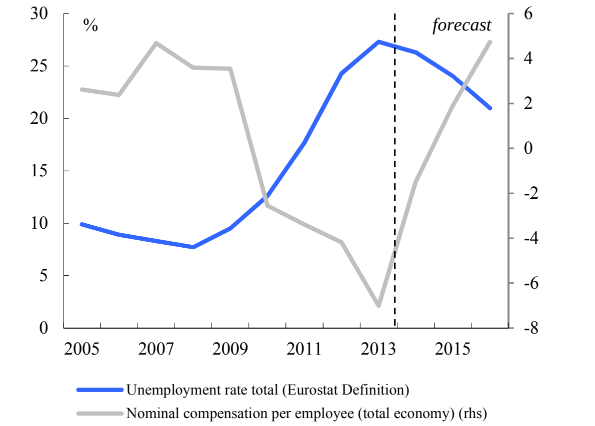
Sources : European Commission

3. **Investment and exports are expected to lead the recovery, giving rise to a projected annual GDP growth of +0.6% in 2014.** The recovery is then expected to accelerate in 2015 and 2016, with growth rates reaching 2.9% and 3.7% respectively. Falling unit labour costs, supported by structural reforms in the labour and product markets and the improved business environment will bolster Greek competitiveness, create new profitable business opportunities and encourage job creation. The clearance of government arrears and the bank recapitalization will support private sector liquidity and improve access to credit. Moreover business and consumer confidence should strengthen through continued determined programme implementation. The projected recovery is associated with further investment in export-related industries and a further opening up of the Greek economy to foreign direct investment, as well as with expected new investment associated with the privatisation programme. Benefitting from improved competitiveness, companies are expected to increasingly turn to international markets in the face of weak domestic demand. Private consumption as a percentage of GDP is projected to fall from 73.4% in 2010 to some 68% in 2016, while the export to GDP ratio increases from 22.2% to 31% over the same period. Investment is also forecast to improve as structural reforms progressively feed-through and the Greek economy fully recovers to potential output. However, the investment-to-GDP ratio at 16.7% in 2016 will still be below its 2010 level of 17.6%.

4. **At the start of 2013, unemployment remains at a high level.** As companies could no longer afford any labour hoarding as the recession extended over time, in the second half of 2012 unemployment has been increasing sharply, well beyond what simple rules-of-thumb such as Okun's law would predict (see Box 3), leading to an average unemployment rate of 24.3% for the year. Long-term unemployment has also risen fast and stood at 65.3% in the fourth quarter of 2012. Supported by structural reforms

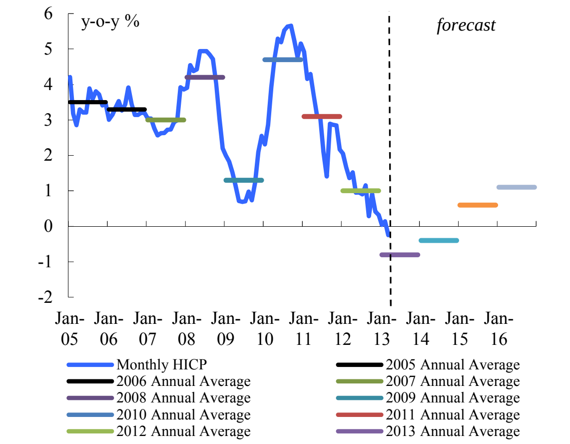
such as greater decentralization of wage bargaining, compensation per employee fell by -4.2% in 2012 and is projected to fall by a further -7.0% in 2013. There is evidence that these labour cost declines are already supporting hiring (see chart 4). Moreover, a major increase in short-term public work programmes from mid-2013 can be expected to contribute to stronger short-term employment at the margin. However, the number of dismissals still remains high and the overall labour market is likely to remain weak until GDP begins to recover. Hence, the annual unemployment rate is projected to peak at 27.0% in 2013. Once the recovery gains traction, especially the frontloading of wage adjustments is projected to give rise to a relatively rapid and sustainable decline in unemployment to 26.0% in 2014 and to 21.0% in 2016.

Graph 7. Nominal compensation per employee and unemployment



Sources : European Commission

Graph 8. Monthly HICP developments and annual averages



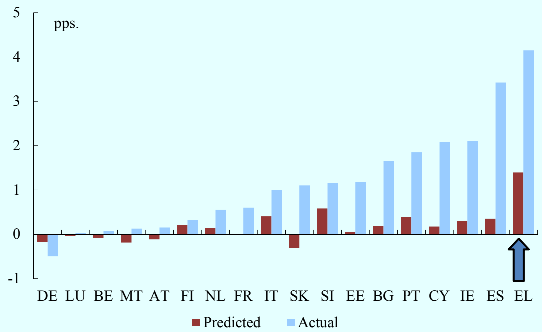
Sources : European Commission

Box 3. Labour Market Dynamics in Greece: an analysis of Okun's Law

The current recession has witnessed a fundamental break in the Greek historical relationship between changes in unemployment and output. The notion of a rule-of-thumb relationship between the product and the labour markets, a so-called Okun's Law, has been explored across a range of countries and time periods. An overview of this literature can be found in a recent NBER working paper "Okun's Law: Fit at Fifty?" by L. Ball, D. Leigh and P. Loungani (2013).

In 2009-2012, employment fell much more strongly than what would have been predicted on basis of a linear Okun's Law relationship estimated with data from the pre-crisis period 1981-2008. This is a phenomenon that has been seen across European crisis countries during the last few years (see figure 3.1). Greece (along with Spain) stands out however – both in the severity of its crisis and in terms of deviations from "Okun's Law".

Graph 3.1. Changes in the unemployment rate 2008-12: actual and Okun's Law predictions

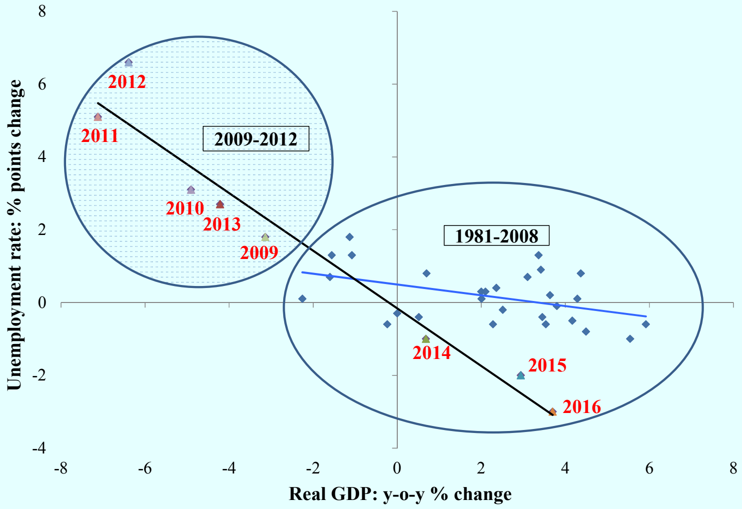


Source: European Commission Services

Note: Predicted values are out-of-sample forecasts based on an Okun-law coefficient of 0,2.

In our interpretation, the major reasons for this breakdown in Okun's Law lie in strong downward wage rigidities in the initial phases of the Greek recession, in the deep and protracted nature of the recession and in the liquidity squeeze increasingly felt in particular by smaller and medium-sized companies. Remuneration was initially tied to some inertia in collective wage-setting agreements and minimum wage increases. While GDP contracted by -7.9% between 2008 and 2010, compensation per employee rose by 0.9% over the same period. This reflects the absence of a downward adjustment of wages that could have contributed to stabilising employment when aggregate demand contracted. With a cumulating collapse in aggregate demand and with tight external financing making it no longer possible to hoard labour, firms were forced to cut costs. Entrepreneurs hence turned to labour shedding and downsizing production. This is shown in figure 3.2, where the increase in unemployment can be seen to be particularly pronounced compared to past experience in Greece.

Graph 3.2. Okun's law in Greece



Source: European Commission services.
Note: Data for the years 2013-2016 are forecast data.

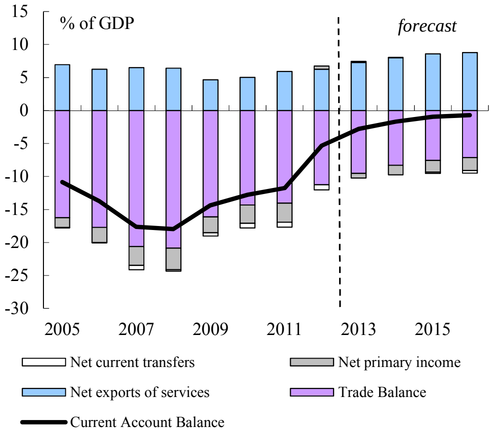
Through structural labour market reforms under the programme, labour costs are now falling fast. This is expected to substantially support the labour market going forward. Decentralization of wage bargaining and reductions in the minimum wage have resulted in a decline in compensation per employee by 7.4% between 2010 and 2012. By 2014, wages are projected to have fallen by 17.4% relative to their peak in 2009. These structural developments, and this new downward flexibility of wages, is forecast to stimulate employment faster than predicted by the speed of the expected output recovery and the historical Greek version of Okun's Law 1981-2008.

An annual fall in unemployment is only expected in 2014 when aggregate demand is forecast to recover. Furthermore, while falling labour costs are expected to contribute significantly to rising employment, adverse and more persistent structural factors continue to influence the labour market negatively. This includes shifts in employment across sectors of the economy, which are likely to aggravate sectorial labour market mismatches.

5. **Prices are projected to fall in 2013, driven by falling labour costs and weak demand.** In 2012, despite reductions in some retail prices, the impact of past increases in indirect taxes, administered prices, energy costs and unprocessed food prices have resulted in overall moderate price inflation which decreased steadily throughout the year. The previous review projected that structural product market reforms, weak demand and falling labour costs would eventually feed through into declining prices. In fact, in line with this forecast, year-on-year growth of the HICP index has fallen from 1.6% in October 2012 to -0.2% in March 2013. This review therefore maintains the previous projection of moderate HICP price declines of -0.8% in 2013 and -0.4% in 2014 with inflation well below the euro area average in 2015 and 2016.

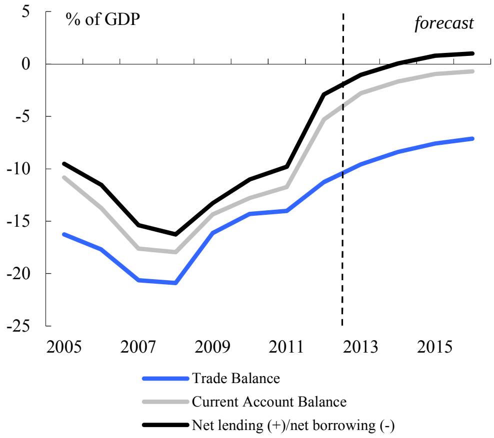
6. **The Greek current account balance is set to continue to improve strongly** (Graphs 9 and 10 and Box 4). In 2012, the trade balance has improved particularly through to a sharp decline in imports, while the Private Sector Involvement (PSI) last spring led to a sharp drop in interest payments to the rest of the world. For 2013, the renewed growth of exports reflecting the increasing competitiveness and further contractions of imports are expected to improve the trade balance further. The December 2012 debt reducing measures, especially the reduction in Greek Loan Facility (GLF) margin as well as the return of profits from the SMP investment programme, are forecast to contribute to an improvement in the net primary income balance and current transfers. Overall, the current account deficit (national accounts definition) shrunk from 11.7% of GDP in 2011 to 5.3% of GDP in 2012. It is forecast to fall to 2.8% of GDP in 2013 and 1.7% of GDP in 2014. Considering overall net lending/borrowing including the capital account, after years of significant net borrowing from the rest of the world, Greece is expected to reach a balanced position by 2015.

Graph 9. Current Account components (% of GDP)



Sources : European Commission

Graph 10. Balances vis-à-vis the rest of the world



Sources : European Commission

7. **This baseline forecast includes expected improvements in competitiveness and the business environment stemming from planned and on-going structural reforms.** Any delays in programme implementation in either fiscal or structural areas may create new uncertainty, deter investment and hold back demand. Spill-overs from developments in Cyprus cannot be excluded, though they are likely to be contained. On the upside, sustained strong policy implementation will help reduce uncertainty and support confidence. Also the liquidity injection resulting from the repayment of government arrears in 2013 may drive a stronger-than-forecast improvement in private sector demand. A stronger-than-projected rebound in domestic demand could also benefit from more favourable credit conditions as the banks' access to funding is expected to improve after recapitalisation, through further net-inflow of deposits and lessening dependence upon Emergency Liquidity Assistance (ELA). Employment growth may also respond faster than expected to lower wage costs and investment may pick up more robustly than projected.

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	0.6	1.1
Current account balance (% of GDP)	-11.7	-5.3	-2.8	-1.7	-1.0	-0.7
Net borrowing vis-à-vis RoW (% of GDP)	-9.8	-2.9	-1.1	0.0	0.8	1.0
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	175.2	175.0	169.8	160.9

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

*** Program definition*

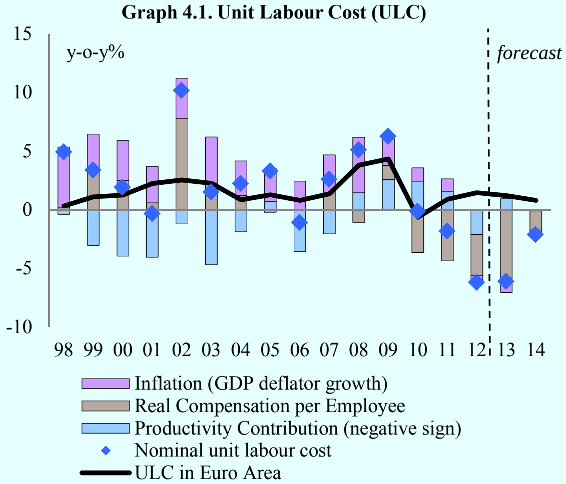
Source: European Commission

Box 4. Competitiveness, exports and FDI

Greece is quickly regaining cost competitiveness after the significant losses in the past decade. In the run-up to the crisis, a spiral of increasing domestic wages and prices drove up Greek nominal unit labour costs (ULCs). In the period 1995 to 2010, Greek ULCs and the HICP index increased by 21.1% and 17.0% respectively relative to Euro area trading partners. To promote a stronger Greek domestic export base that can compete on global markets, to reduce dependence on imports and to narrow the Greek current account deficit, reversing these previous wage and price excesses has been a vital goalpost of the Greek adjustment programme from the outset.

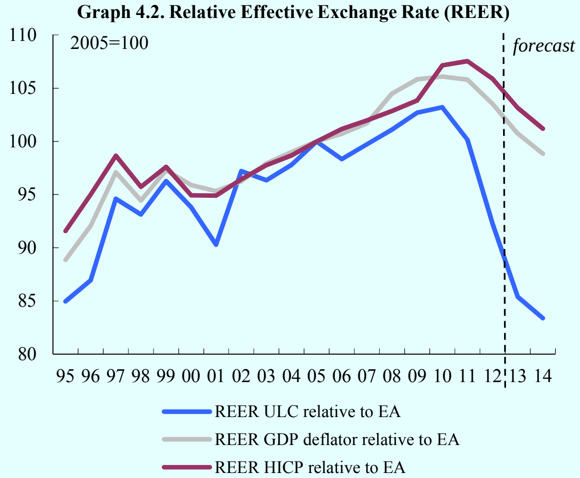
By 2014, Greece is projected to have regained its 1995 labour cost competitiveness position relative to the Euro area. Supported by wide-ranging structural labour market reforms, such as broader use of decentralized wage bargaining and reductions in the minimum wage, and reduction in other non-wage labour costs, compensation per employee fell by a further -4.2% in 2012 and is forecast to decline by -7.0% in 2013 and by -1.5% in 2014. These declines have not yet been fully reflected in prices as measured by the HICP or the GDP deflator (see main forecast text), though HICP deflation is forecast in Greece in both 2013 and 2014. Between 2012 and 2014, the HICP real effective exchange rate is forecast to fall by 5.9%.

Graph 4.1. Unit Labour Cost (ULC)



Source: European Commission

Graph 4.2. Relative Effective Exchange Rate (REER)



Source: European Commission

On the back of these cost competitiveness gains, export growth has started to pick-up from a low base. In spite of continued weakness in the Euro area, recent policy uncertainty in Greece and tight access to trade credit for Greek companies, Greek goods exports have been resilient in 2011 and 2012. Buoyed by increased petroleum exports in an environment of rising oil prices, extra-EU exports of goods have already increased strongly by 86.9% in 2010 and 34.1% in 2011. With lower labour costs, Greek products are expected to compete more successfully in domestic as well as non-domestic markets and inward investment into Greece is becoming an increasingly attractive option. Nevertheless, in spite of such progress, Greece has room to further strengthen its export sector:

- From 2000 to 2012, exports of goods and services increased 8.8 per cent of GDP in the EU but only 2.1 per cent of GDP in Greece. Hence, Greece was the EU country with the lowest export-to-GDP ratio in 2012, as it was in 2000.
- Exports of goods and services of just over EUR52 bn in 2012 were almost EUR10 bn less than imports, leaving Greece with a substantial trade deficit.
- While Greece has done well in fuel exports, the performance of other goods exports is weak. For example, manufacturing exports declined from 4.7 per cent of GDP in 2000 to 3.8 per cent of GDP in 2012, the lowest level among EU countries after Cyprus.
- Services contribute to the weak export performance. Exports of services declined from 14.4 per cent of GDP to 12.7 per cent of GDP in Greece from 2000 to 2012, while they increased from 8.1 per cent of GDP to 10.9 per cent in the EU. As a result, Greece dropped from the 11th to the 16th position in terms of the export of services-to-GDP ratio in the EU.

The government has made improving the export performance a key policy priority. With domestic demand still weak, enterprises look increasingly to find customers abroad both within and outside of Europe to sell products ranging from agri-food products, wine, construction materials, chemical products, to pharmaceuticals. Based on the April 2012 National Export Strategy, and with the support of the Task Force for Greece and other institutions, reforms are proceeding in three areas:

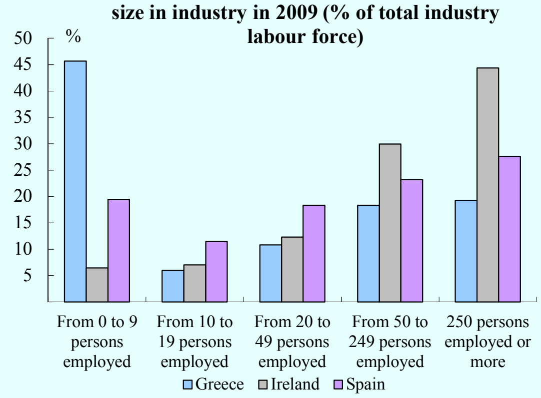
- Trade facilitation: the government adopted a reform road-map in November 2012 aiming at reducing time and costs for Greek traders. The set of 25 actions includes simplifying issuing of licences and certificates, optimizing customs operations and introducing digitized procedures. Business process analysis of procedures for exporting fresh fruits and white cheese has led to concrete proposals for simplification and improvements.

- Customs operations: the reforms focus on reducing and simplifying export procedures, implementing electronic customs procedures and introducing a streamlined risk-based customs system. Optimized procedures will be tested in pilots at customs offices at Athens airport and Piraeus port and then rolled out to all customs offices.
- Export promotion: the government will adopt in spring 2013 a strategy and road map to strengthen Greece's trade and investment promotion capacity with particular focus on exports including institutional adjustments and developing tools and instruments to better support Greek businesses abroad.

Improving the export performance will also depend on addressing other structural non-cost impediments. Two especially deep-rooted issues are highlighted in the graphs below:

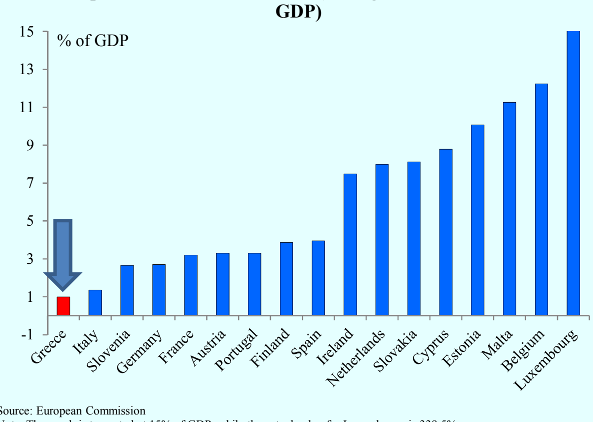
- **Small scale of production**: Greek domestic firms lack the size to reap the full benefits of economies of scale in production, of establishing an international distribution network and of developing a global brand. In 2009, 45.7% of total employment in industry was in companies with 0 to 9 persons employed (compared to 6.4% in Ireland and 19.5% in Spain). To encourage growth of successful Greek businesses, the Greek adjustment programme has put significant emphasis on quickly recapitalizing the Greek banking system and on monitoring and facilitating credit access for small and medium-size enterprises (SMEs).As part of the EU cohesion policy, the "Joint European Resources for Micro to Medium Enterprises" (JEREMIE) program offers subsidized loans to SMEs. The Ministry of Development, Competitiveness and Shipping launched an "Internationalisation – Business Competitiveness" programme to provide grants raising the visibility of Greek companies abroad. The National Fund for Entrepreneurship and Development (ETEAN) supports entrepreneur credit access by co-investing funds with banks to provide loans at favourable terms to SMEs. The EU cohesion policy 2014-2020 will continue to have a strong focus on supporting SMEs and entrepreneurship.
- **Poor track-record of attracting foreign direct investment (FDI):** FDI is a crucial financing source and incubator of best-practice know-how for the domestic export base. Steadfast implementation of structural reforms under the programme is needed to provide the long-needed improvements in the business environment, to make for a stable judicial system and to lower entry barriers. Combined with lower labour costs and the temporary depressed value of Greek investment assets, it is projected that Greece's FDI performance will improve substantially in the coming years. A particular success story for the gains from foreign involvement has been the concession of China's Cosco Pacific at Piraeus Container Terminal. As part of a commitment by Cosco to upgrade the port's infrastructure and to turn Piraeus into a Mediterranean transportation hub, EUR620m in investment were pledged, raising capacity by 60%. Between 2010 and 2012, under Cosco's management, container traffic in Piraeus already more than tripled, while traffic in other Mediterranean ports increased by about 20%. According to a study by the National Bank of Greece (April 2013), the resulting increase in Greek container handling, including knock-on gains to related industry clusters, could contribute EUR5.1bn to Greek value added and create more than 125,000 jobs by 2018.

Graph 4.3. Employment share by employer's size in industry in 2009 (% of total industry labour force)



Source: European Commission

Graph 4.4. FDI in EA countries (average 2000-2007 as % of GDP)



Source: European Commission
Note: The graph is truncated at 15% of GDP, while the actual value for Luxembourg is 339.5% .

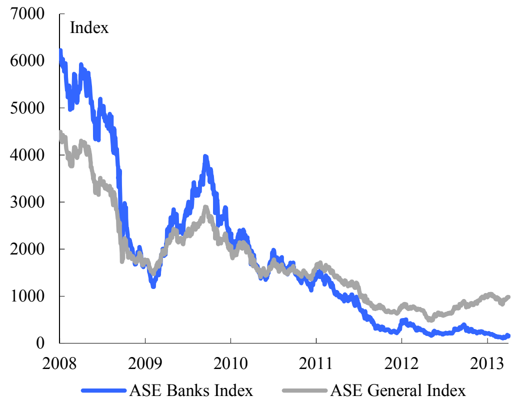
2.2 FINANCIAL MARKET DEVELOPMENTS

8. **Following the financial volatility caused by political uncertainty in mid-2012, the financial situation steadily improved in the second half of 2012**. Between August and December 2012, yields on 10-year government bonds dropped from approximately 25% to 12%. Following the Eurogroup decision on the second disbursement in December 2012, yields continued to decrease reaching lows of approximately 10.6% in the first quarter of 2013. The Athens Stock Exchange also showed improvement in January 2013, recording an increase of 28% year-on-year. However, Greek bank stocks extended losses, recording prices 57% lower over the same period. On the positive side, thanks to the

timely sale of Cypriot branches operating in Greece to a Greek bank, there has been only very limited contagion from events in Cyprus.

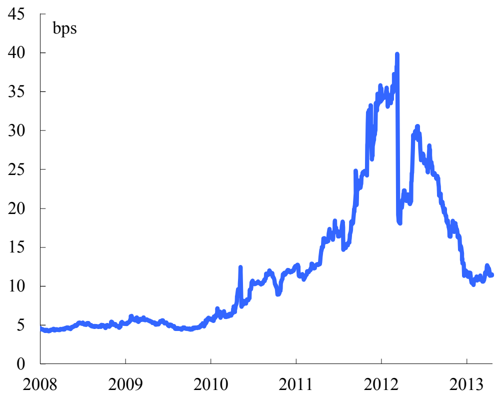
9. **The deleveraging in the banking sector has continued, but the liquidity position of credit institutions is improving.** As of January 2013, the total balance sheet of Greek credit institutions had contracted by a rate of 7% year-on-year. On the other hand, domestic deposits have recovered significantly from the lows recorded in the aftermath of the dual elections. From mid-June 2012 to end-March 2013, domestic deposits have seen an increase of approximately 12% (EUR 17 bn). Central bank liquidity has continued to be provided to the sector, including via emergency liquidity assistance (ELA), although, overall banks managed to decrease their dependence on central bank funding in Q1 2013.

Graph 11. Athens Stock Exchange Indices



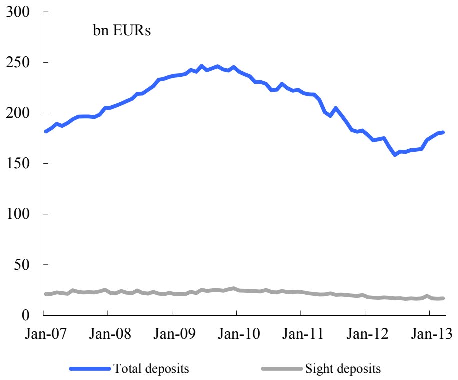
Source : Thomson - Reuters

Graph 12. Greek 10-YR Bond Yield



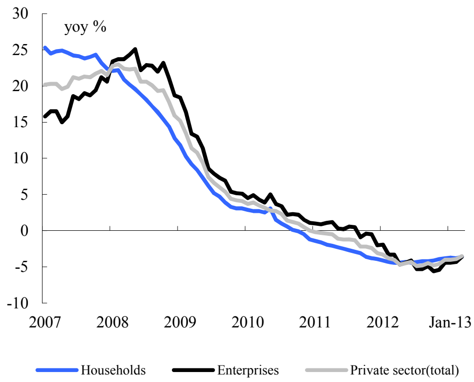
Source : Thomson - Reuters

Graph 13. Bank deposits



Source: Bank of Greece

Graph 14. Credit to private sector (% change, y-o-y)



Source: Bank of Greece

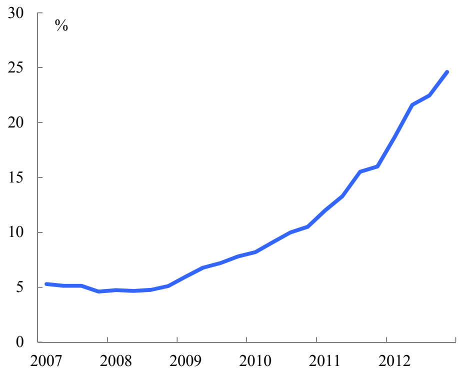
5. **Greek banks continue to face the consequences of the recession and the inability of some borrowers to service their debt obligations, while credit to the economy continues to decline (see Box 5).** Non-performing loans (NPLs) increased, reaching 24.2% of total loans on a solo level by end 2012 (57.3% of these NPLs were attributed to the corporate sector), up from 16.5% of total loans at end-2011 (see Graph 15). Restructured loans amounted to 5.3% of total loans for the same period, up from 4.6% of total loans at end-2011. Some 42.4% of the restructured loans related to the corporate sector. The coverage of NPLs including restructured loans by provisions decreased from 49.1% to 39.5% from end-2011 to end-2012. At the same time, credit[4] to the domestic economy declined by 6.8%, with a reduction in loans to consumers by 3.6%, for mortgages by 2.8% and to corporations by

[4] Loans and advances to customers.

9.6%. Furthermore, write-offs increased by 168% to EUR 3.9 bn (1.7% of total loans and up from 0.6% in end-2011) while recoveries reduced by approximately 56.8% to EUR 34 million, during the same period.

6. **Banks have continued their efforts to adjust their business models to the harsh economic environment**. By end-2012, Net Interest Income (NII) of banks on a solo basis decreased by 36% year-on-year to EUR 5 bn. During the same period, profits-after-tax amounted to EUR -8.8 bn versus EUR -4.1 bn in 2011. At the same time however, Total Operating Expenses have decreased by 17%, led by reductions in staff costs (-18.8%) and General Administrative Expenses (-6.2%).

Graph 15. Non-performing loans ratio



Source : Banks' financial statements

Box 5. Bank lending and the real economy

The Greek enterprise sector largely relies on bank credit as its source of financing. External financing is crucial for companies to make fixed capital investments and to finance their operational needs. Bank loans are the most attractive and widely available source of external finance, especially for the SMEs that are the dominant form of corporate organisation in Greece. Insufficient bank credit supply in comparison to the corresponding demand can thus significantly affect current production and lead to a decline in investment. Conversely, cuts in net worth in the context of the recession can influence negatively the capacity of households and businesses to service outstanding loans, which puts further strain on the banking sector. To a large extent this reflects depressed internal demand and poor economic prospects, which require banks to upwardly adjust their assessment of credit risks and consequently result in credit contraction.

Bank credit continued to contract in 2012, reflecting inter alia the adverse impact of the crisis on domestic credit demand. The annual rate of change of total credit towards non-financial corporations and for housing and consumer loans turned increasingly negative in 2012. The demand for loans has clearly fallen, resulting from lower domestic demand, increased uncertainty and also higher refinancing cost. Furthermore, banks become more concerned about the quality of their lending during the prolonged economic recession in view of increased credit risks and an increasing number of non-performing loans. This has been compounded by moral hazard caused by the damaging household insolvency framework ("Katseli law") that severely undermined repayment incentives. In addition, capital constraints resulting from the erosion of banks' capital due to PSI and on-going recession, prevented banks from extending new credit. Moreover, a number of other factors have also negatively influenced the supply of bank loans. In particular, severe liquidity constraints in the banking sector have resulted from the loss of access to international money and capital markets and from the outflow of retail deposits. Once the core banks will be recapitalised by the HFSF, they should gradually regain access to funding markets and deposits should continue to return to the banking sector.

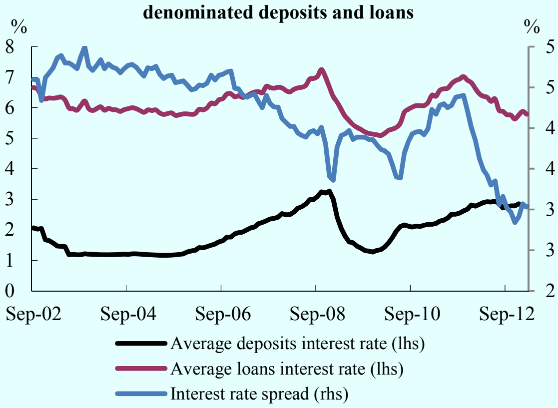
The weak economic short-term prospects show up in weak credit developments in Greece, affecting particularly SMEs. The recent EC/ECB survey[5] on the access to finance of the SMEs from April to September 2012 suggests that constraints in access to credit have been particularly important for SMEs. The percentage of rejected applications for banking loans was the highest in Greece in comparison to rest of the euro-area, while the percentage of applications that were fully satisfied / serviced was among the lowest. The trend in the percentage of rejected applications has been clearly upward over the last three years. An increasing proportion of SMEs considered it unlikely that banks would provide them with access to credit and therefore have not tried to obtain a loan. Such a trend is not surprising due to the substantial deterioration of the private sector's balance sheet.

Higher costs of funding have translated into higher costs for businesses. Interest rates on loans to non-financial enterprises in Greece are significantly higher than in other euro area countries. This is partly due to the premium banks have

[5] http://www.ecb.int/stats/money/surveys/sme/html/index.en.html

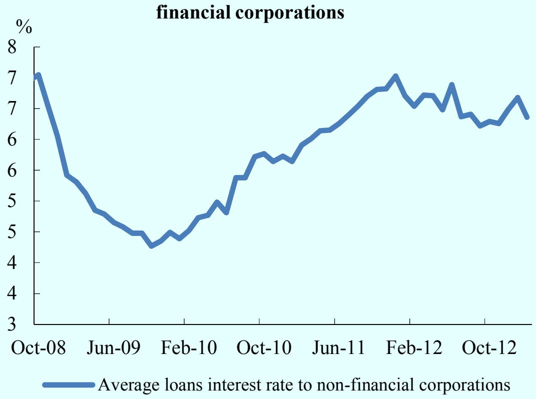
to charge for higher credit risk and in order to offset increased provisioning needs. Higher interest rates also stem from the need to attract deposits and the lack of access to international funding markets. Due to their temporary undercapitalisation and lack of eligible collateral, banks have had to rely to some extent on ELA which comes at a higher cost than the regular Eurosystem funding (see chart 1). Interest rates on time deposits have continuously risen from end-2009 to mid-2012. This development is the result of banks competing for scarce deposits through offering high nominal returns on deposits by non-financial corporations and households. The inflow of deposits observed in the last semester of 2012 helped ease the rising trend of the interest rates associated with deposits. During 2012, bank lending rates for new loans in Greece saw a downwards movement. The principal effect seems to stem from loan restructuring operations, since other new loans have in fact contracted sharply.

Graph 5.1. Average bank interest rates on new euro-denominated deposits and loans



Source: Bank of Greece

Graph 5.2. Average loans interest rate to non-financial corporations



Source: Bank of Greece

The declining creditworthiness of borrowers is one important factor behind these trends. When an economy experiences a downturn, the net worth of borrowers decreases and problems associated with information asymmetry between borrowers and debt providers increase (Bernanke and Gertler 1989). For instance, a decline in borrowers net worth increases incentives for borrowing firms to undertake more risky investments because they now have less to lose if their investments goes sour (Jensen and Meckling 1976; Myers 1977). In order to alleviate the increased levels of problems associated with information asymmetry, lenders may increase the level of monitoring by imposing more restrictive covenants or increase the interest rates on new loans or even decline credit to firms that seek additional borrowing (Stiglitz and Weiss 1981). In the specific case of Greece, the latter action by lenders seems to be the main driver behind the reduction in supply of external funds to the firms. An example is given by the difficulties to advance in 2011-12 with the motorway concessions projects, a substantive part of the EU-funded infrastructural investment in Greece, as banks deemed their participation non-remunerative in absence of important changes to the projects (now being agreed and implemented) as traffic demand projections had been significantly revised downwards following the crises.

The consolidation and recapitalisation of the banking system is thus vital for increasing bank credit to support the expected economic recovery in Greece. This requires full respect of the well-defined timetable for the consolidation and recapitalisation of the Greek banking sector. Only well-capitalised banks can support the economic recovery. Furthermore, for sufficient provision of credit to the economy the repair of borrowers' balance sheets is needed.

3. PROGRAMME IMPLEMENTATION

3.1. FISCAL POLICY PERFORMANCE

3.1.1 Outperformance of the fiscal targets in 2012 and in the first three months of 2013

7. **Despite a somewhat deeper recession in 2012 than expected at the time the last Review** (see section 2.1) **fiscal developments outperformed programme targets by a small margin in 2012.** The end-December performance criteria for the general government primary cash balance and the state budget primary spending were met. On the revenue side, direct taxes held up quite well compared to targets, which partly compensated weak indirect tax collection, notably VAT. Social contributions were adversely affected by expectations of a new generous settlement scheme for social security debt (see Box 7), which created incentives to non-compliance. On the spending side, the authorities curtailed discretionary expenditures, notably operational expenditures and public investment in view of the tight liquidity situation for the government resulting from delays in programme disbursement.

8. **The headline deficit in 2012, including the cost of support to the banking sector, amount to 10% of GDP**. The estimated costs associated with the recapitalisation and resolution of banks in 2012 are about 4.4% of GDP, (see Box 6 on the fiscal impact of bank resolution and recapitalisation in Greece). Excluding these costs and other factors specified in the programme definition, the programme primary balance is -1.3% of GDP, slightly better than the programme target of -1.5% of GDP. The overall fiscal deficit consistent with the programme definition is equal to 6.3% of GDP, slightly better than 6.6% of GDP projected in the last review, and some 1.0 percentage point of GDP better than the 7.3% of GDP deficit included in the original second programme of February 2012. The deeper economic downturn in 2012 than anticipated at the last Review implies that the structural balance improved by more than expected in 2012.

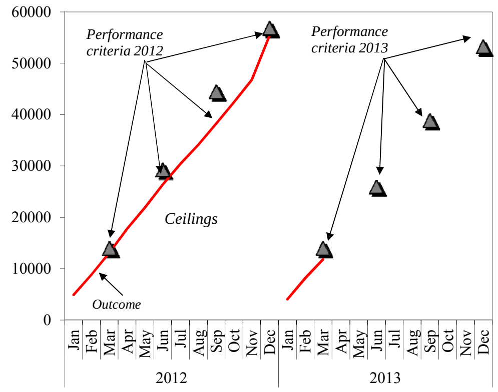
9. **All other performance criteria and the indicative target on the general government stock of domestic arrears for end-2012 were also met (see table 2 below).** The stock of outstanding expenditure arrears of general government fell to EUR 8.1bn at the end of 2012 from EUR 8.6 bn at end-September thanks to payments from both the regular budget and the arrears clearance plan.[6] Outstanding tax refund arrears remained broadly unchanged compared with end-September as repayments of old arrears were offset by the accumulation of the new ones.[7]

10. **The cash primary balance for the state performed better than the authorities targets in the first three months of 2013.** Revenue performance continued to improve slightly in March compared to the weak outcome in January. However, the improvement is mainly driven by lower tax refunds and higher EU inflows while recurring revenues continue to underperform. This is mainly explained by weaker than expected indirect taxes, which is partly a result of low sales of fuel. Direct taxes continue to outperform targets due to higher property taxes and better collection of tax arrears. Primary expenditures were lower than budgeted mostly stemming from lower than expected transfers to the social budget, wages and investment spending. However, preliminary data shows that new arrears were accumulated in the period until end-February, offsetting the arrears clearance up to that point.

[6] The definition used for the targets for the stock of domestic arrears exclude certain types of arrears and the numbers are therefore not totally compatible with the total stock arrears outstanding.

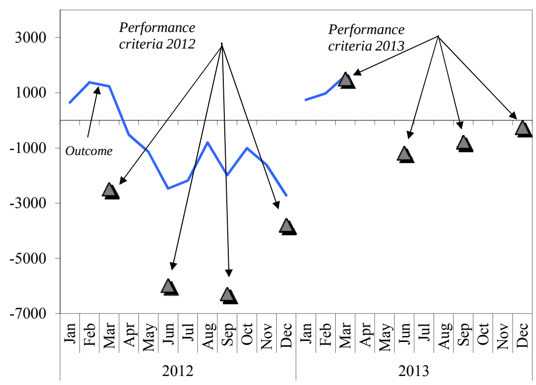
[7] The amount of tax refund arrears do not yet reflect the newly discovered tax refund arrears, which are discussed in greater detail in section 3.3.4.

Graph 16. State primary payments – 2012, 2013 (cumulative, EUR million) Outcomes and quarterly criteria



Source: GAO and Commission services.

Graph 17. Government primary balance – 2012, 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. Arrears to suppliers
(EUR million)

	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13
Total State	796.0	916.0	934.0	536.0	523.0
Local Government	1 075.0	979.0	971.0	995.0	1 039.0
Hospitals	1 556.0	1 630.0	1 790.0	1 765.0	1 902.0
Social Security Funds	3 808.0	3 979.0	4 492.0	4 432.0	4 098.0
Extrabudgetary funds	373.0	374.0	385.0	366.0	341.0
Total General Government	**7 608.0**	**7 878.0**	**8 572.0**	**8 094.0**	**7 903.0**
Tax arrears			738.1	723.6	245.0

Source: General Accounting Office.

Box 6. The fiscal impact of bank resolution and recapitalisation in Greece.

Greece is in the process of consolidating and recapitalising its banking sector and resolving a number of non-viable banks. The government plays a vital role in this process, including by funding the operations of the Hellenic Financial Stability Fund (HFSF) that have a significant impact on the fiscal accounts. **This box describes the general statistical principles guiding the fiscal treatment of public interventions to support financial institutions, and looks more specifically at the case of Greece.**

The key issue at stake in assessing the impact on fiscal accounts is whether or not a capital injection carried out by the government (directly or via an intermediary) is considered as a capital transfer (increasing the government deficit) or as an acquisition of equity (a financial transaction with no deficit impact). Under certain conditions, an injection may be split between these categories. In general terms, if the government is acting as any other shareholder would do to seek a market rate of return, then the transaction is regarded as an investment in equity (financial transaction); if the operation serves broader economic or social policy aims, including by meeting bank losses, then it is booked as a government expenditure (capital transfer).

Greece has applied two models for bank resolution in 2012. The net fiscal impact (capital transfer) of the public intervention is currently estimated at 4% of GDP. However, the gross support is higher, at 4.4% of GDP, as revenues from guarantees and interest receivables are excluded. In the case of Proton (now known as Nea Proton) and Hellenic Postbank, these were both split into a 'bad' and a 'good' bank. The bad banks are under liquidation, while the 'good' banks received the commercially performing assets of the old bank and its liabilities, including all the deposits. As the liabilities exceeded the assets in these cases, the HFSF had to inject funds into the 'good' bank to cover the difference (funding gap). The 'good' bank (also known as a Temporary Credit Institution or a Bridge Bank) must then be re-privatised as soon as feasible. The second model was applied to the takeover by Piraeus Bank and National Bank of Greece of Agricultural Bank of Greece (ATE) and a few Co-operative (regional) banks, respectively. Under this scheme, the HFSF injected into the receiving financial institution the funds required to cover the funding gap, while the rump or 'bad bank' (i.e. nonperforming assets) is set for liquidation. In both models, the HFSF has claims on the proceeds from the liquidation of the problematic assets of the 'bad' bank, which could improve fiscal results as assets are liquidated and claims partially repaid.

Further bank recapitalisation and resolution operations are expected in 2013 and their recording depends on the exact nature and timing of these transactions. Even though a preliminary bridge advanced recapitalisation took place in 2012 (EUR24.2 bn), this is considered as a loan by statistical authorities and its expected conversion into equity will be analysed for possible deficit effects for 2013, once all the operations in 2013 are completed. The total size of the recapitalisation and resolution programme is EUR50 bn. The final impact on the deficit of the bank recapitalisation in 2013 will depend on the degree and terms of private sector participation and losses of the banks and forward looking business plans of the banks. Statistical authorities will make a judgement on a bank-by-bank basis.

While the recording in terms of EDP deficit will be done according to the principles outlined above, when assessing compliance with programme targets any expenditure resulting from these operations will be treated as a one-off effect and is therefore excluded from the fiscal targets under the programme, which focus on the underlying fiscal developments. Given the size of the operations, significant deviations between the EDP deficit and the "programme" deficit can be expected. The funding needs are however taken into account in the debt projections, as the government received loans from the EFSF in 2012 and 2013 for these operations. Henceforth, the debt analysis includes EUR 41 bn EUR for 2012 and additional EUR 7.2 bn EUR in 2013.

3.2. FISCAL POLICY OUTLOOK

3.2.1. The Fiscal adjustment process in 2013-14

11. **Measures have been agreed to avoid the emergence of a fiscal gap for 2013 and 2014 and the programme targets for the primary deficit are expected to be met in both years.** The very large and highly front-loaded package of fiscal consolidation measures for 2013 and 2014 (totalling over 6.5% of GDP) agreed in the previous Review has been largely implemented. Moreover, for the very first time since the inception of the adjustment programme for Greece, the macroeconomic scenario projected during the last review remained substantially unchanged. Nevertheless, the mission identified some revenue shortfalls and that the authorities had not implemented some previously agreed measures.

12. **The mission identified revenue shortfalls mainly in social security contribution collection and from lower than expected receipts from the equalisation in the tax rates on diesel oil.** The fall in social security contribution collection is attributable to a large extent to the expectation of the availability of future debt instalments and tight liquidity conditions. The weaker revenue from the taxes on fuel is explained largely by the lower-than-anticipated consumption of fuel. In addition, the upwards revision of tax refunds in light of the newly discovered stock of unaudited tax refund claims in 2012 also contributed to the net revenue shortfall.

13. **A few measures have not been fully implemented.** Shortcomings have occurred in the implementation of the progressive pensions cuts owing to technical reasons; the new wage grid has not been put in place for parliamentary staff and in some SOEs; and the levy on ship owners fell short of the envisaged amount. Taken together, these implementation shortfalls if not addressed would have resulted in the budget gap of EUR 137 million in 2013 and of EUR 166 million in 2014.The government subsequently expressed the intention to proceed towards full implementation of these measures. Furthermore, some measures which were scheduled to come into force in 2013 and 2014 that had been agreed in the context of the previous MTFS 2011-14 were not implemented. These include the increase in social security contributions from the self-employed and an increase in public transportation ticket prices. Given the significant yield of these measures, their non-implementation would have created a sizeable fiscal gap of about EUR 270 million in 2013 and more than EUR 700 million in 2014. Finally, the authorities envisaged a significant reduction in the tax rates on the property tax paid through electricity bills.

14. **The authorities now committed to implement offsetting measures to avoid the emergence of a fiscal gap in 2013 and 2014.** The Government decided to offset the non-implementation of previously agreed measures with the new measures to be adopted in the same sectors in order to minimise the operational risks. The non-implementation of the solidarity contribution for self-employed scheduled for 2013 has been replaced by a tightening of pension requirements for uninsured individuals and through audits of pension entitlements (see Box 8 on Eliminating waste of public money). The required savings related to the non-implementation of the increase in public transportation ticket prices is going to be substituted by reducing transfers to entities outside the General Government and through the rationalisation of public services. The government will secure the projected revenue of EUR 1.9 billion from the property tax collected via the electricity bill, compensating the envisaged reduction of the rate by 15% with a broadening of the tax base. For 2014, the Government has committed to fully implement the solidarity contribution for self-employed. Additionally, the new real estate tax, which is expected to succeed the PPC levy, is supposed to be budget-neutral ensuring the annual revenue already envisaged in the MTFS.

15. **Several one-off factors also play a role in closing the budget gap.** First, transfers of income from the Bank of Greece to the state are expected to be extraordinarily high on account of exceptional profits. Second, the newly devised settlement schemes (see Box 7) are expected to facilitate the repayment of recently accumulated debt and recover some portion of lost revenues for the state. Finally, savings have also been made on the heating oil subsidies, where budget appropriations were found to be too high.

16. **Overall, the programme targets for the primary deficit are expected to be met in both 2013 and 2014**. However, the headline primary deficit is likely to be higher in 2013 as a result of the further bank recapitalisation and resolutions operations. Their recording in the fiscal accounts depends on the exact timing and nature of these transactions (see Box 6 above).

Box 7. Key features of the new settlement schemes

In view of the liquidity constrained taxpayers and sharp rise in tax and social security contribution debt in the past two years, the authorities have developed new instalment schemes. The schemes also attempt to break with the past, when there was a wide array of schemes, with non-standardised conditions and many of them carried the features of tax amnesties. To give an example, under one such scheme, social security debts could be paid off over 96 months with a 50 % discount on surcharges. Entrance into the schemes was quasi automatic, opening the way to obtain tax clearance or social security clearance certificates, after which the debtor often dropped out. The wide array of schemes made the collection system very inefficient and induced moral hazard with respect to staying current on tax and social security payments. Moreover, it offered incentives to "debt shopping" to enter the scheme with the most generous conditions.

The authorities have developed two new schemes; a basic scheme of permanent nature and a temporary "fresh start" scheme. The basic settlement scheme is designed to replace all former schemes used for tax debt collection as well as for social security debt collection. The new basic scheme will be much stricter than former schemes. It will be opened to viable and liquidity constrained taxpayers, with eligibility being assessed prior to entering the scheme. For big debtors, a third party assessment of the viability of the debt schedule will be required. For the highest level of debt, collateral will have to be provided. There will be no reduction of past surcharges. Interest above market rates will be charged on the outstanding obligations to discourage the use of the tax or social security delays in payment as loans. Most importantly, the duration of the plans will not exceed 12 months, except for debt related to one-off taxes (e.g. inheritance tax), where a duration of up to 24 months will apply.

Besides this basic scheme, a special "Fresh start" scheme will be opened temporarily, under specific conditions. The plan will apply only to "old" debt i.e. debt incurred before December 2012. To be eligible, the debtors will have to be current in 2013 on all tax payments and social security contribution payment obligations. This plan will differ from the basic scheme in its duration (up to 48 months and terminating not later than June 2017), and by the fact that some incentive will be provided to enter the scheme, in the form of reduction of past surcharges up to 50%. To encourage compliance with payments the reduction will materialise only upon completion of the plan. Any failure to comply would entail the immediate requirement to pay all remaining principal and surcharges. The remaining conditions of the "Fresh start scheme" will be broadly the same as the condition of the basic scheme.

3.2.2. Fiscal outlook for 2015-16

17. The projections beyond 2014 remain inherently uncertain. The fiscal outlook depends to a large extent on the strength of the recovery and improvement in taxpayer capability to service their tax obligations, as well as gains made from strengthening the tax and social security administrations. The gaps are currently estimated to be about 1.7% and 2.1% of GDP in 2015-16 respectively[8]. The task of filling the gap in 2015-16 will be taken up in the context of the 2014 budget negotiations in the autumn. At that time, new macroeconomic data will provide more complete information on the precise 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

[8] The gaps are slightly smaller than those mentioned in the Communication from the Commission "*Assessment of action taken by Greece in response to the Council Decision 2011/734/EU of 12 July 2011 addressed to Greece…*" (Ref: COM(2013) 285 final) as of 7th May 2013, reflecting a slight readjustment of the fiscal projections in light of recent information assessed after the cut-off date for the Communication.

Box 8. Eliminating waste and abuse of public money

Reducing waste of public money and abuses is a key element for the success of the programme. Recent steps in the area of pensions are encouraging as they show the intention to carry out policies more effectively, and suggest enhanced ownership of the programme. The Ministry of Labour is now closely monitoring the eligibility of pension beneficiaries, and increased its audit since the end of 2011 to check the eligibility criteria for main pensions and in 2012 for disability pensions.

For the **main pensions**, the Ministry of Labour promoted a census among the different Social Security Funds (SSFs) in order to clean the list from individuals no longer entitled to receive pensions. Cross-checks of personal data with social security numbers were also performed in order to check compliance with pension ceilings for individuals entitled to receive more than a single pension. The census set a deadline for pensioners to present the necessary information to check their eligibility to pension. After the expiration of the deadline, all the pensions which were not proved to be properly documented were suspended. Significant part of them where subsequently restored as recipients provided the necessary documentation. The first savings, about EUR 30 million, materialized only in 2012 because a few SSFs set different deadlines. Given the promising results on a small sample, the Government decided in November 2012 to extend these audits to all SSFs. The savings resulting from the completion of the census of pensioners are expected to amount to about EUR 170 million on annual basis. The same procedure will be extended in 2013 to the recipients of pensions of survivors, to detect if there are people receiving these benefits without being entitled.

Table 1. Projections of the final outcomes from the census of pensioners

	No. of pensioners no longer eligible	average pension	annual yield	2013	2014
Census of main pensions					
Gross Savings from SSFs	29 604	676	168 281 592	144 423 232	23 858 360
Gross Savings from the Public Sector	2 277	310	8 470 260	8 470 260	0
Total Savings (SSF & Public Sector)	**31 881**	**493**	**176 751 852**	**152 893 492**	**23 858 360**

	estimated nr of non eligible pensions	average pension	annual yield	2013	2014
Census on pensions of survivors					
Gross Savings from SSFs	13 234	441	74 335 200	41 517 120	32 818 080
Gross Savings from the Public Sector	3 673	670	29 533 252	29 533 252	0
Total Savings (SSF & Public Sector)	**16 907**	**1 111**	**103 868 452**	**71 050 372**	**32 818 080**
TOTAL nr of ineligible pensions	**48 787**				

Source: European Commission services and Ministry of Labour

Through the **reform of disability pension** system legislated in 2010, Greek authorities decided a revision of the disability status and to reduce by 2015 the disability pensions to not more than 10 per cent of the overall number of pensions. The reform, implemented through the establishment of new structures and procedures for the assessment of disability status, is now bringing first results. The Government established special Committees (KEPA) in order to provide a unified assessment when a disability decree certification is needed for social provisions (disability pensions or disability benefits). Out of a total of 256,000 recipients more than 14,000 beneficiaries were re-assessed in 2012 achieving already savings of about EUR 30 million from the assessment of a just small sample (only 5% of the overall number of recipients). Encouraged by the 2012 results, the government is planning to increase significantly the number of re-assessments in 2013-16, by boosting the productivity of KEPA's Committee, and to extend the same assessment to permanent disability pensions and to disability benefits paid by the State, the SSFs and the local governments.

Table 2. 2011-12 Number of disability pensions

	2011		2012	
	No. of disability pensioners	% of total	No. of disability pensioners	% of total
IKA_ETAM	130.926	10,87%	108.519	9,26 %
OAEE	33.577	10,16%	30.552	8,94 %
OGA	121.302	14,94%	110.799	14,13%
ETAA	2.03	3,44%	1.904	2,99
NAT	4.625	6,45	4.401	6,13%
Total nr of disability pensioners	292.46	11,8%	256.175	10,53%
Total nr of pensioners	2.477.762		2.433.263	

Source: Ministry of Labour

Table 3. 2012 Outcome and projections for the audits of disability pensions and benefits

	2012	2013	2014	2015	2016	2013-2016
Number of disability pensions assessed	14 738	34 000	34 000	34 000	34 000	102 000
Savings (mln €)						
100% cut in pension (25% of assessed)	12.1	39.6	48.6	42.1	42.1	172.5
75% cut in pension (20% of assessed)	14.5	31.0	29.2	25.3	25.3	110.7
50% cut in pension (5% of assessed)	3.3	6.1	4.9	4.2	4.2	19.3
Total Savings (mln €)	**30**	**77**	**83**	**72**	**72**	**303**

	2013	2014	2015	2016	2013-2016
Disability benefits paid by SSFs					
Number of Assessments	2 000	2 000	2 000	2 000	8 000
Savings from cut in 22% of assessed (EUR mln)	1.3	2.0	2.0	2.0	7.2
Disability benefits paid by the State and LGs					
Number of Assessments	20 000	20 000	20 000	20 000	80 000
Savings from cut in 43% of assessed (EUR mln)	18.7	37.2	37.2	37.2	130.2
Total Savings (mln €)	**20.0**	**39.1**	**39.1**	**39.1**	**137.4**

Source: Ministry of Labour

3.3. STRUCTURAL REFORMS WITH BUDGETARY RELEVANCE

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

18. **While progress has been made in preparing for privatisation, the overall speed of the privatisation process remains unsatisfactory.** Although a number of transactions were concluded toward the end of 2012, the end-December target for privatisation proceeds was missed by a wide margin. Successful transactions included the sale of IBC and State Lottery. Advance bidding procedures also took place to facilitate the sale of the gas companies (DEPA/DESFA) while the sale of the gaming company OPAP was recently completed.

19. **Progress has now been made in the preparation of assets for privatisation.** The majority of state-owned enterprises have been transferred to the privatisation fund. Additional efforts were made towards establishing regulatory authorities for water companies, ports and airports. The privatisation process for airports is well defined while the authorities are committed to finalize a concrete ports privatisation strategy through concessions. A new centralised state aid unit will also facilitate the timely and effective clearance of state aid-related issues.

20. **Despite the significant progress in the preparation of assets, the overall speed of the privatisation process is not satisfactory.** Additional efforts are therefore needed to reinforce

the momentum and increase predictability of asset sales. 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.

21. **Major efforts are needed given the delays and scale of challenges in the liberalisation and privatisation of the energy sector, in particular to provide the privatisation plan of the incumbent electricity company PPC.** In particular, a number of key issues need to be resolved such as reducing arrears, ensuring greater liquidity and fair competition in the wholesale electricity market, developing competition and consumer choice in retail markets, and facilitating a cost-efficient increase in renewable energy sources. These issues are all interconnected and need to be considered in the context of an integrated framework (see section 3.7.1), which addresses the competitive distortions to the electricity market in a timely manner. In parallel with the reform of the electricity market and the rebalancing of the RES account, the Government presented a plan to restructure and privatise PPC, providing for the full ownership unbundling of ADMIE, the creation of a new vertically integrated company endowed with sufficient capacity to be a viable competitor, and the privatisation of PPC itself. The process should be completed within 2015.

22. **Given the high share of real estate assets in expected privatisation proceeds, accelerating progress in this area remains crucial.** Legal complexities are however likely to be a drag on realised proceeds in the short-term. 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 already identified the first batch of 250 real estate assets which have been already transferred to the privatisation fund. A more comprehensive strategy for privatising real estate assets is needed, including by fully identifying the assets and expected proceeds and defining an efficient and expedient approach to preparing real estate property for privatisation (including clearing ownership issues, dealing with zoning and land use issues).

23. **Alternative methods, such as asset securitisation, will be assessed that could 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.

24. **Expected proceeds have been maintained compared to the previous compliance report.** The cumulated amount of proceeds expected by end-2020 have been retained based on current policy measures and commitments. The previously agreed corrective fiscal policy reaction mechanism will be triggered if the privatisation outcomes undershoot the targets for two consecutive quarters.

25. **Additional measures are also needed to secure improved governance and transparency.** The HRADF has committed to publish semi-annual updates of its Asset Development Plan, including a portfolio overview describing the assets it manages for privatisation, a timeline of planned tenders and targets for total receipts for the current and following year. These measures are essential to build confidence among the general public that the privatisation process is aimed at maximising value for the tax payer.

Table 5. Expected Privatisation Receipts

By the end of:	Cumulative receipts since 2012 (EUR bn)
2012	0.1
2013	2.6
2014	4.5
2015	6.5
2016	8.5
2017	10.9
2018	14.2
2019	17.8
2020	22

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

Table 6. Privatisation Plan

Timing of Privatizati (Launch of Tender)	Binding offers (submission)	Project	Intermediate Steps
I. State-owned enterprise/share sale			
n/a	n/a	2 Airplanes	
2012 Q1	Q2/13	Public Gas (DEPA)	Modification of statutory provision at time of privatization.
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 for clarifying responsibilities between Jockey Club and the New Concessionaire (May 2013). Law for clarifying the taxation regime of the Concession (May 2013)
Q1	Q3/13	Thessaloniki Water (EYATH)	Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy (May 2013) and amend the license (November 2013).
Q2	Q2/14	Hellenic Vehicle Industry (ELVO)	Transaction structure to be determined and agreed (May 2013). EC (DG Comp) consent (May 2013).
Q2	Q4/13	Hellenic Petroleum (HELPE)	Following divestment of DEPA.
Q2	Q1/14	Mining and Metallurgical Company (LARCO)	Agreement on privatisation structure (DG Comp) is a key prerequisite. Law for establishing a new company (June 2013).
Q2	Q2/14	Railways (Trainose)	Trainose will be transferred to HRADF (March 2013 - **DONE**). - Comfort letter from EC (DG Comp) for TRAINOSE State Aid investigation clearance (May 2013).
Q2	Q2/14	Athens Airport (AIA)	Agree on extension and sale process with Hochtief (June 2013).
Q3	Q4/13	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).
Q3	Q2/14	Athens Water (EYDAP)	Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy (September 2013) and amend license (February 2014). Settlement of receivables from the State (February 2014).
Q3	Q3/14	Hellenic Defense Systems (EAS)	Identify assets for privatization (May 2013). State Aid formal investigation clearance (pending discussions with DGComp)
Q3	Q3/14	Public Power Corporation (PPC)	Government approves and announces PPC restructuring and privatisation plan (April 2013).
n/a	n/a	Casino Mont Parnes	Pending European Court decision
II. Concessions			
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 expected in May 2013. Ratification of reset agreement by Parliament, after consent by Lenders and EU granted (expected in July 2013).
2011 Q4	Q4/12	State Lottery	Court of auditors approval - **DONE**
2013 Q1	Q3/13	Small ports and marinas	Resolve issues related to urban zoning (May 2013).
Q1	Q4/13	Regional airports	Clarify state aid related issues (before launch of the 2nd phase - estimated May/June 2013). Establish regulatory framework (April 2013).
Q2	Q4/13	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)
Q2	Q1/14	Thessaloniki Port (OLTH),Piraeus Port (OLP) & Large regional ports	State aid clearance (DG Comp). Submit privatization strategy (April 2013). 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 (June 2013 - tbc with Min Dev) and b. analogue switch-off date (June 2013 - tbc with Min Dev). Launch tender for TV network providers (June 2013).
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**). Bids will be submitted end of 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 (June 2013). ESCHADA submission (October 2012 - **DONE**).
Q1	Q2/13	Afantou	All intermediate steps have been fulfilled. Binding offers submission (May 2013), subject to timely issuance of decision by the Council of State. ESCHADA submission (June 2013)
Q4/12	Q1/13	Buildings abroad	Launch tender process (December 2012- **DONE).** Tender concluded for 4/6 buildings. Court of Audit approval. Launch of tender for the remaining 2 buildings (May 2013).
2013 Q1	Q2/13	Sale/repo 28 buildings	All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE**). Launch second phase (May 2013).
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	Q2/13	Paliouri	Launch tender process (December 2012 - **DONE).** Transfer of asset to HRADF (March 2012- **DONE).** Launch second phase (April 2013).
Q1	Q3/13	HEY	Launch tender process (February 2013-**DONE).** Transfer of asset to HRADF (March 2013- **DONE**). Launch second phase (April 2013).
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**).
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).

Source: HRADF update on projects under development.

1/ ESCHADA = zoning and land planning permit.

3.3.2. Tax policy reform

26. **A comprehensive income tax reform was legislated on 11 January 2013 that broadens the tax base and will share more equally the tax burden.** The implementation will have effect from 1 January 2013, although the full budgetary impact will only be realised in 2014. The tax revenue implications of the reforms have been taken into account in the revised MTFS. The tax reform sets up a new tax system for the net income of the self-employed with no tax allowance and also refocuses the corporate income tax from taxes on dividends to profits taxation. The tax reform also eliminates special tax regimes and tax expenditures in order to share the burden of taxation more widely.

27. **The main elements of the tax reform** are as follows:

- A simplification of the personal income tax with three rate bands instead of the current eight rates with an enhanced tax credit. Through these reforms, some one million wage and salary earners and pensioners will be taken out of the personal income tax.
- The elimination of selective tax credits (on mortgage interest payments, life insurance payments, and student expenses etc.)
- The conversion of personal tax allowances for children into means-tested benefits.
- The introduction of a new integrated tax regime for the self-employed and professionals with an initial tax rate of 26% rising to 35% after EUR 50,000 and with no personal tax allowance.
- A restructured tax regime for corporate profits with a corporate tax rate of 26% and a tax on distributed dividends of 10%, resulting in a gross tax rate on distributed profits of 33.4% (instead of former tax rates of 20% and 25% respectively resulting in a gross tax rate of 40%).
- The elimination of special tax regimes based on imputed income, such as those currently in place for farmers and seamen.

28. **The tax reform will greatly widen the tax base.** The elimination of the tax allowance for the self-employed is expected to generate substantial additional revenues, given that well over half the self-employed declare incomes less than the standard allowance of the personal income tax of EUR 5,000 per year. Furthermore, by increasing the taxation of profits and reducing that of dividends, the reforms aim at reducing the tax avoidance induced by the transferring of profits to other EU countries. However the increase in the effective corporate tax rate from 21% to 26% may adversely affect non-equity financing of investment. The success of the reform will also require further improvements being made to tax administration and the successful implementation of the revised and greatly simplified set of business tax accounting rules that will replace the excessively-complicated Code of Books and Records.

29. **The tax reform is also expected to produce net revenues of close to EUR 2 bn with the full budgetary impact felt in 2014.** Most of the gains will come from the elimination of existing allowances and credits, including the personal allowance for the self-employed, and from the reshaping of the corporate income tax. On the basis of appropriate auxiliary measures, such as the retention of presumptive income for the self-employed, an overall revenue gain of EUR 2 bn (some 1% of GDP) could be envisaged.

30. **Complementing the tax reform, the authorities are working on a new Income Tax Code to be adopted by the end of June 2013.** The new 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.

31. **The authorities have also committed to adopt legislation to extend collection of the real estate tax through 2013 via electricity bills (via PPC) and to plan well in advance a reform of property taxes for 2014.** Given the extraordinary collection of property taxes in 2013 due to

the backlog of property taxes due in 2011-12, the Government secured the 2013 property tax collection through the electricity bill reducing by 15% the rates. In order to respect the budgetary targets for 2013 the government decided to broaden the tax base. Therefore the legislation will introduce four changes: (i) a reduction of 15 percent in the rate; (ii) imposition of the tax on buildings not legally exempted from municipal duties; (iii) calculation of tax on buildings outside urban planning zones on a different basis (based on average legal value for the relevant municipality); and (iv) implementation of the tax on all buildings which are leased to the state by non-exempted private owners. Separately, a new law on taxation of real estate will be adopted by end-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 a annual revenue of at least EUR 2.7 billion as already envisaged in the MTFS.

3.3.3. Revenue administration reforms

32. **Important progress has been made in establishing the framework for a semi-autonomous revenue administration.** The authorities will adopt the necessary legislation as a prior action, in particular in the areas of organisational structure, budgeting, human resources management, and the power to determine the wage scale of auditors. Extensive discussions have taken place with the authorities to ensure the integration of the units with relevant functions of the General Secretariat for Information Systems (GSIS) and the Corps for the Prosecution of Financial Crimes. All services of direct tax-relevance will be transferred to the Secretary General for Public Revenue Administration (SGPR). A service agreement between the SGPR and the GSIS will ensure the provision of other relevant services, such as hardware administration. The establishment of the new semi-autonomous structure will need to be supported by several accompanying measures.

33. **The efforts to progress in the fight against tax evasion, money laundering and corruption have been reinforced, but still fall short of full adequacy.** A revised version of the code of books and records, renamed Code of Tax Recording of Transactions, has entered into force, and work on a new Tax Procedure Code is on-going. The specialized units created to deal with high wealth individuals, and with large taxpayers, are slowly improving their effectiveness. The number of audits is still low, but the results in term of tax collection are improving. New best practice techniques, based on risk assessment and enhanced use of third party information, are progressively being put in place. The deployment of new IT tools in all tax offices is also well underway. To foster the fight against corruption, a national plan has been approved that includes specific measures for the tax administration. Cash payments in tax offices will be completely abolished before the end of the semester. A reorganization has been carried out that concentrates collection functions in the large debtor unit and in the largest tax offices.

34. **The new Secretary General for Public revenue has started to put in place the tools needed for performance management, clarified corporate targets, and realigned staff to achieve clear objectives centred on effective revenue collection.** It is too early to assess results. In the first quarter, EUR 1.3 bn of "old" tax debt of prior years was collected, which is more than last year. However, during the same period, EUR 3.5 bn of new debt has accumulated, of which only EUR 200 million has been collected. The number of audits completed by the new specialized units is not yet on track to meet targets. There is a need to reorient staff towards priorities, such as the large debtors unit and the large taxpayers unit.

35. **It is urgent to address the structural weaknesses of the tax administration.** Even with a new Secretary general to drive the reform process, huge efforts are still required to reorient the tax administration from a system based on continuous bureaucratic contact with the taxpayers through a wide network of small offices to a more concentrated and efficient structure that focusses on fighting tax evasion and tax collection. The revenue administration has about 14,000 staff, but has an aging workforce with half of its staff over the age 50 and a quarter over 55. More and better skilled staff is needed. Auditors are a scarce resource with only 1,250 auditors

in the entire tax administration in January 2013. The objective of 2,000 auditors by June 2013 will be difficult to meet owing to recruitment lags and limited financial incentives. Staff retention is also difficult. There is a shortage of supervisory and management staff in key sectors and even some key HQ units are under-staffed. Additional staff are also needed in the small, but well-performing, compliance section and for debt and collection.

36. **The authorities also designed a new two-tier instalment framework** (see Box 7)**.** The same principles will be applicable to both social security debt and tax debt. The newly designed schemes will end the previous practices of a multitude of instalment schemes carrying the features of tax amnesties. The new schemes involve shorter duration of the plans, above-market interest rates paid on outstanding obligations, and tightened eligibility criteria (requirement of proof of viability and tax compliance). The agreed arrangement consists of two schemes: a permanent basic instalment scheme and a temporary and exceptional "fresh" start scheme. The latter is granted on a one-time basis to facilitate the repayment of the stock of old debt and it foresees higher numbers of instalments. The focus in coming months will be on putting the framework in place by mid-2013, which is an ambitious deadline, and ensuring proper capacity for operating the schemes.

3.3.4. Public Financial Management Reform

37. **In 2012 the government managed to exercise tight control on expenditures, although some spending arrears were accumulated.** In 2012 the under-execution of expenditures in cash was significant and much higher than the accumulation of spending arrears. This helped to deliver the 2012 headline general government primary deficit target. The end-2012 structural benchmark on the coverage of entities and accuracy of reporting on the e-portal was missed by a small margin. However, in 2012 EOPYY, an entity created by merging the largest four health insurance schemes, started to report on the e-portal. The end-March 2013 targets are within reach. The database of the e-portal has been expanded to allow more detailed provision of information from the commitment registers.

38. **Significant progress is still needed in preventing the build-up of arrears, especially tax arrears. After the completion of the previous review a large amount of unaudited tax refunds claims was identified (about EUR 2.1 bn).** The claims relate mainly to CIT and VAT tax refunds that were submitted last years. Another significant part of this amount is due to arrears owed to other government entities. This is deficit-neutral as it represents an expenditure for the State and is at the same time a revenue for another General government entity. The statistical impact on the fiscal accounts of recognising these claims will depend on the time when they are validated. Part of the unrecorded tax refund arrears is of a structural nature (as it reflects lower permanent net revenues than originally thought) and therefore has a carry-over effect on subsequent years. This effect has been taken into account in the revenue projections for 2013 and onwards. However, a sizeable part of these arrears relates to earlier years and ideally should have been validated and recorded at that time without affecting future years and their official validation (and expected repayment) in 2013 will therefore only have a one-off impact on the fiscal accounts in 2013. To avert an unexpected accumulation of similar arrears in future, the Government decided to start the electronic recording (and monitoring) of all claims even before they are validated.

39. **Both a further strengthening of PFM and a reform of the overall audit system are required to respect the payment delays envisioned by the EU Directive on late payment.** Implementation of this Directive requires payment of invoices within 30 days in principle, or 60 days in exceptional cases. The significance of a timely transposition and implementation of the Late Payment Directive has been highlighted in the Commission Communication on Action for Stability, Growth and Jobs that assesses the role of the Directive in restoring normal lending to the economy: in Europe 96% of bankruptcies are due to late payments or other objective problems. In the current economic situation, the problem of late payment becomes even more

urgent and must be addressed. The transposition and implementation of the Directive is particularly challenging in Greece as statistics for late payments, both in business to business (B2B) transactions and between public authorities and businesses (PA2B), are amongst the worse in Europe, according to the European Late Payment Index of Intrum Justitia. Timely and correct transposition and implementation of Directive 2011/7/EU will also correct some current discrepancies between European and Greek legislation, as it would help closing two pending cases of infringements, therefore avoiding economic sanctions which could be linked to them. However, a further strengthening of the Public finance management is required to cope with the implementation of the payment delays envisioned by the Directive (30 days in principle, 60 days in exceptional cases), and avoid the economic sanctions foreseen for lack of compliance with such delays. In this respect, the Government will propose a realistic timetable for further progress in PFM with a view to streamlining payment procedures and shortening payment periods, taking into account the timetable already outlined for the completion of the Enterprise Resource Planning (ERP) project. Another relevant challenge ahead is to design and put in place a full-fledged monitoring system for implementation of the Public Investment Budget (PIB) before the decentralization of its management at the regional level takes place.

40. **The current plan for arrears clearance foreseeing the release of appropriations of almost EUR 6 bn by July 2013 is now being implemented but with delays.** A plan for the clearance of past arrears was set up in November 2012. In December, the relevant authorities started to process requests more effectively. According to General Accounting Office (GAO) Financing – payment of arrears monthly bulletin about 1.5 bn of released appropriations' requests were completed by February 2013 (out of the EUR 7.8 bn of outstanding arrears as of 31/12/2011). The amount actually paid in February was only EUR 419 million, still a small proportion of the total outstanding. The Government advocates that the initial backlog regarding hospitals is behind them and therefore the entire amount of requests could be completed by July 2013. Although it is understandable that the procedure could have been slow at the inception due to the need to set up the entire process and that after February a catching up effect is reasonable, the completion of the requests by July appears to be a very ambitious objective. For this to happen, it is necessary to guarantee administrative capacity by staffing the necessary units with the proper expertise. The government is well aware of the challenges and stands ready to adopt the necessary steps. It is crucial to complete the plan as soon as possible in order to give an impulse to the economy by injecting the liquidity that many firms need to survive.

41. **A set of corrective mechanisms to secure fiscal commitments is under preparation and progressively delivered.** At the end of last Review, programme implementation was enriched through the adoption of legislation to set up a system of corrective mechanisms per sub-sector of expenditures. For the central government sector, memoranda of cooperation were subsequently signed between line Ministries and Ministry of Finance (MoF) in order to set up monthly targets for their expenditures and a monitoring system able to detect significant deviations from the targets. During the year, the same procedure will be used to sign Memoranda of cooperation between line ministries and their supervised entities. The system will be tested though 2013 to check if the new tools are able to strengthen the effectiveness of binding ceilings for central government expenditures. Binding ceilings were also introduced in the healthcare sector for pharmaceutical expenditures and illness benefits. Such ceilings are enforced through a system of monthly targets which are regularly compared with the budget execution in order to detect deviations and trigger corrective mechanisms to bring the expenditure back to the targets (e.g. claw-back mechanism for pharmaceutical expenditures and a revision of the list of illness benefits). For local governments (LGs), the pre-existing balanced budget rule was strengthened through an ex-ante assessment of the budgets submitted by the LGs, to evaluate the credibility of the revenue projections and consequently of the expenditure projections. An Observatory was set up to carry out this analysis of the budgets, and it can recommend changes to the budget of LGs if the projections submitted are neither robust nor credible. Once annual budgets are assessed and made realistic, monthly targets are identified. Monthly budget execution is evaluated against

the targets, and when significant deviations from the monthly targets occur for a specific LG, the latter is forced to adopt corrective mechanisms to avoid a freeze of transfers from the State Budget. A similar mechanism has been set up for State owned enterprises (SOEs). Monthly targets for their economic results are set up and monitored against execution. If a deviation occurs during the year, the SOE has to adopt measures to respect the targets. In the event of inertia, the State suspends transfers and can also remove the Board. All these new mechanisms, introduced on an experimental basis through the update of the MTFS in February, will be fully operational soon. The system of corrective mechanism for SOEs has been prepared more carefully in advance and therefore will be fully operational and fully consistent with the MTFS starting from April. The one applying to LGs needs more time to ensure the system is fully consistent with the MTFS. Preparatory work is on-going and moving in the right direction.

42. **It becomes urgent for Greece to have its own Fiscal Council fully operational soon following the entry into force of the Two Pack[9].** After the resignation of the entire Board of the Parliamentary Budget Office (PBO) in September 2011, a new Scientific Committee composed of 4 members was appointed last December. The staffing process and the cooperation with Ministry of Finance started already although it will take some time before the PBO will be fully operational. Regarding its competences, the current legislation foresees a strong role of the Parliamentary Committees in delimiting the scope of the Office. The priorities are to build its credibility and independency from the Government but also to clarify its objectives in order to cope with the regulation envisaged in the Two Pack following the European best practices.

3.3.5. Making the public administration more efficient and effective

43. **While progress has been made since 2010 in downsizing the public administration to make the wage bill more compatible with fiscal targets, further reforms are urgently needed to render the public administration more efficient and effective**. The government already committed in the first Economic Adjustment Programme to reduce public employment by at least 150,000 in the period 2011-2015. The reduction by 79,923 up to the end of 2012 is the result of the application of a 1:5 attrition rule (by which only one in five employees exiting from the public sector should be replaced by a newly hired employee), combined with an increase in early retirements. Despite progress with downsizing, a more targeted approach with respect to the hiring, mobility and exit of staff is now warranted to allow for a rejuvenation and upgrading of human capital, skills and performance in the public administration.

44. **However, mixed reform ownership led to numerous delays in implementing public administration reforms.** The Greek authorities took first steps for the public administration reform, but a number of the requirements set in the programme have not yet been achieved, and much more remains to be done. At the end of 2012, the so-called mobility scheme was created, through which staff would be reallocated to new positions, or exit to the private sector after a 12-month period. Employees receive 75% of their salary while in the scheme. The new law on mobility has been legislated, the Secretary General of Coordination has been appointed, an action plan for the assessment of the public entities has been drafted. As a prior action for the previous review, 2,000 employees were transferred to the mobility scheme by November 2012. The bulk of these transfers came from employees of secondary education performing administrative tasks whose positions were abolished or staff who were recruited without passing a competition. Around 900 employees in disciplinary cases were suspended, and received up to one third of their salary.

45. **The steps related to the March "milestone" on public administration reform were taken with significant delay.** It was the basis for the disbursement of the last sub-tranches of the

[9] 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.

second disbursement. The Greek authorities were expected by end-February to have completed the functional review and staffing plans not only of the central administration, but also of the decentralised entities supervised by the ministries. The Greek authorities were also expected to use these plans to identify redundant positions and set quarterly targets for mandatory exits through end-2014. As of end-April, the authorities adopted staffing plans covering 211,500 employees and indicated also the resulting number of abolished positions. In some cases, such plans would reflect significant reforms of the structure and policies of the ministries involved (e.g. ministry of Defence). No transfers to the mobility scheme beyond the 2,000 employees in Q4 2012 have so far taken place. Nevertheless, the authorities confirmed their commitment to transfer 12,500 employees to the mobility scheme by June, based on the identified pool of about 19,000 staff in the various line ministries and entitiesto be assessed by that date. Overall, implementation risks are high owing to the envisaged back-loaded process of identifying and transferring staff to the mobility scheme.

46. **A derogation from the general 1:5 attrition rule for mandatory exits is expected to strengthen the reform momentum**. The authorities have established quarterly targets for exits for the remainder of 2013 and for 2014, cumulating to 4,000 mandatory exits by end-2013 and 15,000 mandatory exits by end-2014. In itself, the attrition rule does not satisfy the need to hire new staff, in particular young and highly-qualified employees, in several priority areas (e.g., tax administration). Owing to special qualification requirements, these staffing needs cannot always be met through transfers within the civil service. In order to create the fiscal space for such priority hiring, mandatory exits form the civil service are necessary and possible, given the large number of positions that will be abolished in the course of the ongoing reform as well as the large number of pending disciplinary cases. The programme provides that for each mandatory exit one person can be hired, thereby strengthening the benefits from pursuing the public administration reform. Particular emphasis has been placed during the review mission on the identification of how exists could be achieved. According to the authorities, exits will be the 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; and (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (v) the elapse of a 12-month period in the mobility scheme. A strategy for the allocation of the hiring which would then become available for 2013 will be agreed by mid-2013.

47. **The Authorities are also working to finalise a comprehensive human resources strategy**. This would encompass all the key areas of human resources management, from the selection process to the hiring and allocation, evaluation, training, disciplinary procedures and the roles of the senior managers. The authorities also have to proceed with the assessment of personnel competences and performance, where progress has been very limited so far. The latter is expected to be completed for the whole public administration – in parallel with the staffing plans - by end-2013.

48. **Greece needs to make significant progress on public procurement reform, given the potential scope of fiscal savings.** The Greek Authorities have completed the regulatory framework of the Single Public Procurement Authority (SPPA), Greece's watchdog in procurement policy. In February 2013, the SPPA submitted an ambitious plan for the recast of all Greek legislation on public procurement, with a view to having it completed by end year. The Government has also produced plans for the development of the e-procurement platform and for the creation of Central Purchasing Bodies for the procurement of standard (non-health) goods and services. On the former, it is essential that steps are taken to develop the e-procurement platform, whilst complying with best practices, so as to eventually extend its use across all levels of public administration. On the latter, the Government needs to identify standard goods and services to be tendered through Central Purchasing Bodies and define a timeframe and mix of incentives / compulsion techniques for the Greek public sector to buy via those.

3.3.6. Modernising the healthcare system

49. **Health sector reform continues and the authorities are focusing on the implementation of the legislative steps taken in autumn/ winter 2012, such as the merging of all existing individual health insurance schemes into EOPYY, the National Organisation for the Provision of Health Services.** Currently, the authorities are managing the process of merging all the inherited assets (e.g. buildings) and streamlining administrative and medical staff. Indeed, with the merging of all health insurance schemes an important reduction in the number of contracts and in the effective number of medical doctors has been observed. In addition, EOPYY has started to implement a number of measures to control costs not only in the area of pharmaceuticals but also regarding diagnostic tests, physiotherapy, rehabilitation and dialysis services and doctors' consultations and hospitalisation with private providers. Such measures include reduced fees for providers, increased patient fees when using private providers and a limitation in the number of reimbursed consultations/ tests. The authorities are now monitoring the impact of such policies. Existing evidence, though limited to the last month of 2012, appears to suggest that indeed in some areas, costs are going down. EOPYY has also developed a reporting tool to monitor cash revenues and spending on a monthly basis.

50. **EOPYY still faces several challenges which need to be addressed.** Due to stronger than expected unemployment, contributions in 2012 were lower than what had been originally budgeted and have not been equalised across all population groups (despite the doubling of OGA's contributions). The lack of control over spending in 2012, combined with lower revenues than expected, led to an accruals deficit of EUR 1 bn. Part of the deficit was reflected in an accumulation of accounts payables which adds to the large stock of inherited arrears towards private suppliers and ESY (NHS) hospitals. The authorities are committed to settle those arrears until the end of 2013, on the basis of EUR300 million a month. Paying off these arrears will be crucial for the financial health of health sector suppliers but also and importantly to give EOPYY the much needed negotiation ability. Also, EOPYY, just as the social security funds prior to EOPYY, continues to pay ESY (NHS) hospitals with a large delay and potentially less than the overall treatment costs. This in turn impacts negatively on hospitals ability to pay suppliers, thus generating arrears on the hospital side. Such situation suggests that budgeting and costing procedures will have to be further improved although some significant steps have been taken (for example analytical accounting and diagnostic-related group procedures are slowly being implemented). More generally, a strong assessment / business intelligence unit needs to be created to monitor and analyse all the financial and activity data that is now available, draft reports and draw operational conclusions and early warnings for policy making.

51. **Regarding pharmaceuticals, a very significant reduction in public spending with outpatient pharmaceuticals can be observed for 2012 (about 1bn) confirming that the target set for 2012 has been achieved with public expenditure (following rebates and clawback) standing at about EUR2.85bn.** This is the result of a set of measures on pricing (changes in external reference pricing), prescription (e-prescription and by active substance), dispensing (mandated generic substitution) and reimbursement (internal reference price equal to the cheapest of all medicines in each active substance, definition of positive and negative lists) as well as the application of the clawback system for the first half of 2012 and the use of compulsory e-prescription. A number of companies (12) did not pay their required clawback amount. Their respective products are now to be moved to the negative list, if not yet done. E-prescription covers now between 85-90% of all pharmaceutical prescriptions and provides real-time information for continuous monitoring and assessment of doctors' prescription behaviour and pharmacists' dispensing behaviour.

52. **However, some challenges can also be identified in the pharmaceutical area.** Notwithstanding compulsory prescription by active substance or INN (international non-proprietary name) prescription, there are reports that doctors continue prescribing medicines by

brand name rather than active substance. To address this, the authorities have introduced an automatic blockage mechanism in the e-prescription system that blocks prescription by brand name for doctors who go above the 15% ceiling for branded prescribing set by law. Generic use is still low (about 18% market share in both volume and value) and the target set for 2012 (35% in volume) has not been achieved. There appears to be a large backlog (1200) of generic medicines awaiting a price. Not pricing these generic medicines reduces the potential for competition in the sector and related lower prices, therefore foregoing potential significant savings for public and private spending. Authorities have committed to start pricing these medicines at a pace of 400 medicines a month, which means that the full process will take some months to be accomplished. In general, the pricing mechanism should be made more transparent to reduce the number of complaints and reduce potential confusion caused by several revisions of the same list. The implementation of the Active Pharmaceutical Ingredients (API) system in pharmacies to allow for e-registration of manual prescriptions has been delayed compared to the original plan of October 2012. On e-prescription the authorities should now strongly focus on introducing compulsory prescription protocols for some therapeutic groups and ensuring a proper use of IDC10.

53. **In terms of monitoring and control of prescription an important step has been the extension of the e-prescription to the prescription of diagnostic tests**. This will allow for a better understanding of what is happening in this area. The system already alerted to the fact that there was a dramatic increase in diagnostic prescriptions between the 1st and 2nd semester of 2012 (about 30%). The authorities should focus on ensuring that the degree of coverage of e-prescription for diagnostics, now still rather low, reaches 90% soon.

54. **Important steps have been taken by the hospital sector and in implementing hospital sector reform.** In addition to savings observed in areas such as pharmaceuticals and medical supplies, important steps have been taken in terms of hospital network rationalisation. The authorities have effectively merged the about 130 hospitals into 84 hospitals and in the process eliminated about 11,000 beds. Some further hospital mergers/closures are planned. This may be conducive to a better distribution of staff and heavy equipment across hospitals. Internal controllers have been allocated to most hospitals and first steps have been taken to introduce analytical accounting in hospitals, with the authorities having now defined a timeline for its full implementation by end September 2013, with some delay compared to the original plan. Centralised procurement of some medical devices and hospital pharmaceuticals has taken place and could produce substantial savings but need to be extended to cover a wider area of purchasing.

55. **A number of challenges need to be addressed also here**. 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. Also, for much of 2012, the use of centralised framework contracts was not compulsory and as a result a substantial amount of tendering was still done at the level of individual hospitals. Authorities have now imposed a compulsory use of the centralised framework contracts as maximum price. Moreover, the procurement plan over the next three years does not envisage a substantial increase of the share of the spending covered by centralised tendering procedures. The share of generics, while seeing an important increase up to 27%, remained below the target of 50% at hospital level. The authorities need to reconsider and established more ambitious targets for centralised procurement and ensure that the share of generic medicines used in hospitals reaches the target.

3.3.7. Upgrading the education system

56. **The education sector is finally undergoing progressive changes.** While reforming the Greek education sector is challenging due to its social and budgetary importance, a number of key

reforms are underway. A concrete and well-defined Action Plan provides twice yearly (June and December) guidelines for the improvement of effectiveness and efficiency of the education system in order to catch-up to the EU average. Laws 4009/2011 and 4076/2012 on higher education aim to secure changes such as the introduction of governing boards (which may include non-academic managers), the financial autonomy and responsibility of universities, mergers of institutions, and the internationalisation of curricula, have started to be implemented (ATHINA project) and are expected to be completed by spring 2014. On primary and secondary education, a concrete evaluation policy of schools and teachers is on-going and expected to be completed by autumn 2013. Schools' self-assessment project (reported on a quarterly basis), implying the revision of curricula, the introduction of teachers' evaluation, recurrent training of teachers, upgrading and extension of all-day schools, is continuing and advancing smoothly.

3.4. STABILISING THE FINANCIAL SYSTEM

57. **The viability and capitalization of the Greek banking system is being restored in order to support economic recovery and maintain the protection of depositors.** The recapitalisation of the Greek banking sector is progressing and has reached its final stage. As Greek banks suffered heavy losses on both their investments in Greek Government Bonds and their loans due to the long recession of the Greek economy, their recapitalisation has become crucial 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 are entitled to receive funds from the Hellenic Financial Stability Fund (HFSF) during their recapitalisation, while the non-core banks need to secure their capital fully from private sources. New regulations on banks' capital requirements were adopted by the BoG aligning banks' capital metrics to the minimum Core Tier 1 ratio of 9% of risk-weighted assets, which became binding as of end-March 2013. The financial sector programme envelope of EUR 50 bn is deemed sufficient to cover the cost of recapitalisation and resolution of Greek banks, while also providing a buffer for the next stress test exercise, which will examine the robustness of Greek banks' solvency buffers in the context of the updated programme macro-economic projections.

58. **Greek authorities have committed to devise and implement a comprehensive banking sector strategy that aims to further consolidate the banking sector and reswiftly privatise banks falling under HFSF control.** 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. Therefore, core Greek banks will continue to act as integrators of smaller domestic banks as appropriate. The strategy will also 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.

59. **By end-April 2013, the core banks are expected to have completed all corporate actions required for the private sector rights issue subscription.** All four core banks have convened their annual shareholders meeting in a way that quorum and hence a decision could be reached on the recapitalisation process before the end April deadline, as per the agreed Memorandum of Understanding (MoU). Two banks have indicated to the Bank of Greece that they are likely to be able to reach the 10% private investment threshold during the subscription period, which will take place from May-June 2013. The financial settlement of the entire recapitalisation process is expected to be completed by 14 June 2013.

60. **In February 2013, shareholders of NBG and Eurobank executed a voluntary share exchange transaction**, whereby there was an agreement for 87% of Eurobank shares to be exchanged to NBG shares. The two banks indicated that the legal merger of the two entities cannot take place before the recapitalisation deadline of end April as set in the Memorandum of Understanding (MoU). Consequently the management of both banks were requested by the

Greek authorities to execute their recapitalisation as separate legal entities under the same framework and within the deadline applicable to all banks in Greece. If both banks were to be recapitalised fully by the HFSF, the latter, as the new majority owner, may decide on any potential consolidation among the core banks after it will have developed a comprehensive banking sector strategy.

61. **Governance framework of the banks' has been strengthened**. Monitoring trustees in all four core banks have been appointed and have already issued their first quarterly report on the banks governance and operations. Additionally, relationship frameworks between each of the four core banks and the HFSF will be developed on the basis of international best practices, in order to ensure that the banks are run on a commercial basis. The frameworks differentiate between banks that remain under private control and those that have become fully controlled by the HFSF.

62. **The governance of the HFSF will be strengthened further.** The overhaul of the HFSF governance structure is proceeding further. A two-tier management system, with a General Council and an Executive Board has been established. An additional package of HFSF governance reforms will be adopted by parliament which, among others, adds two independent members to the HFSF General Council (increasing the number of its members from 5 to 7). In addition, the HFSF internal regulations will be amended to rationalize the division of tasks and responsibilities between the General Council and the Executive Board. Furthermore, in order to reinforce HFSF independence, the legislation will be amended to clarify the non-public nature of the Fund.

63. **Hellenic PostBank (TT), a State-owned bank, was resolved via the establishment of a bridge bank on January 18th 2013.** In the context of the resolution framework, the Bank of Greece asked domestic and foreign institutions and investors to submit their offers for the acquisition of the assets of TT. As this procedure did not lead to a favourable conclusion, the Minister of Finance issued a decision regarding the establishment of a bridge bank ("good bank"), to which all deposits and sound assets (performing loan portfolios and securities) of TT were transferred. The remaining assets have been put into liquidation, the proceeds of which will be used to cover the claims of third parties and those of the HFSF. The newly established bank, which operates under the company name "New Hellenic Postbank", has been granted a license by the Bank of Greece and was capitalized by the Hellenic Financial Stability Fund, which is currently its sole shareholder. The HFSF is currently taking actions to make major reductions in the operational costs of the bank, including through significant reductions in the number of employees and restructuring of its loan portfolio, with the objective of making the bank attractive to potential acquirers and concluding its sale expeditiously.

64. **The consolidation of the banking sector is continuing beyond the sales of Emporiki and Geniki banks.** On April 22nd 2013, the Piraeus Bank acquisition of Millennium Bank, the subsidiary of BCP Portugal has been concluded. Piraeus Bank agreed to pay EUR 1 million to buy Millennium while Millennium agreed to recapitalize their Greek unit with EUR 400 million and to participate in the Piraeus Bank's rights issuance with another EUR 400 million. The latter improves Piraeus Banks' efforts to raise the minimum 10% of capital needs from the private sector. As Piraeus Bank received state aid, the Directorate-General for Competition of the European Commission had to ensure that no state aid was used to fund the acquisition of Millennium and that the acquisition was not damaging the long-term viability of Piraeus Bank. Based on the above mentioned criteria, and also under the condition that Piraeus Bank does not buy back its own shares from BCP Portugal, the services of DG Competition communicated to the Greek authorities that, under state aid rules, they had no objections to the proposed acquisition.

65. **Piraeus Bank has also acquired three branches of Cypriot banks.** At the end of March 2013 Piraeus Bank singed sale contracts with Cyprus Popular Bank, Bank of Cyprus and Hellenic

Bank whereby it acquired selected assets and liabilities, in particular all loans and deposits originated by the branches of these banks in Greece. The operational integration of the branches in Piraeus Bank has started immediately and already showed good progress.

Box 9. Household indebtedness.

Due to the on-going economic recession in Greece, an increasing number of households experienced problems with serving their debts, as disposable income and asset values have been decreasing. With NPLs reaching 23.3% on a solo level by end-September 2012, the situation in this area requires an immediate response.

The current legislation is prone to distortions. Law 3869/2010 provides a right for over-indebted individuals to fill a petition to the Court in order to seek a debt adjustment. The latest official figures indicate that 26,869[10] debtors have filed Court petitions. The debtor, upon filing for a petition, asks – and in most of the cases receives - a temporary order by the Court for a cessation of payments (both the principal and interest) until the Court decision. Due to a big stock of pending cases in the Courts, the hearings are scheduled to take place at the earliest in 4-5 years. It is expected that more over-indebted individuals will file Court petitions under the current framework, continuing to undermine the debt payment culture of the country while increasing moral hazard. To discontinue the current practice, it is envisaged to introduce mandatory payments during the waiting period till the Court decision. This provision will strengthen the extrajudicial settlement process and reduce pending court cases.

In order to alleviate the dire financial situation of currently solvent debtors, a new "Facilitation program" will be introduced. An eligible borrower (eligibility criteria that takes into account the debtor's income and assets) after filing an application would receive a grace period of up to four years. During this grace period, the borrower is obligated to pay only reduced interest or a part of the initial instalment, which is capped at a certain debt-to-income ratio. Unpaid interest on the loan will be capitalized.

There are similarities with other plans currently being designed or recently introduced elsewhere in Europe. This envisaged Greek Facilitation program partly resembles the similar Spanish framework; however, there are certain differences in the applicability criteria and terms of the program. The Spanish program "Mortgage Debt Restructuring Measures" to protect mortgage holders without resources was established with Spanish Royal Law Decree 6/2012[11] on 10 March 2012. Portugal addressed a comparable issue in Law 58/2012 on 9 November 2012, which creates an extraordinary protection regime for debtors of residential mortgage loans in special economic needs[12].

3.5. STRENGTHEN LABOUR MARKET INSTITUTIONS AND PROMOTING EMPLOYMENT

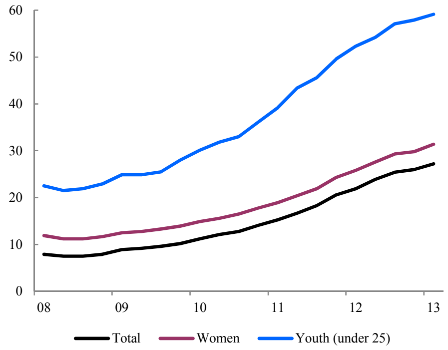
66. **Labour market reforms are opening the way for a market more reactive to changing economic conditions.** Whereas as expected the recent wage flexibility has not been sufficient to overcome the very high unemployment triggered by the marked reduction in economic activity, the recent falls in labour costs are likely to have allowed the mitigation of the toll of the still on-going recession into employment headcounts. In fact, whereas evidence available might be too short to draw firm conclusions, in the course of 2012, wage flexibility has coincided with milder rates of job shedding. Falling wages have been leading to falling unit labour costs, with productivity also edging up recently thereby further helping cost competitiveness. That pick up in labour productivity bodes well for hiring once economic growth gathers pace.

67. **Following the very extensive reforms made in 2012, the Greek authorities will make further improvement in labour legislation.** Those include: the decision-making mechanism for the updates of the statutory minimum wage rates that will prevail once the current freeze expires; reductions in non-wage labour costs by cutting social contribution rates and by streamlining red tape on firms work arrangements reporting requirements; fostering formality and compliance with labour laws and contracts and tackling undeclared work.

[10] Based on official data of the 6th September 2012, by the Magistrate Court of Athens
[11] http://www.boe.es/boe/dias/2012/03/10/pdfs/BOE-A-2012-3394.pdf
[12] http://www.bportugal.pt/en-US/OBancoeoEurosistema/ComunicadoseNotasdeInformacao/Pages/combp20121205.aspx

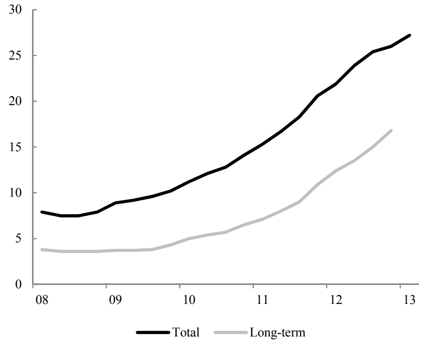
68. **Addressing the very high unemployment requires policies that complement the recent labour market reforms.** Those additional changes should push labour demand and higher skill levels from the supply side. These latter factors hinge also upon improvements in the business environment and product and service market reforms leading to more investment by opening up sectors and rendering producing in Greece more attractive. The competitive pressure that comes from opening up markets should lead to a stronger transmission of falling labour costs to prices, thereby strengthening purchasing power.

Graph 18. Unemployment rates by age and gender



Source: European Commission services

Graph 19. Long-term unemployment



Source: European Commission services

69. **Support to the unemployed is being stepped up.** The policy agenda includes the need to address the persistently high unemployment resulting from unavoidable adjustments to overcome deep-rooted imbalances in the economy. This requires helping the jobless in remaining integrated in the labour market and not losing their labour skills. That is to be achieved by facilitating the transition of workers across occupations and sectors, by improving the quality of training and favouring the matching between demand and supply. Fostering the employability of the disadvantaged groups, notably the long-term unemployed and the entrants into the labour market should get particular attention. There is also a need to soften the hardship of joblessness with some income replacement within the existing budgetary envelopes.

70. **A number of initiatives are being taken in the sphere of active labour market policies, notably as the authorities are preparing an Action Plan with a multi-pronged strategy to support the unemployed**. First, an expansion of short-term public work programmes for the long-term unemployed and young people not in education, employment or training. This is a measure of emergency and temporary nature while labour demand remains sluggish with those programmes expected to be rolled out as of mid-2013 and up and until early 2015. Second, enhancing training schemes and re-skilling the unemployed and young people, also by promoting the training by potential future employers in the private sector and learning on the job. Third, supporting job matching between the unemployed and potential employers and activation of the unemployed through the reform of the Public Employment Service. Finally, minding the need to lift human capital levels on a medium to long-term basis, opportunities for apprenticeships and vocational training with the dual training system at secondary education level will be leveraged and their linkage with employers reinforce to increase the chances of professional integration of those graduates.

71. **The authorities are seeking ways to improve social safety nets within the current budgetary envelopes.** To that end, the Government is expected to report on policy options by mid-2013. That is foreseen to include at least the creation of an unemployment assistance scheme for the long-term unemployed, means tested and targeted to the poor by January 2014. That document should also elaborate on the creation of minimum income scheme (on a pilot basis) and the articulation of these schemes with other active and passive labour policies and social transfers. An integrated approach was called for in order to foster fairness as well as effectiveness in supporting the needed, departing from the fragmented approach often seen in the past. Shall the

fiscal space be found within the existing overall budgetary envelopes, the front-loading of those schemes could be considered once there are designed.

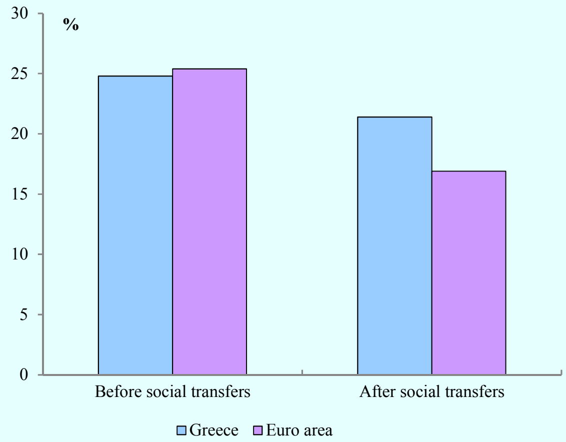
Box 10. The impact of policies on social welfare

The Greek social context remains highly challenging. Relative to other euro area countries, Greece had the highest poverty rate in 2011 before the implementation of the latest economic adjustment package. The social protection system is characterized by the fragmentation of benefits with limited overview and planning (Amitsis, 2012).

The current social welfare system does not comprise a general income support mechanism. The coverage of the benefits is limited to the insured population and excludes some of the most vulnerable groups such as the young unemployed. In 2012, youth unemployment had reached 55%. The unemployment benefit can be claimed only by workers made redundant that had paid unemployment insurance contributions and, depending on contributory record, up to 12 months. Hence, youth and long term unemployed are excluded from the scope of the scheme. Therefore, actions to limit long term unemployment through active labour market policies are planned to be introduced in 2014.

The limited social benefit system in Greece contrasts with the systems elsewhere in the euro area and is largely unable to reduce the high poverty rate. Eurostat calculates the rate of people at risk of poverty or social exclusion before social transfers, which refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. In 2011, this rate was even a little higher in euro area than in Greece (25.4% and 24.8% respectively). In contrast, after accounting for social transfers the poverty rate falls to 16.9% in the euro area compared with a 21.4% rate in Greece (Graph 1).

Graph 10.1. People at risk of poverty or social exclusion before and after social transfers in 2011



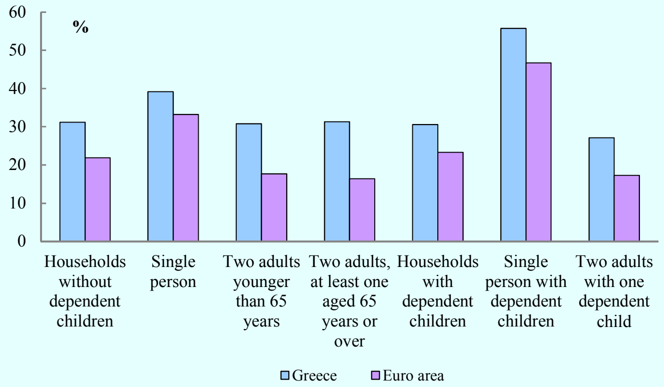
Some categories of households are at particular risk. In particular, poverty is on the rise particularly among households with a primary earner who is unemployed (Graph 2). Comparing with the poverty rate of euro area in 2011, Greece has higher poverty rates in all categories of household types. But the differences seem to be sharply higher in the categories where there is at least one unemployed (two adults younger than 65 years, two adults, at least one over 65 years). A comparison of poverty rates between different types of household shows that the category with the highest risk of poverty or social exclusion[13] is the single person with dependent children, with a rate over 55%. Child benefits are only substantial for large families, with three children or more. Benefits to help unprotected children living in poor families and lone parents also exist, but the current family benefit system massively favours large families, does considerably less for families with fewer than three children, and even less for single parent households.

The Greek social welfare system is poorly targeted and coverage of the poorest is inadequate. Only 50% of the beneficiaries belong to the poorest 30% of the population (Amitsis, 2012). Given the tight fiscal context, some prioritization is necessary for the rebalancing of the social welfare system. Families, and especially single parents, need more effective support. For this reason, the Single allowance child support has been instituted since 01/01/2013. This benefit will be granted to the first child of the family and is 40 Euros per month for each dependent child of the family. Also, the pilot program for a minimum guaranteed income (established by law 4093/2012), which will begin

[13] At risk of poverty or social exclusion, refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. Among others, target groups of "those at risk of social exclusion" may be identified as destitute people, migrants, refugees, drug addicts, alcoholics or victims of criminal violence (Source: Eurostat).

in 01/01/2014, will work complementary to the existing policies for combating poverty and social exclusion, working as an ultimate welfare safety net for individuals and families facing extreme poverty.

Graph 10.2. People at risk of poverty or social exclusion by type of household in 2011



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3.6. CREATING FAVOURABLE CONDITIONS FOR ECONOMIC ACTIVITY

72. **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, considerable new commitment to the structural reform agenda has been shown by the new government. Nevertheless, further efforts are needed. For example, 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

73. **The Government has adopted measures leading to a reduction in time and cost of company creation.** In addition it has made progress in the implementation of the 2011 law on licensing of manufacturing activities. However, the Government is cumulating delays in the issuance of secondary legislation of the August 2011 law on licensing of environmental projects and activities. This legislation is needed to achieve the simplification envisaged under that law. In the area of trade facilitation, after the presentation of a roadmap and the opening up of the customs brokers' profession, the government is taking steps to simplify and improve business procedures. However, there are delays in flagship measures needed for Greece to emerge as an important regional transport and logistics hub, such as allowing 24/7 operations at Greece's two largest customs offices in the port of Piraeus and the Athens International Airport. Looking forward, the Government has committed to further rationalise investment licensing procedures, with a view to reducing the number of licenses required by the Greek public administration, as well as to streamline the processes and responsibilities for issuing permits.

3.6.2. Reforming the judicial system to support economic activity

74. **The Ministry of Justice initiated steps in 2010-2012, to reduce the case backlog in courts**: introduction of fees (to reduce the number of claims), mediation (to derive claims from the courts), reduction in the number of judges on the bench for simple cases (to foster increase of productivity), and introduction of the "pilot case" system (to deal efficiently with large number of similar claims). There was some progress achieved as regards work done in parallel to create statistical court data. The Council of state reduced the case backlog, achieving a clearance rate of 136 %.[14] The administrative courts of first instance reduced their case backlog before the strike.[15] There is also a large number of cases (36,000 or about more than 6 months inflow), awaiting a ruling of pilot cases by the Council of State to be cleared by the 1st instance administrative courts. More recently, as a consequence of the abstention of judges, the progress in backlog reduction came to a standstill. However other important reforms took place, such as the reorganization of the Magistrate's courts. More reforms are still in preparation, such as the review of the code of civil procedure, prepared by a legislative committee,[16] and legislation to introduce a compulsory review of administrative decisions before going to court.[17] This should help further reduce the number of cases going to administrative courts. The wide ranging e-justice plan that should help modernisation and achieve an even greater computerization and general interconnection of the courts was further revised and financing was secured. On anti-corruption, the Ministry of Justice produced the required "Fully-fledged action plan", with specific measures for the tax administration. A law is in preparation to create the framework for the National coordinator and its competences.

3.7. EFFICIENT NETWORK INDUSTRIES AND SERVICES

3.7.1. Energy policy

75. **The Government is continuing its implementation of the Third Energy Package**. Following the adoption of law 4001/2011, the legal unbundling of the electricity transmission system operator (ADMIE) has been completed and the European Commission has issued its certification. The reform of the electricity market is following the roadmap agreed with the Greek authorities. Following a report published by RAE in December 2012, the Government will present the reform in May and adopt it in June, following an assessment by the Commission services on compatibility with State Aid provisions.

76. **Severe liquidity crises have arisen in 2012 for both PPC and DEPA, the state-owned electricity and gas incumbents.** A rise in unpaid consumer bills, liquidity tensions in the Greek banking system and the structural deficiencies of the Greek energy market have severely worsened their cash position. In response to this liquidity crisis, the Government granted in June 2012 emergency funding to PPC and to DEPA (EUR110 million and EUR100 million, respectively) through the Consignment Deposit and Loans Fund. As a temporary measure ameliorating the liquidity tensions in the Greek electricity market, the state guarantees by the Consignment Deposit and Loans Fund were extended in December by a maximum of further three months. In March, the Government further extended the loans, conditional to the introduction of an amortisation plan that should achieve full reimbursement of the loans by the end of May 2013 for PPC and by the end of July 2013 for DEPA.

77. **Financing problems have also arisen in the RES account that is designed to fund renewables.** LAGIE, the Greek electricity market operator, has accumulated unsustainable debts

[14] 136 % of cases settled compared to new registrations.
[15] Submerging, as a consequence, the administrative appeal courts…
[16] Called a task force in the MoU.
[17] June 2013 action.

due to overly generous -and insufficiently financed- renewable energy support schemes (especially for Photovoltaic - PV), which it manages (see Box 11).The Authorities have taken measures in 2012 to reduce the high debt levels in the balance sheet of LAGIE. Lower PV feed-in-tariffs (including for rooftop PV) were approved and the RES levy (i.e., the fee financing feed-in-tariffs through the electricity bill) was raised in August 2012 and January 2013. Moreover, the Parliament adopted in November 2012 a temporary - and retroactive - solidarity contribution on revenues from renewable energy installations. In spite of this, new projections showed a widening gap between the incentives to pay and the available financing up to the end of 2014. The Government is therefore introducing new measures (see Box 11) that should bring the deficit in the RES account to zero by the end of 2014. It is important that the issue is addressed in a structural manner to avoid excessive burdens to consumers.

78. **Further structural measures need to be taken to reform the Greek electricity market.** These include the liberalization (and full cost recovery) of end-user prices for low voltage customers except the vulnerable ones, the entry of new companies in the generation market, and a comprehensive reform of the electricity market. Low-voltage end user prices have already been increased in January 2013, with a second increase planned for 1 May 2013, with a view to a complete liberalisation of end-user prices 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.

79. **The privatisation process of PPC has not started yet.** However, the Government has presented a privatisation and restructuring plan that provides the full ownership unbundling of ADMIE (the transmission system operator), the creation and privatisation of a new vertically integrated company endowed with sufficient capacity to be a viable competitor, and the sale of a 17% share of PPC itself currently owned by HRADF. The process should be completed within the first quarter of 2016.

80. **The unbundling of DESFA (the gas company's Transmission System Operator) has been delayed.** However, prior to last disbursement, the Government amended law 4001/2011 to provide for the ITO unbundling option for DESFA. DESFA has subsequently applied for certification to RAE (the independent sectorial regulator), but this has not yet been issued. It is important that the Government catches up with cumulated delays in the unbundling of the gas company as it is prepared for privatization.

81. **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 wholesale and retail fuel sector, as per Opinion no. 29/VII/2012 of the Hellenic Competition Commission.

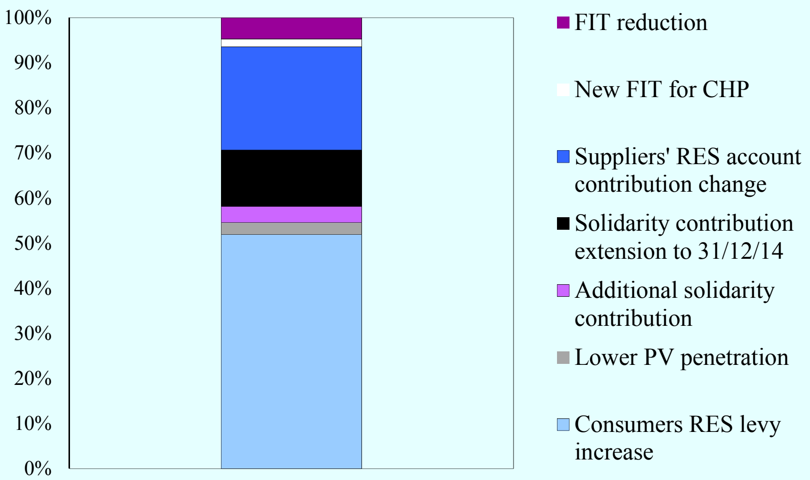
Box 11. Financing the incentives for renewable energies

The financing of renewable energy incentives in Greece comes from numerous sources. According to the provisions of art. 143 of law 4001/2011, the market operator (LAGIE) and the Distribution System Operator (DEDDIE) recover the sums paid to RES producers through a special account (RES account) managed by LAGIE. Sources of revenues for this account are: a contribution from retail suppliers; a special RES levy paid by consumers (ETMEAR); a levy from the production of electricity from lignite; revenues from the sale of unused CO2 allowances; and a part of the revenues from the TV license fee. An additional source since 2012 is a solidarity contribution, with rates between 25% and 30% of the revenues received, paid by producers of electricity from photovoltaic plants (excepting rooftop plants); and of 10% paid by the producers from other RES sources. The solidarity contribution will be in effect from July 2012 to June 2014, with the possibility of extension for one year.

In spite of the introduction of the solidarity contribution and of the raise in ETMEAR, the system remains financially unsustainable. At the end of 2012 the deficit of the RES account was EUR333.5 million. According to the latest data provided by the Ministry of Energy on the basis of a preliminary report by LAGIE, the cumulative deficit is projected to rise to EUR825 million by the end of 2013 and to some EUR1.68 bn by the end of 2014.

The Ministry of Energy and Environment is introducing further measures to correct the situation and bring the deficit in the RES account to zero by the end of 2014 (see graph). A bill presented to Parliament and additional non-legislative measure will provide inter alia for: the extension of the solidarity contribution for six months until December 2014; the introduction of an additional solidarity contribution of an average 7% for plants that will come online after the entry into force of the law; a progressive increase of the ETMEAR levy on consumers to EUR27/MWh from the current level of EUR9.32; a change in the mechanism for the contributions of suppliers to the RES account[18] ; measures designed to slow the PV penetration in the system; lower than expected Feed-in Tariffs (FIT) for CHP plants; and further reductions in FIT tariffs for new installations. The consumer levy is estimated to make up a little more than half the overall financial contribution of these new measures. These measures should all be adopted by June 2013.

Graph 11.1. Proposed new measures to cover the RES account deficit



Source: Ministry of Energy

Whilst this package of measures is necessary, further measures will need to be taken to ensure financial balance in the longer term. The solidarity contribution can only be extended until the end of June 2015. The Greek authorities therefore are discussing with PV plant owners a voluntary scheme to permanently reduce their rates of return. Such reduction will have to compensate for the possible gap of more than EUR400 million per year that will open in July 2015, following the expiry of the solidarity contribution. Moreover, the system is still heavily dependent on two sources of revenues – the SMP and the revenues from CO2 allowances – that are uncertain by definition.

[18] Previously it was based on the System Marginal Price (SMP) only; henceforth it will instead be based on the SMP plus the other costs for which the supplier receives compensation. This change will remove excess profits from suppliers.

3.7.2. Electronic communications

82. **The Government has made some progress in issuing legislation leading to the release of the digital dividend.** In December 2012, the Authorities amended the frequency and broadcasting plans to allocate and authorise the use of the digital dividend to electronic communication services. The next step is the launch of the public consultation on the tender procedure for the assignment of the digital dividend to electronic communication services, to be followed by the tender itself. It should be noted that the deadlines provided for in the MoU could be extended by a Commission Decision. Such a decision would grant Greece derogation from the deadline of the Radio Spectrum Policy Programme (RSPP) for the completion of such procedures, which in any case, cannot be extended beyond June 2014. Therefore, it is important to take steps leading to the release of the digital dividend, given the proximity of the above-mentioned deadline.

3.7.3. Transport

83. **Major strategic changes are underway in the transport sector.** Substantial progress has recently been made with the restructuring of the railways sector, including approving the legal changes to spin off the services provision and real estate businesses and to transfer the rolling stock to the state. Previous reforms are now being implemented, such as relaxing restrictions on licenses for both road haulage and occasional passenger transport to provide the scope for greater market access. Restrictions have also been removed on the rental of pickup trucks and vans, on chauffeur services and to allow shuttle services by hotels and tour agencies to use small vans and off-terrain vehicles thus reducing transport prices and strengthening the tourism sector,

84. **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. Based on the national airport strategy, the authorities launched the privatisation process by designing two airport clusters for sale, with the rest of the airports being grouped in a separate company which will have 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 will be realized to improve the competitiveness position of Athens International Airport given its importance for the overall competitiveness of the sector.

85. **Important reforms are also underway in the maritime sector.** These aim to increase the flexibility of the 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. The authorities are preparing to launch key assets for privatisation, mainly through concessions, 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.

86. **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.

87. **With some delay, progress has been made in the negotiations to restart the work on the motorways concessions.** The Greek government and the concessionaires have reached an agreement on claims; the negotiations now continue between the concessionaires and the 43 Greek and international banks financing the projects and are expected to be completed promptly. To deal with a possible withdrawal of a bank it has been agreed that part of the resulting gap in the financing will be covered by the NSRF, whereas the Greek government also negotiated and secured a loan of 650 m euros from the EIB. The Greek authorities plan to restart work

immediately and estimate that the re-launch of the projects will lead to the creation of 25.000 new jobs. These projects are important components of the envelope co-funded by the EU structural funds, and their restart will contribute to accelerate the absorption of the envelope.

Box 12. Structural Reforms and Investment in Infrastructure

Greece has a strategic position as the Mediterranean face of the Balkans region. It has enormous potential as a logistics hub, serving both the South-eastern European region and the EU as a whole (see Tsekeris et al, 2011). Greek ports can play an increasingly important role as an entrepôt for trade with Asia, particularly China, the Middle East and North Africa, as well as shorter shipping links with Turkey and the Black Sea region. Improved shipping, rail and motorway links with the Danube, Italy, Croatia, Bulgaria and Romania are essential for Greece to be able to play this role. Enhancements to air transport and ICT infrastructures will also be needed. Greece can also play an important role as a key linkage in international oil and gas pipelines, including the Southstream and Nabucco natural gas pipelines.

Theoretical and empirical work has shown that improvements in the quantity and quality of public infrastructure have a positive impact on growth in the medium and, possibly, in the long run (Rutkowski, 2009). Achieving an adequate level of public infrastructure can address bottlenecks and enhance the productive capabilities of the economy, thus boosting economic growth. Productive public investments raise the marginal productivity of private capital and can lead to potential crowding-in of private investment. In an empirical analysis, Mamatzakis (2002) indicated that a one per cent increase in public infrastructure enhances the productivity of the Greek industrial sector by 0.14 per cent. On the other hand, higher public capital, if excessive or not well targeted to the needs of the economy, may also crowd out private investment. This risk seems to be prevalent in countries with weak institutions or those that lack openness in trade and financial terms (Cavallo and Daude, 2011).

In order to achieve positive impacts, good project assessment, planning and implementation of infrastructure investment is essential. Strong complementarities exist between different types of infrastructure investment (transport, energy, broadband) and good network inter-linkages are essential to achieve economies of scale and scope. It is thus crucial that adequate planning, cost-benefit analysis, and on-going monitoring and evaluation are carried out. Only in this way can the positive network effects and positive externalities for private investment be fully achieved and exploited. The development of the National Strategic Reference Framework for the Structural Funds in the next programming period of 2014-2020 provides the right context for such strategic planning and the authorities are taking up the opportunity.

A second condition for success is the efficient and competitive operation of infrastructure services. The economic adjustment programme has thus placed a high importance on structural reforms to transport. Removing restrictions on licensing for road haulage and occasional passenger transportation increases competition and reduces costs for infrastructure users. The privatisation and other reforms to port and airport infrastructure increase efficiency and boost the returns to private and public investment. In this way, the value of new infrastructure can be maximised and the infrastructure investment can make a substantial contribution to sustainable new growth and jobs.

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Rutkowski, A., "Public investment, transport infrastructure and growth in Poland" DG ECFIN Country Focus, Volume 6, Issue 11, December 2009.

3.7.4. The Retail Sector

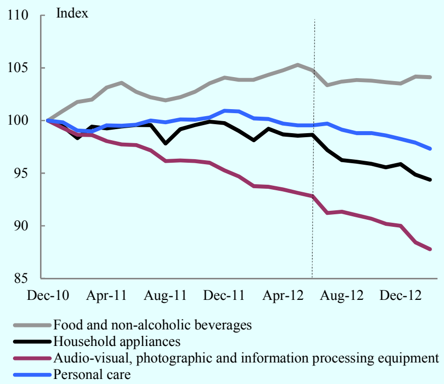
88. **The Greek government is reviewing the regulatory framework on retail.** This includes a law of 1946 containing the basic (and outdated) regulation of this sector as well as a ministerial decision from 2009 deriving from it, spelling out the conditions for the distribution of goods and services. A draft law amending the 1946 law on retail has been submitted to the Commission services in February 2012. The draft is in compliance with the Hellenic Competition Commission's Opinion 24/VII/2012, thus scrapping various modalities of public sector intervention such as quantitative restrictions and maximum profit margins for wholesale and retail. In addition, the Greek government notified to the Commission services the draft ministerial decision accompanying the above-mentioned law, as per the procedure provided for in Directive 98/34. The assessment made by the Commission services revealed issues on the labelling provisions, so the government will prepare a revised ministerial decision to address these concerns. In the context of legislative work on retail policy, the mission has argued in favour of increasing retailers' decision power on promotion and sales policies throughout the year, as well as for increasing Sunday trading. The government is preparing new legislation to allow trade shops to operate seven Sundays a year, as well as small surface shops to operate on Sundays all year around. Finally, for over-the-counter (OTC) products, the government agreed to replace the current system of fixed margins with maximum ones. As a next step, the sales of selected products (e.g., vitamins) in other points than pharmacies will be permitted.

Box 13. Effects of Retail Market Reforms on prices and competition

In the context of the economic adjustment programme, the Greek Government has adopted a number of measures designed to modernise and increase competition in retail markets. Important measures introduced in the first semester of 2012 included the abolition of the prohibition of selling merchandise at prices below cost and the simplification of the system of submission of wholesale price lists and cost elements to the Ministry of Development. These measures could have increased price flexibility and reduced the scope for collusion in price setting. At the same time, a number of restrictions in the retail sector were removed in November 2012, including restrictions on product categories in supermarkets (such as baby milk, tobacco, newspapers and magazines); eliminating the minimum space requirements for the sale of food products; allowing mixed shops to sell goods other than food, subject to hygiene and food and safety standards; allowing the sale of pre-packaged meat, cheese and fish products in supermarkets; and addressing labour market restrictions inter alia by delinking the working hours of employees in retail outlets from the opening hours.

Analysis of the behaviour of food and other retail prices has confirmed that some significant reductions in retail prices have occurred as a result of these measures (see Development Ministry, 2012). The prices of main components of retail trade (food and non-alcoholic beverages, household appliances, audio-visual, photographic and information equipment, personal care, furniture and carpets, clothing and footwear) in Greece have decreased particularly in July 2012 following the implementation of the measures (see graph 15.1). This is in contrast with price developments in the rest of the euro area, where these prices tended to rise. In particular, whilst the prices of food and non-alcoholic beverages in Greece fell by -0.54% in December 2012 compared to a year earlier, prices for the same goods in the euro area increased by 3.03% over the same period.

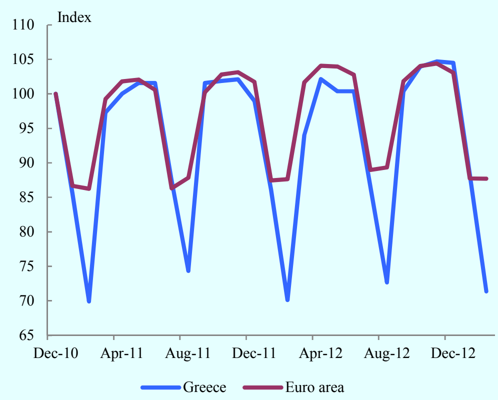
Graph 13.1. HICP Main components of retail trade



Source: Eurostat

However, many retail prices in Greece are still amongst the highest in the EU. There is also evidence of lack of competition in other parts of retailing. For example, price data on footwear and clothing shows that there is intense competition in the twice yearly sale periods, whilst prices were held at high levels at other times of year (see graph 15.2). This suggests some retailer collusion may exist at least during non-sale periods. Sales in Greece have a brief duration of one month, twice a year. Discounts during this period are much greater in contrast with Euro area, where the percentage of discounts is lower but the duration of sale periods is longer. In order to provide consumer protection and increase efficiency and competition, Greece is adopting more European patterns of retail trade. Among the forthcoming regulations that are to be implemented in June 2013, there is a provision for removal of restrictions in order to permit more freely discounts, promotions, and offers outside and during sale periods, more sale periods combined with more flexibility in the duration of the sales, and increased flexibility in retailers' opening hours on Sundays. This should increase competition, reduce prices, and widen choice for consumers throughout the year.

Graph 13.2. HICP Clothing and footwear



Source: Eurostat

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3.7.5. Regulated professions and professional qualifications

89. **The implementation of the 2011 law on regulated professions needs to be completed, following up the big push in November 2012.** The Government has drafted implementing regulations on stevedores, tourist guides, private education centres and accountants, provided for in the legislation adopted prior to the December 2012 disbursement. The mission has also assessed legislative proposals covering among others, antique dealers, welfare units regulated by the Ministry of Health, professions under the Greek ministry of civil protection, which reflect the opinions of the Hellenic Competition Commission on the justification and proportionality of specific restrictions. In addition, there is on-going work on the draft code of lawyers, with the mission's focus on the provisions on the entry and re-entry into the profession, on commercial communications, activities reserved in exclusivity to lawyers and on minimum fees for legal services. With the outstanding issues having been clarified, the Government should adopt pending legislation, so as to complete the implementation of the 2011 law on regulated professions. Looking forward, the focus will be on the evaluation of the activities reserved to the engineering and other technical professions, as well as the reassessment of the registration requirements of professionals to their respective associations against public interest considerations. The authorities also committed to review the impact of de-regulation of professional activities by completing a study examining the degree to which the 20 largest professions have been liberalized, including developments with respect to new entrants and price changes.

3.8. INCREASING THE IMPACT OF STRUCTURAL AND COHESION FUNDS

90. Greece did not achieve the very ambitious absorption target of the programme in 2012 that required that payment claims of EUR 3.73 bn. Submitted payment claims amounted to EUR 3.25 bn with an absorption rate of 49.2%, well above the EU average of 46.4%. The absorption target for 2013 is EUR 3.89 bn The Greek authorities have been working on improving the monitoring of the implementation of the priority projects and on the simplification of the project implementation. A closer method to monitor the priority projects that are not progressing was agreed, guidelines for the SMEs were issued to ensure support is targeted to the development of the economy and job creation and legislation was issued shortening deadlines and simplifying procedures on contract awards according to the requirements of the programme. A number of actions have been identified simplifying procedures in order to accelerate the absorption of the structural funds. The absorption rate for the first three months of 2013 has already risen steeply to 56.1%.

3.9. TECHNICAL ASSISTANCE AND MONITORING

91. **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.[19] 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.

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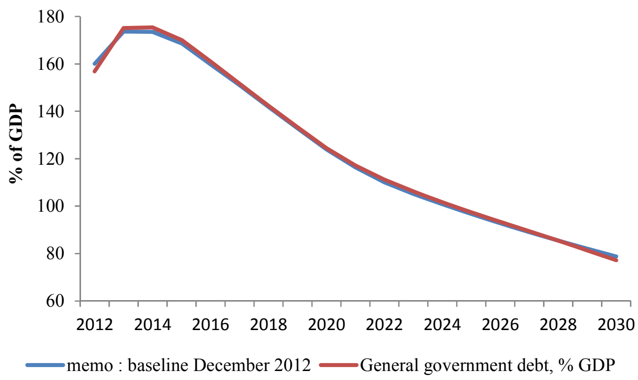
[19] For more details on the several TA projects, the reader is referred to the quarterly reports by the Commission's Task Force for Greece.

4. DEBT SUSTAINABILITY ANALYSIS AND PROGRAM FINANCING

4.1. DEBT SUSTAINABILTY ANALYSIS

92. **The outlook for debt sustainability of the Greek sovereign remains broadly unchanged compared to the December compliance report (Graph 20).** There have been no changes in the macroeconomic scenario, while public finances remain on track to reach the targets. Moreover, Greece is still expected to clear EUR 8 bn in arrears in 2012 - 2013, albeit with a slightly revised quarterly profile20. As regards privatisation proceeds, only marginal downward revisions have been deemed necessary. The debt-to-GDP ratio is therefore still forecast to be on a declining path starting in 2014 and to fall below 120% by 2021, assuming that the economic adjustment programme continues to be implemented. As the debt-to-GDP ratio will nevertheless remain elevated in the near future, full capital market access for Greece will remain challenging in the years ahead.

Graph 20. Greece – General Government Debt (% of GDP)



Source: Commission services.

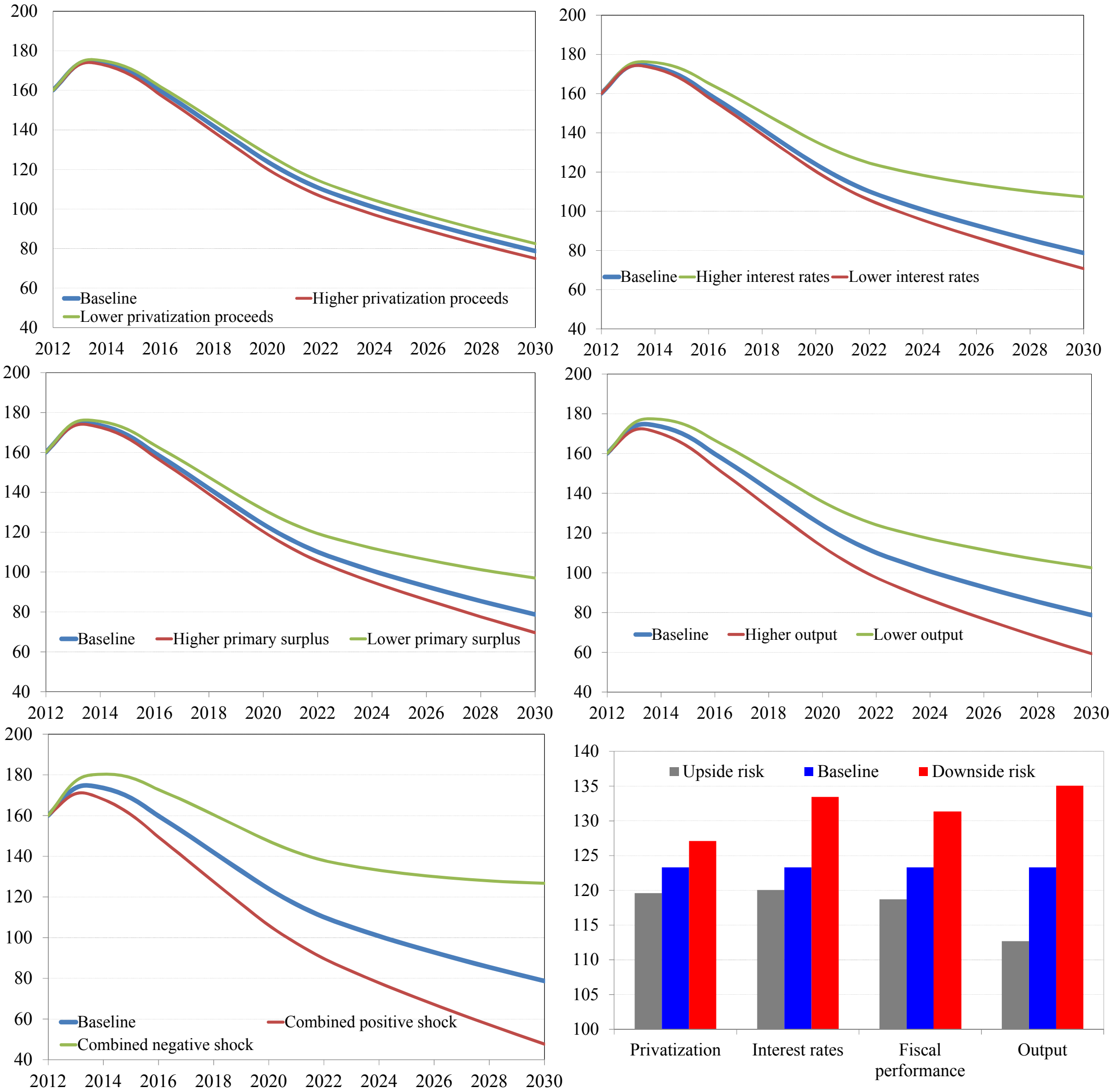
93. **The results from the stress test scenarios of the previous review remain valid and show the impact of various risks on the baseline debt-to-GDP ratio** (Graph 21). The details of the scenarios[21] are:

- **Economic growth**: The impact of annual upward or downward revision of the real GDP growth rate 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.
- **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.

[20] The current debt projections also assume that the deferral of interest applies to all euro area loans and that Greece can refinance itself at EFSF conditions until it has regained market access, in line with the assumptions underpinning the DSA in December 2012..

[21] 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.

Graph 21. Dynamic profile of stress-test scenarios and overall impact in 2020 (% of GDP)



Source: European Commission services calculations

4.2. PROGRAMME FINANCING

94. **Until early May 2013, disbursements under the programme amounted to EUR 200.9 bn,** including four tranches of the second disbursement under the first review of the second programme and EUR 7.2 bn made available in January 2013 to cover bank recapitalisation and resolution costs (see Table 7).

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			
2nd programme - Total disbursements till May 2013			123.1		4.84	127.9
1st programme and 2nd programme - Total disbursements till May 2013			176.0		24.9	200.9

Source: European Commission and EFSF

95. **With the adoption of the measures related to March milestones for the last sub-tranche of the December release of EUR 49.1 billion, the latter would be fully disbursed, pending the request for the funds related to the bank recapitalisation.** After the disbursement of EUR 34.3 billion last December, the EFSF Board of Directors agreed on 28 January 2013 on the disbursement of the sub-tranche of EUR 2 billion conditional on fulfilling the January milestones (the adoption of the income tax reform, electricity prices have begun to move towards market levels), as well as on the disbursement of EUR 7.2 billion to cover bank recapitalisation and resolution costs (although the latter has not been requested by the Greek authorities yet). The MoU milestone for February (the update of Medium-Term Fiscal Strategy, including setting binding 3-year expenditure ceilings for government sub-sectors) was also achieved and the EWG of 21 February decided for the disbursement of the February sub-tranche. The steps taken by the authorities have allowed to significantly catch up with the delivery of the March milestones (related to the public administration and the health sector), and hence the disbursement of the related EUR 2.8 bn from the EFSF tranche remaining from the previous Review was made on 3 May 2013.

96. **With the disbursements made since the December release Greece's liquidity position has been signincantly improved.** The increased liquidity allowed the Greek debt management agency to achieve the planned T-bill stock reduction in January and early February. The T-bill stock in early May stands at EUR 15 bn (compared to EUR 18.4 bn at the end of 2012).

97. **The release of the disbursement related to the completion of the second review broadly corresponds to the planned tranches of the second programme for Q1 and Q2 2013.** Estimated financing needs for the coming quarter to be covered by the EU equal to EUR 7.5 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 4.2 billion paid in May 2013. The disbursement of the remaining amount will be made in June 2013, following achievement of milestones (see Table 8 below).

Table 8. Milestones for the disbursement of the sub-tranche of the 3rd release

Milestones for June Disbursement (from MoU, May actions)	Area	MOU section
Appoint the national coordinator for anti-corruption, the coordination committee and its chairman, and the advisory committee, and second the eight staff provided for by the law. (May 2013)	(Fight against tax evasion, money laundering and corruption)	2.3.2.12
Facilitate 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 (end-May).	(financial sector, household debt)	3.7.4 and 3.7.5
Building upon the report of RAE published in December 2012 and RAE recommendations, the authorities will present to the EU Commission Services before end-May 2013 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.	(Energy, electricity market)	6.1.5.1

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**	**1.2**	**4.8**	**1.6**	**1.7**	**-0.1**	**-0.1**	**-0.1**	**0.0**	13.0
Estimated cash adjustments (2)	0.1	0.2	0.2	0.4	0.1	0.5	0.1	0.2	-0.1	-0.6	-0.1	0.0	1.2
Arrears	0.0	0.0	0.0	0.5	1.1	3.4	1.5	1.5	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**	**7.2**	**0.0**	**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	7.2	0.0	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**	**14.9**	**13.5**	**6.8**	**3.6**	**4.8**	**12.1**	**8.8**	**2.9**	176.7
Financing sources													
F. Private financing sources	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**1.0**	**1.5**	**0.5**	**0.5**	**0.5**	**0.5**	4.5
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	0.1	0.0	0.0	1.0	1.5	0.5	0.5	0.5	0.5	4.5
G.Additional financing sources													
ANFA & SMP profits	0.0	0.0	0.0	0.3	0.0	2.7	0.0	0.0	0.0	2.5	0.0	0.0	5.5
Contingency measures													0.0
H. Financing needs per quarter	43.6	30.3	2.8	32.3	14.9	10.8	5.8	2.1	4.3	9.2	8.3	2.4	166.7
I. Official assistance disbursements	42.0	33.6	0.0	34.3	15.3	12.1	4.8	4.4	9.2	4.7	1.8	1.8	163.9
- EU	40.4	33.6	0.0	34.3	12.0	10.3	3.0	2.6	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 eight updated Memorandum – verified by the Eurogroup on 13 May 2013.

	MoU Action	State of play / comments
	TAX ADMINISTRATION	
1	Enacts the legal framework necessary to transfer to the revenue administration the Ministry of Finance internal affairs department, 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);	**Observed** Omnibus Law The following actions to be completed by end-May: i. 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); ii. Enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP (May 2013); iii. Create a budget code for budget approval by parliament that encompasses all organizational units of the revenue administration to enable a separate and unified budget allocation starting in 2014 (May 2013); iv. 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 the General Directorate for Financial Services (GDFS) as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) (May 2013); v. Authorize the SGPR to determine a grading and promotion system for the revenue administration (May 2013);
2	Simplify the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt (subject to a joint decision with the Court of Audit for amounts more than €1.5 million);	**Observed** Omnibus Law (No secondary legislation needed. Draft law specifies that the SGPR "may" take decisions…)
3	Abolish the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years;	**Observed** Article 39 of 4141/2013. Signed decision by SG submitted to EC/IMF/ECB on 11/5/13
	PUBLIC FINANCIAL MANAGEMENT	
4	Transposition of Late Payment Directive	**Observed** Omnibus Law

	PUBLIC ADMINISTRATION REFORMS	
5	adopt consistent staffing plans for government entities covering 206,000 employees;	**Observed** Approved by Government Council of Reform, 23 April 2013
6	approve quarterly plans for 15,000 exits cumulative through end-2014, including 4,000 by end-2013 (with a significant fraction frontloaded);	**Observed** Letter by Minister Manitakis on 26 April 2013 provides the plans and various related commitments. Commitment letter signed by PM.
7	approve annual overall employment level targets for the general government through 2016;	**Observed** Letter by Minister Manitakis on 26 April 2013 provides the plans and various related commitments. Commitment letter signed by PM.
8	vote the necessary legislative changes in order to streamline and accelerate the disciplinary procedure to show the commitment of the government;	**Observed** Omnibus Law
9	implement a permanent monitoring mechanism for the disciplinary procedure and provide data regarding the pending cases and the rate of dealing with the stock of cases; and	**Observed** Omnibus Law
10	eliminate any existing legal provision forcing the state to put personnel of legal entities of private law, whose positions are abolished, in the mobility scheme.	**Observed** Omnibus Law
	HEALTH	
11	Ensures the application of compulsory prescription by international non- proprietary name (INN) for an active substance notably by putting in place an automatic blockage mechanism once prescription by branded name reaches 15% of the overall prescription value of each doctor in real time.	**Observed** e-prescription system has been adjusted
12	Prices the large backlog of generic medicines waiting for a price in compliance with EU Transparency Directive at a pace of 400 per month.	**Observed** Supplementary price list including 400 generics pending
	STABILISING THE FINANCIAL SYSTEM	
13	Adopt a package of HFSF governance reforms that would among other things, add to two independent members to the HFSF General Council increasing the number of its members from 5 to 7.	**Observed** Omnibus Law
	EFFICIENT NETWORK INDUSTRIES AND SERVICES	
14	Privatisation plan PPC	**Observed** Plan finalised, cover letter signed by Minister of

		Finance and Minister of Energy. It will be made public on 15 May 2013.
15	Policies to address deficit in the RES Account	**Observed** Omnibus Law and related steps taken. Following step to be implemented before June 2013: - *passes new legislation to reduce the number of outstanding production permits, inter alia by introducing financial measures, in full compliance with EU legislation.*
	FISCAL	
16	Adopt legislation to extend collection of the real estate tax through 2013 via PPC. The legislation will introduce four changes: (i) a reduction of 15 percent in the rate; (ii) imposition of the tax on buildings not legally exempted from municipal duties; (iii) calculation of tax on buildings outside urban planning zones on a different basis (based on average legal value for the relevant municipality); and (iv) implementation of the tax on all buildings which are leased to the state by non-exempted private owners. Separately, a new law on taxation of real estate will be adopted by end-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 a annual revenue of at least EUR 2.7 billion.	**Observed** Omnibus law - Decision by Secretary General on the method and procedure on imposition of the tax (A7. Case 16) taken on 13 May 2013, will be published on 15 May 2013. - MD on low income households adopted and sent for publication on 14 May 2013.
17	Fully implement all other agreed fiscal measures for 2013 not yet in place. It includes: Signature of the MOU with ship-owners; Full application of the 2012 pension cut based on total pensions per pensioner; Required contributions for insured with both IKA and OAEE; Administrative controls on the new criterion of 20 years of permanent residence for uninsured pensioners; Increase in tickets for TRAINOSE;	**Observed** - Full application of the 2012 pension cut based on total pensions per pensioner: Letter sent to pensioners informing them that their pension will be cut effective as June if missing information are not submitted (Done) - Required contributions for insured with both IKA and OAEE: Omnibus law (Done) - Administrative controls on the new criterion of 20 years of permanent residence for uninsured pensioners: Letter sent to OGA in order to set up targets for controls (Done) - Increase in tickets for TRAINOSE: Board decision for increasing tickets. (Done on 13 May 2013) - Received letter of the President of the Greek Shipping Community, including the MoU agreed with the Troika. General Assembly called for 17 May 2013 and signature by all Greek and non-Greek members of the Community expected by 10 June 2013.

II. Assessment of compliance with Memorandum of Understanding (seventh update, December 2012)

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
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.	**Continuous (see Annex 9.1)**	see below		Observed. Ongoing
2.1.2	The establishment of a regulatory framework for airports.	**January 2013**	Law regarding the re-engineering of HCAA was adopted in April.(L.4146, FEK A 90/18-4-2013)		Observed
2.1.2	The establishment of a regulatory framework for water companies.	**December 2012**	see EYATH above		Observed
2.1.3	The submission of a pre-notification to the Commission services with respect to the definition of the universal postal services and the compensation of the Universal Service Provider.	**December 2012**	A pre-notification has been sent to the EC.	State aid issues	Not observed
2.1.4	The launch for tender of Egnatia Motorways.	**March 2013**	The tender process is expected to be launched in Q2 2013	State aid issues	Not Observed
2.1.5	Trainose is transferred to the HRADF'	**March 2013**	At 29/3/2012 the JMD for the transfer of TRAINOSE was signed (FEK ΦΕΚ Β 803/5-4-2013)		Observed
2.1.6	Transfer of forty new real estate assets (identified as "real estate assets lots 2 and 3" in the Privatisation Plan) to the HRADF .	**March 2013**	The first JMD for the transfer to HRADF of part of the 40 assets is signed and published (FEK 754/2-4-2013) The JMD for the others was signed (FEK pending)		Observed
2.1.8	Transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF . The transfer will be done in four phases, based on concrete interim targets of 250 real estate assets per quarter	**End 2013 / starting in January 2013 / Quarterly**	The first 250 assets have been identified and the relevant JMD was signed (FEK pending)		Observed
2.1.9	Ensuring 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.
2.1.10	Amendment, upon privatisation, of all statutory provisions (including on labour relations) to fully align them with private sector law.	**Continuous**	Legislation adopted.(par.1 2nd art. L. 4092/2012 & par. 4 art. 9 L.4111/2013)		Observed. Ongoing.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.1.11	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. To ensure that the HRADF is accountable in this role we will enhance the transparency of its operations. To this end, 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 first report for Q4 was published. Semi-annual update of the asset development plan (ADP) will be published in April.		Observed. Ongoing.
2.1.12	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**	Receipts by end 2012 secured		Observed. Ongoing.
2.2.1	The Government will prepare a tax reform that aims at simplifying the tax system, eliminating exemptions and preferential regimes, thus broadening bases, and allowing a gradual reduction in tax rates as revenue performance improves. This reform relates to the personal income tax and corporate income tax. The reform will be adopted in December 2012 to entry into force in 2013.	**December 2012**	25/1/2013 Law 4110 GG 17/A/23-1-2012.		Observed.
2.2.2	The Government will announce the full schedule of intermediate steps - including legislative actions as well as technical steps needed - until the new tax system becomes effective. These intermediate steps will include public consultation and appropriate review by the European Commission, ECB and IMF staff.	**November 2012**	15/2/2013 The plan has been approved by both the Minister of Finance Mr. Stournaras and Deputy Minister Mr. Mavraganis and Troika's comments are expected.		Observed
2.2.3	The Government makes fully operational a standard procedure for revision of legal values of real estate to better align them with market prices under the responsibility of the Directory of Capital Taxation.	**March 2013**	26/4/2013 In the draft of the updated M.O.U text a new completion deadline is set by end-June 2013.	new date in current MOU	Not Observed
2.3.1.1	Appoints a new Secretary General of the tax administration.	**December 2012**	22/2/2013 Mr. Haris Theocharis former General Secretary of GSIS was selected for the post. The GG of his appointment was published (GG 18/YODD/17-1-2013) as well as the MD for the delegation of powers to Mr. Theocharis (GG 130/B/28-1-2013). His performance contract targets of which are under processing, is expected.		Observed
2.3.1.2	Adopts legislation to establish a significantly more_autonomous tax administration and specify the degree of autonomy, governance framework, accountability, legal powers of the head of the administration and initial staffing of the organization by February 2013	**February 2013**	26/4/2013 It is included in the Omnibus bill submitted to the Parliament yesterday.	new date in current MOU	Not Observed
2.3.1.2	In March 2014 the new agency will become fully operational	**March 2014**		Prior action in current review	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.3.2.1	The revised Code of Books and Records enters into force	**1st January 2013**	7/2/2013 It is already in force.		Observed
2.3.2.3	Introduces at least twice yearly performance assessments for tax auditors.	**December 2012**	29/3/2013 The MD determining the number of auditors' positions and the service units in which they are allocated, qualifications, selection criteria, the manner and the process of candidates evaluation for these positions as well as the terms of their own and their supervisors' Performance Contract, was published (GG 486/B/1-3-2013). A decision of the Secretary General of Public Revenue defining the assessment criteria and the process of controlling targets' accomplishment followed (Protocol number: DESB/1036234/26-2-2013, it will not be published at the GG). The internal invitation for staffing auditors' posistions has also come out.		Observed
2.3.2.4	Issue an administrative circular to enhance targeted auditing based on risk assessment techniques.	**December 2012**	11/4/2013 Law 4141 (GG 81/A/5-4-2013) sets the legal framework. Criteria for old cases (close to statute of limitation) are being tested by GSIS. As soon as this process is completed the implementing circular for these cases will be issued. A second circular for the rest of the cases will follow.		Observed
2.3.2.5	Abolish the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years.	**January 2013**	11/4/2013 It is included in the Law N.4141 (GG 81/A/5-4-2013)		Observed
2.3.2.6	Adopts legislation in order to introduce a modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption.	**March 2013**	26/4/2013 Provisions concerning the national anti-corruption coordinator were included in the Omnibus Bill submitted yesterday to the Parliament. The approval of the text of the code of conduct for the Ministry of Finance together with that of the anti-corruption plan in tax administration is expected.	New deadline for April, legislation in Ombibus law, appointment pending	Not Observed
2.3.2.8	Enacts the appropriate legal framework to create a secure direct or indirect central register of bank accounts.	**January 2013**	26/4/2013 The legal framework is set by Law 4141 (GG 81/A/5-4-2013) voted on March 26th, but changes are necessary. In the draft of the updated text of the MOU the change in the action completion by end-July 2013, is provided for.	revised in new MOU, new deadline	Not Observed
2.3.3.1	Establishes specialist debt management units in larger local tax offices and allocating at least 10 percent of local staff to this function.	**December 2012**	22/3/2013 Troika considers this action as completed.		Observed
2.3.3.2	Completes a review of the policy and procedures to write off tax debts, and prepare recommendations to facilitate actively managing tax debt with real prospect of collection and explore ways to deal with the non-collectable part	**February 2013**	26/4/2013 Provisions are included in the Omnibus bill submitted to the Parliament yesterday. However, the review of the policy and procedures will be fulfilled by end-June 2013, based on the draft of the updated MOU.	New deadline June 2013	Not Observed
2.3.3.3	Replaces payments in cash and cheque in tax offices with bank transfers, to discourage corruption and free up staff time for higher value added work (audit, collection enforcement and taxpayer advice).	**December 2012**	2/4/2013 It was done legally. GG 3338/B/14-12-2012. Awaiting approval of the contract with the contractor company by the Independent Single Public Procurement Authority to accelerate the process. End-June 2013 is provided for as a new deadline for action completion in the draft of the updated MOU.	being implemented. Legal framework completed	Not observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.3.3.4	Commits 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**	7/2/2013 No special action is needed. Public statements on this issue have already been made.		Observed. Ongoing.
2.3.5.1	Replaces managers who do not meet performance targets.	**Continuous**	8/3/2013 Please see action 2.3.2.3		Not observed.
2.3.6.2	Puts in place a new IT system that interconnects all tax offices.	**March 2013**	15/2/2013 The new system already exists. Minor bugs are corrected.	15/2/2013 The new system already exists. Minor bugs are corrected.	Not Observed
2.3.6.3	20 more new electronic services and enhancements. These concern mainly taxes withheld at source;	**December 2012**	21/3/2013. The number of new electronic services has been increased to 42. Out of them, 21 have been completed. Nine more are currently being tested. A detailed report was delivered to us with the list of the already functional services together with the ones which are not ready yet and their realization timeframe.		Not observed.
2.3.6.4	8 remaining new electronic services and enhancements. These concern forms filed late with a fine, real-estate tax, and VAT administration;	**December 2012**	21/3/2013. The number of new electronic services has been increased to 42. Out of them, 21 have been completed. Nine more are currently being tested. A detailed report was delivered to us with the list of the already functional services together with the ones which are not ready yet and their realization timeframe.		Not observed.
2.3.6.5	system and user tests, user training, and migration of all tax offices to the centralized database;	**December 2012**	11/4/2013 The number of local tax offices migrating to the new TAXIS has been increased to 4 per week. Awaiting approval of the contract with the contractor company by the Independent Single Public Procurement Authority to accelerate the process. The target included in the draft of the updated M.O.U concerns full functionality of the new system in 50 tax offices representing 70% of revenues by end-June 2013 and in all tax offices by October 2013.		Not observed.
2.3.6.6	operational use of the new IT infrastructure by all tax offices.	**March 2013**	26/4/2013 A new deadline for operation of the new TAXIS in 50 tax offices covering 70% of revenues is included in the draft of the updated MOU. In all tax offices by end-October 2013.		Not Observed
2.4.1	The Government adopts an administrative calendar for the update of the medium-term fiscal strategy.	**February 2013**	26/4/2013 End-May 2013 is provided for as a new deadline for action completion in the draft of the updated MOU.	New deadline in current MOU	Not Observed
2.4.2.i	ensure that by December-2012 commitment registers are in operation in 90 per cent of general government entities.	**December 2012**	26/4/2013 The percentage of February was 88% for the old entities and 51% for the new ones. In the new MOU there is a 80% target for the new entities.	Observed with old deficition of entities. Expanded deficition, and new target in new MOU	Observed
2.4.2.ii	monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system.	**Continuous**	8/3/2013 In 2012 there have been approximately 150 audits out of which 73 during the months of Nov-Dec 2012. By February the 15th reports had been sent to entities and since then their comments are gathered. The annual report will probably be ready by end of April 2013.		Not observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.4.2.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**	22/3/2013 This has already begun through the Omnibus Law 4093/2012 (GG 222/A' 12-11-2012), as well as with Law 4111/2013 (GG 18/A/25-1-2013) that was voted on January the 14th, 2013. In the draft of the updated M.O.U text there is a provision for their appointment by end-September 2013.	GAO does not show ownership of the process. Need to enact sactions not reporting, especially SSFs	Not observed.
2.4.2.iv	ensure by December 2012 that EOPYY monthly budget execution is published on the website with a lag of four weeks after the end of the respective month, providing detailed data on both expenditure commitments / purchases (accrual basis) and actual payments (cash basis), current performances against yearly budget allocation and accumulation of accounts payable (and arrears). As soon as significant deviations from yearly targets become evident, remedial action should be taken at the same time.	**December 2012**	EOPYY delivered in February 2013 budget execution report for December 2012		Observed
2.4.3.i	Prepare and publish by November 2012 a plan for the clearance of arrears owed to suppliers by public entities and of tax refunds (to be done by GAO in liaison with GSIS and other relevant authorities).	**November 2012**	22/2/2013 The plan for the payment of arrears is ready.		Observed
2.4.3.ii	Ensure the administrative capacity to make the clearance of arrears effective through different means, including re-allocation of at least 30 employees with relevant competences from other social security funds to EOPYY.	**November 2012**	13/12/2012 JMD published (FEK 2964/5-11-2012) regarding the transfer of 202 employees from TAYTEKO to EOPYY.	The plan appears to be too ambitious given the lack of personel to submit aplications for the clearance of arrears. No strategy how to implement this plan.	Not Observed
2.4.4	Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated.	**Continuous**	8/3/2013 There is continuous engagement and monitoring by the office of the Deputy Minister, Directorates, GAO, Troika and the Task Force for clearance of pending refunds as well as for not creating a new stock of arrears. Discrepancies between completed requests and their payments still remain. The time lag between appropriations release and payment of beneficiaries is mainly due to problems of entities themselves (mainly LG). E.O.P.Y.Y also faces problems because of reduced staff and the thousands of clearance requests from the merged pension funds. The basic tool against the accumulation of new arrears is the existence of commitments register combined with the already signed Memoranda between the Ministry of Finance and other Ministries regarding monitoring of their monthly targets.	New tax arrears are being verified.	NA
2.4.5	The GSIS designs a risk-based assessment procedure for verification of VAT refunds	**March 2013**	26/4/2013 This has been done.		Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.5.a.i	establishing that Memoranda of Cooperation are signed **by end-December** of each year between the Ministry of Finance and the other Ministries or between the Ministries and managers of the supervised entities (thus covering the entire General Government). The Memoranda aim at enhancing the current monitoring and introducing correctivemechanisms, such as: quarterly budget execution targets, corrective actions in case of deviations from targets and further actions in case of non-compliance with the corrective actions.	**End-December of each year**	15/2/2013 This has already begun through the Omnibus Law 4093/2012 (GG 222/A' 12-11-2012), as well as with Law 4111/2013 (GG 18/A/25-1-2013) that was voted on January 14th, 2013. The Ministry of Finance has signed Memoranda with all Ministries for payment of arrears (29/11/2012) as well as Memoranda of Cooperation for the targets of the Ministries and monitoring of proper budget execution.		Observed
2.5.a.ii	Strengthening the current balanced budget constraints for Local Governments in order to be more effective, but also including corrective and sanctioning mechanisms.	**Continuous**	2/4/2013 The JMD between MoF and Ministry of Interior regulating the required details for the Observatory of Financial Autonomy of local governments has been published (GG 450/B/26-2-2013). In the draft of the updated M.O.U version there is a provision for issuance of a JMD by end-April 2013 giving guidelines for the LGs' budget assessement and establishment by June 2013 of 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.	The consistency between the MTFS and budgetssubmitted by LGs is not guarantted.	Not Observed
2.5.a.iii	Strengthening the current monitoring system for SOEs, introducing an enforcement mechanism in case of deviations from the specific targets identified for each SOE	**Continuous**	22/3/2013 The relevant MD was published (GG 607/B/15-3-2013)		Observed. Ongoing
2.5.a.iv	Setting the framework for defining specific targets for the coverage of operational commitment registers for LG and SOEs to be established by December of each year.	**Continuous**			Not Observed
2.5.a.v	Setting up a framework for correcting transfers from central government to address deviations from targets within the year and possibly in the following years while ensuring that arrears are not increasing. Improvements in operational terms should be integrated in the relevant legislation, including inter alia triggering circumstances, criteria for graduation from suspension to outright reduction of transfers, and timing issues.	**Continuous**			Observed. Ongoing
2.5.a.vi	Making it explicit that the proceeds from the privatisation of government assets are paid directly into the account referred to in section 2.5.6.	**Continuous**			Observed. Ongoing
2.5.a.vii	Set automatic cuts in expenditures to be applied as a rule when targets are missed, while ensuring that arrears are not increasing.	**Continuous**			Observed. Ongoing

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.5.a.viii	Reinforce centralisation of budget planning and implementation. This will include further strengthening of the Ministry of Finance vis-à-vis line ministries, notably with the introduction of an effective top-down budgeting, including a veto role of the Minister of Finance, monthly submission to the supervising Director General of Financial Services (DGFS) and the GAO (depending on the size of their budget) of the budget execution programme and actual execution, and the power to take corrective measures if appropriate at the implementation stage, with bodies failing to comply with their obligations being brought under the direct supervision of the Ministry of Finance.	**Continuous**			Not Observed
2.5.1	Adopt a Council of Ministers act (replacing the Council of Ministers act adopted on 29 October 2012, aiming at strengthening the Budget execution and enhancing the sound fiscal management), and including, beyond the provisions in the original Council of Ministers act. 1. The Council of Ministers act shall be converted into law by end-December 2012.	**End-December 2012**	1/2/2013 This has already begun through the Omnibus Law 4093/2012 (GG 222/A' 12-11-2012), as well as with Law 4111/2013 (GG 18/A/25-1-2013) that was voted on January the 14th, 2013.		Not Observed
2.5.3.1	identify other areas of operational expenditure where real time monitoring mechanisms could be introduced or strengthened,	**March 2013**	26/4/2013 In the draft of the updated M.O.U text there is a suggestion for action completion by June 2013	very liitle progress reported	Not Observed
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**			Not Observed
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**			Observed. Ongoing
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**			Observed. Ongoing

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.5.5.1	The Goverment 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 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. (March 2013	**March 2013**	26/3/2013 In the draft of the updated M.O.U text there is a suggestion for action completion prior to disbursement		Not Observed
2.5.6.1	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
2.6.1	The Government identifies the assets and production units of the Hellenic Defence Systems to be privatised.	**December 2012**	see above Annex 9.1 EAS	State aid issues	Not Observed
2.6.2	The Government creates a Central State Aid Unit 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.	**January 2013**	26/4/2013 It is included in the Omnibus bill submitted to the Parliament yesterday.	law has not yet been finalised	Not Observed
2.6.3	All actions attributable to public authorities should be in compliance with the rules on free movement of capital [TFEU, Article 63]	**Continuous**			Observed. Ongoing
2.7.1	In order to achieve a leaner and more efficient state, the Government initiates a rigorous evaluation of administrative structures and personnel, in order to maintain the right skill mix of employees over time. Entity closures are pursued and employees are either transferred to the mobility scheme or dismissed. This reform process is extended to extra budgetary funds and regional and local administrations in 2013.	**2013**			

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2.7.1.1.1	The assessment of the institutional setting of two pilot ministries (Ministry of Administrative Reforms and Ministry of Environment) is completed.	**October 2012**	The assessment of the institutional setting of the Ministry of Environment and MAREG (the two pilot Ministries) have been discussed in 30/11/2012 during the meeting of Support Team of the Governing Reform Council. Assessment had been finalised. The two assessment reports were presented to the Governing Reform Council, chaired by the Prime Minister on 20-12-2012.The reports have been sent to Troika.		Observed.
2.7.1.1.2a	The assessment of the institutional setting of all ministries is finalised,	**December 2012**	26/04/2013 Institutional settings of all Ministries are finalised and approved by the Governmental Reform Council		Observed.
2.7.1.1.2b	while the assessment of the performance of civil servants is completed.	**December-2013**	26/04/2013 Institutional settings of all Ministries are finalised and approved by the Governmental Reform Council		NA
2.7.1.1.3a	The first draft of the two pilot staffing plans is finalised;	**November 2012**	The staffing plans of MAREG and the Ministry of Environment were presented and aproved by the first meeting of the Governing Council Reform on 20-12-2012. DONE. The staffing plans of other ministries are in process and will follow after the assessment reports. It looks that the action will be implemented within the deadline. The redundant emloyees can not be identified by the end of February. By end of February redundant positions in all Ministries will be identified and redundant positions in Public Entities will be pending.		Observed
2.7.1.1.3b	the other ministries' staffing plans are completed.	**February 2013**	26/04/2013 The staffing plans of all Ministries were discussed and adopted by the Governmental Council Reform of 23/04/2013. Relevant memo sent to Troika		Observed
2.7.1.1.4	Develop an action plan for the assessment of all public entities, including all Extra-Budgetary Funds and SOEs under Chapter A (December 2012).	**December 2012**	In process. Discussion of the matter in the meeting of the Group of Governmental Support Reform Council in 30.11.2012. Approved by the Governing Council Reform on 20-12-2012. The Action Plan was sent to Troika.		Observed
2.7.1.1.4	The action plan will focus on their mandate and activities, their staffing, the level of State subsidies and their overall budget. The pilot assessment of two major public entities is completed.	**February 2013**	The assessment of the institutional setting of the two pilot Ministries (MAREG and YPEKA) finalised and approved by the Governing Council Reform on 20/02/2012. 28/03/2013, The action plan is to be sent to Troika within the week.	under preparation	Not Observed
2.7.1.1.5	Based on the different assessments, the Council of Reform approves the transformation scenarios for each ministry (January 2013). A precise roadmap on how these structures are created must be published two months after the approval of the transformation scenarios.	**January 2013**	26/04/2013, The transformation scenatios for all the Ministries have been aproved. An overall roadmap depicting the basic steps for the implementation of the reform measures for each ministry has been drafted. Detailed roadmaps are being prepared by each Ministry with its own precise reform agenda.	under preparation	Not Observed
2.7.1.1.6	The Government monitors progress on the inter-ministerial coordination, whereby the Coordinator is appointed.	**November 2012**	In public discussion.		Observed
2.7.1.1.6	full implementation of the process is ensured.	**January 2013**	to information.	Unit has 15 employees and will have 35 new by April	Not Observed

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2.7.1.1.7	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 when taking related decisions.	**Continuous**	The action is about the institutional setting and staffing of the Managing Authorities which are supervised by the Managing Organisation Unit (MOU), belonging to the MinDev. Uptoday the staffing and the assessmet is implemented according to the Law 3614/2007. There is going to be an additional proposal by MinDev, according to a letter sent to MAREG by MINDEV. Troika offers to provide know-how on this task		Observed. Ongoing
2.7.1.1.8	Prepares and makes public a fully-fledged anti-corruption plan for the civil service, including special provisions for the tax and customs administration.	**February 2013**	26/04/2013 provisions included in the Omnibus Law that is submitted to the Parliament on 26/04/2013	National plan has been produced. Assesment is positive.	Observed
2.7.1.2.4	Adopt the law on mobility between ministries in the interest of the services.	**November 2012**	action done. Law 4093/2012: mobility scheme (obligatory transfers). 07/03/2013, During the technical meeting with Troika on 27/02/2013, they asked about the status of this action. MAREG answered that ASEP is about to place the employees to their new positions. Troika asked for data.	Law 4093/2012	Observed.
2.7.1.2.5	Defines 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 (January 2013). This legal act will provide a basis for evaluating the competences of the senior management.	**January 2013**	An HR strategy document is upon finalisation according to the documents sent to the Troika (19/03/13), detailing the processes regarding staffing plans, mobility scheme, disciplinary cases etc. 26/4/2013 New Date June 2013	New date in revised MOU	Not Observed
2.7.2.1.1.i	the SPPA's financial management rules (Art. 4);	**December 2012 (enter into force)**	PD 43, FEK A 80/5-4-2013		Observed.
2.7.2.1.1.ii	the SPPA's structure and remit of its services and any other matters pertaining to its organisation (Art. 4);	**December 2012 (enter into force)**	PD 123, FEK A 216/5.11.2012, OBSERVED.		Observed.
2.7.2.1.1.iii	the SPPA's Rules of Procedure (Art. 7);	**December 2012 (enter into force)**	PD 122, FEK A 215/5.11.2012, OBSERVED.		Observed.
2.7.2.1.1.iv	the Agora Portal for contract transparency.	**December 2012 (enter into force)**	JMD is ready, FEK 3400/B/20-12-2012, OBSERVED.		Observed.
2.7.2.1.2	The government ensures that the SPPA is adequately staffed so that it fulfils its mandate, objectives, competences and powers as defined in the implementing regulations, of the law on the SPPA and in the Action Plan agreed with the European Commission in November 2010	**February 2013**	26/04/2013,New Date May 2013, 43 emloyees are working for SPPA and 29 secondments are pending		Observed

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2.7.2.1.3	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**	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 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.		Observed. Ongoing.
2.7.2.2.1	Presents a plan for the development of CPBs (such as the Greek General Secretariat for Commerce -for supplies and services- and EPY - for health procurement-) to the Commission Services by December 2012. The plan identifies all contracting authorities procuring supplies and services at the Central Government level and overviews their procurement needs, with a view to gradually increasing the share of supplies and services procured through those CPBs. Similarly, a plan to establish CPB at regional/local level is also submitted to the Commission services by December 2012.	**December 2012**	26/04/2013, the plan is presented. This action is considered DONE by Troika	EC comments sent on 4 February 2013. New draft submitted 25 Feb under review	Observed
2.7.2.2.2	The Government submits by December 2012 to the Commission services for evaluation two and one framework contracts used in frequently purchased supplies or services at central government and regional level.	**December 2012**	26/04/2013, New Date June 2013		Observed
2.7.2.2.4	Develops an Action Plan for the reform, in agreement with the European Commission. It will include an analysis of the state of play (flowcharts, procedural phases, actors involved, timelines, statistics etc.) and factors in the results of the study on the Greek public procurement system commissioned by the EC.	**January 2013**	26/04/2013, the Action Plan is agreed with Troika. The action is considered DONE		Observed
2.7.2.3.1	**The Government, in consultation with the European Commission, refines the existing plan for the development of the e-procurement platform.**	**December 2012**	26/04/2013, new Date July 2013	Improvement to the plan under review.	Ongoing
2.7.2.3.1.i	the operation of supplies, services and public works procurement contracts through the e-procurement platform;	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.1.ii	the availably of functionalities such as e-notification and e-tendering;	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.1.iii	the mandatory use of the platform by the central government, regional government and other public sector entities;	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.1.iv	the communication and training programmes for users of the platform;	**December 2012**	26/04/2013, new Date July 2013		

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2.7.2.3.1.v	the periodic monitoring mechanisms for the take-up of e-procurement platform by its users and the specification of target usage levels;	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.1.vi	the interaction of the platform with the planned simplification of procurement legislation;	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.1.vii	the means to facilitate access and use to the platform by users, including easy to use e-signature and e-ID solutions	**December 2012**	26/04/2013, new Date July 2013		
2.7.2.3.2.i	complete the e-procurement infrastructure for supplies and services contracts;	**December 2012**	The e-procurement platform is ready (IT infrastructure),26/04/2013 the action is considered DONE by Troika		Observed
2.7.2.3.2.ii	run supplies and services contracts for the Central Government on a pilot basis through the e-procurement platform	**1st half of 2013**	The e-procurement platform has been delivered and runs as pilot application (January 2013). In the next few days will be submitted in the Parliament the relevant law . 26/04/2013, new date first half of 2013		NA
2.8.1	finalises the implementation of the reform of the functioning of secondary/supplementary public pension funds and ensures the unification of all existing funds into ETEA, which are considered to be in the domain of public sector - according to ESA95 national account definition.	**Q4-2012**	The target of ETEA has been implemented for the supplementary funds.		Observed.
2.8.2	Ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts; starting in Q1 2013.	**Q1-2013**	An application called "Data Collector" is designed and already receives current information from a portion of employers. In parallel, this application is updated with historical data (before 01.01.2013) from existing data in ETEA. An agreement with IKA is expected on how the current information for workers in the private sector from Analytical Periodic Reports will be transmitted. Another similar agreement with EAP is expected for employees of the State. Thus covers over 90% of the required current information. For the historical data (from 1/1/2001 to 31/12/2012), IKA is expected to complete in the near future the procedures for the identification and the transmission of data to the ETEA.	On going, to be completed in December 2013	Not Observed
2.8.3	Identifies the schemes for which lump sums paid on retirement are out of line with contributions and adjusts the payments. A new, actuarially neutral, formula to calculate lump sum, including a sustainability factor to avoid any future imbalances, is designed in consultation with the European Commission, ECB and IMF staff.	**Q4-2012**	The first part of the action is included in Omnibus Law. The technical basis for the lump has been prepared by the National Actuarial Authority. The technical basis and the MD have been sent to the Troika for comments. FEK 3498/31-12-2012.	Observed.	Observed.
2.8.4	The Government will produce 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.	**Next report Q1 2013**	The relevant report will be ready by end Q1-2013.	Report has been submitted and shows a significant reduction in the percentage of disability pensions.	Observed

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2.9.1.1	From January 2013, hospital services will be purchased directly by EOPYY through prospective budgets based on KEN-DRGs costing procedure (and payroll costs should be at least reported).	**From January 2013**	The KEN-DRGs are used to determine the cost of hospital services. DRG Committee is working on the integration of payroll cost. A circular will be issued by the General Secretary.	Some services are being purchased on the basis of DRGs but the accurate development of DRGs is an ongoing and long process so that it is not fully operational yet. Receiving TA from Germany.	Not Observed
2.9.1.2	EOPYY ensures that the number of doctors is reduced in headcount compared to June 2012 by at least 10% by December 2012.	**December 2012**	EOPYY did not renew contracts of a number of doctors and (along with the retirements) the goal of 10% reduction has been achieved. (EC received a list with names of doctors who were contracted with old funds and were not renewed by EOPYY.	following a series of documents provided b authorities we concluded that the number of doctors has been reduced by 10% as a result of the non-renewal of ETAA contracts	Observed
2.9.1.2	EOPYY ensures that the number of doctors is reduced in headcount compared to June 2012 by a further 10% in 2013.	**2013**			NA
2.9.2.1.1	The Government revises the co-payment structure for medicines to exempt from co-payment only a restricted number of medicines related to specific therapeutic treatments.	**Q4 2012**	MD 24926/FEK 2883/26-10-2012.		Observed.
2.9.2.2.1	The Government revises downward the price of medicines, based on the three EU countries with the lowest prices. In addition, the government re-prices medicines now cheaper than 10 EUR, including implementing a 10% price reduction in the prices of these medicines.	**Quarterly update of price list - next price list published by December 2012**	New price list was published on MoHealth site at 18/2/2013. The MD for the price reductions has been published (FEK B94/23-1-2013)		Observed
2.9.2.2.2	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 was applied for the first semester of the year. It will not be applied for the second semester, as targets for pharmaceutical spending were reached.	More money collected (15 million). Target achieved so no clawback to be paid in second half. Data has been provided.	Observed. Ongoing
2.9.2.2.3	The Government produces an implementation report on the impact of the new profit margins of pharmacies and shares it with the European Commission, ECB and IMF staff. If it is shown that this new model to calculate profit margins does not achieve the expected result of a reduction of profit margins down to 15%, the regressive margin will be further revised.	**Q1-2013**	The report was sent at 26/4/2013. **Action completed**		Observed
2.9.2.2.4	EOPYY negotiates a 5% discount through price-volume agreements on medicines (200 medicines).	**Continuous for 2013 and 2014**	Ongoing		Observed. Ongoing

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2.9.2.2.5	Extends the application of the 5% rebate on pharmaceutical companies (which exists for hospital-priced medicines) to all products sold in EOPYY pharmacies (legislation adopted by Q4-2012).	**Q4 2012**	Law.4093/FEK 222/12-11-12(IB2/5,6,8) & PNP/FEK 229/19-11-2012 (article11/par.10).		Observed
2.9.2.3.1	extend the current e-prescribing to all doctors, health centres and hospitals. E-prescribing is made compulsory and must include at least 90 percent of all medical acts covered by public funds (medicines, referrals, diagnostics, surgery) in outpatient facilities and providers contracted by EOPYY and the other social security funds;	**Q4 2012**	E-prescribing is compulsory and covers more than 90% of medicines(85% in December due to pharmacists' strike. The second system (e-diagnosis for referrals, diagnostics, surgery) was integrated and is operational since 14/1/2013 in order to achieve 90% coverage. IDIKA published instructions to doctors.	the e-prescripton systems for mediciens and diagnostics have been integrated into one and this joint system is being implemented. e-prescription for diagnostics has increased substantially since the merging though not yet 90%. Overall e-prescription was below 90% but increasing.	Not Observed
2.9.2.3.2	implement the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA;	**Q4 2012**	IDIKA has developed the system and pharmasists are linked in order to register the hand-written prescriptions. Currently the coverage rate is 50% and IDIKA estimates that by the end of April this figure will have increased significantly.	Though the system is there, it does not appear to be used by pharmacies judging by the increase in the number of manual prescriptions observed recently.	Not observed
2.9.2.3.3	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.
2.9.2.3.6	produce 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 submitted	Basic reports have been submitted and suggestions were made as to how to improve the content and layout of the report.	Observed. Ongoing.
2.9.2.3.7	continue to provide a regular assessment of the information obtained through the e-prescribing system;	**Continuous**	Reports submitted	Basic assessment is being conducted but we have suggested that analytical assessment capacity is created in EOPYY through the creation of a business intelligent unit.	Observed. Ongoing.

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2.9.2.3.8	produce 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**	Reports submitted	Basic reports have been submitted and suggestions were made as to how to improve the content and layout of the report.	Observed. Ongoing.
2.9.2.3.9	provide 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 until December were sent to doctors who exceed the average prescribing values of their specialty.		Observed. Ongoing.
2.9.2.3.10	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**	ongoing. Sanctions and penalties to doctors are enforced as a result of the above mentioned prescribing monitoring. Relevant report has been handed over to thw troica.Draft MD on sanctions for mis-prescription of medicines is being prepared and will be ready by end-April	To complete the administrative framework, a MD on sanctions for overprescriptions is needed. Basic reports have been submitted on the ap	Not Observed
2.9.2.3.11	select a number of the most expensive medicines currently sold in pharmacies, to be sold in hospitals or EOPYY pharmacies;	**Q4 2012**	MDs (FEK 1003/2-4-2012 & 543/1-3-2012) specify the medicines to be sold only in hospitals and EOPYY pharmacies. Moreover, drugs for dialysis (renal failure) which value exceeds €50 are available only in EOPYY pharmacies and hospitals (new EOPYY regulation, FEK 3054/18-11-2012 B, Article 9).		Observed.
2.9.2.3.12	implement a mechanism to reduce off-label prescription.	**Q4 2012**	Off label prescription is not allowed (MD ΔΥΓ3α/οικ.Γ.Υ.154/FEK 545/1-3-2012) Exceptionally, an EOF committee may approve such request.	A committee controls the presciption of these medicines.	Observed.
2.9.2.4.1	increases the share of the generic medicines to reach 35 percent of the overall volume of medicines sold by pharmacies by end-2012;	**End-2012**			Not Observed

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2.9.2.4.1.i	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, when exclusivity period expires, further reductions are achieved through external reference pricing based on the three EU countries with the lowest prices. This will be done also by linking off-patent (when exclusivity period expires) products to the average of the three lowest prices in the EU and the price of the generic to 80% of the downward revised price of the offpatent Further reductions are achieved through external reference pricing based on the three EU countries with the lowest prices. Producers are allowed to offer lower prices, thus allowing an increased competition in the market;	**Continuous**	Price of generics to 40% is set. (MD ΔΥΓ3(α)/οικ.ΓΥ /151, article 7/FEK 545/1-3-2012)Pricing based on the three EU lowest prices requires new legislation that will be included in the next MoHealth bill.	Patented drugs linked to cheapest countries. Off patent and generics not linked yet; ad hoc cuts in prices of 5-10 percent have been implemented until proper legislation is put in place to complete this reform.	Not Observed
2.9.2.4.1.ii	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;	**Continuous**	Price of off-patent to 50% is set. (MD ΔΥΓ3(α)/οικ.ΓΥ /151, article 6/FEK 545/1-3-2012). Pricing based on the three EU lowest prices requires new legislation that will be included in the next MoHealth bill.	Patented drugs linked to cheapest countries. Off patent and generics not linked yet; ad hoc cuts in prices of 5-10 percent have been implemented until proper legislation is put in place to complete this reform.	Not Observed
2.9.2.4.1.iii	creating dynamic competition in the market for generic medicines through price reductions of at least 10 percent of the maximum price of each new generic producer entering the market;	**Q4 2012**	Law 4052/article 21, MD issued. Law has not yet been implemented, as new generics have not entered the market since the law adoption	Not effectively implemented as no new generic drugs have enetered the market.	Not Observed
2.9.2.4.1.iv	introducing (EOPYY) additional incentives and mechanisms, including a prescription quota system for physicians, to ensure generic substitution;	**Q4 2012**	Automatic mechanism in place that blocks prescribing by brand name if it exceeds 15%.	Aauthorities have implemented the automatic blockage mechanism once the 15% have been achieved as requested by EC/IMF/ECB.	Observed.
2.9.2.4.1.v	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**	Ongoing.		Observed.
2.9.2.4.1.vi	excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria.	**Continuous**	Ongoing.		Observed.

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2.9.2.4.2	takes further measures to ensure that at least 50 percent of the volume of medicines used by public hospitals is made up of generics with a price below that of similar branded products and off-patent medicines.	**Continuous**	Ongoing. Already close to the target of 50%.	46% end 2012.	Observed. Ongoing.
2.9.2.4.3	makes it compulsory for 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.	**Q4 2012**	Circular issued with which the procurement of all pharmaceutical products by active substance will be centralised.	Circular has been signed and sent to hospitals but now implementation must be monitored	Observed. Ongoing.
2.9.2.4.4	adopts, with the pharmaceutical companies and physicians, a code of good conduct (ethical rules and standards) regarding the interactions between pharmaceutical industry, doctors, patients, pharmacies and other stakeholders. This code will impose guidelines and restrictions on promotional activities of pharmaceutical industry representatives and will forbid any direct (monetary and non-monetary) sponsorship of specific physicians (sponsorship should be attributed through a common and transparent allocation method), based on international best practice.	**Q4 2012**	EOF circular 81867/26-11-2012 for scientific events. Code of practice on the promotion of prescription only medical products is published by SFEE (Hellenic association of pharmaceutical companies).	Published by EOF and of industry.	Observed.
2.9.2.4.5	speeds up administrative and legal procedures, in line with EU legal frameworks for the entry of cheaper generic medicines in the positive list in the market.	**Q4 2012**	see 2.9.2.4.1.iii above	400 generics approved or priced	Observed.
2.9.3.1	The government starts publishing a quarterly report on the prescription and expenditure of diagnostic tests.	**Quarterly updates - next report Q4 2012**	Reports submitted	Basic report has been submitted and suggestions were made as to how to improve the content and layout of the report.	Observed. Ongoing.
2.9.4.1.1	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).	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1	This implies reducing hospital operating costs by 8 percent in 2012 and an additional 5% in 2013 and reducing beds substantially, as legislated by MD OG1681/B (28-7-2011). This is to be achieved through:	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.i	increasing the mobility of healthcare staff (including doctors) within and across health facilities and health regions;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.ii	adjusting public hospital provision within and between hospitals within the same district and health region;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
2.9.4.1.1.iii	revising the activity of small hospitals towards specialisation in areas such as rehabilitation, cancer treatment or terminal care where relevant;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.iv	revising emergency and on-call structures;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.v	optimise and balance the resource allocation of heavy medical equipment (e.g. scanners, radiotherapy facilities, etc.) on the basis of need;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.vi	reducing administrative costs notably by removing deputy managers posts;	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.1.vii	reducing cost with outsourcing services such as IT services, laboratory services and hospital servicing costs (e.g. cleaning services).	**In 2012 and in 2013**	8% reduction for 2012 is achieved (9,97%) MoHealth expects to reach the 5% reduction target for 2013. According to January 2013 data, there is a 12,5% reduction of hospital operating cost, comparing to January 2012. Target for 2012 achieved	Observed for 2012. On track to meet target in 2013	Observed
2.9.4.1.2	Produce an annual report comparing hospitals performance on the basis of the defined set of benchmarking indicators.	**Continuous**	Next report will be produced after the first semester 2013.		Observed. Ongoing.
2.9.4.1.3	The Government updates a report on human resources for the whole health care sector annually and uses it as a human resource planning instrument.	**Continuous**	Data for human resources available. A Committee for HR planning is established. A relevant report will be submitted in June.		Observed. Ongoing.
2.9.4.2.1	Internal controllers are assigned to all hospitals and all hospitals adopt commitment registers	**Q4 2012**	Controllers are assigned to almost all hospitals (6 hospitals are either in the process of hiring a controller or will associate with a hospital that employed one). Legislation is adopted for commitment registers. A report was sent to troica in February with January data.	Process is ongoing though not finalised but action plan and timeline provided.	Not Observed
2.9.4.2.2	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 December-2012) and actual payments (cash basis).	**Accrual basis December 2012**	Reports submitted	Basic report has been submitted and suggestions were made as to how to substantially improve the content and layout of the report.	Observed. Ongoing.
2.9.4.2.2	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**	See above (part of the same report)		Observed. Ongoing.

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2.9.4.2.3.i	the introduction of analytical cost accounting systems;	**Continuous**	All hospitals implemented double accunting. Out of 89 hospitals: 13 implemented analytical cost accounting, 68 are in the process and 8 do not have the necessary software yet. A report was sent to troica regarding January 2013 data. EC requested an action plan & timeline on the introduction of analytical cost accounting in hospitals not yet equipped with	Process not finalised and asked for a precise action plan and timeline.	Not Observed
2.9.4.2.3.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.
2.9.4.2.3.v	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;	**Q4 2012**	JMD Υ4α/οικ.105494, FEK B 3096/23-11-2012 in order to include payroll costs.		Not Observed
2.9.4.2.3.vi	enforcing the collection of co-payments and implementing mechanisms that fight corruption and eliminate informal payments in hospitals.	**Continuous**	Circular about co-payments: 25034/12-03-13 In addition we have established a working group to develop a specific anti-corruption strategy in the field of health. SEYYP and YPEDIFKA will participate in this group in order to improve effectiveness of both bodies and coordination between them and the "Greek National Coordinator on Anti-Corruption" and ensure the implementation of the Hellenic Action Plan against Corruption (H.A.P.A.C.).		Not Observed
2.9.4.2.4	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).	**Q4 2012**	Cooperation of MoHealth, ELSTAT and Kapodistrian University of Athens. The project is expected to be completed in May	ongoing. a pilot data submission has taken place but needs to be corrected and validated	Not Observed
2.9.4.2.5	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.	Action plan being implemented with TA experts and Task Force.	Observed. Ongoing.
2.9.4.2.6	The government starts to develop a system of patient electronic medical records.	**Q1-2013**	In process. A Committee for e-prescribing is established and will work with IDIKA to develop the system.		Not Observed
2.9.4.2.7	In all NHS hospitals, the Government, with technical assistance from experts across EU, continue piloting a set of DRGs, with a view to developing a modern hospital costing system for contracting (on the basis of prospective block contracts between EOPYY and NHS). DRGs include a detailed item on costs of personnel.	**Continuous**	On going. A committee is established for the development of DRGs.	Action plan being implemented with TA experts and Task Force.	Observed. Ongoing.

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2.9.4.2.8	An analysis will be made of how hospital accounting schemes integrate DRGs at hospital level in view of future activity-based cost reporting and prospective budgets payment for hospitals.	**Q4 2012**	A report regarding the integration of DRGs into the acconting schemes of each hospital has been sent to Troika.	Report sent by the Authorities.	Observed. Ongoing.
2.9.5.1	The Government increases substantially the number of expenditure items and therefore the share of expenditure covered by centralised tender procedures through EPY.	**Continuous**	Ongoing. Report on current status of centralised tenders was delivered in February 2013	Report sent by the Authorities.	Observed. Ongoing.
2.9.5.2	EPY will undertake a major effort to utilise tender procedures for framework contracts for the most expensive medicines used in the outpatient context so as to substantially reduce the price paid by EOPYY.	**Q4 2012**	EOPYY requested the procurement of 11 active substances through EPY. Legal issues were settled after the opinion of the Legal Council and EPY will proceed to tenders.		Observed. Ongoing.
2.9.5.3	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. Progress report was submitted in February 2013	IDIKA about to proceed with tender. much delayed when there is digital convergence funding to be used.	Not Observed.
2.10.1	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.	**December 2012**	The relevant report 'Educational Action Plan' for the second semester of 2012 was prepared and sent to troika.		Observed.
2.10.2.i	the activation of the Quality Assurance Authority;	**December 2012**	It is activated. The chairman of the Hellenic Quality Assurance Authority was appointed (MD 122606/B1, FEK YOΔΔ 470/9-10-2012).		Observed.
2.10.2.ii	the constitution of the Council of Higher Education Institutes;	**March 2013**	Councils have already been elected in all Higher Education Institutes.		Observed.
2.10.2.iii	the election of the new Rectors.	**December 2012**	The appointment of new Rectors has been finalised.		Not Observed.
2.10.2.iv	The procedure on the consolidation / merging of departments of universities and technological institutes (ATHINA Project) starts to be implemented.	**March 2013**	MinEdu presented the final proposal of "ATHINA project", for the restructuring of the Higher Education Institutes. 36 Presidential Decrees will be issued. Currently, draft PD's are at the Council of State.		Not Observed.
2.10.3	On primary and secondary education, progress on the implementation of the school and teacher evaluation policy including the schools' self-assessment project is reported on a quarterly basis.	**Q1-2013**	A relative P.D. is under consultation.		Not Observed.
2.10.3	In addition, more flexibility is introduced in the adjustment of tuition fees by private schools, as per Opinion 20/VI/2012 of the Hellenic Competition Commission.	**End-December 2012**	Cabinet Act FEK 240/A/12-12-2012 art. 6 and ratified with Law nr 4111 fek 18/A/25-2-2013. 26/04/2013 the action is completed, the MD is optional in case of emerging matters to be regulated		Not Observed.

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3.1.1.1	The Government and the Bank of Greece will align capital metrics to the minimum core tier I capital ratio of 9 percent of risk-weighted assets set out in the European Banking Authority (EBA) recommendation on capital buffers. Banks will also have to meet the requirements set by the BoG under Pillar II (to maintain a 7 percent core tier 1 capital ratio under a 3 year adverse stress scenario).	**Q4 2012**	Act number 13/28-3-2013, FEK B708/29-3-2013	Deadline was moved to end-Q1 2013 and is Observed	Observed
3.1.1.2	The BoG will publish a detailed report on the individual banks' capital needs, recapitalization process and the methodology followed.	**Q4 2012**	The report was published on BoG website at 27-12-2012.		Observed
3.1.2.1.i	First, the Hellenic Financial Stability Fund (HFSF) will provide sufficient funds in the form of bridge capital to bring the core banks up to the minimum level of 9 percent CT1 under Pillar 1. The HFSF will also issue a commitment letter to subscribe to 100 percent of the remaining capital needs.	**End-December 2012**	HFSF transferred 6.262 billion in the form of bonds to the four banks and provided commitment letters (press release 24-12-2012).	[NBG might be below 9% Q4 2012 even with full DTA]	Observed
3.1.2.1.ii	In the second step, the HFSF will subscribe to 100 percent of any convertible instruments that the banks will decide to issue.	**End January 2013**	HFSF has received the required funds and is ready to subscribe to the convertible instruments upon receiveing the relevant request from the banks. Alpha and Piraeus have already passed the proposed terms/transactions through their EGMs.	Three banks decided to allow issuance of Convertibels in maximum ammounts by end-Jan however no issuance tookplace as banks are waiting for other developments to set the final ammounts. Hence HFSF did not subscribe to convertibles. This commitment has been reset for end-April/May.	Not Observed
3.1.1.3	The authorities are developing a strategy to address the on-going challenges for the cooperative banks. By end-February 2013 the BoG will complete its assessment of this sector and issue a final report.	**End February 2013**	Assessment of the Cooperative sector is currently being conducted. Several workshops to assess scenarios at sector level and define guidelines at sector/bank level have already taken place. Assessement and resulting report are expected to be finalised.	Report of BoG was sent to troika by the deadline.	Observed
3.2.3	Funding. As part of the new restructuring plans, banks will set out their intentions to broaden their funding base and reduce over time their reliance on emergency liquidity provided by the central bank. The BoG, following the procedures and rules of the Eurosystem, will stand ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed.	**Continuous**	Continuous.	Updating of restructuring plans is delayed due to developments regarding recap and acquisitions.	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
3.2.4	The authorities will take no fiscal policy actions to increase the burden for the programme, and in particular will adjust the structure of outstanding government-owned bank capital instruments (preferred shares) to ensure that they can continue to be counted as bank capital. A one-time €550 million fee, to be received from banks in 2012 in return for the provision of bridge capital, will be earmarked to the HFSF and placed in the HFSF intermediate account.	**Continuous**	Continuous. HFSF received the 550 million fee.	The one-time fee of € 500 mn has been paid. Need to be ensured that no revenue after the preference shares are requested in 2013 from banks.	Observed. Continous
3.3.1.i	State-owned banks. ATE bank was resolved in July through a promptly conducted Purchase and Assumption (P&A) transaction with Piraeus Bank. The final resolution cost will be defined by an external audit of the transferred assets and liabilities. Additionally, Piraeus Bank [has presented to the EC] a restructuring plan to demonstrate that the new integrated firm will enhance its viability and its cost-efficiency. Regarding Hellenic Postal Bank, the authorities have initiated its orderly resolution with the aim to do so via a P&A transaction to be completed no later than [end-December 2012]. Finally, the authorities will complete Nea Proton's restructuring by May 2013 under the sponsorship of the HFSF.	**January 2013**	Completed	Everything is observed except for the last part relating to the completion of Nea Proton's restructuring, which is set for May 2013.	Observed
3.3.4	Greek authorities will ensure that the assets of banks under liquidation are managed on the basis of best international practices. This includes the bad assets of banks that are resolved as part of the restructuring process. To this end, by end-February 2013 the BoG will publish an assessment report prepared by an international expert regarding policies and procedures required to ensure effective bank asset management and recovery. The report will identify the areas that could require further strengthening to maximize loan collection and help reduce bank resolution costs.	**End February 2013**	Assessment report to ensure effective asset management (AM) and recovery of liquidating banks is ongoing. Terms of reference and workplan of the assessment report (AR) prepared in cooperation with an international expert are finalised. AR was published on BOG website at 28/2/2013	The report is complete and published on the BoG's website.	Observed
3.4.1	By Q1-2013 banks will submit to the BoG plans to address identified operational governance weaknesses with clear timetables for full implementation by Q4-2013.	**Q1 2013 / Q4 2013**			NA
3.4.2	**Monitoring trustees will be appointed in all banks under restructuring to submit quarterly reports on governance and operations, as well as ad-hoc reports as needed. The monitoring trustees:**	**Quarterly**			
3.4.2.i	Will work mainly under the direction of the EC, within the terms of reference agreed with the EC/ECB/IMF and will liaise closely with the EC/ECB observers at the HFSF and share their report with the HFSF. In line with the EU state aid rules the trustees will be responsible for overseeing the implementation of restructuring plans, including verifying proper governance and the use of commercial basis criteria in key policy decisions.	**Quarterly**		The trustees have began their work, and also issued their first report on April 15th. The Troika met with these Trustees to discuss the reports on April 19th.	Observed. Continous

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3.4.2.ii	Will follow closely the banks' operations and shall have permanent access to Board meetings' minutes, and be observers at the executive committees, and other critical committees including risk management and internal audit functions.	**Quarterly**			Observed. Continous
3.4.2.iii	Shall be a respected international auditing or consulting firm (that will include the participation of overseas based partners and managers) which needs to be endorsed by the EC on the basis of its competence, its independence from the banks and the absence of any potential conflict of interest.	**Quarterly**			Observed. Continous
3.4.3	The authorities will ensure adequate reporting of HFSF operations, and enhance the role of EC and ECB observers' access to information at the HFSF. Starting by end-January 2013, the HFSF will initiate semi-annual public reporting on its main activities.	**End January 2013**	New two tier governance and management in place since beginning of February. HFSF ready to publish semi-annual public reporting on its main activities.		Not Observed
3.4.4	The authorities will ensure arms-length governance of core banks' business activities. **By Q1-2013**, the HFSF will publish relationship frameworks with each bank on the basis of best international practices, with a view to define the responsibilities of bank managers and board members and the role of HFSF as a shareholder, to ensure the core banks are run on a commercial basis.	**Q1-2013**	HFSF is on track to publish relationship frameworks with each bank by Q1 2013. HFSF is also in the process of engaging international consultants to provide best practices and general support on governance and organization matters.	The frameworks have by drafted but there may be delays in the publication of the relationship frameworks. The Troika is under discissions with the HFSF on this issue.	Not Observed
3.4.4	A draft for discussion based on international best practices will be developed with the EC, ECB, and IMF staff by end-January 2013.	**End January 2013**	HFSF has initiated the discussion on the TCI relationship frameworks with DG Comp and expects to open the discussion on the systemic banks relationship frameworks with EC, ECB and IMF staff by the end of February.		Not Observed
3.5.4	Clarifying competences and responsibilities.The authorities will develop 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.	**Continuous**		The MoU has not yet been published.	Not Observed
3.6.1	strengthen the insolvency framework. 1. In consultation with the EC/ECB/IMF staff, the authorities will, by Q4-2012, on the basis of best international practices, review the insolvency framework of households and SMEs as well as the framework for out of court negotiations between banks and troubled borrowers, and prepare an assessment identifying areas for improvement. The aim will be to achieve predictable, equitable and transparent allocation of risks among all interested parties and maximizing value for the economy in general.	**Q4 2012**	26/04/2013, new date end of May 2013	Amendments to strengthen the insolvency framework have been agreed in the context of the current MoU/MEFP.	Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
3.6.2	revise, with technical support of international experts, the existing framework to facilitate workouts with over-indebted household borrowers that preserves bank solvency and credit discipline, avoids the use of fiscal resources to protect private borrowers and minimizes moral hazard by targeting borrowers that are in real need. The authorities will refrain from supporting initiatives that may undermine the payment culture in Greece.	**End February 2013**	26/04/2013, new date end of May 2013	Amendments to the law have been agreed with the Troika in the context of the current MoU/MEFP/	Observed.
4.1.1	With this reform, the base wage and the maturity allowances currently linked to the National General Collective Labour Agreement will start by being set in a statutory way without exceeding their current level over the Programme period, with no other statutory minimum allowances. The statutory minimum wage system is expected to come.	**Q1-2013**	A study is being prepared (from an expert with European experience) "tracking" the practices of how the minimum wage is calculated in Europe in order to facilitate the drafting process by PYS, which is expected 15-30/3/2013 (with full expiration of the 3-month after effect of EGSSE).		Under review
4.4.1	The Government, based also on the external assessment of the Labour Inspectorate, shall present and start implementing a detailed action plan aimed at strengthening the fight against undeclared work and raising the effectiveness of the Labour Inspectorate. The plan should focus on: strengthening the mandate and effectiveness and efficiency of the Labour Inspectorate; amending monetary and legal penalties for infringement of law and regulations; streamlining the reporting by employers and employees; and reinforcing anti-fraud and anti-corruption mechanisms.	**February 2013**	The independent evaluation of the ILO is completed. SEPE is currently processing the implementation of the Action Plan. New MoU: ongoing procedure.		Not Observed.
4.5.1	The Government shall prepare a report on the structure of the Labour Code.	**Q1-2013**	The relevant report is preparing by Group Koukiadis. It will be ready by end of March 2013, according to schedule.	report received	Not Observed.
4.6.1	The Government will seek to prevent unemployment becoming permanent and to mitigate the hardship of unemployment, by focusing on: facilitating the transition of workers across occupations and sectors; improving the quality of training policies; promoting the employability of the disadvantaged groups; targeting segments of the population with the strongest need of income support. To this end, an Action Plan should be adopted aiming at:	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed.
4.6.1.i	Supporting job matching and activation of the unemployed by broadening the role of the Public Employment Service and by introducing short-term public work programmes where feasible and appropriate;	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed

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4.6.1.ii	Enhancing the effectiveness and adequacy of measures for re-skilling the unemployed, including by promoting the training of the unemployed by firms;	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed
4.6.1.iii	Facilitating the combination of reduced working time schedules with training in case of temporary reductions in activity;	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed
4.6.1.iv	Enhancing unemployment benefits to help mitigate the short-term impact of unemployment and supporting the long-term unemployed and specific categories of workers without entitlement to unemployment insurance.	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed
4.6.1	The action plan should provide a description of the programmes currently in force and plans for their rationalisation as well as an indication on sources of financing.	**Q1-2013**	All 4.6 action, and its details, will be prepared by experts by procurement procedure (in accordance with article 9 of N.3899/2010) after consultation. This procedure will be in compliance with publicity terms. An invitation to young unemployed people was published at ministrys' web site in 01.04.2013.		Not Observed
5.1.1.1	**The Government further refines the list of non-reciprocating charges in favour of third parties presented to the Commission services in November 2011**	**November 2012**			Observed.
5.1.1.1.i	identifying beneficiaries;	**November 2012**	1/2/2013 This has been done and the relevant report submitted to the Troika. A proposal for what charges will remain and which will be abolished is expected as well as its presentation to EU, ECB and IMF.		Observed.
5.1.1.1.ii	specifying the legal base of each contribution;	**November 2012**	1/2/2013 This has been done and the relevant report submitted to the Troika. A proposal for what charges will remain and which will be abolished is expected as well as its presentation to EU, ECB and IMF.		Observed.
5.1.1.1.iii	quantifying contributions paid by consumers in favour of those beneficiaries.	**November 2012**	1/2/2013 This has been done and the relevant report submitted to the Troika. A proposal for what charges will remain and which will be abolished is expected as well as its presentation to EU, ECB and IMF.		Observed.

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5.1.2.1.i	The Government, among others eliminates the prior check carried out by the One Stop Shop (OSS) on outstanding social security and health payments by founders, members, and directors of the new company, so that it does not cause a potential blockage to company formation. Instead, and after company formation, the OSS would notify IKA and / or OAEE of the company number and founders information, so that IKA and / or OAEE can take any further actions that they deem necessary;	**December 2012**	Omibus Law 4093/2012, the requirement has been abolished, the electronic system is already performing. MINDEV has exchanged letters with OAEE and IKA (social security funds). Documentation is sent to Troika.26/04/2013, the action is considered DONE by Troika		Observed.
5.1.2.1.ii	eliminates the ex-ante requirement for company seal and perforation of documents (books) as per the Code of Books and Records;	**November 2012**	1/3/2013. Law 4093/2012 (GG 222/A', 12-11-2012).		Observed.
5.1.2.1.iii	enables the Ministry of Development to issue a Ministerial Decision providing for draft model company statues without the prior proposal of the chambers of notaries and lawyers (cfr., Art. 12.2 of Law 3853/2010);	**December 2012**	Omibus Law 4093/2012, and additional JMD FEK nr 216/B/05-02-2013.. On 16/01/2013, a draft of model company statute has been sent to Troika.		Observed
5.1.2.1.iii	publishes the model company statutes;	**January 2013**	JMD FEK nr216/B/05-02-2013.		Observed
5.1.2.1.iv	reduces the minimum capital requirements of new companies to levels comparable with "best practice" Member States and within the limits of the second Company Law Directive;	**December 2012**	CABINET ACT FEK 240/A/12-12-2012 and ratified by Law, and the Ratifing Law's FEK nr 18/A/25-1-2013 OBSERVED.		Observed.
5.1.2.1.v	pass legislation making voluntary the registration of companies with the chambers of commerce as of January 2015;	**December 2012**	CABINET ACT FEK 240/A/12-12-2012 and ratified by Law, and the Ratifing Law's FEK nr 18/A/25-1-2013 OBSERVED. 22/03/2013, the implementing details of this provision to be regulated by an MD, Authorities do not think this nessecary.		Observed
5.1.2.2.i	Art. 4.4 of the same law, regarding preconditions for obtaining a licence for industry technicians, plumbers, liquid and gaseous fuel technicians, cooling technicians and machine operators in constructions.	**December 2012**	5 PDs are ready with FEK nr, (FEK A' 197-17/10/2012), (FEK A' 198-17/10/2012), (FEK A' 199-17/10/2012), (FEK A΄200-17/10/2012) , (FEK 3/A/08-01-2013) all relevant MDs and JMDs (regarding the PSC) have been issued and have a FEK nr.		Observed
5.1.2.2.ii	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.	**February 2013**	26/04/2013, draft PD agreed and submitted to the Council of State and a list is sent to Troika depicting the number of electrecians per category and region.		Not Observed
5.1.2.2.iii	Art. 27.4, on Certified Inspectors.	**February 2013**	FEK B 227/16-11-2012.		Observed
5.1.2.2.iv	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.	**March 2013**	Established a working group with representatives from the Ministry of YDMHD for the preparation of the PD. 11/03/2013 by eend of March draft PD will be sent to Troika, 22/03/2013 JMD ready, sent to MAREG for comments, new date May 2013	New deadline in current MOU: May 2013	Not Observed
5.1.2.2.v	Art. 27.4, defining the fees paid for establishment and operating licenses.	**December 2012**	PD is ready (FEK 227/A/16-11-2012), JMD ready FEK is 3533/B/31-12-2012 (MINDEV, MINFIN, MINSHIP). OBSERVED.		Observed.
5.1.2.2.vi	Art. 35.2, providing for the certification of the licensing service of the Chamber of Engineers.	**December 2012**	FEK 82/A/29-03-2013, new MOU: deadline April 2013		Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.1.2.3.i	Art. 2.13, to further specify the procedure and specific criteria for environmental licencing.	**December 2012**	MD was signed. FEK is pending.		Observed.
5.1.2.3.ii	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.	**January 2013**	The action includes the following steps: bidding process, tendering, tender evaluation, contract award, implementation of the project, submitting to the competent Committee, legal processed and published in the Government Gazette we are currently in the process of evaluating bids. This action is expected to be completed by May. **(New MoU: May 2013)**.	New deadline in current MOU	Not Observed
5.1.2.4.i	The Government publishes a National Trade Facilitation Strategy with time bound quantitative performance indicators to streamline pre-customs and customs procedures according to best practices and EU regulations. The overall goal of the strategy is (i) to establish an electronic single window for exports providing for a single entry point for exporters for all products and destinations and (ii) to achieve 50% reduction in the time needed to export by Q4 2015.	**October 2012**	8/3/2013 Sent to the Troika in October 2012 and officially published on November 1st, 2012. 23/04/2013 this action is considered DONE by Troika		Observed
5.1.2.4.ii	The Government launches in November 2012 a review of the customs office as a pilot to optimise operations, reduce the number of physical and documentary controls, reassess the organization of labour, sequencing of procedures and work shifts and to enable 24/7 trade.	**November 2012**	8/3/2013 This has begun.		Observed
5.1.2.4.ii	The review is completed in **March 2013.**	**March 2013**	26/4/2013 This has been done. The report of the group of the pilot customs office was delivered on April the 15th, 2013 to the SGPR, the Director General of customs and the coordinator of the Steering Committee for the TF Roadmap.		Observed
5.1.2.4.ii	Is applied to Athens airport and Piraeus Port	**March 2013**	26/4/2013 An MD or a decision of SGPR will be issued for the pilot 24/7 operation	New deadline in current MOU: May 2013	Not Observed
5.1.2.4.iii	reviews the risk assessment system, with recommendations for improvement in order to align it with best practices in EU Member States.	**December 2012**	11/4/2013 For the design of the risk assessment system there is a draft of the criteria that could be taken into account.		Observed
5.1.2.4.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;	**December 2012**	25/4/2013 Article 42 of Law 4141 (GG 81/A/5-4-2013) regulates issues of overtime occupation of Agriculturists/Veterinarians. There is also an MD that is expected to be signed today by the Minister of Agricultural Development and Food with the criteria of risk based audits.	New deadline in current MOU: May 2013	Not Observed
5.1.2.4.vii	The trade facilitation strategy is supervised and coordinated by an inter-ministerial steering committee to be appointed by December 2012.	**December 2012**	8/3/2013 Coordination Committee of Extroversion: PM Decision Y216 published in GG (No. 3190, 30.11.12). Operational Steering Committee (OSC): Act of Cabinet published in GG No. 19/25-01-13		Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.1.2.5.i	The Government, assisted by the OECD, starts applying the Standard Cost Model (SCM) to identify administrative burdens for businesses in 13 key sectors, with a view to reducing administrative burdens by at least 20 percent (compared with the baseline year 2008).	**December 2012**	Presented on 3-12-2012 by MAREG. The teams of experts have already been composed and are working on the project. 26/04/2013, the action is considered DONE from Troika		Observed
5.1.2.5.ii	The sectors are the following: Agriculture and agricultural subsidies, Annual accounts/company law, Energy, Environment, Fisheries, Food safety, Pharmaceutical legislation, Public procurement, Statistics, Tax law (VAT), Telecommunications, Tourism, Working environment/employment relations	**Continuous**			Observed
5.1.2.7.i	The Government adopts legislation to (i) simplify and reduce the time needed for town planning processes	**January 2013**	The proposed reform involves two stages: a comprehensive examination of the issue by simplifying and shortening all the procedures that all investments, whether at national, regional or local level to become more flexible and immediately after reviewing the two laws which supports urban planning, the N.2508/1997 and PD land use. The whole action because it has broadened **expected to be completed in June** and not January.	New deadline in current MOU	Not Observed
5.1.2.7.ii	(ii) update legislation on forests, forest lands and parks.	**March 2013**	The action relates updating and modernizing rules on investment in forests (e.g. ananeosimes energy, tourism investments, etc.). (**New MoU: June 2013**).	New deadline in current MOU	Not Observed
5.1.2.7.ii	completes the revision of the 12 regional spatial plans to make them compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy. The first phase of this revision is completed;	**December 2012**	According to our obligations, the time required for the development and consulting projects has been shortened . The current schedule is modified to accelerate procedures at 6 months. • First phase of analysis (Step A1) - will be completed in late December 2012. YPEKA has already completed the delivery of Phase A1 and the supervisors designated for each study made their observations . It is estimated that after December 12 will be drawn to the observations of supervisors, will be sent to the Regional Councils opinion, which is expected to be completed in early January 2013 instead of end of February 2013, originally designated. The delivery of the first phase of the analysis include: A.1.1. Evaluation of the implementation of institutionalized regional contexts. A.1.2. Summary findings of the Evaluation Report.	11 plans are ready. Due to legal reasons one cannot be completed. New deadline in new MOU	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.1.2.7.iii.a	tendering out all remaining rights (ca. 15 million) and awarding cadastral projects for 7 million rights;	**December 2012**	This action includes two sub-actions: 1. Tendering cadastral survey for the remaining 15 million rights, which is separated into the following stages work: • Vote Act "Completion of the provisions on the Hellenic Cadastre", which among other things promotes the acceleration of procedures for the award and completion of cadastral studies. The draft law is expected to be published for a short consulation until 10/3/2013, will be submitted to the Parliament by end March in order to be voted in April. • a decision by the Board of Cadestral to proceed with tendering cadastral survey for the remaining 15 million allowances will follow in May and June. 2. Award of contracts for cadastral 7 million allowances have been announced. Examination of tenders by the tender committee at a very early stage. Investigated two alternatives after the enactment of the law, either to accelerate procurement procedures through new legislative intervention, or if there is no progress to be canceled competitions not have gone to outsourcing and followed them for the procurement procedures will be defined by the new law. (**new MoU: the action is considered DONE**).	New deadline in current MOU. Draft law being discussed.	Not observed
5.1.3.1	With the help of the Hellenic Competition Commission, the Government will screen the restrictions in the air transport services (including airport services) and water transport (including seaport services) and will prepare a set of measures to promote competition in those sectors and facilitate price flexibility.	**end January 2013**	A note has been sent to Troika. 26/04/2013, the action is considered DONE from Troika		Observed
5.1.3.2	The Government, assisted by the OECD, starts applying the Competition Assessment Toolkit in sectors such as food processing, retail trade, building materials and tourism to identify unnecessary restraints on market activities and develop alternative, less restrictive measures that still achieve government policy objectives.	**December 2012**	26/04/2013, the action is considered DONE from Troika		Observed
5.2.2.1	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**	26/4/2013 The draft of the updated version of M.O.U provides for changes both in action wording as well as of the data which will continue to be submitted on a quarterly basis. Data regarding Q4-2012 have been uploaded on the Ministry's website.	See comments on annex	See comments on annex
5.2.2.2	It also establishes an interservice group between the Ministry of Justice, Transparency and Human Rights, the Ministry of Finance and the Hellenic Statistical Authority to cooperate in the compilation and publication of the data in Section 9.4 of this Memorandum and the establishment and updating of a database with case data for each court. This cooperation takes into consideration current and future e-justice applications.	**November 2012**	15/2/2013 By virtue of the Ministerial Decision with protocol number 6108/22-1-2013, the establishment of the Work Group has been concluded. The relevant decision was sent to Troika.		Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.2.3.1	Following the submission of the work plan for the reduction of the backlog of tax cases in all administrative tribunals and administrative courts of appeal in January 2012 and its first update in July 2012, which provides for the intermediate target for reducing the backlog by at least 80 per cent by end-December 2012 and for the full clearance of the backlog by end-July 2013, the Government,	**End October 2012 and thereafter once a quarter**	22/3/2013 The draft of the updated version of the MOU provides for the elimination of the quantitative target, the complete change of the action wording and the transfer of its completion by the end of June 2013.	statistical data avaliable not sufficient for assesssment	Not Observed.
5.2.3.1.i	presents updated and further refined work plans (ensuring that priority is placed on high value tax cases – i.e., exceeding €1 million)	**End October 2012 and thereafter once a quarter**	22/3/2013 The draft of the updated version of the MOU provides for the elimination of the quantitative target, the complete change of the action wording and the transfer of its completion by the end of June 2013.	Due to abstention of judges from work, this exercise was not completed	Not Observed.
5.2.3.1.ii	takes remedial action in case of anticipated or actual deviations and	**End October 2012 and thereafter once a quarter**	22/3/2013 The draft of the updated version of the MOU provides for the elimination of the quantitative target, the complete change in the action wording and the transfer of its completion by the end of June 2013.		NA
5.2.3.1.iii	publishes reports on progress in backlog reduction	**End October 2012 and thereafter once a quarter**	22/3/2013 The draft of the updated version of the MOU provides for the elimination of the quantitative target, the complete change of the action wording and the transfer of its completion by the end of June 2013.	revised in new MOU with new deadline	Not Observed.
5.2.4.1	The Government presents to the EC/IMF/ECB and publishes the study of the backlog of non-tax cases in courts conducted jointly with an external body of experts.	**December 2012**	22/3/2013 The action is considered by Troika as completed.		Observed
5.2.4.2	By **end-January 2013**, the Government presents to EC/IMF/ECB, based on the above-mentioned study, an action plan with specific measures for a reduction of such backlog of at least 50 per cent by **end-July 2013**.	**End January 2013 / End July 2013**	26/4/2013 The draft of the updated version of the MOU provides for change in the action wording, elimination of the quantitative target and transfer of its completion by the end of June 2013.	The MoJ did not submit an action plan.	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.2.5.1	As publicly announced, the Government adopts a Presidential Decree providing for the rationalisation and reorganisation of the magistrates' courts and the allocation of appropriate human resources and infrastructure for the new structure of magistrates' courts resulting from this reform making the most effective use of the existing resources available within the system.	**October 2012**	15/2/2013 The action has been completed. The MoJ has issued the Presidential Decree with number 110/2012 (A'93) for the reorganization of Magistrates' Courts. By virtue of the above PD, the total number of Magistrates Courts in Greece has been reduced to approx. 50%. This PD is part of a major plan of the MoJ for the acceleration of the administration of Justice, which inter alia, includes the following steps, which have been already taken and all necessary legislation adopted: (a) By virtue of law 4055/2012, certain competences have been transferred from the Court of First Instance to the competence of the Magistrate Courts. Indicatively, a significant number of cases ex parte and furthermore, in certain cases, relevant procedures are concluded by an order of the Magistrate Judge and not following a Courts' decision, which shall contribute to the acceleration of administration of Justice and decongestion of the Courts. (b) Furthermore, recently, 160 magistrates were recruited and whom, following their training have been allocated to all Magistrate Courts in Greece. (c) Finally, by virtue of the Ordinance, published in the Government Gazette no. 237/5-12-2012, certain provision has been adopted, regarding allocation of appropriate human resources from the merging Magistrate Courts to welcoming Magistrates' Courts, in order for the remaining Magistrate Courts to be strengthened and respond to the administration of justice. It is asked to confirm that implementation is set for March 2013.		Observed
5.2.5.1	The Presidential Decree on the reform of the magistrates' courts is implemented.	**March 2013**	7/3/2013 This action has been completed. However, Troika believes that the results of this reform should be communicated. It was proposed to create a report with economic data which would show what was saved from the merging of Magistrates' courts together with a brief note mentioning what this reform achieved under the framework of changes in Greek Justice. Troika asked for data about the percentage of Magistrates' courts cases below 5,000 Euro (small claims).		Observed
5.2.6.1	The Goverment updates, further refines and operationalises every quarter the e-justice work plan of December 2011 and its first update of July 2012 for the use of e-registration and e-tracking of the status of individual cases in all courts covered by the action plan and for e-filing.	**End-December 2012**	19/4/2013 The updated action plan was sent to Troika		Observed.
5.2.6.2	The updates will contain an evaluation to be completed of the e-filing pilot project at the Athens Court of First Instance;	**End March 2013**	19/4/2013 It is ready and has been sent to Troika as part of the updated e-justice action plan.	Under review. Update of the action plan received.	Observed.
5.2.7.1	The Government develops its strategy on the active promotion of pre-trial conciliation, mediation, and arbitration, with a view to ensuring that a significant amount of citizens and businesses make use of these modes of alternative dispute resolution.	**End-October 2012**	15/2/2013 The strategic plan of the MoJ on the active promotion of pre-trial conciliation and mediation has been already forwarded to Troika.		Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
5.2.7.1	In order to implement this strategy, the Government, inter alia, applies to obtain funding under the Operational Programme 'Human Resource Development'.	**End November 2012**	22/3/2013 The draft of the updated M.O.U provides for an update (on a monthly basis) of the list of accredited mediators and their training centres on the website of MoJ.		Observed.
5.2.8.1	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.	**December 2012**	22/3/2013 The draft of the updated version of M.O.U provides for the presentation of an interim assessment by end-July 2013 and of a final one by end-January 2014.	Due to abstention of judges from work, this exercise was not completed	Not Observed.
6.1.1.1	Legislation is passed providing for the details of the ITO-option for the gas TSO.	**End November 2012**	Observed. Latest amendment, Gov Act 19-11-12.		Observed.
6.1.1.2	DESFA applies for certification to RAE.	**December 2012**	It has been submitted on 31/12/2012. Ref No 057890/31-12-2012.		Observed
6.1.1.3	The unbundled gas TSO is certified by the Greek energy regulator.	**March 2013 or prior to the clearance of the privatisation of DEPA, whichever date comes earlier**	DESFA applied for certification to RAE at 31-12-2012. (**New MoU: May 2013**)	RAE reportedly adopted the certification decision on April 30.	Observed. Ongoing.
6.1.2.1	The Government submits a plan for the restructuring of PPC with a view to preparing the company for privatisation and to allowing PPC to be competitive with other firms in a liberalised electricity market. The plan shall specify which parts of PPC should be privatised and within which timeframe. The plan shall also include provisions for the divestment of lignite-fired and hydro electricity generation capacity currently managed by PPC and evaluate the possibility of ownership unbundling of ADMIE.	**November 2012**		Prior action under new MOU	Observed.
6.1.2.2	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**	the MoEnergy complies with the Directives.		Observed. Ongoing.
6.1.3.1.i	issues a Ministerial Decision to adjust end-user prices for low voltage customers, effective as of January 2013;	**December 2012**	The RAE has consulted for the price increase of the electricity bills. An MD has been published (GG B 5/7-1-2013) on determining the amount of PPC expenditure to be recovered for LV customers. The new PPC tariffs are published and they are valid from 1/1/2013.		Observed.

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6.1.3.1.ii	as necessary, it issues a Ministerial Decision effective as of May 2013, to further set low voltage end user prices at cost recovery;	**End March 2013**	There is already preliminary work and is scheduled for adoption by end-April	MD adopted end of April, based on RAE recommendation and PPC data. No change in LV user prices at this time.	Observed
6.1.3.2	In addition, the Government assesses best practices with a view to charging royalties for the use of hydro and lignite.	**March 2013**	It has requested the assistance of RAE, which has dealt with the issue. A relevant report will be delivered. (**New MoU: June 2013**).	Revised in new MOU, new deadline. The Government has presented (**in May**) a report on the effects of an increase of the lignite levy and of the introduction of an hydro levy on electricity production.	Not Observed
6.1.3.3	To evaluate the incumbent electricity company's operating costs the Government submits to the EC/IMF/ECB and publishes a study by a specialist of European standing to compare PPC worker's remuneration with best-practice European electricity companies, by comparable job assignments and productivity per employee. Remuneration and promotion schemes also to be assessed against practices in private Greek companies.	**December 2012**	The study was submitted to the troica at 1/3/2013. EC made the remark that it does not include comparison with private greek companies personnel cost.	presenation made of the report	Observed
6.1.4.1	The Government issues a Ministerial Decision, based on the advice of RAE, on the large-scale replacement of existing systems with smart metering systems and explores assistance from EU structural funds and/or the EIB to conduct this strategic investment.	**End-December 2012**	The cost benefit analysis is completed. A MD was signed. (Δ5/ΗΛ/Α/Φ33/2067/4-2-2013, FEK 297/13-2-2013)	Pilot 160,000 out of about 7 million. MD sets timetable for implementation until 2020.	Observed
6.1.5.1	The Government ensures that from January 2013 onwards, LAGIE publishes monthly data on the evolution of the RES account with projections throughout 2013;	**Monthly from January 2013**	LAGIE published on its website the projections on RES account at 5/3/2013 (February data).	Baseline projections only.	Observed
6.1.5.2	Takes measures to reduce the accumulation of licences issued for renewable energy installations, but not implemented;	**December 2012**	Omnibus law. April 2013.	Prior action under new MOU. Adopted within the Omnibus but some further MD are possibly needed for implementation.	Observed
6.1.5.3	Adjusts the RES levy every six months to eliminate the projected RES account debt by end-December 2013;	**January and July 2013**	It has been adjusted for the first semester		Observed. Ongoing.
6.1.5.4.i	options applicable to the support scheme, including market elements such as forward looking tariff digression and feed-in-premia, combined with a ceiling on the number of licenses, volume of capacity supported or overall subsidies to be provided per technology/tariff category	**December 2012**	The plan for the reform of the renewable energy support schemes was completed and sent . For action 6.1.5.4. iii the methology followed was published (FEK B 10/ 9-1-2013)		Observed. Ongoing.
6.1.5.4.ii	current and expected trends in costs for all relevant technologies	**December 2012**	The plan for the reform of the renewable energy support schemes was completed and sent . For action 6.1.5.4. iii the methology followed was published (FEK B 10/ 9-1-2013)		Observed. Ongoing.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.1.5.4.iii	a sustainable and transparent framework for the regular adjustment of the RES levy	**December 2012**	The plan for the reform of the renewable energy support schemes was completed and sent . For action 6.1.5.4. iii the methology followed was published (FEK B 10/ 9-1-2013)		Observed. Ongoing.
6.1.5.5	Caps temporarily new connections of rooftop PV systems.	**March 2013**		The Government has presented (in May) a detailed report on the status of the rooftop PV systems installed throughout the country, including incentives and rates of return.	Not Observed
6.1.6.1	A detailed plan and roadmap to change the market model is presented to the Commission services, including measures to have effective competition in generation and supply, the development of a power exchange, introducing an intra-day market and implementing market coupling with neighbouring markets.	**End-December 2012**	The Commission has provided its comments. The Government is expected to adopt the plan in June after further consultation with the Commission.	Presentation of a revised draft plan to Commission by **end of May** milestone under the new MoU.	Observed
6.1.6.2	The study also presents a time bound roadmap and estimation of costs of connecting Crete to mainland Greece.	**End-December 2012**			Observed
6.1.7.1.i	the CSE in Greece (should there be one) or to other economic operators within Greece which have surplus stocks or available stockholding capacity, without quantitative restrictions, and / or	**December 2012**	Law adopted by the Parliament at 12-2-2013 (Law 4123/2013, FEK 43A/19-2-2013).		Observed
6.1.7.1.ii	the CSEs of other EU Member States up to a percentage of the stockholdings obligations imposed on them, upon the entry into force of the transposition law, and / or	**December 2012**	Law adopted by the Parliament at 12-2-2013 (Law 4123/2013, FEK 43A/19-2-2013).		Observed
6.1.7.1.iii	economic operators abroad which have surplus stocks or available stockholding capacity up to a percentage of the stockholdings obligations imposed on them, upon the entry into force of the transposition law.	**December 2012**	Law adopted by the Parliament at 12-2-2013 (Law 4123/2013, FEK 43A/19-2-2013).		Observed
6.1.7.1	The percentage of cases (ii) and (iii) is at least 30%.	**December 2012**			Observed
6.2.1.i	amend the frequency and the broadcasting plans, taking into consideration the state of play of international coordination, allocating and authorising the use of the digital dividend to Electronic Communication Services	**December 2012**	Signed JMD, 1. National Relgulation Distribution band (FEK 2845/23-10-2012 B) and 2. Map Frequency Terrestrial Digital Broadcasting TV signal (FEK 2704/5-10-2012 B). We are expecting comments form Troika, if it is OK. 26/04/2013, the action is considered DONE from Troika	Deadline extended in new MOU	Not Observed
6.2.1.ii	adopt necessary secondary legislation for the assignment of licenses for broadcasting and for the establishment of licensing procedures.	**March 2013**	new deadline June 2013	Deadline extended in new MOU	Not Observed

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6.2.1.iii	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.	**December 2012 (*)**	Pending, decision by the EC is expected to come out around 25/12/2012, the deadline will be transferred, as there has been a request for derogation from other countries as well. If the decision is to our favour, the deadline will be extended. new deadline December 2013	Derogation for move to digital requested.	Not Observed
6.2.1.iv	resolve cross-border coordination issues with neighbouring countries. 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**	There has been a request for derogation together with other countries and a response from EU is expected.	OK. No digital divident issues in neighbouring countries.	Observed. Ongoing.
6.2.1.v	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).	**March 2013**	The Authorities will send a note to Troika because this action is affected by a former one (6.2.1.iii, iv). 22/03/2013 a note is sent to Troika new deadline June 2013	Deadline extended in new MOU	Not Observed
6.2.1.vi	launch the tender for the assignment of rights of use for broadcasting transmission.	**March 2013**	A contest will start under the responsibility of EETT and connected to the MD of action 6.2.1.ii new deadline June 2013	Deadline extended in new MOU	Not Observed
6.3.1.1.i	defines a follow up strategy for the effective opening of the sector in line with state aid rules and EU Legislation on awarding contracts of passenger transport services, while ensuring continuity of service provision and identifying concrete options for public transportation in remote areas December 2012	**December 2012**	A final draft of the strategy was forwarded to the Troika on 26-12-2012. On 20-02-2013 MinDev received comments from Troika. 22/03/2013 Troika agreed Troika considers the action DONE		Observed
6.3.1.1.ii	approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators	**March 2013**	Troika approved on 20/02/2013 the provisions and MinDev is preparing the regulations. 05/04/2013, Draft Law sent to Troika on 04/04/2013 new deadline May 2013	Legislation under preparation. New Deadline under revised MOU.	Not Observed
6.3.2.1.i	Launches a consultation procedure to review the legal framework of the domestic ferry industry, with a view to strengthening the growth potential of the tourist sector. Particular attention is given, inter alia, to increasing the flexibility of: (i) manning requirements of vessels outside the minimum routing obligations;	**October-2012**	On the website of Ministry is attached the relevant documentation relating to the consultation (letters Minister - publicized through press releases and posted on the Ministry's website, http://www.hcg.gr/node/3599). Consultation ended in December.		Observed.
6.3.2.1.i	(ii) approving changes in the timetables and vessel size for ferry services.	**October-2012**	On the website of Ministry is attached the relevant documentation relating to the consultation (letters Minister - publicized through press releases and posted on the Ministry's website, http://www.hcg.gr/node/3599). Consultation ended in December.		Observed.
6.3.2.1.ii	Make a concrete amendment of Law 2932/2011 building on this consultation.	**February-2013**	A draft law has been submitted to Parliament, first reading begun in March 27. Voting is expected in April. Translation of main points was provided in English.		Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.3.2.1.iii	Launches the social dialogue, following the Maritime Labour Convention (2006) principles, in order for labour arrangements to respond to the current economic context and future developments.	**October-2012**	On the website of Ministry is attached the relevant documentation relating to the consultation (letters Minister - publicized through press releases and posted on the Ministry's website, http://www.hcg.gr/node/3630. By Early December the consultation is over. Afterwards there will be an evaluation of the proposals and make recommendations for legislation.		Observed.
6.3.2.2	Following the first submitted version of the port national strategy, the Government adopts a five-year port national strategy that ensures connectivity of ports with the overall transport network, specifying concrete projects, deadlines for implementation and a financial plan. The strategy will be coherent with TEN-T priorities and principles, such as the smooth operation of the internal market, the mobility of persons and goods and the economic, social and territorial cohesion of the European Union, the efficient use of the assigned Structural and Cohesion Funds and in line with State aid rules.	**December-2012**	"Port national strategy 2013-2018" is adopted.		Observed.
6.3.2.3	In alignment with 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 and	**February 2013**	At 28/2/2013 HRADF published a press release, describing the two alternative privatisation strategies for ports.		Not Observed
6.3.2.4	The Government revises the legal framework governing port labour relations (to be reflected in the regulatory framework, due in December 2012) and the administrative functioning of ports and sends a draft proposal to the Commission services (see Annex 9.5 for a non-exhaustive list of labour regulations for ports).	**December-2012**	The draft proposal that captures the institutional framework of all port services has been delivered on time.	A note reviewing port services framework was sent to TROIKA and we came back with some questions / comments to the authorities regarding piloting/waste etc. OLP and OLTH are involved but no concrete legislative proposal was received regarding the alignement of their status with the legislative provisions for the other ports.	Not Observed
6.3.2.4	This revision complies with the EU social acquis and provides, among others, for the training and certification of cargo-handling employees, and defines a competitive model for ports and terminal operators. The new legal framework is adopted.	**March-2013**	Necessary revisions already identified (e.g. pilot services in ports) and sent to troika in December 2012, led to amendments, again submitted to Parliament. In regard specifically to cargo-handling employees, this relates also to implementation of Law 4093/2012 on which there is co-operation with the Ministry of Labour for any further legal amendments (JMD's until end March). (New deadline April-2013).	no concrete draft proposal regarding cargo-handling employees has been received; and the authorities did not screen the labour regulations provided in Annex 9.5. revised Deadlines in new MOU	Not Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.3.2.5	The Government examines compatibility with Community legislation and in particular State aid rules and amends as necessary provisions concerning Piraeus Port (OLP) and Thessaloniki Port (OLTH), in particular:	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		Not Observed.
6.3.2.5.i	Law 2688/1999;	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.2.5.i.a	Chapter A, Article Second, paragraph 2;	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.2.5.i.b	Chapter A, Article Third, article 5, paragraph 5;	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.2.5.i.c	Chapter B, Article Seventh, paragraph 2;	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.2.5.i.d	Chapter B, Article Eighth article 5, paragraph 5;	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.2.5.ii	Law 2937/2001: Article 34.	**December-2012**	A letter of commitment of the Greek State concerning OLP and OLTH has been send to the European Committee.		
6.3.3.1	After having submitted the National Airport Policy, the Privatisation Fund (HRADF) launches the appropriate process leading to the privatisation of regional airports.	**March 2013**	At 27/3 HRADF Board approved the launch of the privatisation process of the 2 groups of regional airports		Observed
6.3.3.2	The Government submits legislation for the restructuring of the Hellenic Civil Aviation Authority (HCAA), which strengthens its regulatory role and implements the full separation between Regulation and Management from Operation. The Government ensures improvements in the performance of air traffic management delivery through adherence to the relevant EU Regulation (EU 691/2010).	**December 2012**	FEK A 90/18-4-2013)		Observed
6.3.3.2	Public airports that will not be privatised will be formed under a public body and their management and operation will be totally separated from the HCAA. New legislation is adopted.	**January 2013**	FEK A 90/18-4-2013)		Observed
6.3.4.1	The Government spins-off ROSCO (Maintenance Unit), GAIOSE (Real Estate), transfers the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan.	**November 2012**	The spin-off ROSCO, the spin-off GAIOSE and transfering the leasing of the rolling stock activities from the OSE Group to the State are included in the Cabinet Act 237/A/5-12-2012 and the TRAINOSE business plan was sent to Troika on 13-12-2012 for comments, DG COMP has provided with comments, which will be incorporated in the Business Plan by 14-01-2013. The Business Plan has to be ready in February. New date June 2013		Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.3.4.2	The Government amends the law such that the fee of charges for obtaining a license or a safety certificate does not exceed the average European charge. All operators are awarded safety certificates on the basis of published, simple and transparent rules for the duration of five years.	**December 2012**	The fee for obtaining a license has been amended with a ministerial decision sent to TPOIKA.The fee for obtaining a safety certificate has been amended with PNP FEK 246 / A / 18-12-2012. And we have already sent to TROIKA a copy of the safety certificate of TRAINOSE, the only operator in Greece. Troika confirmed MinDev that they are OK		Observed
6.3.4.3	The rolling stock that is not used / needed by Trainose is transferred to a body that leases it on market conditions, including winners of such tenders.	**December 2012**	It will be included in the Ratification Act. Draft provisions have been sent to Troika on 09/01/2013, FEK 18/A/25-01-2013.		Observed
6.3.4.4	The Government establishes independent award authorities for passenger services by rail that can organize competitive tenders.	**January 2013**	A draft has been sent to Troika and as there are things to be clarified, a conference call will take place on 20/02/2013. 22/03/2013 A new draft was sent to Troika with their comments taken into account. (memo and all related JMD)New date May 2013		Not Observed
6.3.4.4	Contracts concluded in 2014 or later will generally be awarded by means of competitive tender. The National Safety Authority establishes the examination of 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	**March 2013**	22/03/2013 A new draft was sent to Troika with their comments teken into account on 21/03/2013)New date May 2013	A draft proposal was sent to Troika which does meet the provisions in MOU. However, we still expect for full implementation including the registration of the received applications in the register of examiners and publication of the results.	Observed
6.4.1	In addition, the Government applies the same standards for transporting perishable goods to private-use trucks as those applicable to public-used trucks;	**December 2012**	The circular is ready, Troika is ok. The circular is issued.The circular is ready. Troika is OK. ADA B 4331-4EO		Observed.
6.4.2	carries out a proportionality analysis of the restrictions applied on outdoor / ambulant trade for social policy criteria;	**December 2012**	Proportionality analysis is sent to Troika for comments on 13-12-2012. Luis is OK. Additional data was sent to Troika by MinDev for further elaborration. Done		Observed.
6.4.3	completes the revision of Ministerial Decision A2-3391/2009 on market regulations and submits it to the Commission services, in accordance with the notification procedure provided for in Directive 98/34. [October 2012] The revised Ministerial Decision on market regulations is adopted one month after the reply from the Commission services, following the notification process;	**October 2012**	The notification procedure is provided to Troika for comments. A detailed Opinion from the E. C. services was forwarded to the authorities of MinDev (Troika is not involved in this) and MinDev sent their answer. According to the process, MinDev have three months to proceed.	Under review by the Commission following concerns by Member States. This will take at least 3 months	Observed.
6.4.4	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.	**January 2013**	Draft Law sent to Troika on 22/02/2013. 08/03/2013 it was discussed by Troika during the mission. 22/03/2013, Authorities are expecting Troika's comments so as to work on a new draft new date June 2013	Deadline revised in new MOU	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.5.1.1	For professions and economic activities included in Section 9.2.2, the Government prepares draft provisions amending sector specific legislation as per the opinions of the Hellenic Competition Commission. The legislation is adopted by December 2012.	**December 2012**	Omnibus law. April 2013	Selected piece of secondary legislation pending. New deadline in current MOU: May 2013	Not Observed
6.5.1.2	**A report on the implementation of Law 3919/2011 is published on the Government's website, including:**	**December 2012**	20/12/2012 The web site (www.minfin.gr) is being continually updated.		Observed
6.5.1.2.i	the list of all professions/economic activities falling under the scope of that law;	**December 2012**	20/12/2012 The list was published on the web site in March 2012 and is being updated.		Observed
6.5.1.2.ii	the list of all remaining professions/economic activities that have not been treated beforehand. For these, the Government ensures that the regulatory framework is fully in line with chapter A of law 3919/2011 and the opinions (if applicable) of the Hellenic Competition Commission (HCC).	**December 2012**	20/12/2012 The list is ready and available. It is continually being updated.		Observed
6.5.1.3	**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:**	**December 2012**	Provisions are implemented in omnibus law. April 2013	to be completed with Omnibus law	Not Observed
6.5.1.3.i	the annual accounts of the professional association;	**December 2012**	Provisions are implemented in omnibus law.April 2013.		Observed
6.5.1.3.ii	the remuneration of the members of the Governing Board broken down by function;	**December 2012**	Provisions are implemented in omnibus law. April 2013		Observed
6.5.1.3.iii	the amounts of the applicable fees broken down by type and type of service provided by the professional association as well as the rules for their calculation and application;	**December 2012**	Provisions are implemented in omnibus law. April 2013		Observed
6.5.1.3.iv	statistical and aggregate data relating to sanctions imposed, always in accordance with the legislation on personal data protection;	**December 2012**	Provisions are implemented in omnibus law. April 2013		Observed
6.5.1.3.v	statistical and aggregate data relating to claims or complaints submitted by consumers or organisations and the reasons for accepting or rejecting the claim or the complaint, always in accordance with the legislation on personal data protection;	**December 2012**	Provisions are implemented in omnibus law. April 2013		Observed
6.5.1.3.vi	any change in the professional codes of conduct, if available;	**December 2012**	Provisions are implemented in omnibus law. April 2013		Observed
6.5.1.3.vii	the rules regarding incompatibility and any situation characterised by a conflict of interests involving the members of the Governing Boards.	**December 2012**	Provisions are implemented in omnibus law. April 2013	New deadline in current MOU: May 2013	Not Observed
6.5.1.4.i	The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or appearance by a lawyer, which is not linked to a specific 'reference amount'.	**November 2012**	26/4/2013 The draft of the updated version of M.O.U provides for action completion by end-April 2013, while MoJ proposes by end-July 2013.	Deadline revised in new MOU	Not Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.5.1.4.ii	Within the context of the tax reform, it also identifies ways of de-linking taxation from engineers legal fees and from lawyers legal fees / reference amounts. (**December 2012**). This reform becomes operational upon the entry into force of the tax reform in **January 2013**.	**December 2012 / January 2013**	26/4/2013 The draft of the updated version of M.O.U provides for change in action wording and transfer of its completion by end-June 2013. MoJ disagrees with the new wording of the action.	Deadline revised in new MOU	Not Observed.
6.5.1.5.i	The Government updates the study of the regulations of the professions submitted to the Commission services in July 2012, to assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications.	**November 2012**			Observed
6.5.1.5.ii	Draft legislation is sent to Parliament amending unjustified or disproportionate requirements reserving certain activities to providers with specific professional qualifications, starting from the main regulated professions (i.e., lawyers, engineers, accountants, sworn-in valuers, energy / building inspectors, etc.).	**March 2013**	Competent authorities write down the professions and evaluate the requirments reserving the activities based on the relevant study of E.U.	With the exception of the engineeing and other technical professions (for which a new deadline is included in the revised MOU) all is completed.	Not Observed
6.5.2.1	A draft code revising Legislative Decree 3026/1954 is submitted to the Commission services.	**End November 2012**	10/4/2013 Troika's comments on the final draft of the Code were sent to MoJ. They have been forwarded to the Minister of Justice.		Observed
6.5.2.1	A draft code revising Legislative Decree 3026/1954 is adopted by December 2012. The new code should, among others, abolish total bans on commercial communications, repeal age limits to take the Bar examinations, ease the re-entry into the legal profession and clarify the nature of lawyers' fees provided for in current legislation.	**December 2012**	28/3/2013 The draft of the updated version of M.O.U provides for the change in the action wording and the adoption of the new Code by end-June 2013.	New deadline in current MOU: June 2013	Not Observed
6.5.3.2	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
6.5.3.3	adopts legislation to: i) remove the prohibition to recognise the qualifications derived from franchised degrees to access or exercise an economic activity and to ii) 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 degrees.	**November 2012**	i) PNP FEK 229/19-11-2012, article 7 and PNP FEK 237/5-12-2012, article 12. ii) Draft law voted. Awaiting for FEK.		Observed
6.5.4.1	The Government ensures that the Point of Single Contact (PSC) is fully operational in all sectors covered by the Services Directive;	**December 2012**		New deadline in current MOU: June 2013	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
6.5.4.2	The Government ensures that the PSC distinguishes between procedures applicable to service providers established in Greece and those applicable to cross-border providers (in particular for the regulated professions);	**December 2012**	This action is almost comleted. All MDs, JMDs and PDs have a FEK nr. Except for the PD of electrecians, which is ready to be signed. 28/03/2013, This is the answer from the PSC technical point of view: Technically, the PSC clearly distinguishes between the procedures applicable to the cross-border service provision and the ones applicable for the provision with establishment in Greece. However, the requirements for each procedure presented in the PSC are the requirements defined in the respective Ministerial Decisions and the PSC do not have influence on them: For example, if the competent authority requires and has been included in the respective Ministerial Decree the physical presence of the service provider in order to provide a cross-border permission this contradictory requirement is presented in the PSC. Troika considers the action DONE		Observed
6.5.4.3	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.	**December 2012**	This action is almost comleted. All MDs, JMDs and PDs have a FEK nr. Except for the PD of electrecians, which is ready to be signed. Regarding professional qualifications MinDev has to do a few adjustments. 28/03/2013 There is adequate connection between the PSC and other relevant authorities and this is defined in the respective ministerial decrees. The service provider can issue the application for the recognition of the professional qualification online through the PSC. the application for the recognition of professional qualification is transferred from the PSC to the competent authority. The connections between the PSC and the competent authorities can be electronic or physical.	New deadline in current MOU: June 2013	Not Observed.
7.1	The Government meets targets for payment claims and major projects 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	**Q4 2012**	The figure set out by the MoU for 2012 for payment claims was €3,730M. With EU contribution amounts of €3,255.90M plus €41.19M in excess (88.39 % of the target) declared by the end of 2012 we came very close to the annual target, despite the extremely adverse economic environment. The delay in bank recapitalisation, placed significant constrains on liquidity, hampering the operation of contractor firms and hindering private investment activity. If it were not for the shortfall in payment claims observed in the first half of 2012 the target would have been fully achieved. The achievement of the target against all odds in the second half of the year, arising to approx. 102%, reflects the mobilization of all the services involved in the implementation of the NSRF to work in a systematic way in order to accelerate project progress and simplify / facilitate payments to beneficiaries for the entire amount of certified works delivered to date. In relation to major projects, in 2012 18 major project application forms were submitted, surpassing the annual target for 15 submissions.	Target not achieved.	Not Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
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**			Observed.
7.4	The Government continues to monitor on a quarterly basis the implementation of the priority projects, certain of which - 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 - are critical for the development of the country. For priority projects in delay, a method for closer monitoring should be agreed [Q4 2012] in order to allow the adoption of the necessary measures on time. The priority projects should be completed by the end of 2015.	**Agreement for monitoring method Q4-2012 & the priority projects should be completed by the end of 2015**	The close monitoring and follow-up of the implementation of the 181 priority projects continues on a quarterly basis, while for 62 of them, this process is further reinforced utilising project managers via technical assistance or already in place qualified experts. For the priority projects, the quarterly reports include the project progress, the identification of technical, financial, administrative, judicial problems, and suggestions for resolving them. The monitoring of priority projects, as outlined above is the result of cooperation between Greek Authorities and Commission Services. In this respect, Greek authorities requested and obtained the extension of JASPERS to Greece in view of improving the quality of certain major and priority projects in the fields of ICT, Transport and Environment. The proposed JASPERS action plan will be quickly finalized between Greek authorities, as well as REGIO and JASPERS staff.	A closer method was agreed	Observed
7.5	Support to SMEs managed at central and regional level is targeted to directly contribute to the development of the economy and the creation of sustainable employment, in particular for young people. Guidelines are issued for the definition of the conditions of granting state aid and its monitoring.	**Q4 2012**	On December 2012, a new call for proposals for SMEs was announced, to be implemented at central and regional level. The call was designed in such a way as to provide targeted support to productive activities, contributing directly to creating growth and jobs. The Guide as well as the relevant management scheme is in place, while the procurement will be launched by the end of this week, inviting investors to submit their dossiers. We are expecting feedback by DG REGIO.	Guidelines for SMEs issued	Observed
7.6	Legislation is adopted, and immediately implemented, to shorten deadlines and simplify procedures on contract award.	**Q1-2013**			Observed
7.7	The monitoring tool for expropriations is completed and operational and data are made accessible to the public.	**Q1-2013**		Tool is fully operational. Data to be made available in July	Observed

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7.8	Following the simplification initiative launched in May 2010 the Government takes measures to speed up absorption, accelerate payments to beneficiaries and simplify the management and project implementation on the basis of issues raised by the Commission and any other additional issues which may be proposed. In particular, the Government reviews the "sleeping" projects, un-activated delegations and sleeping contracts and informs the Commission on those eliminated [Q4 2012]. Similar exercises are periodically repeated until the expiry of the programming period.	**Q4 2012**	Concerning simplification of NSRF procedures, a Report has been elaborated under the guidance of the relevant project manager appointed by the Minister, taking into account the so far cooperation between REGIO, EMPL, TFGR and Greek services. The Report includes a bunch of 10 areas of interventions, as a first phase, aiming at simplifying procedures in order to achieve acceleration of implementation. These interventions refer to a series of measures, most of them having already been implemented in the meantime via legislative acts. They concern mainly measures aiming at shortening the time required for expropriations, reducing opportunities for abusive court appeals, and decentralising financial management in the public investment budget. As far as "sleeping projects" are concerned, the elimination of a number of 630 projects is ongoing and will be completed by January 21st, 2013, while this process will be regularly repeated until the end of the programming period. The examination of sleeping contracts is also an ongoing process.		Observed
7.9	The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund [Q2 2013]. The Government establishes an efficient inter-service consultation procedure supported by an electronic system. For this, an integrated project will be set up and implemented with the exploitation of the existing infrastructure [Q1 2013	**Q2-2013 & Q1-2013 respectively**		An integrated project for the co financed projects is set up	Observed
8.1.1	The Government, as stated in the aforementioned "Commitment on Confidence", further commits to decouple the budget of ELSTAT from that of the Ministry of Finance in line with the existing procedures and involving the Hellenic Parliament and the Court of Audit. From January 1st 2013 onwards, ELSTAT as a legal entity under Greek public law will get budgetary execution autonomy in accordance with the relevant legal framework, in particular Law 4072/2012, article 323. The Authorities commit to complete all actions needed to establish budgetary execution autonomy to ELSTAT in line with Law 4072/2012, article 323, by end-November 2012.	**November 2012**	26/2/2013 From 1/1/2013 the MoF is no longer the spending officer of ELSTAT but its President. Also, with the ratification law of the PNP 228/18-11-2012 its economic independence is achieved with the exception of ELSTAT from Article 25 of law 2362/95. All the required actions have been done. From January 1st , 2013 nothing else is required to be financially independent.		Observed
8.1.1.i	To achieve this, the Government amends the Law 3832/2010 regarding the nonapplicability to ELSTAT of the provisions of article 25 of Law 2362/1995 and, more broadly, of any other provision the implementation of which is not consistent with the independence of ELSTAT.	**November 2012**	26/2/2013 From 1/1/2013 the MoF is no longer the spending officer of ELSTAT but its President. Also, with the ratification law of the PNP 228/18-11-2012 its economic independence is achieved with the exception of ELSTAT from Article 25 of law 2362/95. All the required actions have been done. From January 1st , 2013 nothing else is required to be financially independent.		Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
9.2.2.1	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.	**December 2012**	Provisions are implemented in omnibus law. April 2013	to be completed with Omnibus law	Observed
9.2.2.2	Dealers in antiques and more recent artifacts and restorers of fine art and antiquities: Cfr. HCC Opinion no. 18/VI/2012.	**December 2012**	Provisions are implemented in omnibus law. April 2013	Omnibus provision adopted (paragraph E7), Circular pending; New deadline in current MOU: May 2013	Not observed
9.2.2.3	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.	**December 2012**	Provisions are implemented in omnibus law April 2013	to be completed with Omnibus law	Observed
9.2.2.4	**Professions / economic activities under the Ministry of Health and Social Solidarity**, Directorate-General for Welfare: i) Care units for old people; ii) Day care centres for old people; iii) Creative activity centres for children; iv) Creative activity centres for children with disabilities; v) Nurseries and kindergartens; vi) Private childrens' camps; vii) Child welfare institutes: Cfr. HCC Opinion no. 25/VII/2012.	**December 2012**	Provisions are implemented in omnibus law. Rehabilitation centers: P.D. is sent to Council of State. Day care centers for old people: MD Δ27/οικ.9746/409/4.4.2013 (FEK 914/15.4.2013). Creative activity centers for children: MD to be published. Elderly: MD Δ27/οικ7603/329/15.3.2013 (FEK 745/B/1.4.2013). Creativity centers for the disabled: MD on Δ29α/ΦΘΕΣΜ/ΓΠΟΙΚ/10800/526/11.4.13 to be published.	New deadline in current MOU: May 2013	Not Observed
9.2.2.4	Private camps (children).	**December 2012**	e-mail 15.03.2013 by the Head of Directorate stating that there is no restrictions in establishing and operating private camps.	to be completed with Omnibus law	Observed
9.2.2.4	Rehabilitation Centers.	**December 2012**	Draft P.D. is sent to Counsil of State.	New deadline in current MOU: May 2013	Not Observed
9.2.2.4	Centers for Disabled.	**December 2012**	Creativity centers for the disabled: MD Δ29α/ΦΘΕΣΜ/ΓΠΟΙΚ/10800/526/11.4.13 will be published.	to be completed with Omnibus law	Observed
9.2.2.4	Elderly Centers.	**December 2012**	MD Δ27/οικ7603/329/15.3.2013 (FEK 745/B/1.4.2013).	to be completed with Omnibus law	Observed
9.2.2.4	Infants Centers.	**December 2012**	e-mail 15.03.2013 by the Head of Directorate stating that there is no restrictions in establishing and operating private camps.	to be completed with Omnibus law	Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
9.2.2.4	Children welfare.	**December 2012**	Nothing to be done	to be completed with Omnibus law	Observed
9.2.2.5	Petrol sellers, shotfirers, blasters and natural gas sales. Cfr. HCC Opinion no 26/VII/2012.	**December 2012**	omnibus law	to be completed with Omnibus law	Observed
9.2.2.5	Foresters	**December 2012**	Omnibus law. Circular to follow.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Geologists	**December 2012**	Omnibus law. Circular to follow.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Ichthyologists	**December 2012**	Omnibus law. Circular to follow.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Sales of plant-protecting products	**December 2012**	Parties are exchanging commnets on draft p.d.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Trade in type A propagation materials (imports / experts, wholesale / retail sale, packaging)	**December 2012**	MD will be drafted	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Trade in type B propagation materials (resale / retail sale)	**December 2012**	MD will be drafted	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Seed production business	**December 2012**	MD will be drafted	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Operation of type A plant nursery (general, apart from propagation material for garden, decorative plants and flowers)	**December 2012**	MD will be drafted.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Trade in type A fertilizers (to end user)	**December 2012**	Omnibus law. MD will follow.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Trade in type B fertilizers (import - production)	**December 2012**	Omnibus law. MD will follow.	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Veterinarians	**December 2012**	Omnibus law. Circular:ΑΔΑ: ΒΕΑ8Β-Π4Ζ	to be completed with Omnibus law	Observed
9.2.2.5	Butchers and slaughterhouse staff	**December 2012**	omnibus law	to be completed with Omnibus law	Observed
9.2.2.5	Oenologist and oenology labs	**December 2012**	PD under preparation	New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Accountants	**December 2012**		to be completed with Omnibus law	Observed
9.2.2.5	Private education establishments	**December 2012**		JMD on fees to be published	Observed
9.2.2.5	Tourist guides	**December 2012**		to be completed with Omnibus law	Observed
9.2.2.5	Actuaries	**December 2012**		MDs pending; New deadline in current MOU: May 2013	Not Observed
9.2.2.5	Stevedores (land and ports)	**December 2012**		MDs pending; New deadline in current MOU:	Not Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
				May 2013	
9.2.2.5	Sworn-in valuers	**December 2012**		MDs pending; New deadline in current MOU: May 2013	Not Observed
9.3.1	The Taskforce on the review of the Code of Civil Procedure ("the Taskforce") prepares a briefing paper for its foreign expert members appointed by other EU Member States to assist its work. The objective of the briefing paper is to enable these foreign expert members to fully participate in its work, including developing alternative legal solutions to the identified reform needs based on cross-country experience in other Member States.	**End-October 2012**	22/3/2013 The part of the action that began in October 2012 is not considered complete by the Troika. In the preliminary draft of the updated version of the MOU a change in the action wording and presentation of the initial draft of the Code by the Task Force by end-April 2013, is provided for.	Only one briefing paper received	Not Observed.
9.3.2	The Taskforce also provides monthly updates by the end of each month on progress towards preparation by end-March 2013 of a detailed paper outlining the main proposals for amendments to the Code of Civil Procedure in line with the objectives defined in previous versions of this Memorandum. The detailed paper is presented to the EC/IMF/ECB shortly after its completion.	**Starting from October 2012**	22/3/2013 The part of the action that began in October 2012 is not considered complete by the Troika. In the preliminary draft of the updated version of the MOU a change in the action wording and presentation of the initial draft of the Code by the Task Force by end-April 2013, is provided for.	no monthly report ever received	Not Observed.
9.3.3	The Taskforce prepares a detailed paper outlining the main proposals for amendments to the Code of Civil Procedure in line with the objectives set out in previous versions of this Memorandum.	**end March 2013**	22/3/2013 The preliminary draft of the updated version of the MOU provides for a change in the action wording and presentation of the revised draft of the Code by the Task Force by end-October 2013; as to the final draft by end-Mach 2014.	revised in new MOU	Not Observed
9.4.a.i	the number of judges and administrative staff, with a breakdown for judges working in tax chambers or dealing primarily with tax cases;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.a.ii	the number of all cases;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.a.iii	the number of cases carried over from 2011;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.a.iv	the number of cases filed in the first two quarters of 2012;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.a.v	the number of tax cases, with a breakdown according to case value (up to EUR 150 000, between EUR 150 001 to EUR 300,000 and above EUR 300 000);	**End-October 2012**	26/4/2013 As point 5.2.2.1	The MoJ provided the number of tax cases, but no breakdown by value.	Not Observed.
9.4.a.vi	the number of tax cases carried over from 2011;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.a.vii	the number of tax cases filed in the first two quarters of 2012;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
9.4.a.viii	the recovery rate for all tax cases, which for the purposes of the MoU, shall mean the ratio of the amount collected by the creditor in enforcement proceedings - following the issuance of an enforceable title - to the amount adjudicated by the court.	**End-October 2012**	26/4/2013 As point 5.2.2.1	revised in new MOU	Not Observed.
9.4.b.i	the number of judges and administrative staff;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.b.ii	the number of all cases;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.b.iii	the number of cases carried over from 2011;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.b.iv	the number of cases filed in the first two quarters of 2012;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.b.v	the number of dormant cases on 30 June 2012, i.e. cases brought before the civil courts in which the relevant court's file records that they have been postponed or never received a hearing date and no party activity for receiving a hearing date has taken place for at least 18 months.	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.c	at the first instance, court of appeal level and the supreme civil court:	**End-October 2012**	26/4/2013 As point 5.2.2.1		Observed
9.4.c.i	the number of all corporate insolvency cases;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.c.ii	the number of corporate insolvency cases carried over from 2011;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.c.iii	the number of corporate insolvency cases filed in the first two quarters of 2012	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.c.iv	the average duration of corporate insolvency cases;	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.c.v	a break-down of insolvency cases by sector (e.g., agriculture, construction, manufacturing, and services).	**End-October 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.d	quarterly updates of the information in (a) to (c) above relating to the previous quarter;	**End-December 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.d.i	the number of corporate insolvency cases filed in the first two quarters of 2012;	**End-December 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.d.ii	the average duration of corporate insolvency cases;	**End-December 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.d.iii	the recovery rate for all corporate insolvency cases, which for the purposes of the MoU, shall mean the ratio of the amount collected by all creditors in reorganisation, debt enforcement or liquidation proceedings to the total amount owed by the company;	**End-December 2012**	26/4/2013 As point 5.2.2.1		Not Observed.
9.4.d.iv	a break-down of insolvency cases by sector (e.g., agriculture, construction, manufacturing, and services).	**End-December 2012**	26/4/2013 As point 5.2.2.1		Not Observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
Annex 9.1	Public Gas (DESFA) State aid clearance.	**January 2013**	EC Comments are expected.	State Aid issues	Not observed
Annex 9.1	Football Prognostics Organization (OPAP). VLT regulation issuance and notification to EU. Law on new tax provisions for state aid clearance.	**December 2012**	Consultation for VLT regulation is completed. After incorporating the comments, Gaming Commission sent the regulation to the EU at 11-1-2013 and has been published for consultation (Notif.number 2013/24/GR) / Tax provisions for OPAP are included in the Omnibus Law (L.4093/2012)		Observed
Annex 9.1	Horserace Betting Organization (ODIE) Pending state aid clearance , adopt legislation for the granting of the new license and the subsequent liquidation of the company (January 2013).	**January 2013**	New provisions are included in the recent ratification law (N.4111 art.13, par.7, FEK 18/25-1-2013).		Observed
Annex 9.1	Hellenic Post (ELTA). Ministerial decisions for: (i) the determination of the content of universal service, (ii) the compensation mechanism for USP drafted and prenotified to DGComp.	**-**	In consultation with DG Comp and Ministry of Development	State Aid issues	Not Observed
Annex 9.1	Hellenic Vehicle Industry (ELVO). Transaction structure to be determined and agreed.	**February 2013**	Transaction structure is expected to be determined in May.	Authorities to submit informations	Not Observed
Annex 9.1	Thessaloniki Water (EYATH) Establish regulatory framework (December 2012).	**December 2012**	The relevant law provisions were adopted by Parliament at 24/1/2013 (FEK A29/5-2-2013). The JMD for the establishment of the regulatory framework was signed and published (FEK 679/22-3-2013).		Observed
Annex 9.1	Mining and Metallurgical Company (LARCO). Law for establishing a new company.	**January 2013**	It is not expected to be completed before May 2013. HRADF has sent draft law amendments to YPEKA to be legally processed. Pending issues with DGComp.	State Aid issues	Not Observed
Annex 9.1	Hellenic Defense Systems (EAS) Identify EAS assets for privatisation.	**December 2012**	The identification of the assets will be made by the appointed advisors (DEAA 230/FEK 663/21-3-2013). This action is expected to be completed in Q2 2013.	State Aid issues	Not observed
Annex 9.1	Athens Water (EYDAP) Establish regulatory framework (December 2012).	**December 2012**	The relevant law provisions were adopted by Parliament at 24/1/2013 (FEK A29/5-2-2013). The JMD for the establishment of the regulatory framework was signed and published (FEK 679/22-3-2013).		Observed
Annex 9.1	Athens Airport (AIA) Re-approach Hochtief Airports.	**December 2012**	Discussion restarted.		Observed
Annex 9.1	Railways (Trainose) Remaining problems in Trainose will be resolved (February 2013). Trainose will then be transferred to the HRADF (March 2013).	**February 2013 / March 2013**	At 29/3/2012 the JMD for the transfer of TRAINOSE was signed (FEK ΦΕΚ Β 803/5-4-2013)		Observed
Annex 9.1	Public Power Corporation (PPC) MoEnergy issues the Energy Policy Objectives and a restructuring plan is fully identified.	**December 2012**	A draft plan (not yet final) for PPC restructuring is being prepared and was submitted to the troica. The plan is under discussion among government parties and a relevant announcement by the Government is pending	An action plan for the restructuring and privitisation of PPC is a prior action for this disbursement	Not observed.

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
Annex 9.1	Casino Mont Parnes Pending legal action for the recovery of the state aid taken by the Ministry of Tourism.	**December 2012**	Pending. (new MoU - April 2013)	State Aid issues	Not observed.
Annex 9.1	Horserace Betting Organization (ODIE) - Launch of tender.	**Q1-2013**	At 1/3/2013 HRADF published an invitation to submit an expression of interest for ODIE		Observed
Annex 9.1	Hellenic Post (ELTA) - Launch of tender.	**Q1-2013**	The tender process is expected to be launched in Q2 2013	State Aid issues	Not Observed
Annex 9.1	Hellenic Vehicle Industry (ELVO) - Launch of tender.	**Q1-2013**	The tender process is expected to be launched in Q2 2013	Authorities to provide informations	Not Observed
Annex 9.1	Thessaloniki Water (EYATH) - Launch of tender.	**Q1-2013**	At 21/2/2013 HRADF published an invitation to submit an expression of interest for the acquisition of 51% of EYATH.		Observed
Annex 9.1	Mining and Metallurgical Company (LARCO) - Launch of tender.	**Q1-2013**	The tender process is expected to be launched in Q2 2013	State Aid issues	Not Observed
Annex 9.1	Hellenic Defence Systems (EAS) - Launch of tender.	**Q1-2013**	The tender process is expected to be launched in Q3 2013	State Aid issues	Not Observed
Annex 9.1	State Lottery Binding offers. Submission to Court of Auditors.	**December 2012**	Binding offers submitted. Submission to Court of Auditors at 11/1/2013.		Observed
Annex 9.1	Hellenic Motorways. Negotiations for the restart of projects currently in progress; ratification of reset agreement by Parliament, subject to finalisation of negotiations.	**January 2013**	Negotiations with the banks are conducted and agreement is expected to be reached soon, so as the new concessions contracts to be signed and ratified by Parliament	State Aid issues	Not Observed
Annex 9.1	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, b) decision on tolling policy/toll collection system, c) treatment of Piraeus loan granted to Egnatia Odos SA, and d) reset of the 4 Motorway concession projects.	**Q1-2013**	The tender process is expected to be launched in Q2 2013	State Aid issues	Not Observed
Annex 9.1	Small ports and marinas. Resolve issues related to urban zoning.	**December 2012**	Pending JMD for the Spacial Plan of Tourism (YPEKA & MoTourism) Strategic Environmental Assessment was submitted and consultation with stakeholders will follow (for 40-45 days, starting ASAP, probably next week). JMD is expected to be signed in May.		Observed
Annex 9.1	Thessaloniki Port (OLTH). State aid clearance (March 2013). Establish regulatory framework (April 2013).	**March-2013 / April-2013**	State aid issues settled (Omnibus Par.D2) Regulatory framework established, law was passed by Parliament at 23/4/2013. FEK pending. Actions completed	Omnibus law and Maritime law	Observed
Annex 9.1	Piraeus Port (OLP) State aid clearance (March 2013). Establish regulatory framework (April 2013).	**March-2013 / April-2013**	State aid issues settled (Omnibus Par.D2) Regulatory framework established, law was passed by Parliament at 23/4/2013. FEK pending. Actions completed	Omnibus law and Maritime law	Observed
Annex 9.1	Large regional ports. State aid clearance (March 2013). Establish regulatory framework (April 2013).	**March-2013 / April-2013**	State aid issues settled (Omnibus Par.D2) Regulatory framework established, law was passed by Parliament at 23/4/2013. FEK pending. Actions completed	Omnibus law and Maritime law	Observed

Par / Page	Action	Deadline MoU	Comments by the Greek Authorities	EU/IMF/ECB Comments	Status
Annex 9.1	South Kavala Gas Storage. Decision on the best exploitation option.	**December 2012**	Problems that arose with the existing Prinos agreement were resolved, new contract was signed and was ratified by Parliament (5/3/2013). HRADF and YPEKA decided on the exploitation strategy (concession option).		Observed
Annex 9.1	Digital Dividend. Adopt necessary secondary legislation for the assignment of licenses for broadcasting and for the establishment of licensing procedures.	**March 2013**	Secondary legislation is expected to be adopted by June		Not Observed
Annex 9.1	Small ports and marinas - Launch of tender	**Q1-2013**	At 3/4/2013 HRADF published the invitation to submit an expression of interest for the first group of marinas (Alimos, Epidavros, Hydra, Poros)		Observed
Annex 9.1	Regional airports - Launch of tender	**Q1-2013**	At 1/4/2013 HRADF published the invitations to submit an expression of interest for 2 groups of regional airports		Observed
Annex 9.1	Hellenikon 1 Transfer of Hellinikon SA ownership to HRADF (Pending decision: December 2012). Launch Phase B of tender process (December 2012).	**December 2012**	JMD for the transfer is signed (FEK B 136/29-1-2013) Phase B launched (invitation to submit binding offers).		Observed
Annex 9.1	IBC. Get approval from Court of Audit.	**December 2012**	Approval was given by Court of Audit in order to sign the contract (Decision Number 8/2013).		Observed
Annex 9.1	IBC. Issue PD for ESCHADA (January 2013).	**January 2013**	PD was signed by Ministers and was submitted to the Council of State for approval.		Not Observed
Annex 9.1	Cassiopi Declassification of Naval outpost.	**December 2012**	MoU was signed between the Navy & HRADF regarding the declassification of Kassiopi.		Observed
Annex 9.1	Astir Vouliagmenis Negotiations ongoing with NBG. ESCHADA (Zoning and land permit) to be submitted (January 2013). Process led by NBG.	**January 2013**	It was decided to have only one ESCHADA, along with the NBG that owns the largest part of the estate. As a result the enactment of new law provisions is required. Therefore, the completion of this action requires more time.		Not Observed
Annex 9.1	Real Estate lot 2. 40 properties to be identified (December 2012).	**December 2012**	Properties have been identified (list available).		Observed
Annex 9.1	Astir Vouliagmanis - Launch of tender.	**Q1-2013**	At 16/1/2013 NBG along with HRADF published an invitation for submission of interest.		Observed
Annex 9.1	Real estate lot 2 - Launch of tender.	**Q1-2013**	Publications of expression of interests: 4/2/2013 Paliouri Chalkidiki, 5/2/2013 5 properties located along Attiki Odos, 5/3/2013 Agios Ioannis Sithonia Chalkidiki	partially completed; some are pending for tender	Not Observed

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	14.9
3a. - of which, construction	-21.1	-23.1	-6.2	5.4	10.3	12.2
3b. - of which, equipment	-17.8	-17.6	-4.5	8.9	13.2	17.5
4. Final domestic demand	**-8.1**	**-9.3**	**-7.4**	**-1.6**	**2.0**	**4.1**
5. Change in inventories + net acquisition of valuables						
6. Domestic demand	**-7.1**	**-9.7**	**-7.8**	**-1.6**	**2.0**	**4.1**
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	2.8	4.3
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**	**4.8**
11. Gross national income	**-6.2**	**-3.8**	**-6.4**	**-0.5**	**3.0**	**4.6**
12. Compensation of employees	-9.0	-12.7	-10.3	-1.3	1.9	4.7
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**	**3.5**	**4.7**
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**	**4.8**

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	0.4
3a. - of which, construction	-0.1	-0.6	-1.2	-1.5	0.2	0.4
3b. - of which, equipment	0.4	-0.4	-1.1	-1.0	0.2	0.4
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**	**0.8**
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**	**0.6**	**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
4a. - of which, private sector per head	-6.2	-6.5	-7.4	-0.7	0.8	2.7
4b. - of which, general government per head	3.3	-1.3	-5.8	-1.5	0.4	1.2
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	1.9	3.2
9a(ii). - of which, self-employed	-5.3	-7.3	-3.5	1.4	3.9	5.5
9b(i). - of which, private sector	-4.6	-9.1	-3.2	1.6	3.9	5.4
9b(ii). - of which, general government	-9.9	-5.1	-4.8	-3.7	-3.2	-3.0
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	2010	2011	2012	2013	2014	2015	2016
1. Private consumption expenditure	163.1	155.6	142.8	131.9	129.2	131.4	135.7
2. Government consumption expenditure	40.7	36.2	34.4	31.6	29.5	28.0	27.1
3. Gross fixed capital formation	39.2	31.6	25.5	24.2	25.9	28.9	33.2
4. Final domestic demand (1+2+3)	**243.0**	**223.4**	**202.6**	**187.6**	**184.6**	**188.3**	**196.1**
5. Change in inventories + net acquisition of valuables	-0.2	2.0	0.9	0.0	0.0	0.0	0.0
6. Domestic demand (4+5)	**242.8**	**225.4**	**203.5**	**187.6**	**184.6**	**188.3**	**196.1**
7. Exports of goods and services	49.4	52.2	52.3	53.6	55.8	58.9	61.9
7a. - of which, goods	23.3	26.3	27.8	28.4	29.5	31.0	32.4
7b. - of which, services	26.1	26.0	24.5	25.2	26.3	27.9	29.5
8. Final demand (6+7)	**292.2**	**277.7**	**255.8**	**241.2**	**240.4**	**247.2**	**258.0**
9. Imports of goods and services	70.0	69.1	62.1	57.7	56.4	57.0	58.6
9a. - of which goods	55.1	55.5	49.6	46.0	44.9	45.4	46.6
9b. - of which, services	14.9	13.6	12.5	11.7	11.5	11.6	11.9
10. Gross domestic product at market prices (8-9)	**222.2**	**208.5**	**193.7**	**183.5**	**184.0**	**190.2**	**199.4**
10a. - of which, external balance of goods and services	-20.6	-16.9	-9.7	-4.1	-0.6	1.9	3.3
11. Gross national income at market prices (10+11a)	**215.9**	**202.5**	**194.7**	**182.2**	**181.4**	**186.9**	**195.5**
11a. Balance of primary income with rest of the world	-6.2	-6.0	1.0	-1.3	-2.6	-3.3	-3.9
12. Compensation of employees	80.5	73.3	64.0	57.4	56.7	57.7	60.5
13. Gross operating surplus and mixed income	117.5	112.2	109.0	106.1	107.5	112.1	117.2
14. Gross value added at basic prices	**195.2**	**183.1**	**170.5**	**161.3**	**161.9**	**167.7**	**175.6**
14a. - of which, labour costs, including self-employed	122.2	111.4	97.8	87.8	87.0	89.3	94.2
15. Taxes net of subsidies (15a-15b)	26.93	25.39	23.2	22.2	22.0	22.5	23.8
15a. - taxes on products	27.4	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	0.4
16. Gross domestic product at market prices (14+15)	**222.2**	**208.5**	**193.7**	**183.5**	**184.0**	**190.2**	**199.4**

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

levels	2010	2011	2012	2013	2014	2015	2016
1. Gross value added at 1995 basic prices	171.5	160.2	150.3	144.0	144.9	149.1	154.6
2. Employment ('000)	4711.7	4446.8	4076.2	3933.5	3957.1	4060.0	4222.4
3. GVA per occupied person (1:2)	36.4	36.0	36.9	36.6	36.6	36.7	36.6
4. Compensation of employees (per employee)	25.9	25.1	24.0	22.3	22.0	22.0	22.3
4a. - of which, private sector per head	23.9	22.4	21.0	19.4	19.3	19.4	19.9
4b. - of which, general government per head	30.9	31.9	31.5	29.7	29.2	29.3	29.7
5. Unit labour costs (4:3) (1995=100)	71.2	69.5	65.1	61.0	60.1	59.9	61.0
6. Total population	11307.6	11300.0	11290.1	11290.1	11290.1	11290.1	11290.1
7. Population of working age (15-64 years)	7522.4	7474.6	7414.8	7392.6	7377.8	7370.4	7363.1
8. Total labour force	5340.4	5323.7	5280.0	5281.8	5242.0	5240.8	5243.8
8a. -calculated activity rate (%) (8:7)	*71.0*	*71.2*	*71.2*	*71.4*	*71.1*	*71.1*	*71.2*
9. Total employment	**4711.7**	**4446.8**	**4076.2**	**3933.5**	**3957.1**	**4060.0**	**4222.4**
9a(i). - of which, employees	*3103.6*	*2924.6*	*2664.8*	*2571.5*	*2576.6*	*2625.6*	*2709.6*
9a(ii). - of which, self-employed	*1608.1*	*1522.2*	*1411.4*	*1362.0*	*1380.5*	*1434.4*	*1512.8*
9b(i). - of which, private sector	3813.0	3637.0	3307.5	3201.8	3252.7	3378.1	3560.8
9b(ii). - of which, general government	*898.7*	*809.7*	*768.6*	*731.7*	*704.4*	*681.9*	*661.6*
9c. Calculated employment rate (9:7)	*62.6*	*59.5*	*55.0*	*53.2*	*53.6*	*55.1*	*57.3*
10. Unemployment	**628.7**	**876.9**	**1203.8**	**1348.3**	**1284.9**	**1180.8**	**1021.4**
10a. Calculated unemployment rate (%) (10:8)	*11.8*	*16.5*	*22.8*	*25.5*	*24.5*	*22.5*	*19.5*

Table B3: EXTERNAL BALANCE

levels	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
1. Exports of goods (fob)	23.3	26.3	27.8	28.4	29.5	31.0	32.4
2. Imports of goods (fob)	55.1	55.5	49.6	46.0	44.9	45.4	46.6
3. Trade balance (goods, fob/fob) (1-2)	**-31.8**	**-29.3**	**-21.8**	**-17.6**	**-15.5**	**-14.4**	**-14.2**
3a. p.m. (3) as % of GDP	*-14.3*	*-14.0*	*-11.3*	*-9.6*	*-8.4*	*-7.6*	*-7.1*
4. Exports of services (a)	26.1	26.0	24.5	25.2	26.3	27.9	29.5
5. Imports of services (a)	14.9	13.6	12.5	11.7	11.5	11.6	11.9
6. Services balance (a) (4-5)	**11.2**	**12.4**	**12.1**	**13.4**	**14.8**	**16.3**	**17.5**
6a. p.m. 6 as % of GDP	*5.0*	*5.9*	*6.2*	*7.3*	*8.1*	*8.6*	*8.8*
7. External balance of goods & services (3+6)	**-20.6**	**-16.9**	**-9.7**	**-4.1**	**-0.6**	**1.9**	**3.3**
7a. p.m. 7 as % of GDP	*-9.3*	*-8.1*	*-5.0*	*-2.2*	*-0.3*	*1.0*	*1.6*
8. Balance of primary incomes and current Transfers	-7.8	-7.6	-0.6	-1.0	-2.5	-3.7	-4.7
8a. - of which, balance of primary income	*-6.2*	*-6.0*	*1.0*	*-1.3*	*-2.6*	*-3.3*	*-3.9*
8b. - of which, net current Transfers	*-1.6*	*-1.6*	*-1.5*	*0.3*	*0.1*	*-0.4*	*-0.8*
8c. p.m. 8 as % of GDP	*-3.5*	*-3.7*	*-0.3*	*-0.5*	*-1.4*	*-1.9*	*-2.4*
9. Current external balance (7+8)	**-28.4**	**-24.5**	**-10.3**	**-5.1**	**-3.1**	**-1.8**	**-1.4**
9a. p.m. 9 as % of GDP	*-12.8*	*-11.7*	*-5.3*	*-2.8*	*-1.7*	*-1.0*	*-0.7*
10. Net capital transactions	3.9	4.1	4.6	3.2	3.2	3.3	3.4
11. Net lending (+)/ net borrowing (-) (9+10)	**-24.5**	**-20.4**	**-5.7**	**-1.9**	**0.1**	**1.5**	**2.0**
11a. p.m. 11 as % of GDP	*-11.0*	*-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**	**80.1**	**80.48**	**81.0**	**84.0**
Indirect taxes	26.6	24.3	23.3	23.1	23.4	24.7
Direct taxes	18.0	19.0	17.8	19.1	19.4	20.0
Social contributions	27.4	26.5	25.1	25.2	25.6	26.9
Sales	5.6	5.8	4.9	4.8	4.9	5.0
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**	**87.7**	**86.47**	**88.4**	**89.7**
Intermediate consumption	9.8	9.5	9.0	8.0	7.9	7.9
Compensation of employees	25.9	24.2	21.7	20.6	20.4	20.1
Social transfers other than in kind	47.5	44.4	39.5	38.9	39.6	40.2
Interest	14.9	9.7	7.5	8.7	9.8	10.5
Subsidies	1.0	1.0	0.7	0.7	0.6	0.6
Other current expenditure	2.6	2.3	2.0	1.9	2.2	2.3
Gross fixed capital formation	3.6	3.5	4.0	4.2	4.4	4.4
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*	*3.2*	*4.2*
Primary balance	**-4.7**	**-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**	**43.7**	**43.7**	**42.6**	**42.1**
Indirect taxes	12.8	12.6	12.7	12.6	12.3	12.4
Direct taxes	8.6	9.8	9.7	10.4	10.2	10.0
Social contributions	13.2	13.7	13.7	13.7	13.5	13.5
Sales	2.7	3.0	2.7	2.6	2.6	2.5
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**	**47.8**	**47.0**	**46.4**	**45.0**
Intermediate consumption	4.7	4.9	4.9	4.4	4.2	4.0
Compensation of employees	12.4	12.5	11.8	11.2	10.7	10.1
Social transfers other than in kind	22.8	22.9	21.5	21.1	20.8	20.2
Interest	7.1	5.0	4.1	4.8	5.1	5.3
Subsidies	0.5	0.5	0.4	0.4	0.3	0.3
Other current expenditure	1.2	1.2	1.1	1.1	1.1	1.1
Gross fixed capital formation	1.7	1.8	2.2	2.3	2.3	2.2
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*	*1.7*	*2.1*
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**	**321.5**	**322.1**	**323.0**	**320.8**
Change in debt	26.6	-51.3	17.6	0.6	1.0	-2.2
Government deficit (+ is a deficit) 1/	**19.6**	**12.3**	**7.5**	**6.0**	**4.1**	**1.6**
Stock-flow adjustment	**7.0**	**-63.5**	**10.1**	**-5.4**	**-3.1**	**-3.8**
			% GDP			
Debt	**170.3**	**156.9**	**175.2**	**175.0**	**169.8**	**160.9**
Change in the ratio	22.4	-13.5	18.3	-0.1	-5.2	-8.9
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**	**-2.5**
Stock-flow adjustment	**3.4**	**-32.8**	**5.5**	**-2.9**	**-1.6**	**-1.9**

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

HELLENIC REPUBLIC – LETTER OF INTENT

Athens, 10 May 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 Economic and Financial Policies (MEFP) and Memorandum of Understanding on Economic Policy Conditionality (MoU) from 9 March and 7 December, 2012, we describe progress and policy steps towards meeting the objectives of the economic adjustment programme of the Greek government.

Economic sentiment in Greece has improved since the review in December 2012, although significant challenges remain. The government believes that steadfast program implementation would further strengthen market confidence, and help secure an early return to growth and employment.

The programme is back on track, as evidenced by the fact that we met all end-March 2013 quantitative performance criteria, although one indicative target was missed. We have stepped up program implementation, adopting key reforms, including as prior actions for this review.

- Regarding fiscal policy, we over-performed on the cash fiscal deficit target for 2012 and the first quarter of 2013. Indeed, for 2012 in ESA-1995 terms, we over-performed the program fiscal deficit target by 0.2 percent of GDP despite the deep recession. As prior action for this review, we have taken a number of steps to ensure that we continue to meet our fiscal targets for 2013 and 2014. While we experienced delays in putting our domestic arrears clearance program in place, and missed the end-March 2013 indicative target, we have taken several measures to support accelerating their clearance, and remain committed to achieve the program schedule of eliminating the stock of arrears by end-2013.

- Concerning our fiscal-institutional reform efforts, while we did not achieve several end-2012 key performance indicators, we have stepped up reforms to bring revenue administration and public financial management reforms back on track. As a prior action for this review, we have passed legislation to move towards a semi-autonomous revenue administration, adopted key tax administration procedural reforms, reformed instalment schemes for taxes and social security contributions to bring them in line with international best practices; and met key performance indicators on public financial management and revenue administration for end-March and end-April respectively.

- We have further advanced in our efforts to restore a viable and well-capitalized banking system that will support the economic recovery and maintain the protection of depositors. In particular, the recapitalization of each of the four core banks is at an advanced stage (and we are committed to implement a comprehensive banking sector strategy aimed at promptly returning core banks to the private sector), the resolution of undercapitalized noncore banks is proceeding apace, we are strengthening the banks' governance framework (including appointment of monitoring trustees in all four core banks and additional independent board members in the HFSF), and we will soon finalize a new framework to restructure debts of financially distressed households, while remaining within our recapitalization envelope.

- Regarding structural reforms to improve Greek competitiveness, we have made further progress with liberalizing the economy and advancing privatization. Our reforms in recent months in this area have focused on completing the liberalization of the closed professions, and preparing assets for sale in the context of the privatization program.

- While the reforms outlined above will support growth and employment, there is a need to assist the most vulnerable groups in the society to cushion the crisis impact. To that end, we are stepping up efforts to leverage EU structural funds to facilitate employment creation, especially among the young. In addition, we plan to expand the support programs for unemployed, within the existing overall budget envelope.

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 program will be monitored through quantitative performance criteria and structural benchmarks as described in the attached MEFP, MoU and Technical Memorandum of Understanding (TMU). The quarterly reviews will assess progress in implementing the program 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 7.5 billion stemming out of the financing arrangements by the EFSF supporting the Second Adjustment Program for Greece. This letter is being copied to Ms Lagarde.

Antonis Samaras
Prime Minister

Yannis Stournaras
Minister of Finance

George Provopoulos
Governor of the Bank of Greece

Supplemental Memorandum of Understanding

(Second 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 15 May 2013 and in Athens on 11 May 2013 in 3 originals in the English language.

For the Republic of Greece,

Yannis Stournaras
Minister of Finance

George Provopoulos
Governor of the Bank of Greece

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

Olli Rehn
Vice President of the European Commission

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

Outlook and Strategy

1. **Recent macroeconomic developments have been broadly in line with program projections.** The economic situation remains difficult, with the economy continuing to contract and unemployment reaching an unacceptably high level. However, following the resumption of program disbursements in December, liquidity conditions and confidence indicators have improved. At the same time, the fiscal consolidation has continued, and the current account has improved, reflecting a better trade balance and lower interest payments following the debt restructuring in 2012. In addition, inflation continues to decline and is expected to become negative in 2013, placing it the lowest among euro area member countries. This should help restore competitiveness and cushion the impact on household income of recession and ongoing wage adjustment. Against this setting, and based on firm program implementation, we continue to expect growth to turn positive in 2014. We will monitor possible fallouts from developments in Cyprus, but at this juncture no significant modifications are needed to the program's macroeconomic framework.

2. **Full and timely implementation of our economic program remains the key to recovery.** The main priorities for this review, within the overall program objectives, include:

- **Improving tax administration.** Reforms in this area are an overarching objective of this review. They will help improve revenue collection, which is critical to distribute more fairly the burden of fiscal adjustment, and avoid the need for socially-difficult measures.

- **Supporting economic growth and employment.** Our efforts in this area focus on: advancing the clearance of spending and tax refund arrears to improve liquidity, adopting new frameworks for restructuring viable debtors, finalizing bank recapitalization and restructuring, and key structural reforms to improve competition, foster investment and strengthen competitiveness.

- **Strengthening the social safety net.** While our economic reforms are stabilizing the economy and laying the basis for recovery, unemployment will remain too high for some time. Thus, to enhance and better target the social safety net, in particular to facilitate employment creation, several measures have been developed using EU structural funds.

Fiscal Institutional Reforms

Revenue administration

3. **To give reforms greater chance of traction, the government is committed to strengthening the independence of the revenue administration.** This is critical to insulate it from political pressure, and to accelerate the necessary changes in organizational structure, quality of personnel, and operating procedures. To that end, we will take a 2-step approach to modernize the organization of the revenue administration and grant it more autonomy:

- As a **prior action** for the review we will adopt legislation to: (i) transfer to the revenue administration the Ministry of Finance internal affairs department, and all tax and customs administration related functions within the General Secretariat for Information Systems and within the Corps for the Prosecution of Financial Crimes; (ii) create a five member advisory board comprised of high level experts to be appointed by the Minister of Finance (two of which will be persons with significant international experience working in tax administration); (iii) provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14 day time frame; (iv) enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP; (v) create a budget code that encompasses all organizational units of the revenue administration (to enable a separate and unified budget allocation for approval by parliament starting with the 2014 budget); (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 the GDFS as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation); and (vii) authorize the SGPR to determine a grading and promotion system for the revenue administration, subject to the approval of the Minister of Finance. Finally, we will also reconvene the institutional reform working group (IRWG), which will be chaired by the SGPR, and whose reports will be shared with the Minister of Finance and the EC/ECB/IMF. The TMU (¶28) specifies the prior action in more detail.

- To implement the reforms legislated through the prior action, we will:
  - By end-July (i) establish the mandate and composition for the advisory board and hold its first meeting; (ii) transfer all personnel functions and budget allocations of the IAD and the revenue-related departments of GSIS to the revenue administration, and draft and implement the service-level agreement between the SGPR and the GSIS; (iii) review the delegation of competencies to the SGPR and GDFS in the Ministry of Finance, and if necessary assign the authority to the SGPR to reallocate expenditures across budget lines in accordance with the general rules set out in Organic Budget Law 2362/1995; and (iv) complete the screening and adopt legislation to address the constraints to the autonomy of the revenue administration.
  - By end-October 2013, and as a **structural benchmark**, the SGPR will approve the new organizational structure, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration. Separately, by end-October 2013, we will transfer the revenue-related functions, personnel, and budget allocation of SDOE under the revenue administration.
  - By end-2013, approve the 2014 revenue administration budget—with full flexibility for the SGPR to reallocate funds among non-wage recurrent spending.
  - By end-March 2014, transition staff to the new organizational structure of the revenue administration.

4. We are also continuing our efforts to strengthen the legal framework governing tax administration operating procedures:

- As a **prior action** for the review we will pass legislation to: (i) simplify the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt (subject to a joint decision with the Court of Audit for amounts more than €1.5 million); (ii) remove the legal requirement to audit all tax declarations for the previous 10 years, and allow audit cases to be selected on the basis of modern risk analysis; and (iii) implement indirect audit methods and allow their application to any open tax audit (to bring wealth and expenditures into the determination of taxable income); (iv) replace the quasi-judicial review committee with a full internal review process within the revenue administration (the Internal Review Unit will be operational by end-August 2013); and (v) reduce the payment requirement to file a VAT return to a minimum.

- We will revise the AML legislation by end-June 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.

5. The revenue administration is taking several further steps to make its operations more efficient:

- Regarding **audit activities**, we have expanded third party data collection to financial institutions to facilitate audit in past years. Alongside these efforts, we have consolidated the audit of capital remittance cases in the HWI unit, and have started targeted selection of cases. Finally, by end-June, all line ministries having a financial relationship with taxpayers or beneficiaries will utilize their tax identification number in financial transactions with them. The use of tax identification numbers will be made compulsory for all official transactions with the whole public administration by end-2013.

- Concerning the **collection of debts**, we have assigned additional staff, and have expanded the case base of the large debtor unit (LDU) to debts exceeding €1.5 million. Further, we will complete the consolidation of debt collection functions into the largest DOYs by end-September 2013. We will closely monitor the collection performance of the LDU, and once it performs effectively we will establish a second LDU. To increase the efficiency of enforced debt collection, we will complete the development of an IT system allowing immediate access to information about existence of bank accounts held by taxpayers, and about the current balance on the account, which we will implement on a pilot basis by end-July 2013, with full implementation by end-September 2013.

- ***Personnel management.*** One of our key priorities is to increase the number of qualified staff in the front lines to help improve revenue collection. To that end, we will finalize by end-July 2013 the external recruitment of 200 auditors, to boost audit and debt collection capacity. In addition, we will commence the delivery of basic audit training and will complete the certification of 2,000 auditors, and we have appointed the head of the HWI unit and will assign additional supervisors to the LTU and HWI units by mid-June to ensure new staff are effectively managed. We are amending the law for performance assessment, and the SGPR has specified and implemented new criteria for assessment of auditors. We have published a strategic anti-corruption plan and a code of ethics for the revenue administration that, among other things, addresses conflict of interest and protects whistleblowers.

6. We are taking steps, based on international practice, to facilitate tax refunds and collection in the exceptional economic circumstances that Greece currently faces:

- ***Elimination of the tax refund backlog.*** The backlog of gross tax refund claims (including those made by general government entities) has reached €2.7 billion at end-February, well above the normal amount of float. To help reduce the backlog: (i) we have repaid €721 million since end-November 2012; and (ii) we will develop systems to process refund requests more quickly (beyond the new targeted audit case selection for validating VAT refund claims developed in March, we will develop systems for income taxes by July; and electronic submissions of VAT tax refund claims by August).

- ***Revised installment schemes.*** 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. We have made several changes, to strengthen our installment schemes:

  - **Basic installment plan**. The key features of this permanent 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 installments (except for a specific list of taxes of a non-current or extraordinary nature for which installments of up to 24 months would be allowed).

  - **Fresh start plan.** On a one-time basis, in parallel to the normalization of the economic situation, we have made our framework for granting tax debt and SSC payment arrangements more flexible. Two key changes will be made. First, taxpayers will be allowed to pay pre-existing tax and SSC debts (not already subject to an installment arrangement), and to consolidate debt from other schemes. Payments will be in equal monthly installments 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.

  - To implement these arrangements, as a **prior action** for this review we will adopt legislation that regulates the conditions of these installment schemes. The legislation will set the date of opening application into the new scheme no later than July 1,

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. The law will specify which schemes remain open until June 30, 2013. Entry into all other schemes will be discontinued upon submission of this legislation to parliament. Entry into these two installment schemes will be disallowed for debtors who are in default on another scheme after the submission of the law to parliament. We will include the provisions for the basic installment plan regarding taxes in the tax procedural code by end-June 2013. There will be no further changes in the terms and conditions of installment schemes, and no new special schemes will be introduced. To ascertain compliance with the agreed principles, by end-December 2013 we will conduct an audit of the implementation of installment schemes by the revenue administration.

7. **We will continue to strengthen collection capacity in social security funds.** We have established 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 by end-June 2013. Subsequently, the working group will develop a framework for coordination and integration of tax and SSC arrears collection. To help reduce noncompliance we will introduce a revised surcharge regime for late payment of SSC by June 2013 that combines a penalty and an above market interest rate. We will repeal the application of the Code for Collection of Public Revenue for collection of SSC, and enact a new legal framework for public revenue collections in line with international best practice by end-February 2014.

8. **We will continue to monitor and measure the results of our reform efforts and strengthen accountability to the public:**

- We will establish a process within the SGPR to monitor and report on administrative and operational requirements set out in the MEFP.

- We have set monthly targets for the key performance indicators (KPIs) on debt collection and audit of large taxpayers and high-wealth individuals, to help ensure that our reforms translate into concrete results. Meeting these KPI targets for end-April will be a **prior action** for the review (Annex I). Regarding our full set of KPIs, we propose going forward to eliminate the target on the number of tax cases submitted to the state prosecutor, revise the amount of old debt for end-June, and revise the number of completed risk-based full-scope audits for large taxpayers and audits for HWI for end-June and end-December (Annex II).

- We have launched a website easily accessible to the public where we will publish statistics on KPIs, including on tax evasion cases sent to the FIU. This will help ensure public accountability.

Public Financial Management

9. We will continue to advance our public financial management reform agenda, in support of stronger controls and improved transparency:

- ***Budgeting.*** By August 2013, we will modify the organic budget law to strengthen medium-term budgeting (the MTFS), including by: (i) establishing three-year expenditure ceilings for line ministries and the health care sector (on a rolling basis and binding for the first two years); (ii) establishing binding annual budget balance targets for local governments; (iii) identifying performance targets for state enterprises; (iv) requiring that in future budgets 10 percent of discretionary state budget appropriations be frozen ex-ante (and released in the second half of the year provided general government fiscal targets are met), and (v) strengthening the functioning of commitment registers, including their treatment of carryover of end-year outstanding commitments. By end-June, we will issue a Joint Ministerial Decision indicating a common methodology for local government budget preparation and budget adoption by year-end and establishing a clear review process of local government budgets by the Observatory of Local Authorities, in order to ensure consistency with the MTFS targets.

- ***Spending controls.*** We continue to take steps that will limit the possibility of accumulation of arrears, including by: (i) expanding the number of entities with functioning commitment registers (focusing on all 41 social security funds) and expanding the registers to public investment budgets; (ii) finalizing by end-June 2013 with a joint ministerial decree the organizational structures of the General Directorates of Financial Services (GDFS) (as the next step, we will fully staff the GDFSs in all line ministries); and (iii) filling accounting officer positions that have recently become vacant. Furthermore, to strengthen commitment controls and maintenance of and reporting from commitment registers, by October we will issue a new circular to clarify issues and provide guidance on functioning of the system, including carry-over of end-year outstanding commitments to the following year.

- ***Fiscal reporting.*** We aim to strengthen fiscal reporting for the social budget and arrears. We are developing a social budget monitoring framework, which covers EOPYY, SSFs, hospitals, and the Manpower Agency. We will roll out the detailed fiscal reporting system to the SSFs by end-September and EOPYY by end-2013 to ensure GFSM- and ESA95-consistent fiscal reporting. In the area of arrears, from May, we will publish in the monthly general government budget execution bulletin the amount of disbursed tax refunds and payments on expenditure arrears as cash payments within the fiscal balance. In the third quarter of 2013 we will begin reporting to the EC/ECB/IMF (on accrual basis) all existing tax refund claims according to the date in which they were incurred.

10. We are committed to timely clearance of the existing stock of arrears and to prevent their re-emergence (Table 1b). Despite the provision of significant financing to general government entities by the Ministry of Finance (€3.2 billion), we missed our end-March indicative target specifying a ceiling for domestic arrears. To bring the program back on track, we will take several targeted measures to accelerate clearance processes in lagging entities. First, we will directly disburse funds to hospitals once their arrears claims are cleared for payment. Second, we will accelerate efforts to help spending agencies meet the conditions for arrears clearance (as noted above, we are committed to ensure that SSF commitment registers are functioning, and to encourage better uptake, we will activate legislation to sanction SSFs (and other general government entities) that do not utilize commitment registers and do not report on the e-portal). Third, we have established a working group that will report in close consultation with the IMF and TFGR technical advisors on options to streamline the arrears payment processes, so as to accelerate arrears clearance and help us achieve conformity with the EU directive on combating late payments (Directive 2011/7/EU). On the basis of the findings of this group, by June 2013 we will identify actions that will immediately shorten some procedures, and by October 2013 we will draw medium-term recommendations, including accompanying legislation (where required) to implement it. Finally, to ensure that nothing is being omitted, the Ministry of Finance will conduct an audit of commitment registers and health related arrears records maintained by EOPYY and the SSFs by August, 2013, and will launch a tender for an independent external auditor by September 2013 to complete an audit of EOPYY's outstanding stock of accounts payable towards third parties by end-March 2014 (including those of predecessor SSF's before the creation of EOPYY on January 2012).

11. To monitor progress towards our public financial management reforms, we have extended our key performance indicators. As a **prior action** for the review, we have set KPIs for end-March for the percentage of government entities reporting on the e-portal (to ensure implementation of controls and reporting) and the discrepancy between arrears reported on the e-portal and through monthly surveys (to verify complete and accurate reporting); these end-March KPI targets have been met (Annex III). We will continue to monitor implementation of PFM reforms through structural benchmarks for end-June and end-December 2013 (Annex IV).

Fiscal Policy

12. We are taking steps to ensure full implementation of our fiscal strategy for 2013–14:

- We will adopt, as **prior action,** legislation to extend collection of the real estate tax through 2013 via PPC. The legislation will introduce four changes: (i) a reduction of 15 percent in the rate; (ii) imposition of the tax on buildings not legally exempted from municipal duties; (iii) calculation of tax on buildings outside urban planning zones on a different basis (based on average legal value for the relevant municipality); and (iv) implementation of the tax on all buildings which are leased to the state by non-exempted private owners. Separately, a new law on taxation of real estate will be adopted by end-June. The new real estate taxation regime, which will consolidate a number of now separate taxes, will be designed to deliver revenue consistent with real estate tax projections in the adopted medium-term fiscal strategy.

- We are committed to fully implement all other agreed fiscal measures for 2013–14 not yet in place (such as the solidarity contribution for the self employed in 2014), or to fully offset them if agreed during program reviews. In this context, we will remove all remaining ineligible pensioners from the pension rolls by end-June 2013.

- We will consider reduction in certain tax rates (e.g., VAT on food and catering), provided that over-performance generates sustainable fiscal space. The fiscal space for this measure will be assessed in the context of the next program review.

13. **We remain committed to public administration reforms, in support of our medium term fiscal targets, and of a more effective civil service.** We did not observe the end-February structural benchmark related to staffing plans and establishing targets for mandatory exits, but our work is progressing, and we have taken actions to bring it back on track:

- As a **prior action** for the review, we will: (i) adopt consistent staffing plans for government entities covering 206,000 employees; (ii) approve quarterly plans for 15,000 mandatory exits cumulative through end-2014, including 4,000 by end-2013 (with a significant fraction frontloaded); (iii) approve annual overall employment ceilings for the general government through 2016 (consistent with the already approved MTFS); (iv) vote the necessary legislative changes in order to streamline and accelerate the disciplinary procedure to show the commitment of the government; (v) implement a permanent monitoring mechanism for the disciplinary procedure and provide data regarding the pending cases and the pace of dealing with the stock of cases; and (vi) eliminate any existing legal provision forcing the state to put personnel of legal entities of private law, whose positions are abolished, in the mobility scheme.

- Evaluation, rational reallocation of personnel through mobility, and quality renewal through exits are the tools in our efforts to improve the effectiveness of the public sector. Exits will be the 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, to remove unmotivated or less qualified personnel; (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (v) the lapse of a 12-month period in the mobility scheme.

- To further advance our reform agenda during 2013, we will; (i) ensure that cumulatively 12,500 employees have been placed in the mobility scheme by end-June 2013; (ii) complete staffing plans for 450,000 employees (cumulative) by end-June; (iii) complete staffing plans for all general government entities by end-December 2013; and (iv) complete assessment of individual employees by end-2013. The quarterly targets for exits and entries into the mobility scheme are proposed to become **indicative targets** under the program (Table 1b).

- Our exit program will make room to hire new staff, and we will use this room to address areas where we face deficits of skilled staff. We will hire one new employee for each mandatory exit through the various channels noted above. If our assessment at any point shows that we are no longer on track to achieve our aggregate targets, we will reduce this hiring ratio. For all other attrition, our hiring ratio will remain 1:5, as envisioned in the program. By end-June 2013, we will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF.

14. We will continue to strengthen the social safety net, to cushion the crisis impact on the most vulnerable segments of our society:

- **Employment programs.** We remain committed to expand public and social work programs and training programs to fight long-term and youth unemployment and support jobless households. We will both leverage EU funding and involve the private sector to the extent possible. Thus we introduced in April a youth internship and employment voucher program under the Youth Action Plan. The program, with €180 million co-funded by the European Social Fund, will support vocational training and internships for 45,000 individuals up to 29 years of age over a six-month period. In addition, we aim to increase the number of entrants into the apprenticeship and vocational training programs, such as the professional schools for apprenticeship of the Manpower Employment Organization (OAED).

- **Social protection.** We have passed legislation to launch two pilot programs, which will be implemented no later than 2014—an income-tested program that targets long-term unemployed and provides income payable for a year, and a minimum income guarantee scheme for families in areas with a difficult socioeconomic profile. We will implement the new child benefit law, and make the first payments no later than end-June 2013. We will launch in July 2013 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 commit to fill any other gaps in social safety nets that become apparent, within the existing overall budget envelope, and to identify additional resources to frontload and expand the various programs.

15. We remain committed to strong safeguards to limit fiscal risks from quasi-fiscal activities:

- ***Tax investment incentives.*** We will streamline tax investment incentives, fold them into the income tax law through an amendment by September 2013, and incorporate their cost in the medium term fiscal framework. To this end, by end-July 2013, we will catalog and quantify all tax incentives currently existing in legislation and private contracts.

- ***Subsidies.*** We will establish sunset provisions for all earlier subsidy commitments if they have not been claimed within three years of approval, and put limits on the overall envelope of future subsidies.

- ***Renewable energy.*** While we have taken actions to reform our renewable energy policies (RES), costs are escalating faster than we had expected. To help eliminate the projected debt of €1.7 billion in the RES account by end-2014, as a **prior action**, we will adopt legislation to: (i) a reduce the feed in tariffs for photovoltaic renewables by at least 45 percent, (ii) increase the solidarity contribution by an average of 7 percent for new projects; (iii) introduce new feed in tariffs for CHP systems (relevant MD to be issued by July 2013; (iv) introduce mandatory letters of guarantee (relevant MD to be issued by March 2014); (v) allow investors to receive back their letters of guarantee when they withdraw projects; and (vi) levy a fee on production licenses (relevant MD to be issued by April 2014). We will also increase on July 1, 2013 the RES Special Levy consistent with the provisions of the law requiring RES debt to be eliminated by end-2014. Separately, to improve liquidity in the electricity system, reduce arrears, and cut subsidies, we will fully liberalize low voltage end-user tariffs by July 1, as already agreed.

Financial Sector Policies

16. To finalize the framework for recapitalization, we have aligned our capital metrics to a minimum core tier I ratio of 9 percent of risk-weighted assets, which has become binding from end-March 2013. As part of the recapitalization exercise, the share of deferred tax assets (which can count as core capital on the basis of expected future profits) will be limited to 20 percent of CT1 as calculated using EBA methodology. Banks initiated in April 2013 a new round of liability management exercises conducted in respect of the remaining subordinated instruments, as we committed last November to the Eurogroup. Through these means we will seek to provide additional private capital, which will not count as part of the minimum 10 percent of private sector capital subscription required to maintain private control.

17. We are nearing completion of recapitalization of the core banks. This will ensure that the banking system is solidly anchored on four pillar banks that have been assessed as viable by the Bank of Greece**:**

- Each of the four core banks sent an invitation in April for its shareholders to join extraordinary general meetings, the purpose of which was to increase their capital separately in the amount notified by the Bank of Greece in December 2012 and within the other parameters of the existing recapitalization framework. All four meetings with quorum of shareholder attendance have taken place. Following the relevant approvals, the subscription period of 15 calendar days as prescribed by law will start.

- Two of the four core banks have informed the BoG that they expect to be able to raise 10 percent of the capital in the form of common shares from private sources, which will allow them to remain under private management per our recapitalization framework. A third one informed the authorities they would require the HFSF to fully subscribe the capital share increase. The private sector participation in the capital increase of the fourth core bank remains uncertain until the subscription period concludes. The management of all core banks has been informed by the BoG that they should henceforth focus on the finalization of the recapitalization process, and day-to-day management, until their recapitalization is finalized.

18. The next steps will be defined on the basis of a comprehensive financial sector strategy. As soon as feasible, and in any case no later than July 15, a comprehensive banking sector strategy (**structural benchmark**) will be developed by the HFSF, the BoG, and the MoF, in cooperation with the EC/ECB/IMF. In the meantime, all four pillar banks will be able to continue to act as integrators of smaller domestic banks as appropriate. Only upon finalization of this banking sector strategy could any consolidation in the form of merger among the four pillar banks be considered. 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.

19. The resolution of undercapitalized noncore financial institutions is proceeding as envisaged under the program:

- **HFSF-controlled bridge banks**. In January 2013, we established a second bridge bank, the New Hellenic Postbank, with the HFSF being its sole shareholder. The HFSF is currently taking actions to make major reductions in the operational costs of the bank including through a significant reduction in the number of employees, and to restructure its loan portfolio, with the objective of making the bank attractive to potential purchasers and concluding its sale by July 15, 2013 (rephased **structural benchmark** from end-January 2013). Concerning the sale of Nea Proton bank, with the core banks currently focused on completing their recapitalization, we are shifting the sale deadline from May to July 15, 2013 to increase chances that it is acquired through an open bid process.

- **Other undercapitalized noncore banks.** Our timeline for resolution of undercapitalized non-core banks remains unchanged. Specifically, for those noncore banks that have not met their capital requirement, the Bank of Greece will take appropriate measures in coordination with the HFSF. They will assess options to minimize the cost to taxpayers, including purchase and assumption transactions by any of the four core banks, while guaranteeing the security of depositors.

- **Cooperative banks**. To support our strategy in this sector, by end-September 2013 we will revise our legal and regulatory frameworks for cooperative banks to align it with the best international practices.

20. We will take no fiscal policy actions that would undermine the solvency of banks. Law 3723/2008 has been amended to ensure that banks will not be required to pay any dividends on preference shares, or fees in lieu of this, unless the banks are profitable.

21. The BoG will continue with enhanced supervision of banks. This will also apply to resolved banks and 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. In addition, we will ensure that banks will not take any discretionary corporate action that would increase their capital needs.

22. We are preparing for the stress testing envisaged to be completed by end-2013 under the program. To that end, we will finalize by end-July a new stress testing methodology, determined in consultation with the EC/ECB/IMF, with specific focus on the adequacy of loan loss provisioning.

23. 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.

- The BoG will request banks to provide standardized 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. 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.

24. We will improve the management of assets in liquidation. To facilitate effective management of bad assets, we will by May 2013 revise the regulatory framework and remove the operational restrictions identified in the end-February 2013 assessment report of Bain&Company, published by the BoG. To ensure an effective implementation of this strategy, we will adopt by June 2013 amendments to the existing special liquidation laws, following consultation with the EC/ECB/IMF staff. We will widen the range of options that could facilitate a timely, cost effective disposal and/or restructuring of these assets. To assess progress in this area, the BoG will adopt a reporting framework with quarterly updates on progress made starting in June 2013.

25. We will enhance the legal regime for household insolvency to provide for more effective resolution of bad debts while protecting the payment culture and avoiding unnecessary losses. We will, in consultation with EC/ECB/IMF staff, establish a framework to assist distressed borrowers by end-June 2013. It will take effect as soon as the necessary regulations to implement it can be put in place (at the latest by end-August 2013). We will also, in consultation with EC/ECB/IMF staff and as soon as possible, introduce measures aimed at deterring applications for court cases under Law 3869/2010, and borrowers who are subject to the provisions of laws 3869/2010 and 4128/2013 will be subject to the new framework for distressed borrowers, once it has been implemented. Specifically, to enhance the legal framework we will:

- By end-June 2013, pass legislation to introduce a new "Facilitation Program" targeted at low-income individuals in deep financial distress to facilitate the resolution of unsustainable household debt. 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. The BoG will assess the implementation of this program within six months of its adoption.

- By end-June 2013, revise law 3869/2010 to address the implementation shortfalls identified during its first three years of enactment. 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 process.

- By end-June 2013, adopt enabling 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). It will include initiatives (to be specified further in regulations by end-August) to: (i) address shortfalls in existing laws that limit the effectiveness of debt resolution activities; (ii) standardize the assessment procedure for borrower cases; (iii) introduce a standard list of loan restructuring tools to be used by banks; (iv) enhance access to free budgeting and legal advice services for citizens; and (v) encourage borrowers and lenders to participate in debt resolutions through non-judicial means. We shall also introduce steps to reduce excessive court waiting times, and to ensure that eligible debtors will choose to participate in the facilitation program.

26. We will step up our measures to minimize the significant risks associated with the rapid deterioration of bank loan portfolios. The BoG will, in cooperation with the HFSF (and in accordance with their memorandum of understanding), and in consultation with the EC/ECB/IMF: (i) assess by end-September 2013, with the assistance of an independent third party, the effectiveness of established frameworks and policies to deal with troubled assets; and (ii) establish key performance indicators (KPIs) covering the troubled assets portfolio status, the operational response by banks, and follow-up resolution actions (KPI definitions will be set no later than August 2013 and bank reporting will start by October 2013 on a quarterly-basis) and (iii) closely monitor banks' NPL resolution strategy, policy and operational targets, and intervene where necessary, in order to ensure that distressed borrowers receive prompt and sustainable long-term solutions.

27. Strengthening our financial institutions governance framework will ensure their continued viability and protect taxpayers:

- **HFSF governance structure.** The authorities 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, thereby fulfilling its mandate to minimize costs for the taxpayer. HFSF governance reforms have been adopted by parliament to add 2 independent members to the HFSF General Council, increasing the number of its members from 5 to 7 (**prior action**). In addition, the HFSF internal regulations will be amended to rationalize the division of tasks and responsibilities between the General Council and the Executive Board. Furthermore, in order to strengthen HFSF independence, the legislation will be amended to clarify the non-public nature of the Fund.

- **Relationship frameworks between the HFSF and banks.** We will publish the relationship frameworks between the HFSF and banks that have received capital infusion from the HFSF, as soon as the amount of the injection will be known, upon completion of the subscription period, and in any case no later than May 31st. The frameworks define the role of HFSF as a shareholder on the basis of best international practices. They ensure that the HFSF has limited influence in the bank's 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.

- **Clarifying competencies and responsibilities.** We will develop and publish no later than end-May 2013 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.

- **Due diligence.** The BoG will adopt measures to address the governance weaknesses identified in the due diligence of core banks. Banks will submit to the BoG in end-May 2013 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. 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).

Structural Reforms

28. We will continue to adjust our labor market policies to increase flexibility, reduce administrative burdens, and reduce unemployment. We will adopt before end-May a framework for future statutory minimum wage setting, in line with program commitments. 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.

29. Building on earlier product and service market liberalization reforms, we will take further steps to reduce frictions and improve productivity:

- ***Regulated professions*.** We made substantial additional progress towards meeting the end-2012 structural benchmark on regulated professions. We have eliminated in this context restrictions including minimum fees, specific entry restrictions, and the mandatory use of services, for several important professions and economic activities (including for bake-off installations, welfare units, outdoor trading, and tourist guides). In addition, we will adopt by end-June 2013 a new Code of Lawyers, which will include a removal of the reference to "exclusivity" for the research of mortgage books and land registry, and liberalize trading petroleum; as well as by mid-July issue secondary legislation to liberalize chartered valuers and actuaries. During the second half of 2013 we will also take steps to liberalize the engineering professions. The government will not introduce additional restrictions in regulated professions, and will guard against any decisions by the public administration that effectively restores them. We remain committed to complete by July 2013 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.

- ***Transportation services.*** This is a key service sector for Greece in light of the country's large shipping fleet, and large tourism industry. To assist the shipping sector, we will clarify by end-June in a circular that individual labor contracts can be negotiated freely, once the collective agreement has expired. To help strengthen the competitiveness of our tourism sectors, for domestic ferry services we have increased the flexibility of routing, reduced manning obligations, and by end-June will reduce and limit to fewer categories mandatory ticket discounts. By end-October, we will assess the impact of these reforms, and adopt further steps to increase the competitiveness of the sector. In addition, as part of our national airport strategy, we have placed a cap on the airport fees for the regional airports that are slated for privatization, to keep their fees in line with regional competitors. We will continue to work on improving the effectiveness of Athens airport.

- ***Retail trade.*** By end-June we will: (i) adopt a new law that will further liberalize the retail market, including by removing restrictions against discounts outside sale periods, and increasing flexibility in retailers' opening days; and (ii) for over-the-counter (OTC) products, replace the current system of fixed margins with maximum ones. In addition, by end-September 2013, we will allow the sales of selected products (e.g., vitamins) in other points than pharmacies.

- ***Reducing red tape.*** To address border-related red-tape, on a pilot basis we have increased working shifts in the Athens airport to 24/7 and expanded service in Piraeus port to two shifts for exports, and will do the same for imports in July 2013. We have simplified export and custom procedures, utilizing risk based audits in line with EU best practices, and will extend the risk based audits to imports in November. Also, the e-customs system already supports the electronic submission of all export declarations, for which we will now introduce e-signature, and we will also implement the same system for imports by November 2013. We will also continue our effort to reduce regulatory barriers to competition, and based on an OECD assessment, will prepare in parallel draft legislative amendments by end-September 2013 covering construction materials, retail and food processing industries, as well as the tourism sector. In addition, based on the results of the application of the Standard Cost Model (SCM) by the OECD in 13 key sectors, we will propose by end-October 2013 the needed legislative amendments to reduce administrative burdens.

30. Reforms to strengthen market-supporting institutions will focus on the following:

- ***Judicial reforms.*** We have made progress in this area including by reducing the administrative case backlog at the Council of State (including tax cases), publishing quarterly information on court performance, and rationalizing the system of magistrate courts to improve efficiency. We are also preparing draft amendments to the Code of

Civil Procedure aimed at streamlining the judicial process, which we will present to EC/IMF/ECB by end-May 2013. We will reallocate by end-September 2013 judges to the administrative courts with the highest backlog, as well as adopt an action plan to reduce civil and commercial cases backlogs, including draft legislation providing for compulsory mediation for small claims. By end-July 2013, we will present to EC/IMF/ECB a first assessment of the operation of the magistrates' courts.

- ***Anti-corruption.*** We are determined to aggressively tackle corruption, which undermines public trust, the business environment, and the efficiency of government operations. In line with program commitments, we have published an anti-corruption action plan. In this context, as a first step, the Government will by end-June 2013 (i) submit draft legislation to bring the anti-corruption legal framework in line with relevant international standards; and (ii) initiate under the National Anti-Corruption coordinator the implementation of the relevant actions contained in the above action plan.

31. We have taken steps to ensure that the privatization program remains on track:

- The government has made progress in preparing assets for sale, including by finalizing the regulatory frameworks for airports and water, and transferring a further 250 real estate plots to the Fund. As next steps, the government will aim to complete the state aid clearance for the ports, and DEFSA. Further, we have adopted a plan for the full ownership unbundling of ADMIE and PPC, the creation and privatization of a new electricity company based on some PPC assets, and the privatization of PPC itself with a view to starting the process within 2013 and completing it by January 1, 2016. In addition, the HRADF will tender the 40 real estate assets that were transferred to the Fund in early 2013.

- To compensate for delays in finalizing some envisaged transactions, the HRADF will: (i) accelerate other sales (which could include buildings and certain land plots, as well as moving forward some of the tenders, e.g. small ports and marinas); and (ii) take steps to expedite approvals by working with the Court of Auditors, Council of State, and Competition Committee to reduce required time.

- We will examine the scope for raising private sector funds by targeting international investors through the securitization of real estate assets. The assets examined for such operations will fall outside the universe of those foreseen for privatization through 2020. Moreover, it will be ensured that such securitizations do not in any way slow down the privatization process foreseen in the current program.

- To increase transparency in the privatization process, we have published the quarterly financial statement of the HRADF together with its balance sheet.

Table 1a. Greece: Quantitative Performance Criteria

(Billions of euros, unless otherwise indicated)

	2012		2013	
	Dec-12		Mar-13	
	Progr.	Actual	Progr.	Actual
Performance criteria				
1. Floor on the modified general government primary cash balance 1/	-3.8	-2.8	1.5	1.7
2. Ceiling on state budget primary spending 1/	56.8	55.4	13.9	11.8
3. Ceiling on the overall stock of central government debt	340	311	347	313.3
4. Ceiling on the new guarantees granted by the central government 2/	0.2	0.1	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
6. Ceiling on the Stock of Domestic Arrears (narrow definition)	3.6	2.9	3.0	2.6
Indicative targets				
7. Ceiling on the Stock of Domestic Arrears (General Government Definition)	8.0	7.6	4.5	7.0
8. Floor on privatization receipts 4/	3.20	0.00	0.1	0.1

1/ Applies cumulatively from start of the target's calendar year.
2/ Applies cumulatively from Oct 1, 2012.
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: Program Quantitative Performance Criteria

(Billions of euros, unless otherwise indicated)

	2013			2014	2015
	Jun-13	Sep-13	Dec-13	Dec-14	Dec-15
Performance criteria					
1. Floor on the modified general government primary cash balance 1/	-1.2	-0.8	-0.3	...	...
2. Ceiling on state budget primary spending 1/	26.0	38.8	53.2	...	...
3. Ceiling on the overall stock of central government debt	347	335.0	335.0	...	...
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)	2.0	1.0	0.0	...	...
7. Floor on Privatization Receipts 4/	...	1.8	...	...	...
Indicative targets					
1. Floor on the modified general government primary cash balance 1/	...	...	...	2.0	3.6
2. Ceiling on state budget primary spending 1/	...	...	...	49.4	46.3
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
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)	...	...	...	0.0	0.0
7. Ceiling on the stock of domestic arrears of the general government	3.0	1.5	0.0	0.0	0.0
8. Floor on privatization receipts 4/	1.1	...	2.5	4.3	6.3
9. Mandatory Exits (head count, in thousands) 4/ 5/	...	2.0	4.0	15.0	...
10. Transfers to the Mobility Scheme (head count, in thousands) 4/	12.5	...	25.0	...	...

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/ For the Mandatory Exits, quarterly targets have also been set for 2014 (cumulative from April 1, 2013): Q1: 5000; Q2: 9,000; Q3: 11,000, and Q4: 15,000.

Table 2. Greece: Structural Benchmarks, December 2012 – February 2013	
Measure	**Status**
End-December 2012	
1. Government to meet quantified quarterly performance indicators for revenue administration.	Not observed. See prior action (Table 3).
2. Government to meet quantified quarterly performance indicators for public financial management.	Not observed. See prior action (Table 3).
3. Government to complete the screening and cleaning of existing legislation covering the list of professions and economic activities covered in Annex II of KEPE's "Second Report on the Impact of Liberalizing Regulated Professions."	Not observed. A few actions pending for engineers, lawyers, pharmacies and petroleum traders.
4. Government to reform the governance of the BoG, to provide for collegial decision-making at the level of executives (Governor and Deputy Governor) and expanded internal oversight by nonexecutive of the exiting General Council and to revise the structure and rights of BoG shareholders to eliminate possible conflicts of interest in the Bank of Greece's public policy role.	Observed.
End-January 2013	
5. Hellenic Postbank to be resolved with the transfer of its good assets, all deposits and ECB/ELA financing to a core bank (via a P&A), and weak assets to be left in a bad bank.	Not observed. Structural benchmark reset (See Table 4 and ¶19).
End-February 2013	
6. Adopt a law establishing a new semi-autonomous tax agency, which will specify the degree of autonomy, the governance framework, accountability, and initial staffing of the organization.	Not observed. See prior action (Table 3)
7. Government to complete staffing plans for line ministries and utilize these to identify redundant positions and employees, and on this basis to set quarterly targets for mandatory exits through end-2014.	Not observed. See prior action (Table 3)

Table 3. Greece: Prior Actions

Measure	Macro critical relevance
Fiscal institutional reforms	
1. Government to meet end-April quantified key performance indicators for revenue administration (Annex I).	• Fiscal sustainability (revenue)
2. Government to meet end-March quantified key performance indicators for public financial management (Annex III).	• Fiscal sustainability (budget)
3. Adopt legislation on key tax administration procedural reforms to: suspend collection activities on uncollectable debt, remove the legal requirement to audit all tax declarations for the previous 10 years; and implement indirect audit methods (¶4).	• Fiscal sustainability (revenue)
4. Issue a ministerial decision that regulates the conditions of the existing basic and a new transitional installment scheme for tax and social security contributions debt (¶6).	• Fiscal sustainability (revenue)
5. Adopt legislation to achieve a semi-autonomous revenue administration (¶3, TMU¶27).	• Fiscal sustainability (revenue)
Fiscal measures	
6. Adopt legislation to extend collection of the real estate tax through 2013 via PPC (¶12)	• Fiscal sustainability
7. Government to adopt staffing plans, approve quarterly targets on mandatory exits, approve annual overall employment ceilings for the general government through 2016; and adoption of legislation to streamline and accelerate the disciplinary procedure, and remove restrictions for placing in the mobility scheme personnel of legal entities of private law whose positions are abolished (¶13).	• Fiscal sustainability (spending) and government efficiency
8. Adopt legislation to introduce measures to eliminate by end-2014 the debt in the RES account (¶15).	• Fiscal sustainability (contingent liabilities)
Financial sector	
9. Add 2 independent members to the HFSF General Council (¶27).	• Financial stability

Table 4. Greece: Existing and Proposed Structural Benchmarks

Measure	Macro critical relevance
End-April 2013	
1. All four core banks to meet the capital requirements set by the Bank of Greece. (IMF country report No 13/20, MEFP ¶19).	• Financial stability
End-June 2013	
2. Government to meet quarterly performance indicators for revenue administration (¶8 and Annex II).	• Fiscal sustainability (revenue)
3. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/20, MEFP ¶41).	• Fiscal sustainability (budget)
4. Adopt a new Tax Procedures Code and simplify income tax legislation (IMF country report No. 13/20, MEFP ¶35). Proposed to be rephased from end-May 2013.	• Fiscal sustainability (revenue)
5. Complete resolution of all undercapitalized or insolvent non–core banks (IMF country report No 13/20, MEFP ¶20).	• Financial sustainability (revenue)
July 15, 2013	
6. Complete a comprehensive banking sector strategy (¶18). Proposed.	• Financial stability
7. Hellenic Postbank to be resolved with the transfer of its good assets, all deposits and ECB/ELA financing to a core bank (via a P&A), and weak assets to be left in a bad bank (¶19). Proposed to be re-phased from end-January 2013.	• Financial stability
End-July 2013	
8. Banks to update their restructuring plans and submit them for validation by DG-Competition (IMF country report No 13/20, MEFP ¶23).	• Financial stability

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

Measure	Macro critical relevance
End-September 2013	
9. 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)
End-October 2013	
10. Approve the new organizational structure of the Revenue Administration, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration (¶3). Proposed.	• Fiscal sustainability (revenue)
End-November 2013	
11. 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	
12. Government to meet quarterly performance indicators for revenue administration (¶8, Annex II).	• Fiscal sustainability (revenue)
13. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/20, MEFP ¶41).	• Fiscal sustainability (budget)
14. 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
15. 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. Greece: Schedule of Proposed Purchases under the Extended Arrangement, 2012–16

Review	Availability Date	Action	Purchases		Total Disbursements
			Millions of SDRs	Percent of quota	Billions of euros 1/
	March 15, 2012	Board approval of EA	1,399.1	127.0	1.6
First Review	May 31, 2012	Observance of end-December 2012 performance criteria, completion of first and second reviews 3/	...	...	...
Second Review 2/	August 31, 2012	Observance of end-December 2012 performance criteria, completion of first and second reviews 3/	2,798.2	254.0	3.3
Third Review	February 28, 2013	Observance of end-2012 performance criteria, completion of third review 4/	1,506.8	136.8	1.8
Fourth Review	July 25, 2013	Observance of end-June 2013 performance criteria, completion of fourth review	1,506.8	136.8	1.8
Fifth Review	September 29, 2013	Observance of end-June 2013 performance criteria, completion of fifth review	1,506.8	136.8	1.8
Sixth Review	November 30, 2013	Observance of end-September 2013 performance criteria, completion of sixth review	1,506.8	136.8	1.8
Seventh Review	February 28, 2014	Observance of end-December 2013 performance criteria, completion of seventh review	1,506.8	136.8	1.8
Eighth Review	May 31, 2014	Observance of end-March 2014 performance criteria, completion of eighth review	1,506.8	136.8	1.8
Ninth Review	August 31, 2014	Observance of end-June 2014 performance criteria, completion of ninth review	1,506.8	136.8	1.8
Tenth Review	November 30, 2014	Observance of end-September 2014 performance criteria, completion of tenth review	1,506.8	136.8	1.8
Eleventh Review	February 15, 2015	Observance of end-December 2014 performance criteria, completion of eleventh review	1,506.8	136.8	1.8
Twelfth Review	May 31, 2015	Observance of end-March 2015 performance criteria, completion of twelfth review	1,506.8	136.8	1.8
Thirteenth Review	August 31, 2015	Observance of end-June 2015 performance criteria, completion of thirteenth review	1,506.8	136.8	1.8
Fourteenth Review	November 30, 2015	Observance of end-September 2015 performance criteria, completion of fourteenth review	1,506.8	136.8	1.8
Fiftheenth Review	February 29, 2016	Observance of end-December 2015 performance criteria, completion of fifteenth review	1,506.4	136.8	1.8
Total			23,785.3	2,158.8	28.0

Source: IMF staff projections.

1/ Exchange rate of January 5, 2012.

2/ Purchases and disbursements sum the total available upon completion of the first and second reviews.

3/ End-December 2012 performance criteria became controlling for the purchase that was made upon completion of the first and second reviews in January, 2013. A waiver of applicability of these performance criteria was requested due to the lack of information on performance as of end-December.

4/ End-March 2013 performance criteria have now become controlling for the purchase that would be made upon completion of the third review in May 2013.

Annex I. Prior Action: Key Performance Indicators on Tax Administration

Indicator	Target 1/
	End-April 2013
Debt collection	
Collection of new debts in the current year (percent of new debt in the year)	11.0%
Tax audits and collection of large tax payers	
Number of risk-based full scope audits in the year	66
Number of risk based temporary audits in the year	134
Audits and collection of high wealth individuals	
Number of completed risk-based audits in the year	146

Source: IMF staff.

1/ Cumulative audits from end-2012.

Annex II. Key Performance Indicators on Tax Administration

Indicator	2012 Target 1/	2012 Actual 1/	2013 Target 1/	
	End-Dec.	End-Dec.	End-Jun.	End-Dec.
Debt collection				
Collection of tax debts as of the end of the previous year	2,000	1,099	1140	1,900
Collection of new debts in the current year (percent of new debt in the year)	20.0%	10.5%	14.0%	24.5%
Tax audits and collection of large tax payers				
Number of risk-based full scope audits in the year 2/	300	76	176	596
Number of risk based temporary audits in the year 3/	325	271	260	680
Of which : field audits	100	188		
Collection full scope audits in the year (percent of assessed tax and penalties)	50.0%	64.5%	65.0%	75.0%
Collection temporary audits in the year (percent of assessed tax and penalties)	50.0%	49.2%	45.0%	55.0%
Audits and collection of high wealth individuals				
Number of completed risk-based audits in the year 4/	1,300	444	280	910
Collection of assessed audits in the year (percent of assessed tax and penalties)	50.0%	78.4%	40.0%	65.0%
Internal control and human resource integrity				
MoF audit of assets of managers of local tax offices 5/			50	110
MoF audit of assets of auditors 5/			50	130

Source: Ministry of Finance; and IMF staff.

1/ Cumulative audits from January of each year.

2/ If the actual amount of tax and penalty assessed is less than €107 million in April, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €668 million.

3/ If the actual amount of tax and penalty assessed is less than €40 million in April, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €313 million.

4/ If the actual amount of tax and penalty assessed is less than €28 million in April, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €187 million.

5/ The audit is performed by the Internal Affairs Directorate of the MoF.

Annex III. Prior Action: Key Performance Indicators on Public Financial Management Reforms

Indicator	Target
	End-March 2013
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.	
2012 entity coverage 1/	91%
New entities 2/	55%
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 multiplied by 100, is below target.	
2012 entity coverage 1/	2%
New entities 2/	30%

Source: IMF staff.

1/ Includes old entities with 2011 spending above €1 million.
2/ Includes new entities in the end-Septemeber 2012 ELSTAT register with spending above €1 million.

Annex IV. Key Performance Indicators on Public Financial Management

Indicator	2012 Target	2012 Actual	2013 Target	
	End-Dec.	End-Dec.	End-Jun.	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.				
2012 entity coverage 1/	90%	85%		
2013 entity coverage 2/			80%	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 multiplied by 100, is below target.				
2012 entity coverage 1/	1%	4%		
2013 entity coverage 2/			10%	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 2/			65%	93%

Source: Ministry of Finance; and IMF staff.

1/ Includes old entities with 2011 spending above €1 million.
2/ 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), the memorandum of economic and financial policies (MEFP) and in this Memorandum of Understanding.

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

The primary deficit in 2012 was around 1.3% of GDP, lower than the targeted 1.5% of GDP thanks to under-execution of discretionary expenditures and stronger than expected outturn in local governments, state-owned enterprises and extra budgetary funds, which more than offset weak revenue performance and collection of social security contributions.

The mission identified fiscal shortfalls that threatened the achievement of the targets in 2013-14. The revenue shortfalls arose mainly in social security contribution collection and from lower than expected receipts from the equalisation in the tax rates on diesel oil. Furthermore, although the vast majority of the very large and highly front-loaded package of fiscal consolidation measures for 2013 and 2014 agreed in the previous review had been implemented, a few measures were not fully implemented (progressive pensions cuts; the new wage grid for parliamentary staff and in some SOEs; and the levy on ship owners fell short of the envisaged amount). Furthermore, some measures which were scheduled to come into force in 2013 and 2014 that had been agreed in the context of the previous MTFS 2011-14 were not implemented.

The authorities committed to implement offsetting measures to avoid the emergence of a fiscal gap in 2013 and 2014. The Government decided to offset with the new measures in the same sectors in order to minimise the operational risks. Accordingly, the solidarity contribution for self-employed scheduled - which has not been implemented for 2013 - has been replaced by a tightening of pension requirements for uninsured individuals and through audits of pension entitlements. The increase in public transportation ticket prices has been substituted by a reduction in transfers to entities outside the General Government and the rationalisation of public services. The government will secure revenues of EUR 1.9 billion in 2013 by extending the property tax collected via the electricity bill, compensating the envisaged reduction of the rate by 15% with a broadening of the tax base. For 2014, the Government has committed to fully implement the solidarity contribution for self-employed. Additionally, the new real estate tax, which is expected to succeed the PPC levy, is supposed to be budget-neutral ensuring the annual revenue already envisaged in the MTFS.

Several one-off factors also play a role in closing the budget gap. First, transfers of income from the Bank of Greece to the state are expected to be extraordinarily high on account of exceptional profits. Second, the newly devised settlement schemes are expected to facilitate the repayment of recently accumulated debt and recover some portion of lost revenues for the state. Finally, savings have also been made on the heating oil subsidies, where budget appropriations were found to be too high.

Overall, the programme targets for the primary deficit are expected to be met in both 2013 and 2014, while the headline primary deficit is likely to be higher in 2013 as it includes the effect of the further bank recapitalisation and resolutions operations which will take place in 2013. Their recording in the fiscal accounts depends on the exact timing and nature of these transactions.

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 below 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. adopt legislation to extend collection of the real estate tax through 2013 via PPC. The legislation will introduce four changes: (i) a reduction of 15 percent in the rate; (ii) imposition of the tax on buildings not legally exempted from municipal duties; (iii) calculation of tax on buildings outside urban planning zones on a different basis (based on average legal value for the relevant municipality); and (iv) implementation of the tax on all buildings which are leased to the state by non-exempted private owners. Separately, a new law on taxation of real estate will be adopted by end-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 a annual revenue of at least EUR 2.7 billion.

b. fully implement all other agreed fiscal measures for 2013 not yet in place.

Additional Measures:

1. Following a decision on the final details of the planned direct income tax reforms, the authorities will review the fiscal outlook for 2014 and agree with the EC/ECB/IMF on measures needed to close any residual gap for 2014, **in the context of the next review of the programme**.

2. To the extent that a fiscal gap in 2015-16 remains, the authorities could pursue several strategies to close this, including improving revenue by broadening the tax base through further reduction in exemptions and deductions; extending measures that are expiring; and targeted cuts in current expenditure. There are also opportunities to refocus the investment programme for more effective support to growth. The authorities will specify concrete plans for 2015 no later than **end-August 2013**, when they will formulate a detailed fiscal programme for 2014-2015 consistent with a primary surplus of 3% by 2015.

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.

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. 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.

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:

    i. The transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF **(by end-2013)**.

    ii. The transfer will be done in four phases, based on concrete interim targets of 250 real estate assets per quarter **(counting from January 2013).**

3. 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. In order to enhance of asset management capacity of Hellenic Republic, the Authorities:

    i. 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. Other properties under the management of other ministries (Agriculture, Defence etc.) should be brought under the scope of this work. 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. In view of this plan, ETAD will present proposals to improve its governance, effectiveness and ability to carry out these tasks to be completed in stages and according to plan **by November 2013**.

4. The Authorities will bring all remaining (non-operational) properties (e.g., those under the Ministry of Defence, Agriculture) under the management of ETAD in steps, to be completed by **December 2013**; a first progress report to be prepared 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 progress report with the number already transferred to ETAD by **August 2013**; a third progress report with the number already transferred to ETAD by **October 2013**; and a final report by **December 2013**.

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)**.

6. 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 (**continuous**)

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)**.

8. 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)**.

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**.

2.2 Tax policy reform

1. By **June 2013**, 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.

2. The Authorities will adopt a unified and simplified income tax code (**June 2013**).

3. 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**).

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 a second phase of improvement of the Code of Books and Records, and 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.
- 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. Enacts the legal framework necessary to transfer to the revenue administration the Ministry of Finance internal affairs department, 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);

b. Simplify the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt (subject to a joint decision with the Court of Audit for amounts more than €1.5 million);

c. Abolish the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years.

The Government undertakes the following reforms:

2.3.1 Organization

1. Increase autonomy of the revenue administration by the following actions:

   i. Transfer all personnel functions and budget allocations of the Internal affairs department and the revenue-related departments of GSIS to the revenue administration, and draft and implement the service-level agreement between the SGPR and the GSIS (**July 2013**)

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

   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**);

   iv. Enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP (**May 2013**);

   v. Create a budget code that encompasses 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**);

   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 the General Directorate for Financial Services (GDFS) as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) (**May 2013**);

   vii. Review the delegation of competencies to the SGPR and GDFS in the Ministry of Finance, and if necessary assign the authority to the SGPR to reallocate expenditures across budget lines in accordance with the general rules set out in Organic Budget Law 2362/1995 (**July 2013**);

   viii. Authorize the SGPR to determine a grading and promotion system for the revenue administration, subject to the approval of the Minister of Finance (**May 2013**);

2. Continues to centralise and merge local tax offices leaving:

   i. about 140 functioning offices (**June 2013**);

   ii. 120 when payment through banks is operational all over the territory (**September 2013**).

2.3.2 Fight against tax evasion, money laundering and corruption

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 (**October 2013**);

2. The revised Code of Tax Recording of Transactions will come into effect by **1/1/2014**.

3. Reduce payment requirement to file a VAT return to a minimum (**May 2013**).

4. Take all appropriate measures to complete the certification of 2000 tax auditors by **July 2013**.

5. The SGPR provides a plan, including training, for the integration of new staff in the administration (**May 2013**).

6. Complete the external hiring of the additional 200 auditors (**July 2013**).

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

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, starting June 2013**).

9. The SGPR issues a decision to enhance targeted auditing based on risk assessment techniques (**May 2013**).

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);

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).

12. Appoint the national coordinator for anti-corruption, the coordination committee and its chairman, and the advisory committee, and second the eight staff provided for by the law. (**May 2013**).

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**).

14. The authorities complete the development of an IT system allowing immediate access to information about existence of bank accounts held by taxpayers, and about the current balance on the account, which will be implemented on a pilot basis. (**July 2013**)

15. A full implementation of the action specified in (2.3.3.16) (**September 2013**).

16. 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 (**June 2013**).

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

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

2.3.3 Tax and revenue collection

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

2. The Authorities will present a plan for providing a compulsory professional training programme for debt management staff (**May 2013**).

3. The SGPR completes a review of the policy and procedures to write off tax debts (**June 2013**).

4. The Authorities introduces the possibility of direct debiting of bank accounts for taxpayers in arrears (**September 2013**).

5. The Authorities take necessary steps to replace payments in cash and cheque in tax offices with bank transfers (**June 2013).**

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 (**Continuous**).

7. The Authorities will establish a special working group 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 by (**June 2013**).

8. The working group will develop a framework for coordination and integration of tax and social security contributions (SSC) arrears collection (**September 2013**).

9. The Authorities will introduce a revised surcharge regime for late payment of SSC by **June 2013** that combines a penalty and an above market interest rate.

10. 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**).

11. The Authorities enact the new legal framework for instalment schemes for debt related to tax and for social security contributions **(June 2013)**:

    i. The legislation will set the date of opening application into the new scheme no later than **July 1, 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. The law will specify which schemes remain open until June 30, 2013. Entry into all other schemes will be discontinued upon submission of this legislation to parliament. Entry into these two installment schemes will be disallowed for debtors who are in default on another scheme after the submission of the law to parliament.

    ii. 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.

    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.

2.3.4 Tax dispute

1. The Internal Review Unit will be operational by (**August 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 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)**.

2.3.6 Tools

1. The Authorities adopt a new Single Tax Procedures Code (**June 2013**). 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.)

2. The SGPR ensure 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**).

3. 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.

4. The new TAXIS system is operational in tax offices as follows:

    i. In 50 tax offices covering 70% of revenues by **June 2013**;

    ii. in all tax offices by **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.

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.

One important area where significant progress must be made is in preventing the build-up of arrears, both on the tax and expenditure sides. The significance of a timely transposition and implementation of the Late Payment Directive has been highlighted in the Communication on Action for Stability, Growth and Jobs that reflects the role of the Directive in restoring normal lending to the economy: 96% of bankruptcies are due to late payments or other objective problems. In the current economic situation it is ever more relevant that the problem of late payment is addressed; 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 late payment, both in business-to-business (B2B) transactions and in transactions between public authorities and businesses (PA2B), ranks amongst the highest in Europe, according to the European Late Payment Index of Intrum Justitia. A timely and precise transposition and implementation of Directive 2011/7/EU will correct also some current discrepancies between European and Greek legislation closing two pending cases of infringements if article 1 of Law 3068/2004, as amended by Article 20 of Law 3301/2004 (which implies that a title which in Greek law is formally called "enforceable title" is not enforceable against Greek "State bodies and bodies governed by public law") and Article 27 of Law 2867/2010 (which obliges suppliers to public hospital to surrender any claims for statutory interest due to late payment in order to be paid) are amended and/or repealed as part of the Greek transposing measures for Directive 2011/7/EU.

Given the economic sanctions included in the Directive for late payment, this requires a further strengthening of the public finance management to cope with the implementation of the payment delays envisioned by the late payment directive (30 days in principle, 60 days in exceptional cases).

Prior to the next disbursement the Government will:

a. Transpose the Directive 2011/7/EU on combating late payment in commercial transactions.

Other actions to be taken by the Government include the following:

1. In order to fully comply with the late payment directive, notably compliance with the deadlines set in this Directive, the Government will propose by **June 2013** 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:

    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.

    ii. It shall provide for specific deliverables within set deadlines in order to allow for monitoring of progress made in its completion.

    iii. It shall contain proposals in order to reduce significantly 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.

    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 Resource Planning (ERP) project.

2. In parallel with the ERP project GAO will engage in discussions with the Hellenic Court of Audit (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**)

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:
    i. ensure that commitment registers are in operation in 80 per cent of general government entities based on 2013 entity coverage **(June 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**).
    v. Ensure that all the 41 SSFs report on the e-portal (**June 2013**).

4. To address other problems still lying in the central government sector the Government will:
    i. will adopt a Ministerial Decision to ensure that any change to the projects decided by the Regional authorities is timely recorded in the MIS database (**May 2013**). 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 Directorate of Public Investments (**May 2013)**.
    ii. The Government ensures that the responsibility of the functioning of PIB commitment registers is always linked to the responsibilities of allocating the available resources among projects (**continuous**)
    iii. completes the reorganization of the GDFS through the adoption of a Joint Ministerial Decision (**June 2013**).
    iv. establishes procedures for identifying fully qualified senior financial managers for the Accounting Office positions (**June 2013**).
    v. Appoints the Accounting Officers based on these new procedures. (**September 2013**).
    vi. 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**).

5. 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.

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:

i. Ensure the administrative capacity to make the clearance of arrears effective by staffing the necessary units (**June 2013**)

6. Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated (**Continuous**).
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 General Government budget execution bulletin starting in April will report the amount of disbursed tax refunds and payments on expenditure arrears as cash spending (**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 (**August 2013**)

2.5.2 Budget preparation and implementation

The Government will:

1. Adopt an administrative calendar for the preparation of the medium-term fiscal strategy (MTFS) (**May 2013**).
2. Modify the organic budget law by **August 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 Monitoring and reporting

The Government will:

1. Identify other areas of operational expenditure where real time monitoring mechanisms could be introduced or strengthened (**June 2013**).

2.5.4 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 recently amended privatisation 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 by:
   i. Issuing Joint Ministerial Decision providing guidelines for the Observatory's assessment of the local government's budgets (**May 2013)**;
   ii. 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**)

2.5.5 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. (**June 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**)

2.5.6 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. 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**)

2.6 Other institutional requirements

1. Central State Aid Unit (CSAU):

   i. The Government adopts the law creating a Central State Aid Unit CSAU and setting the general principles concerning State aid (**May 2013**).

   ii. The Government launches the call for interest in order to appoint the 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**)

   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**).

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 initiates a rigorous evaluation of administrative structures and personnel, in order to maintain the right skill mix of employees over time. Entity closures are pursued and employees are either transferred to the mobility scheme or dismissed. This reform process is extended to extra budgetary funds and regional and local administrations in 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. adopt consistent staffing plans for government entities covering at least 206,000 employees;
b. approve quarterly plans for 15,000 exits cumulative through end-2014, including 4,000 by end-2013 (with a significant fraction frontloaded);
c. approve annual overall employment targets for the general government through 2016 (consistent with the already approved MTFS);
d. vote the necessary legislative changes in order to streamline and accelerate the disciplinary procedure to show the commitment of the government;
e. implement a permanent monitoring mechanism for the disciplinary procedure and provide data regarding the pending cases and the pace of dealing with the stock of cases; and
f. eliminate any existing legal provision forcing the state to put personnel of legal entities of private law, whose positions are abolished, in the mobility scheme.

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

    i. ensure that cumulatively 12,500 employees have been placed in the labor mobility scheme by end-June 2013 and 25,000 employees by **December 2013**;

    ii. complete staffing plans for 450,000 employees (cumulative) by **June 2013**;

    iii. complete staffing plans for all general government entities by **December 2013**;

    iv. 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**);

    v. complete assessment of individual employees by **December 2013**.

    vi. the quarterly targets exits and entries into the mobility scheme will become indicative targets under the program. Overall, this should help reduce the public sector workforce by 150,000 **by 2015**, relative to the end-2010 level.

2. 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.

    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 12-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 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 envisioned in the program (**continuous**).

iv. By **June 2013**, we will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF.

3. 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.
4. The Authorities will assesses the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management (**June 2013**). 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**).

2.7.2 Fighting corruption

1. The Government will by **June 2013**:

i. present draft legislation to bring the anti-corruption legal framework in line with relevant international standards;

ii. initiate the implementation of the relevant actions contained in the action plan

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:
   i. 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. (**June 2013**)
   ii. facilitates compliance, by reviewing standard documents and providing support to contracting authorities. (**Continuous**)

Central Purchasing Bodies (CPB):

2. 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:
   i. 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**)
   ii. draws framework contracts for the procurement of the abovementioned standardised supplies and services through the CPB. (**Continuous**)
   iii. 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**)
   iv. tenders at least three framework contracts used in frequently purchased supplies or services at central government level through the CPB. (**December 2013**)

Framework contracts:

   v. Mandates the relevant administrations to source via the framework contracts submitted to the Commission services (**June 2013**)

Reform of public procurement legislation:

3. 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).

4. 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. Refines, in consultation with the European Commission, the existing *plan* for the development of the e-procurement platform by (**May 2013**) including, among others, measures and deadlines for:
   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.

2. In the *development* of the e-procurement platform, commits to:
   i. run supplies and services contracts for the Central Government on a pilot basis through the e-procurement platform throughout the **1st half of 2013**.
   ii. ensure that the e-procurement platform is fully operational and ready for use by the Central Public Administration for supplies and services contracts in **July 2013**.

3. Ensures the use of the platform as follows:
   i. the Central Purchasing Bodies (CPBs) 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. Esnures that all social security contributions to ETEA will be recorded electronically by (**June 2013**).

2. Ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts; starting in **March 2013** and 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, June 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 outpatient medicines to reach spending of about EUR 2.440 billion and inpatient to reach spending 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 per cent in 2013 and 1.3 per cent 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 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 2013 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 in line with the provisions of Council Directive 89/105/EEC, next list to be published **by June 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% by **June 2013**.

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).**

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 at least twice a year **(next update June 2013).**
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 **June 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).
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. **(December 2012**, **New Deadline May 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 **June 2013.**
6. Further develop the e-prescription system by introducing compulsory ICD-10 by May 2013 and SPC filters in the e-prescription system **(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. Ensures the application of compulsory prescription by international non- proprietary name (INN) for an active substance notably by putting in place an automatic blockage mechanism once prescription by branded name reaches 15% of the overall prescription value of each doctor in real time.
b. Prices the large backlog of generic medicines waiting for a price in compliance with EU Transparency Directive at a pace of 400 per month, with 400 medicines priced prior to disbursement.

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. 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)**
   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.

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 tenders 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

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)**

2. The government publishes a quarterly report on the prescription and expenditure of diagnostic tests. **(Continuous, quarterly, next report July 2013)**

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 June 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 June 2013**)

2.10.4.2 Accounting, costing, control, IT and monitoring systems

The Government ensures that:

1. The allocation of internal controllers to all hospitals is finalised and that all hospitals adopt commitment registers. (**December 2012, New deadline May 2013)**
2. 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**)
3. 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. **(June 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).**
4. 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**)
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**)
6. The government starts to develop a system of patient electronic medical records. (**May 2013**)
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 The KEN/DRG Management Institute is established by **June 2013**. DRGs will include a detailed item on costs of personnel. (**Continuous**)
8. 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)**

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 according to the new policy is completed (**December 2013**).

3 Stabilising the financial system

The government ensures that:

1. By **end-June 2013**, the banks will also complete a new round of liability management exercises conducted in respect of the remaining subordinated instruments.

2. No state aid will be granted to banks before it is approved by the EC under state aid rules.

3. 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.

The MoF and the BoG commit to:

4. Develop a comprehensive banking sector strategy in cooperation with the HFSF and the EC/ECB/IMF staff **by July 15 2013.** 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.

5. Only **upon finalisation** of this banking sector strategy any consolidation in the form of merger among the four pillar bank can be considered.

3.1 Framework for restructuring and strengthening of the banking system

The resolution of undercapitalised non-core financial institutions is proceeding as envisaged in the programme:

1. Regarding the New Hellenic PostBank, the HFSF is currently taking actions to make major reductions in the operational costs of the bank, including through a significant reduction in the number of employees, and to restructure its loan portfolio, with the objective of making the bank attractive to potential purchasers and concluding its sale by **July 15 2013**.

2. Concerning the sale of Nea Proton bank, the sale deadline is being shifted from May 2013 to **July 15 2013** in order to increase chances that it is acquired through an open bid process.

3. The BoG will apply appropriate measures to those non-core banks that have not met the capital requirements set by the supervisor, or earlier if there is evidence that the bank will not be able to raise the needed capital (June 2013).

4. 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**).

5. The BoG will revise the legal and regulatory frameworks for cooperative banks by **end-September 2013** in order to align it with international best practices.

3.2 Funding

The BoG commits to:

1. Request banks to provide standardised quarterly balance sheet forecasts (funding plans) (**continuous**). The banks' funding plans will be based on the programme 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. 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 programme's macroeconomic framework.

2. 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**).

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)**.

- The Law 3723/2008 has been amended to ensure that the banks will not be required to pay any dividends on the preference shares, or fees in lieu of this, unless the banks are profitable.

3.4 Adaptation of banking supervision

The BoG commits to:

1. 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**).

The Government will:

2. Ensure that banks will not take any discretionary corporate action that would increase their capital needs **(continuous)**.

3.5 Follow up stress testing

The BoG will:

1. Make the necessary preparations for stress testing to be completed by **end-2013.**

2. Finalize by **end-July 2013** a new stress testing methodology, determined in consultation with the EC/ECB/IMF staff.

3.6 Management of assets under liquidation

The BoG commits to:

1. Revise by **May 2013**, in consultation with the HFSF, the regulatory framework and remove the operational restrictions identified in the end-February 2013 assessment report of Bain&Company published by the BoG.

2. Adopt by **June 2013** amendments to the existing special liquidation laws, following consultation with the EC/ECB/IMF staff.

3. Adopt a reporting framework with quarterly updates on progress made **starting in June 2013.**

3.7 Review of legal insolvency frameworks

The Government commits to:

1. 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.

2. Establish, by **end-June 2013** and in consultation with EC/ECB/IMF staff, a framework to assist distressed borrowers. It will take effect as soon as the necessary regulations to implement it can be put in place (at the latest by end-August 2013).

3. Introduce, in consultation with the EC/ECB/IMF staff and **as soon as possible,** measures aimed at deterring applications for court cases under Law 3869/2010, and borrowers who are subject to the provisions of laws 3869/2010 and 4128/2013 will be subject to the new framework for distressed borrowers, once it has been implemented.

Specifically, to establish the legal framework, the Government will:

4. Pass legislation by **end-June 2013** to introduce a new "Facilitation Program"

   In respect of this new "Facilitation Program" the BoG will:

   - Assess the implementation of this framework **within six months of its adoption**.

5. Revise law 3869/2010 by **end-June 2013,** to address the implementation shortfalls identified during its first three years of enactment.

6. Adopt legislation to establish by **end-June 2013**, 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).

7. It will include initiatives (to be specified further in regulations by **end-August 2013**) to:

   (i) address shortfalls in existing laws that limit the effectiveness of debt resolution activities;

   (ii) standardize the assessment procedure for borrower cases;

   (iii) introduce a standard list of loan restructuring tools to be used by banks;

   (iv) enhance access to free budgeting and legal advice services for citizens; and

   (v) encourage borrowers and lenders to participate in debt resolutions through non-judicial means.

8. Introduce steps to reduce excessive court waiting times, and to ensure that eligible debtors will choose to participate in the facilitation program.

3.8 Minimisation of significant risks associated with the deterioration of banks loan portfolios

The BoG will in cooperation with the HFSF and in accordance with their Memorandum of Understanding:

1. Assess **by end-September 2013**, with the assistance of an independent third party and in consultation with the EC/ECB/IMF , the effectiveness of established frameworks and policies to deal with troubled assets.

2. Establish key performance indicators (KPIs) covering the troubled assets portfolio status, the operational response by banks and follow-up resolution actions. KPI definitions will be set no later than **August 2013** and bank reporting will start **by October 2013 and on a quarterly-basis**.

3. 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.

3.9 Governance of financial institutions

The authorities will:

1. Ensure banks' continued viability and protection of taxpayer interest by strengthening the governance framework of financial institutions.

2. **S**upport 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, thereby fulfilling its mandate to minimize costs for the taxpayer **(continuous)**.

To this extent and **prior to disbursement,** the Government will:

a) Adopt a package of HFSF governance reforms that would among other things, add to two independent members to the HFSF General Council increasing the number of its members from 5 to 7.

The Government will also:

3. 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**).

4. Amend the legislation in order to clarify the non-public nature of the fund (**June 2013**).

The BoG will:

5. Develop, in coordination with the HFSF, and publish by **end-April 2013** 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.

6. Adopt measures to address the governance weaknesses identified in the due diligence of core banks. Banks will submit to the BoG by **end-May 2013** 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**.

The MoF will:

7. 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.

3.10 Loan and Consignment Fund

The Government commits to:

1. 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)**.

2. Agree with the EC by **end-May 2013** on the remit of activities of the reserved sector to ensure that they act only in case of market failure.

4 Strengthening labour market institutions and promoting employment

The Government will build upon the recent labour market reforms. To help restore cost-competitiveness and boost employment in the medium to long term, these reforms should support the on-going reduction in nominal unit labour costs in the economy by 15 per cent over the period 2012-14. Structural product market reforms will help improve the transmission of labour cost reductions into lower prices and improved competitiveness.

The Government will continue 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. Last but not least, the Government will enhance policies in order to help the unemployed remaining attached to the labour market and to improve affordable social safety nets. 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 national level continues in order to help ensure that wage dynamics support employment while setting a floor for labour income. Thus, the Government:

1. 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 **by May 2013**.

2. Reviews the structure of the minimum wage system, taking stock of the present reform, with a view to possibly improve its simplicity and effectiveness to promote employability and fight unemployment and help 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 contribution, simplifying the schedule across the various funds, shifting funds away from nuisance taxes and onto contributions, and reducing average contributions 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. 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 (**Continuous**).
2. Streamlines the reporting by employers and employees by **September 2013**.
3. Revises the sanctions for violations of the labour law by **July 2013** at the latest in order to be incorporated in the Labour Code that is being compiled.

4.4 More transparent and enforceable labour law

To ease interpretation, reduce compliance costs with and increase the enforceability of labour law, the Government:

1. compiles **by December 2013** all existing legislation relevant for labour and industrial relations into a single Labour Code.

2. The Government shall prepare a report on the structure of the Labour Code (**May 2013)**.

4.5 Support to the unemployed

The Government steps up efforts to prevent unemployment becoming permanent and to mitigate the hardship of unemployment, by focusing on: promoting the integration of the long-term unemployed, young people and disabled to the labour market; easing labour market mismatches and facilitating the transition of workers across occupations and sectors; improving the quality of training policies; promoting the employability of the disadvantaged groups; targeting segments of the population at risk of poverty and with the strongest need of income support. 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 measure social impacts in order to strengthen the monitoring, evaluation, 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 adopts an Action Plan by **May 2013** focusing on:
   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 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. 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;
   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;
   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. To be further developed in a position paper to be presented by June 2013;
   v. Strengthening social economy, e.g. in relation to childcare and care of the elderly.

   The Action Plan should provide a description of the programmes currently in force and plans for their rationalisation as well as inform on the financing of the forthcoming initiatives.

2. The Government will produce a position paper on social protection and policy by **June 2013**. It will enhance unemployment benefits to support the long-term unemployed and specific categories of workers without entitlement to unemployment insurance, notably by putting in place an unemployment assistance scheme for the long-term unemployed targeted to the poor by January 2014. A specific position paper on this scheme shall be prepared also by **June 2013**. 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

3. To provide health insurance access to uninsured citizens, the Authorities prepare an action plan in cooperation with foreign experts (**to be finalized in the second half of 2013**), and work with the European Social Fund with the aim of extending the program's coverage to more beneficiaries and include more healthcare services (**continuous)**.

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 i) create a company, ii) to get establishment and operating licenses for manufacturing activities, iii) to get permits for environmental projects and activities, iv) 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. To further reduce the time for and the cost of company creation, the Government, among others:
   i. Takes additional measures by **June 2013** 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.

2. To implement law 3982/2011 on the **fast track licensing procedure** for technical professions, manufacturing activities and business parks and other provisions, the Government issues the Presidential Decrees provided for in:
   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**)
   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**)

3. **To implement Law 4014/2011 on** environmental licensing of projects and activities, the Government issues:
   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**)
   ii. a detailed timetable, including 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**).

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 investment licensing procedures in **June 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.

5. To simplify **export and import procedures**, the Government:

i. Launches a pilot enabling 24/7 customs operations for exports in the Athens airport and Piraeus Port (**May 2013**) and for imports by **July 2013**;
ii. The results of the pilot will be assessed in **November 2013** with a view of applying it permanently in the Athens airport and Piraeus Port and to all other customs offices by **December 2013**.
iii. Having reviewed the risk assessment system for exports, with recommendations for improvement in order to align it with best practices in EU Member States the level of controls converges to the average level of controls in the EU by **September 2013**.
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**)
v. Ensures that the e-customs system supports the electronic submission of export declarations (DONE) and the submission of documents and electronic payments (**June 2013**). Ensures that the e-customs system supports the electronic submission of import declarations, including the submission of documents and electronic payments, at the pilot customs office by **July 2013** and in all custom offices by **November 2013**.
vi. Implements automatic clearance for low risk declarations, based on EU best practices. (**December 2013)**

6. To identify and eliminate unnecessary **reporting requirements** for businesses:
   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**).
   ii. Following the identification of administrative burdens the Government completes the amendments to sector specific legislation (**September 2013)**.

7. To facilitate **spatial planning** including through an effective **land registry**, the Government:
   i. adopts legislation to:
      a. simplify and reduce the time needed for town planning processes (**June 2013**);
      b. update (**June 2013**) and;
      c. codify legislation on forests, forest lands and parks (**September 2014**);
      d. It also licenses at least two disposal sites for hazardous waste (**June 2013, and September 2013**).
   ii. 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. The first phase of this revision is completed (September 2013)
   iii. Second wave of reforms. These will be followed by:
      a. a second phase for modifications (**May 2013**),
      b. a third phase for the formulation of proposals (**September 2013**) and
      c. a fourth phase for the legislation of the final proposal (**December 2013**).

8. In view to establish a modern complete cadastre by 2020 the Government should:
   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**).
   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**).
   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**)
   iv. transform the temporary cadastre offices into final ones in the capital of the regions where cadastre is operational
   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**). Legally validate the forest maps and the coastal zone of the entire country on the basis of the respective maps of the Ktimatologion SA delivered in 2009 (**December 2015**).
   vi. 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). (**June 2013**) and complete the unfinished cadastral projects in the 106 areas for which rights were tendered in 2008 (**December 2015**).
   vii. Make it compulsory to include the single Cadastre code number of each parcel in tax declarations (all E9) of real estate. (**March 2014**)
   viii. Establish a business plan to ensure the financial viability of the operation of the Cadastre. (**March 2014**)

5.1.3 Enhancing competition and promoting better regulation

1. The Government, assisted by the OECD, completes a preliminary assessment through 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**)

2. Following the completion of the analysis referred above, the Government will prepare the legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit (**September 2013)**.

3. The new legislation will be enacted in **November 2013**.

4. 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). (**September 2013**)

5. 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**)

5.1.4 Growth Strategy

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 macroeconomic environment and identify any horizontal policies needed (**May 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 by **June 2013**:

1. Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts.

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.

3. Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts.

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 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 by **June 2013**.

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:

   b. By **June 2013,** the Government:

      i. announces a call for tenders for the creation of the E-docket at the Athens Court of First Instance.

      ii. presents draft legislation on the e-filing of judicial documents before the Council of State and the Administrative Courts.

      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.

      iv. presents draft legislation on the use of videoconference before the Civil Courts.

   c. 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

   d. 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:

   e. **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

f. 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.

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. (**June 2013**)

[1] *Three months for the Magistrate Courts.*

6 Efficient Network Industries and Services

6.1 Energy policy

Designing an appropriate energy policy, given the country's needs and potential, is fundamental for economic growth. For this reason the Government must follow a holistic approach which maximises the benefits for market participants, protects consumers and vulnerable parts of the society and the rights of tax payers. The reforms below aim at bolstering competitiveness and efficiency in the electricity and gas market, to avert a repetition of the 2012 liquidity crisis and to position the energy sector as a potential contributor for prosperity.

Prior to the disbursement, the Government

a. Adopts and publishes a fully-fledged plan for the restructuring of PPC with a view to preparing the company for privatisation and thus create the conditions for a liberalised electricity market. The plan shall:
   i. provide a timeline for PPC to initiate the ownership unbundling of ADMIE through a sale of shares and/or a right issue subscribed by an investor and provide a timeline for its full exit. This timeline should include the steps for completing the process, with a view to complete ownership unbundling within 2013.
   ii. specify details of a new vertically integrated company to be created in terms of assets, human resources and customer base subject to regulatory and competition provisions in force. In particular, for the assets:
      1. to establish a viable competitor in the market, the new company shall be endowed with around 30% of PPC generation capacity, taking into account PPC's decommissioning and investment plans; it will also be endowed with a pro-rata amount of the supply business. Both the generation mix and the customer mix shall be similar to that of PPC;
      2. the plan shall include provisions for the divestment of lignite-fired, gas and hydro electricity generation capacity currently managed by PPC. It will also include provisions for the new company to access and control lignite resources on an equal basis as PPC. The proposed list of assets to be transferred to the new company will be assessed in the context of next review.
   iii. provide a timeline for the new company to be privatised through PPC with the assistance of the HRADF, with a view to begin operations in 2015. The timeline should include the steps for completing the process;
   iv. provide a plan and timeline for the privatisation of PPC. This timeline should include the steps for completing the process at the latest by 1st January 2016;

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.

6.1.1 Unbundling effectively network activities from supply activities

1. The unbundled gas TSO is certified by the Greek energy regulator. **(May 2013)**
2. The government commits to follow all steps outlined in the proposed plan for the unbundling of ADMIE, including all intermediate steps, with a target to complete the unbundling by **December 2013**.

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

2. The Government takes measures for the gradual phasing out of regulated electricity prices for all but vulnerable customers by **June 2013**.

3. 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**)

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, 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.

New installations will receive a fixed, comprehensive, feed-in tariff based on the current status of technology, and taking into account the size of the plant. The feed-in tariff will be revised at least on a bi-annual basis to take into account the evolution of technology in order to reflect the declining costs and ensure a sustainable rate of return consistent with EU average, taking into account Greek country specific factors, with a view to grid parity. In this process the government will take into account the opinion of RAE.

Prior to disbursement, and to achieve sustainability of the incentives mechanism, the Government:

a. initiates negotiations with the industry to introduce 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 after the current provisions on a solidarity contribution on incentives will have expired;

b. publishes a detailed report on incentives to PV rooftops installations, stating inter alia average incentives per installation, average capacity, and average energy produced, and on this basis assesses the possibility to introduce permanent adjustments to existing power purchasing contracts, and align their rates of return to sustainable EU average levels, considering Greek-specific conditions;

c. assesses and reports on the effects on the revenues of the RES account of a possible increase in the levy imposed on electricity produced with lignite and of the introduction of a levy on electricity produced with large hydro;

d. corrects distortions in the current mechanism of contribution of suppliers to the RES account, that provides for a contribution based only on the system marginal price and not on the entire cost of energy paid by consumers, therefore ensuring the elimination of windfall profits;

e. passes new legislation to reduce the number of outstanding production permits, inter alia by introducing financial measures, in full compliance with EU legislation.

Other Actions

The Government:

1. Completes by **September 2013** the negotiations with the industry for introducing permanent adjustments to existing power purchasing contracts, in particular for PV installations

2. Completes an action plan for introducing possible adjustment to rooftop PV installations incentives in order to align their rates of return to sustainable, EU average levels, considering Greek-specific conditions (**July 2013**).

3. 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 PV capacity receiving incentives, effective 1st of January 2014. Until then new sales contracts and connection contracts are suspended.

4. 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. (**Monthly**) These projections will have to provide a baseline and a normative scenario to bring the debt down to zero by end-2014.

5. Shall complete and make operational a comprehensive electronic registry of all RES installations (**June 2013**).

6. Adjusts the RES levy every six months (July 2013, January and July 2014) to eliminate the projected RES account debt by end-December 2014 (**continuous**).

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**).

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 debt and credit positions of all participants in such market on a monthly basis, starting from May 2013 (**continuous**).

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**).

10. Effective May 1st, RAE will implement and monitor 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 (**continuous**).

6.1.5 Planning the development of the electricity market in the medium to long term

1. Building upon the report of RAE published in December 2012 and RAE recommendations, the authorities will present to the EU Commission Services by **May 2013** 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. (**May 2013**). This plan will entail inter alia,

   i. fostering competition by stimulating entry through:

      - The auctioning of a significant amount of PPC produced electricity (at least 1600 MW) with characteristics reflecting PPCs generation portfolio;
      - Pricing of auctioned products will take into account the need to avoid a price squeeze at retail level;
      - To foster entry, eligible bidders in the auction will be electricity suppliers only;
      - 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 (i) ensure it remains in place until competitive conditions are satisfactory (ii) improve its continuing effectiveness in creating competitive conditions (iii) ensure that investment incentives are not unduly affected (iii) ensure it converges to the EU target model.

   ii. Removing market distortions through:

      - 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;
      - A review of the capacity reserve system with a view to create incentives to retire inefficient power plants and/or incentivise investments herein;
      - The development of a balancing market. Industrial users should participate to this system. Rewards must be based on their objective contribution to system stability.

2. The plan is adopted in **June 2013**, after incorporating any comments by the European Commission.

6.1.6 Fuel distribution

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:

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 (**June 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 (**June 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 (**June 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(**June 2013**);

v. abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them. (**June 2013**)

2. To enhance competition in the *retail* fuel sector, the Government, 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. (**June 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 assignment of licenses for broadcasting and for the establishment of licensing procedures. (**June 2013**)

ii. 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**) *(*)*

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**)

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**)

v. launch the tender for the assignment of rights of use for broadcasting transmission. (**June 2013**)

vi. proceed to 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 (ii) and (vi) 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 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 **(May 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**).

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 (**June 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. adopted by **May 2013** and,
   ii. for full implementation 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 in 2014 or later 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. 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)**.

5. 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**.

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**).

7. The function of safety authority is transferred to an independent authority. (**May 2013**).

8. The HRADF launches tender procedure for Trainose (**June 2013**).

6.3.2 Maritime Activities and Ports

The Government:

1. An assessment of the impact of recent reforms will be completed by **October 2013** and additional measures will be agreed with the aim to further improve the competitiveness of the sector, including by increasing flexibility of labour arrangements.

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 (which also includes the sale of the master concessionaire port companies) with the objective of making the best use of the ports (**May 2013**) and launches the appropriate call(s) for tender (**June 2013**).

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. To this end the government submits draft legislation by **May 2013** and adopts the new legal framework by **June 2013**.

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. (**June 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. (**June 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 **June 2013**, and adopted before **December 2013**.

4. to enhance competition in the market for over-the-counter (OTC) products:
   i. replaces the current system of fixed margins with maximum ones (**June 2013**), and

   ii. 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

6.5.1 Removing restrictions to the access to and exercise of regulated professions

1. 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 where the legislation will be set in force after period of four months and in accordance with the relevant HCC opinion**.**

2. A report on the implementation of Law 3919/2011 is published on the Government's website (**June 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 reinforce **transparency** in the functioning of professional bodies: Legislation is adopted mandating the publication on the webpage of each professional association the following information **(May 2013)**:

   i. the rules regarding incompatibility and any situation characterised by a conflict of interests involving the members of the Governing Boards.

4. To assess the proportionality and justification of **activities reserved** to specific regulated professions, the Government:

   i. 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**)
   ii. organises a mutual evaluation exercise, whereby representatives of the abovementioned 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. (**June 2013**)
   iii. Presents a proposal of which activities could be reserved (in exclusivity) to specific professions. (**June 2013**)
   iv. Sends draft legislation to Parliament amending unjustified or disproportionate requirements reserving certain activities to specific professions. (**December 2013**)

6.5.2 Additional measures

1. A draft code revising Legislative Decree 3026/1954 is adopted by **June 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'. (**May 2013)**

3. It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts. (**June 2013**)

4. The Government takes additional measures by **June 2013** at the latest, to reduce by 50% the cost of registering property, as measured by the World Bank's *Registering Property* sub-indicator. The results will be monitored in the World Bank's 2014 edition of Doing Business. (**November 2013**)

5. To confirm progress in the area of regulated professions, the Government 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**)

6.5.3 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**)

6.5.4 Services Directive: exploiting the information benefits of the Point of Single Contact

The Government ensures:

1. 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)**

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, 6 applications are submitted by June 2013 and 6 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.

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 3 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 (cfr. section 2.7.2.2.3), 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 (**June 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 (**June 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. (**May 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

Timing of Privatizati (Launch of Tender)		Binding offers (submission)	Project	Intermediate Steps
I. State-owned enterprise/share sale				
	n/a	n/a	2 Airplanes	
2012	Q1	Q2/13	Public Gas (DEPA)	Modification of statutory provision at time of privatization.
	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 for clarifying responsibilities between Jockey Club and the New Concessionaire (May 2013). Law for clarifying the taxation regime of the Concession (May 2013)
	Q1	Q3/13	Thessaloniki Water (EYATH)	Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy (May 2013) and amend the license (November 2013).
	Q2	Q2/14	Hellenic Vehicle Industry (ELVO)	Transaction structure to be determined and agreed (May 2013). EC (DG Comp) consent (May 2013).
	Q2	Q4/13	Hellenic Petroleum (HELPE)	Following divestment of DEPA.
	Q2	Q1/14	Mining and Metallurgical Company (LARCO)	Agreement on privatisation structure (DG Comp) is a key prerequisite. Law for establishing a new company (June 2013).
	Q2	Q2/14	Railways (Trainose)	Trainose will be transferred to HRADF (March 2013 - **DONE**). - Comfort letter from EC (DG Comp) for TRAINOSE State Aid investigation clearance (May 2013).
	Q2	Q2/14	Athens Airport (AIA)	Agree on extension and sale process with Hochtief (June 2013).
	Q3	Q4/13	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).
	Q3	Q2/14	Athens Water (EYDAP)	Establish regulatory framework (March 2013 - **DONE**). Establish pricing policy (September 2013) and amend license (February 2014). Settlement of receivables from the State (February 2014).
	Q3	Q3/14	Hellenic Defense Systems (EAS)	Identify assets for privatization (May 2013). State Aid formal investigation clearance (pending discussions with DGComp)
	Q3	Q3/14	Public Power Corporation (PPC)	Government approves and announces PPC restructuring and privatisation plan (April 2013).
	n/a	n/a	Casino Mont Parnes	Pending European Court decision
II. Concessions				
	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 expected in May 2013. Ratification of reset agreement by Parliament, after consent by Lenders and EU granted (expected in July 2013).
2011	Q4	Q4/12	State Lottery	Court of auditors approval - **DONE**
2013	Q1	Q3/13	Small ports and marinas	Resolve issues related to urban zoning (May 2013).
	Q1	Q4/13	Regional airports	Clarify state aid related issues (before launch of the 2nd phase - estimated May/June 2013). Establish regulatory framework (April 2013).
	Q2	Q4/13	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)
	Q2	Q1/14	Thessaloniki Port (OLTH),Piraeus Port (OLP) & Large regional ports	State aid clearance (DG Comp). Submit privatization strategy (April 2013). 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 (June 2013 - tbc with Min Dev) and b. analogue switch-off date (June 2013 - tbc with Min Dev). Launch tender for TV network providers (June 2013).
	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**). Bids will be submitted end of 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 (June 2013). ESCHADA submission (October 2012 - **DONE**).
	Q1	Q2/13	Afantou	All intermediate steps have been fulfilled. Binding offers submission (May 2013), subject to timely issuance of decision by the Council of State. ESCHADA submission (June 2013)
	Q4/12	Q1/13	Buildings abroad	Launch tender process (December 2012- **DONE).** Tender concluded for 4/6 buildings. Court of Audit approval. Launch of tender for the remaining 2 buildings (May 2013).
2013	Q1	Q2/13	Sale/repo 28 buildings	All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - **DONE**). Launch second phase (May 2013).
	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	Q2/13	Paliouri	Launch tender process (December 2012 - **DONE).** Transfer of asset to HRADF (March 2012- **DONE).** Launch second phase (April 2013).
	Q1	Q3/13	HEY	Launch tender process (February 2013-**DONE).** Transfer of asset to HRADF (March 2013- **DONE**). Launch second phase (April 2013).
	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**).
	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).

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. **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.
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 in a Greek antique shop (e.g., experience in other antique shops abroad or in museums).
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.
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 kindergartens; iv) Private childrens' camps; v) Child welfare institutes: *Cfr*. HCC Opinion no. 25/VII/2012.
5. **Petrol sellers, shotfirers, blasters and natural gas sales**. *Cfr*. HCC Opinion no 26/VII/2012
6. **Actuaries**: review the regulatory framework governing the examination process so as to prevent the Hellenic Actuarial Society (HAS) from determining indirectly the number of successful candidates in the examinations in the interest of the incumbents (*cfr*. HCC opinion no. 14/VI/2012).
7. **Selling and production of reproductive material for agricultural plant species and selling of fertilisers (***cfr*. HCC opinion no. 19/VI/2012**).**
8. **Oenologists:** abolish minimum fees
9. **Oenology labs:** remove geographical restrictions for establishing multiple labs and administrative license
10. **Veterinarians**: remove the legal form requirement and allow any legal person, irrespective of the shareholders, to open a veterinary clinic long as the activity is being performed by veterinarians. Subject the licensing of such veterinary clinics to Art. 3 of Law 3919.
11. **Accountants**: abolish the four different classes of accountants and the activities reserved to each class.
12. **Private education establishments**. Adopt secondary legislation provided for in paragraph I.3.15 and 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.
13. **Tourist guides**: Amend legislation to allow educational entities other than universities to offer accelerated training courses for candidate tourist guides.
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.
15. **Sworn in valuers**: Adopt law and necessary secondary legislation (3 MDs on the examination committee, code of ethics and on disciplinary committee) to reflect abolished restrictions in November 2012 (i.e. fixed fees, numerus clausus, nationality requirement etc) and 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 valuer. .

16. **Geo-technician**: subject the regulations on geo-technicians to chapter A of law 3919/2011.

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. **By end May 2013**, 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.
2. On the basis of the above cooperation, the Task Force presents to the Government, **by end October 2013**, a revised version of the draft Code of Civil Procedure. The Government carries 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 Government submits the final draft Code to the Hellenic Parliament by March 2014.

9.3.2 Study on cost of litigation

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 **by June 2013**.

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 staff[5],
- 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[6],
- 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 Non-exhaustive list of regulations on port work for review under the new port strategy

- Port of Piraeus – law 1559/1950 (Gov. Gazette A 252/1950), law 2688/1999 (Gov. Gazette A 40/1.3.1999), Joint Ministerial Decision 5115.01/02/2004 on the approval of the General Regulation for Personnel (Gov. Gazette B 390/26.2.2004).
- Port of Thessaloniki - legislative decree 449/1970 (Gov. Gazette A 51/27.2.1970), law 2688/1999 (Gov. Gazette A 40/1.3.1999), Joint Ministerial Decision 5115.01/05/2003 on the approval of the General Regulation for Personnel (Gov. Gazette B 1203/26.8.2003).
- Work Regulation of the Dockworkers of the Piraeus Port approved by Joint Ministerial Decision 45058/7/1971-Gov. Gazette B 579/22.7.1971)
- Joint Ministerial Decision 44885/8919/1956, as modified by Joint Ministerial Decision 117756/8295/1967-Gov. Gazette B 9/11.1.1967)
- Law 3239/1955
- Law 5167/1932
- Ministerial Decision F 10221/26816/929- Gov. Gazette B 2778/2.12.2011

9.6 *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). *(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.
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. *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month.
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). *(Data compiled by the Ministries of Interior and Finance)*	Monthly, 30 days after the end of each month.
Preliminary monthly cash data on general government entities other than the state. *(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.
Monthly data on staff: number of employees, entries, exits, transfers among government entities; and from and into the mobility and exit scheme, per entity. *(Data compiled by the Ministries of Administrative Reform and E-Governance and of Finance)*	Monthly, 30 days after the end of each month.
Weekly information on the Government's cash position	Weekly on Friday,

with indication of sources and uses as well of number of days covered. *(Data compiled by the Ministry of Finance)*	reporting on the previous Thursday.
Data on below-the-line financing for the general government. *(Data compiled by the Ministry of Finance)*	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.
Data on expenditure pending payment (including arrears) of the general government, including the State, local government, social security, hospitals and legal entities. *(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)*	Quarterly, within 55 days after the end of each quarter.
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. 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). Data on planned monthly interest outflows. *(Data compiled by the Ministry of Finance)*	Monthly, within one month.

Data on assets privatised and proceeds collected. *(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) *(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. *(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. *(Data compiled by the Ministry of Finance)*	Monthly, at the end of each month.
Report on progress with fulfilment of policy conditionality. *(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. *(Data compiled by the Ministries of Labour and Health)*	Monthly, within three weeks of 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 results from the regular quarterly solvency assessment exercise.	Quarterly, 15 days after the end of each quarter depending on data availability.
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

May 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. This includes the Green Fund and the HRADF.
    - The following state enterprises and organizations included by the National Statistical Service (ELSTAT) under the definition of central government (ATTIKO METRO, OSY, ELGA, HELLENIC DEFENCE SYSTEMS S.A., OSE, TRAINOSE, ERT, ELECTROMECHANICA KYMI LTD, OPEKEPE, KEELPNO, EOT, GAIAOSE, ERGOSE, INFORMATION SOCIETY IN GREECE, Unit for the Organization and Management of Development Projects S.A.).
- Local government comprising municipalities, prefectures, and regional governments 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 funds 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.

- **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) minus guarantees called to entities within the general government. 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 for the clearance of tax refunds in arrears); 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; returned resources; payments in exchange of claims of insurance fund for the personnel working in the Public Electricity Company; the reserve, interest payments; transfers for the settlement of past debt, payments for military equipment procurement on a cash basis; NATO expenses, 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).

5. Other provisions for the purposes of the program.

- The MGGPCB will also exclude **all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regard**s **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. 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 FSF. 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.

Supporting material.

- Data on cash balances of the ordinary and state 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. Data will also include data on capital transfers to social security funds or other entities in bonds and called guarantees.

- Data on net financial assets of local authorities and social security funds, extra-budgetary funds including the Green Fund, AKAGE, and reclassified public enterprises 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.

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 restructuring, when carried out under the program’s banking sector restructuring strategy. Costs that may be excluded from the balance include loans to financial institutions and investments in equity of listed and non-listed financial institutions (requited recapitalization); unrequited recapitalization; and purchase of troubled assets. 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 that have not been assessed within 90 days (cumulative from July 1); 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.

9. **Supporting material.** Monthly data on arrears of public hospitals (NHS hospitals) will be provided by the Ministry of Health, and arrears of line ministries by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will 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. 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 the change in the stock of tax

refund claims that have not been assessed within 90 days (cumulative from July 1); 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 to be carried out by the privatization agency (HRADF), cash receipts from direct government sales, and cash receipts from the eventual 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 euro and reported on a gross basis, excluding any associated capital expenditure or other restructuring costs as well as the operating costs of the HRADF including the fees of advisors related to the specific privatization. Proceeds will be measured as the inflows of cash received by the HRADF as deposited in the Segregated Account at the Bank of Greece within 10 days after the settlement of the transaction.

20. **Supporting material**. Quarterly information on the cash receipts from asset sales, quarterly balances of the privatization account, inflows to the account (by project), and outflows to the state budget, will be made available by the Minister of Finance, in collaboration with the HRADF, no later than 60 days after the end of each quarter.

21. **Other.** The privatization agency will provide GAO, analytical data on the gross receipts and expenditures of the above mentioned sources, on a monthly basis–by the end of the 20th of every next month.

I. ESA "Program" Deficit and Overall Monitoring and Reporting Requirements

22. **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; and (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).

Schedule B: Indicative Amounts to be Transferred to the Greek Government by Eurosystem National Central Banks

(Billions of euros)

	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.

23. **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).

24. **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)

25. 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 or that leave as part of a restructuring ahead of a 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.

Annual Overall Employment Ceilings for the General Government

(persons)

	2012	2013	2014	2015	2016
General Government	**727,458**	**691,493**	**664,950**	**643,367**	**624,000**
Ordinary staff	628,412	608,383	588,174	569,502	552,854
Other staff	71,503	56,089	50,398	48,122	46,074
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

Source: MAREG.

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.

Mobility and Exit Scheme (Quarterly Targets)			
	Staffing Plans total personnel covered	Into Mobility Scheme	Exits from government
2013			
Q1			
Q2	455,895	12,500	
Q3	109,105		2,000
Q4	85,787	12,500	2,000
Total	**650,787**	**25,000**	**4,000**
2014			
Q1			1,000
Q2			4,000
Q3			2,000
Q4			4,000
Total			**11,000**
Sum total	**650,787**	**25,000**	**15,000**

Source: MAREG.

K. 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 or that are part of a restructuring ahead of a privatization.

27. Supporting material The Ministry of Public Administration Reform (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) and departures (number, reasons for departure, new entity transferred to/exits), and the stock of employees currently in the scheme. 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. GAO will report monthly (15 days after the closing of the month) on any severance payments that derive from the exit scheme, where such payments are foreseen in law. 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.

L. Prior Actions

28. Adopt legislation to achieve a semi-autonomous revenue administration (defined as the entire remit of the General Secretariat of Public Revenue), including the following steps:

- Transfer to the revenue administration the following units:
  - Ministry of Finance internal affairs department;
  - All functions, personnel, and budgets allocations associated with the following departments of GSIS: Directorate 30, including (i) the department for taxation, income, capital and vehicles, including transfers taxation, inheritances, donations and property taxation (Department A); (ii) the department for VAT and special taxes (Department B); (iii) the customs department (Department C); (iv) all revenue-related functions of the department for general application (Department F); and all departments of the directorate for inputs and control of computer data (Directorate 32).
  - 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) preemptive 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 board 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. A ministerial decision will 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 a maximum of three years.

- Provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14 day time frame.

- Enable the SGPR to determine the conditions for hiring under the control of ASEP.

- Create a budget code for budget approval by parliament that encompasses all organizational units of the revenue administration (to enable a separate and unified budget allocation starting in.

- Establish a small financial management unit 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.

- Authorize the SGPR to determine a grading and promotion system for the revenue administration subject to approval by the Minister of Finance.

- The MoF will restart the institutional reform working group (IRWG), which will be chaired by the SGPR, and whose reports will be shared with the Minister and Troika. The IRWG will analyze and map the constraints to the operational and administrative autonomy of the SGPR and propose immediate solutions. Though not limited to the following matters the IRWG examination will incorporate 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.

Monitoring of Structural Benchmarks

29. Benchmark on progress in revenue administration, 2012–13. Progress in revenue administration in 2012 and 2013 will be defined as reaching or exceeding the targets set in Table 1.

30. Definitions:

- A **completed audit** is defined as an audit reported as formally finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the taxpayer assessment 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.
- 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.

31. **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.

32. Benchmark on progress in public financial management, 2012. Progress in implementing public financial management reforms in 2012 will be defined as reaching or exceeding the targets set in MEFP Table 2.

33. Definition. For the purpose of the 2012 target, the reporting institutional units (State and general government entities) include any unit under the general government as defined in paragraph 32 of the March 2012 TMU. For the purpose of subsequent 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. From March 2013, entries under the e-portal will 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.

34. 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 June 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 their share of overall annual spending in 2011) will be made available by ELSTAT by June 30, 2013.

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