© 2013 International Monetary Fund

July 2013
IMF Country Report No. 13/241

Greece: Fourth Review Under the Extended Arrangement Under the Extended Fund Facility, and Request for Waivers of Applicability and Modification of Performance Criterion—Staff Report; Staff Statement; Press Release; and Statement by the Executive Director for Greece

In the context of the fourth review under the Extended Arrangement under the Extended Fund Facility, the following documents have been released and are included in this package:

- The staff report for the fourth review under the Extended Arrangement under the Extended Fund Facility, and request for waivers of applicability and modification of performance criterion, prepared by a staff team of the IMF, following discussions that ended on July 8, 2013, with the officials of Greece on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 16, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff statement of July 29, 2013 updating information on recent developments.

- A Press Release summarizing the views of the Executive Board as expressed during its July 29, 2013 discussion of the staff report that completed the request and/or review.

- A statement by the Executive Director for Greece.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Greece*
Memorandum of Economic and Financial Policies by the authorities of Greece*
Technical Memorandum of Understanding*
Letter of Intent to the European Commission and the European Central Bank*
Memorandum of Understanding on Specific Economic Policy Conditionality*

*Also included in Staff Report

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

Copies of this report are available to the public from

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

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

July 16, 2013

GREECE

FOURTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR WAIVERS OF APPLICABILITY AND MODIFICATION OF PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Extended Arrangement. On March 15, 2012, the Executive Board approved a four-year Extended Arrangement under the Extended Fund Facility in the amount of SDR 23.79 billion (2,159 percent of quota; €28 billion). Purchases totaling SDR 5.7 billion (about €6.7 billion) have been made so far, and a purchase in the amount of SDR 1.5 billion (about €1.8 billion) is proposed to be released on the completion of the fourth review. Euro area countries have so far disbursed €130.6 billion since the current program approval (of €144.6 billion committed), of which €48.2 billion was for bank recapitalization.

Macroeconomic Developments. The economy is rebalancing. However, it continues to do so through recession, not productivity-enhancing structural reform. Domestic demand continues to fall albeit at a moderating pace, and import compression has resulted in a further shrinking of the current account deficit. The large output gap and high unemployment rate are exerting downward pressure on wages, and the competitiveness gap in unit labor cost terms has narrowed further. Product prices are also easing. Sentiment indicators have improved, but the recent political crisis has had a dampening effect. With economic developments essentially as projected, no substantial changes have been made to the program's macroeconomic and financing outlook or to the debt sustainability analysis.

Policy Implementation. Corrective actions are being taken to ensure that the fiscal targets for 2013–14 are met. Considering the scale of imbalances just three years ago, achieving the targeted zero primary fiscal balance this year would be an impressive achievement. Nevertheless, there continue to be noticeable shortfalls in public administration reform, revenue administration reform, and privatization. Discussions focused on steps to catch up in these areas. Following the recapitalization of the core banks, steps are being taken to further safeguard financial stability, including through the sale of two bridge banks.

Approved By
Reza Moghadam and Hugh Bredenkamp

Discussions for the fourth review under the Extended Arrangement were held during June 4–18 and July 1–8, 2013. The mission met with the Prime Minister, Minister of Finance, Governor of the Bank of Greece, and other Cabinet Ministers; and staff in these and other ministries. The mission also met with private banks, think tanks, and employer associations. The staff team comprised P. Thomsen (head), R. Goyal, W. McGrew, G. Gottlieb, N. Hobdari, W. Maliszewski, and M. Shamloo (EUR); I. Petrova and M. Soto (FAD); B. Rayner (SPR); O. Frecaut, M. Oliva, and D. Monaghan (MCM); and W. Bergthaler and G. Esposito (LEG). B. Traa, S. Eble, M. Athanasopoulou, G. Gatopoulos, and M. Kalimeri (IMF resident representative office) assisted the mission. J. Manning and C. Piatakovas (EUR) assisted from headquarters. T. Catsambas (OED) participated in some meetings.

CONTENTS

TABLES

ANNEXES

APPENDIXES

CONTEXT

1. Greece has made important progress in rectifying pre-crisis imbalances. The country entered the crisis with one of the highest fiscal and external imbalances in the euro area. With unprecedented European and international support, steadfast fiscal adjustment by the Greek authorities since 2009 delivered an improvement in the cyclically-adjusted primary balance of over 15 percent of GDP. The country is now at the cusp of achieving primary balance—a remarkable achievement. External imbalances have also been reduced sharply. However, this adjustment is due principally to recession (import compression), not productivity-enhancing structural reform.

2. The ongoing correction of imbalances has come at a very high cost. The economy is in the sixth year of recession. Output has fallen by nearly 25 percent since its peak in 2007. The unemployment rate is about 27 percent, and youth unemployment exceeds 57 percent.

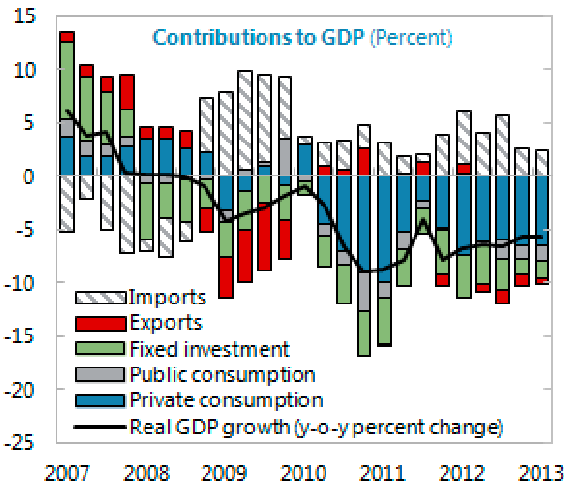
3. The high adjustment cost reflects in important part the delayed, hesitant and piecemeal implementation of structural reforms (see Greece: Ex Post Evaluation of Exceptional Access under the 2010 Stand-By Arrangement and 2013 Article IV Consultation). Amidst recurrent domestic political crises, vested interests opposed to reforms have been increasingly emboldened. Thus, reforms have fallen well short of the critical mass needed to transform the investment climate. The onus therefore remains on delivering rapidly on structural reforms to unlock growth and create jobs, which would lessen the pain of further adjustment.

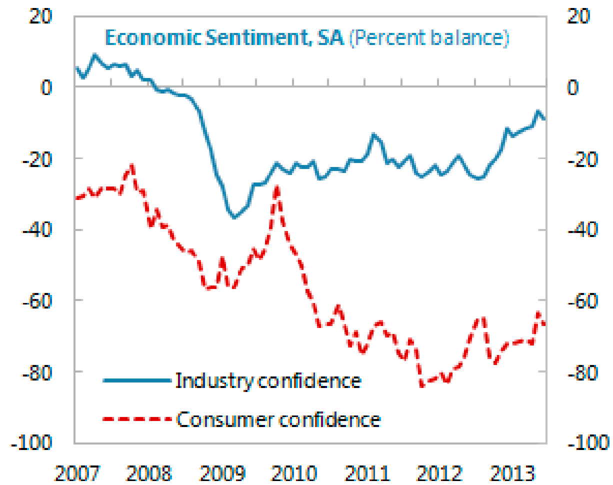
4. The review took place against the backdrop once again of domestic political tensions that culminated in a cabinet reshuffle. The closure of the public broadcasting company (ERT), as part of the public administration reform of the government, led the smallest partner (Democratic Left) to withdraw from the governing coalition. Consequently, the government's majority in parliament was reduced to a slim margin.

RECENT DEVELOPMENTS

5. Recent macroeconomic developments are broadly in line with program projections.

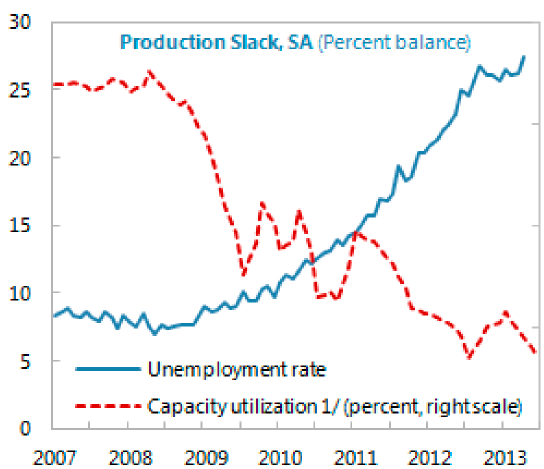
- **The output contraction is slowly decelerating** (Table 1; Figures 1 and 2). Real GDP declined by 5½ percent y/y in Q1 2013 (compared to -5¾ percent in Q4 2012). Fiscal adjustment and falling incomes further reduced public and private consumption, while investment appears to have stabilized at a depressed level. The contribution of the external sector disappointed as exports weakened, reflecting soft global demand. But a number of indicators—e.g., economic sentiment and higher tourism bookings—point to a milder contraction in Q2 than in Q1.

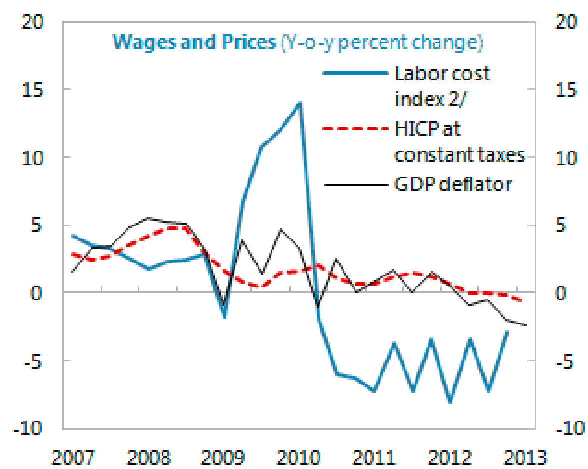




Sources: Elstat; and IMF staff calculations.

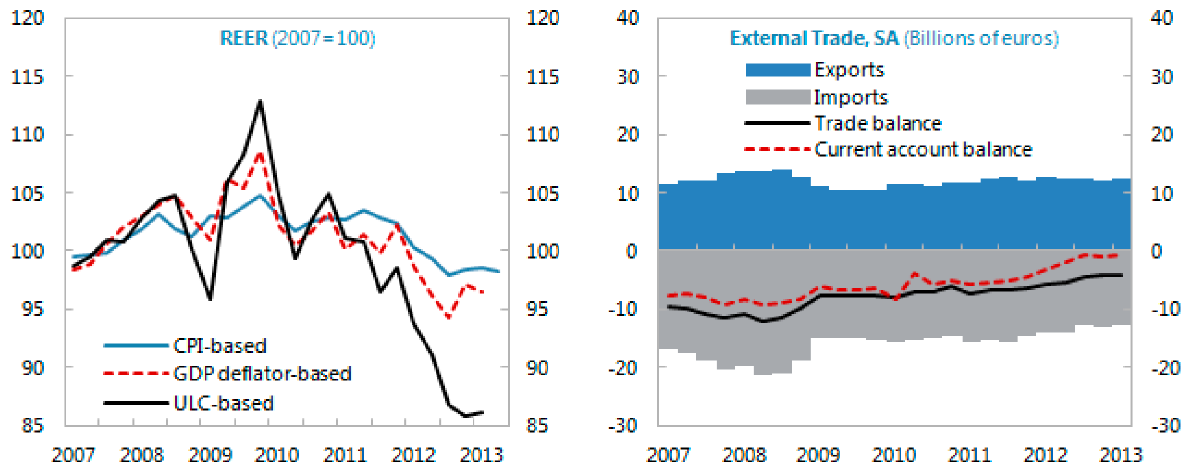
- **Ample spare capacity is lowering wages and prices** (Figure 3 and 4). Unemployment continues rising (from 26.4 percent in December 2012 to 26.9 percent in April 2013), although the pace of increase is slowing, with a modest pickup in hiring. Spare capacity in industry has stabilized at an elevated level. The output gap has precipitated large wage adjustments (nominal wages declined by 11 percent during 2010–12), which have also finally started to be transmitted to lower prices—the CPI and the GDP deflator are declining.





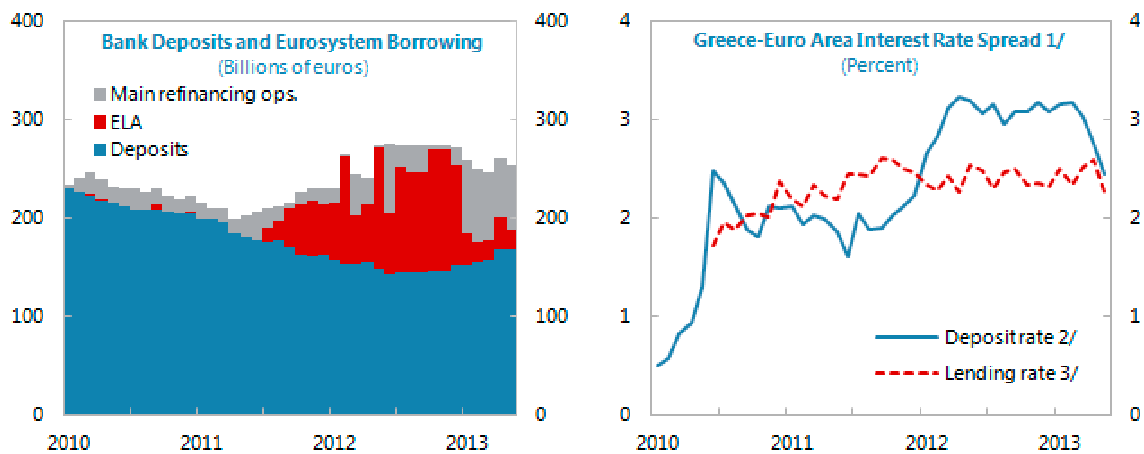
Sources: Elstat; Eurostat; and IMF staff calculations.
1/ Interpolated monthly.
2/ Private sector business economy.

- **External adjustment is continuing largely through import compression** (Table 2 and Figure 5–6). Besides soft global demand, weak exports reflect sluggish improvements in price competitiveness (the ULC-based REER depreciated by over 8 percent y-on-y in Q1, but the CPI-based REER remained broadly stable y-on-y in June) and limited availability of trade financing. The 12-month current account deficit through Q1 2013 reached 2¼ percent of GDP (compared to 3½ percent at end-2012). But the underlying external position remains relatively unfavorable, with the structural current account deficit estimated at about 6 percent of GDP in 2012, implying an overvaluation in the CPI-based REER of about 10 percent (see External Sector Report).



Sources: European Central Bank; Eurostat; Haver, and IMF staff calculations.

- **Liquidity and financial market conditions are mending slowly** (Figure 7–8). Since mid-2012, deposits have recovered and reliance on Eurosystem funding has declined sharply. In the last two months, deposit movements have stabilized, and access to Eurosystem funding now stands at around €85 billion. The injection of bridge capital at year-end allowed ELA to decline sharply, but further reduction will be constrained by the pace of deposit inflows, given banks' limited ECB-eligible collateral. Interest rates remain elevated, and the recent political uncertainty and expectations of tighter monetary policy in advanced economies have led to an increase in sovereign spreads to around 900 bps (from around 700 bps after the upgrade by Fitch in May).



Source: Bank of Greece; European Central Bank; Haver, and IMF staff estimates.
1/ Interest rate for nonfinancial corporations.
2/ Agreed maturity up to one year.
3/ Revolving accounts up to one million euros floating or up to one year maturity.

6. The recession is continuing to strain balance sheets.

- **Credit conditions remain tight** (Tables 3–4). Overall, the deteriorating asset quality is hampering the flow of credit to the private sector, and the contraction in credit has worsened slightly (to -3.7 percent y/y in May) in line with staff projections.

  - *For the household sector*, the rising liabilities-to-income ratio (at 109 percent in Q4 2012), prospects for further nominal income adjustment, and falling house prices (-30 percent cumulative from its Q3 2009 peak to Q1 of this year) have contributed to a simultaneous tightening of credit conditions and a reduction in the demand for new loans in the last two quarters (as confirmed by survey results). With falling wages, rising unemployment, and tax increases all cutting into disposable income, the already high household NPLs increased further to above 27 percent in Q1. Traditionally low savings rates, which remained close to zero in Q4 2012, have made households vulnerable to income shocks (Figure 9).

  - *For the corporate sector*, NPLs are rising (to 31 percent in March), credit is shrinking, and the financial position of SMEs is weak owing to falling domestic demand. Survey results point to weak demand for loans and some further tightening of credit conditions in the last two quarters (banks maintain that good investment projects from SMEs remain rare). But the sector as a whole generates substantial surpluses (8 percent of GDP in Q4 2012). Some large corporations tapped the international market, raising about €2 billion through May 2013 largely to roll over debt falling due, albeit at high yields of around 8 percent (Figure 10).

- **The process of recapitalizing banks is complete, but cleaning up balance sheets is yet to begin** (Box 1; Table 5). Private sector participation in the recapitalization was stronger than envisaged (amounting to €3.1 billion, in addition to about €3 billion coming from the recapitalization of subsidiaries by foreign banks that have since exited the country), and three out of the four core banks have retained their private sector management. One small non-core bank also managed to meet its capital needs through private sources and remains operating. On July 12–13, it was announced that the two HFSF-owned bridge banks—TT New Hellenic Postbank and Nea Proton Bank—are being sold to Eurobank.

7. Fiscal adjustment is broadly advancing albeit with some slippages (Tables 6–9), but progress on fiscal institutional reforms has been slow (Tables 10–11). These latter reforms are key to enhance the efficiency and effectiveness of the public sector and ensure a more equitable distribution of the adjustment burden.

- **2013 fiscal.** Fiscal outcomes year-to-date are broadly consistent with program targets. Some current spending overruns and temporary delays in revenue collection owing to extensions of tax declaration deadlines have been largely offset by under-execution of the investment budget. The main risks to the program targets stem from delays in the billing of property taxes (approximate impact of €450 million) and overruns in health spending in the year to date (€475 million on annualized basis)—see text table. (Corrective actions are discussed below.)

- **2014 fiscal.** A preliminary identification of pressure points suggests higher health spending and backtracking on two previous measures—a solidarity surcharge on the self employed (€600 million) and a reform of the wage grid of the military (€250 million)—will contribute to gaps. The identified gaps have been closed with additional measures, but these will be reassessed in the context of the 2014 budget at the time of the next review.

Key Changes in Fiscal Projections, 2013–14

	Percent of GDP		Millions of euros	
	2013	2014	2013	2014
Slippage	0.5	0.5	925	875
Delay in billing of PPC tax for 2013	0.2	-0.2	450	-450
Non-implementation of solidarity contributions for self-employed	0.0	0.3	0	600
Non-implementation of new wage grid for armed forces	0.0	0.1	0	250
Overrun in spending by EOPYY	0.3	0.3	475	475

Source: IMF staff estimates and projections.

- **Tax administration.** There has been some progress in bolstering the autonomy of the revenue administration and in organizational reforms, but new obstacles have emerged (see also ¶22). To improve efficiency, the authorities strengthened capacity at the units for large taxpayers and high wealth individuals, and June key performance indicators (KPIs) show increases in the number of audits and assessed amounts. However, the collection of the assessed amounts still lags the targets, largely because of the continued application of deferred payment schemes. Debt collection has also lagged behind, notwithstanding recent legislative changes to facilitate writing off uncollectable debt so as to focus compliance efforts on collectible debt.

- **Public financial management (PFM) reforms.** The expansion of the commitment register has continued, and discrepancies in reporting have declined. About 90 percent of entities with spending above €1 million per year have functioning commitment registers. But significant challenges remain with the clearance of arrears, with local governments and social security funds (SSFs) continuing to face institutional constraints to comply with arrears clearance objectives (see below). As a result, arrears clearance has lagged program goals: according to the program definition, arrears have fallen by only €1.4 billion through May, well short of the targeted reduction of €4.5 billion.

- **Public administration reform.** Progress on exits of publicly employed ordinary (or permanent) staff through attrition has been in line with program targets (attrition is subject to the 1:5 rule of hiring 1 new staff for 5 retiring staff). On mandatory exits, which are subject to the 1:1 rule of replacing dismissals with new staff with the requisite skills, the authorities closed the public broadcasting company, ERT, in June. They are opening a smaller, more efficient broadcasting station in its place that could hire back a subset of former ERT staff. But more generally, there have been significant delays and slippages, and the reform effort is well behind schedule. Through end-June, staffing plans were prepared for only 361,000 staff (against 450,000 planned). No employees were shifted into the mobility scheme (compared with a target of 12,500 by end-June 2013) from which mandatory exits were to follow. Moreover, the hiring of contractual staff has overshot with the activation of EU-financed employment programs.

8. **Structural reforms are progressing slowly** (Table 12).

- **The privatization program is behind schedule.** While agreement was reached in June to sell the government's 31 percent stake of Greece's gas transportation system operator (DESFA) (finalization of the deal is subject to regulatory approvals), there was no bidder for the natural gas company (DEPA). Finalization of the sale of the betting company OPAP awaits regulatory approvals (it is expected to be concluded by end-September). Projections are for sales of about €1½ billion in 2013 (compared to the third review target of €2.5 billion).

- **Progress in liberalizing regulated professions** has been slower than targeted, particularly in issuing secondary legislation for a number of professions, reflecting resistance from vested interests (¶39).

- **On judicial reforms,** the court case backlog has been reduced (both tax and nontax), and a new Code of Lawyers that eliminates some restrictions and revises the fee structure, is slated for adoption in July. The implementation of the anti-corruption plan and preparation of a draft Code of Civil Procedure have been delayed, however.

- **On labor market reforms,** a new minimum wage setting mechanism was adopted (for application after the program period—during the program, the minimum wage is frozen), under which the power to set the statutory minimum wage will be shifted from a non-representative group of employers and unions to the government. This will help to address a significant insider-outsider problem in the labor market.

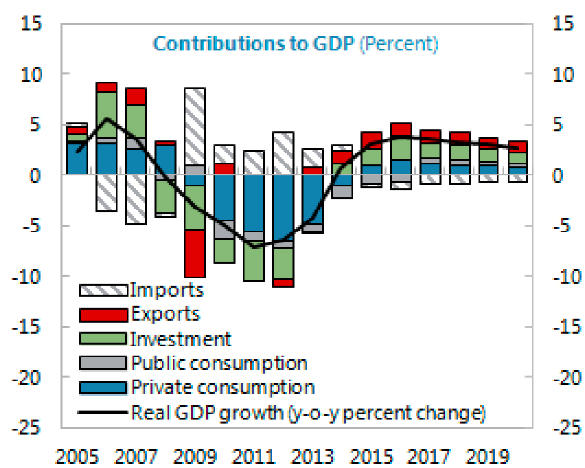
9. **As to program targets, all six end-June 2013 quantitative performance criteria (QPCs) are expected to have been met, although the indicative targets and some structural benchmarks were missed** (MEFP Tables 1 and 2). End-June data are available on three QPCs (primary state spending, external arrears, and new guarantees), which were all met. Based on the latest available information, it appears that the three other QPCs (central government debt, general government balance, and domestic arrears) were also met, but final data will be available only at the end of July or early August. The authorities have therefore requested a waiver of applicability for those three QPCs. The missed indicative targets are the ceiling on the stock of domestic arrears (broad definition), privatization receipts, and transfers to the mobility scheme—all of which were subject to delays. Missed structural benchmarks have been either targeted as prior actions or re-phased (MEFP Tables 2–4), or mitigating actions are being taken.

DISCUSSIONS

A. Outlook

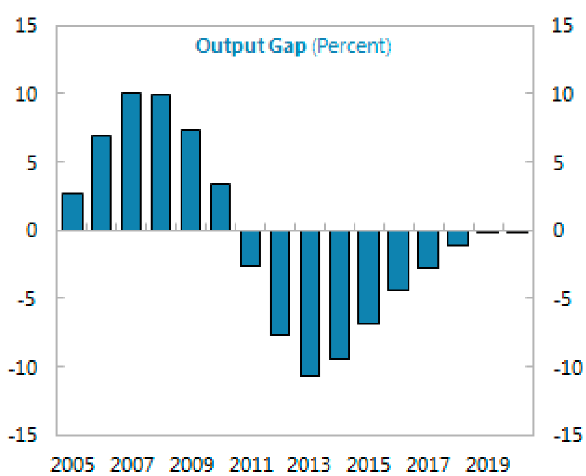
10. The economic outlook remains broadly unchanged since the last review (Table 13).

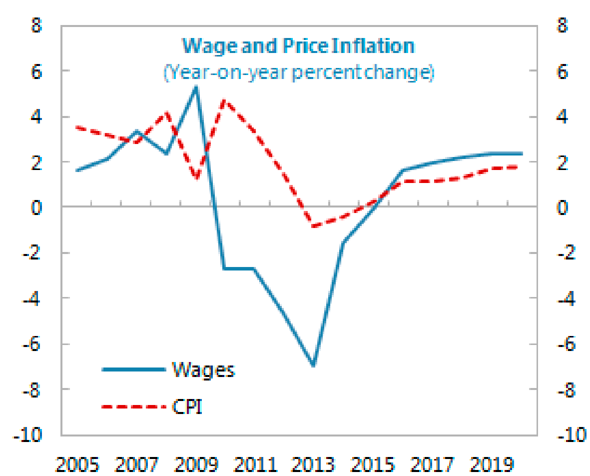
- **Staff projects a recovery starting in 2014.** The latest macroeconomic data are consistent with the projected 4¼ percent GDP contraction in 2013. Given tentative signs of revival, staff projects a gradual reduction in the pace of decline of GDP, followed by a stabilization of economic activity toward the end of the year. This path is predicated on a positive contribution from exports (boosted by tourism) and investment (given the need to replace depreciating capital and in line with private sector expectations), offset by falling private and public consumption (driven by fiscal adjustment and falling household income further straining balance sheets). Over the medium term, the recovery is projected to be driven by the external sector (buoyed by improved competitiveness) and investment.



Sources: Elstat; and IMF staff projections.

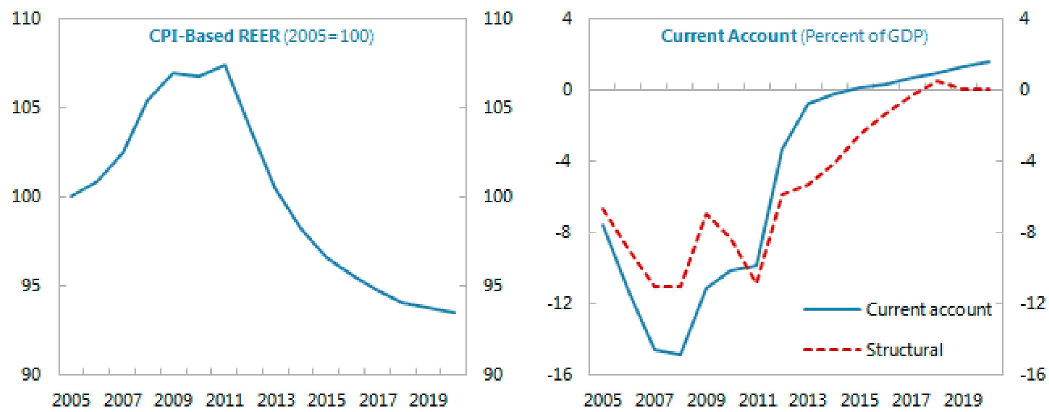
- **Wages and prices are projected to decline in the near term.** Gross wages and salaries are projected to decline by 7 percent this year and 1½ percent in 2014 (for a cumulative decline of over 20 percent during 2010–14), before returning to modest real growth in the medium term. Price dynamics so far this year are consistent with the projected ¾ percent deflation for 2013. In the medium term, inflation should remain below the euro area average, given that the still wide output gap will not close fully until 2020.





Sources: Elstat; and IMF staff projections.

- **External adjustment is projected to continue.** With improvements in competitiveness and a stronger contribution from exports, the headline current account deficit is projected to improve to about 1 percent of GDP this year and the structural deficit to about 5½ percent.



Sources: Bank of Greece; Elstat; and IMF staff projections.

11. Risks to these projections are high, and mainly associated with slippages in structural reforms, balance sheet vulnerabilities, and potential for political instability:

- **Slippages in structural reforms.** Productivity gains associated with structural reforms are projected to contribute about 10 percent in cumulative growth over the medium-term (see 2013 Article IV consultation selected issues paper). Slippages would have a significant impact on the speed of recovery, particularly given that gains are expected to be front-loaded, and on potential GDP.

- **Balance sheet vulnerabilities.** Stretched balance sheets—particularly in household and SME sectors—create a risk of faster adjustment, with a negative impact on demand and growth. Moreover, public sector debt may also prove to be a hindrance to demand and growth.

- **Potential political instability.** The risk of political instability remains acute, especially in light of high unemployment and ongoing social hardship. Further ambitious fiscal adjustment is needed for public sector debt to decline steadily, which exacerbates the possibility of social stress and political resistance.

- **External risks.** Continued weak economic performance in the euro area would negatively affect exports and growth. Early exit from exceptional monetary policies in advanced economies would also contribute to tighter financial conditions.

12. Debt is projected to evolve in line with the framework agreed with Greece's European partners (Appendix I).

- **Public DSA.** In view of the unchanged macroeconomic framework, public debt dynamics are similar to the path under the Third Review. After peaking at around 176 percent of GDP this year, debt is expected to decline to 124 percent in 2020, after additional contingent relief measures of about 4 percent of GDP from Greece's European partners to be determined in 2014–15. In addition, European partners committed to reduce debt to substantially below 110 percent of GDP in 2022, if needed and conditional on Greece meeting its commitments under the program. Risks remain to the downside, however, mainly from lower growth and potential fiscal and privatization slippages.

- **External DSA.** External debt should decline gradually as a result of projected improvements in the current account balance and continued reliance on official financing at low interest rates. Risks to external debt sustainability include delayed structural reforms that slow competitiveness improvements, slippages in the privatization program, and larger than expected deflation.

B. Economic Policies

13. The authorities and staff discussed how to keep the program on track. Discussions focused on steps to ensure that the fiscal targets for 2013–14 are met, strengthen social safety nets, modernize fiscal institutions, safeguard financial stability, and make progress on structural reforms to enhance productivity and competitiveness.

Fiscal policy

14. Measures agreed during the first and second review have underpinned a strong fiscal consolidation effort in 2013, albeit with some slippages that required corrective actions. Slippages were smaller than in previous reviews. But the back-loaded revenue profile in 2013 could strain taxpayers in the current economic environment and poses risks to revenue collection. At the same time, the authorities committed to deliver on significant, but necessary, tax policy and revenue administration reforms that will stretch the capacity of the revenue administration. In this context, the authorities and staff agreed on steps to ensure program targets are met and on the strategy to advance rationalization of the tax system with a view to making it simpler and more equitable.

15. The authorities are taking steps to ensure the implementation of the 2013 fiscal target (MEFP ¶5; see also text table). They committed to: (i) a tighter payment schedule of the final installment of the property taxes collected via electricity bills by the public power company (PPC); (ii) bring forward measures agreed in the 1st and 2nd review that were expected to take place in 2014, such as the luxury tax and the fee for lawsuits; (iii) tighten the conditions for claiming deductions for medical spending of individuals; and (iv) complete the memorandum of understanding with ship owners that complements a tonnage tax (see staff report and staff supplement for the first and second reviews). Overspending in the healthcare sector will be reversed through the application of a claw-back mechanism (by September), which is to be followed by more structural measures to reduce prices and demand for services (Box 2; ¶28).

16. The authorities also identified steps to close potential gaps in 2014 (MEFP ¶5). In addition to the claw-back on health overspending and other measures noted above, they committed to close existing schemes for untaxed capital gains reserves. The package of measures will be examined again in the context of the 2014 budget during the next review, as will the necessary measures for 2015–16 in the context of the medium-term fiscal strategy.

Offsetting Measures and Other Savings, 2013–14

	Percent of GDP		Millions of euros	
	2013	2014	2013	2014
Total	-0.5	-0.5	-925	-875
"Clawback" imposed on health overspending	-0.3	-0.3	-475	-475
MOU on shipowners	-0.1	-0.1	-98	-98
2014 measures brought forward	-0.1	0.0	-159	0
Untaxed capital gains reserves	0.0	0.0	0	-50
Tightening conditions for claiming medical deductions	0.0	0.0	-25	-50
Shortening of PPC payment period in March, 2014	-0.1	0.1	-180	180
Revision in yield on special solidarity contribution	-0.1	-0.1	-92	-92
Capital gains tax	0.0	-0.1	0	-120
Other	0.1	-0.1	104	-170

Source: IMF staff estimates and projections.

17. To address contingent fiscal liabilities from the renewable energy sector (RES), the authorities have taken steps to lower debts in the RES account (MEFP ¶9). As of July 1, the tariffs for household consumers were liberalized. The RES Special Levy to meet costs in the RES account is being increased from €9.30 per MwH to €14.96 MwH. These steps are part of a program to eliminate the debt in the RES account by end-2014. They bring average electricity prices in Greece in line with those in the EU, and provide room to start unwinding the cross-subsidization from relatively high industrial tariffs to relatively low household tariffs over time. Fewer distortions and better liquidity flow will also allow the gradual reduction of arrears in the electricity sector.

18. The authorities committed to implementing an ambitious overhaul of the tax system. The changes aim at simplifying the tax regime and codifying policy reforms that were introduced earlier in the year and cover the following areas:

- **Income tax** (MEFP ¶6 and 8). The new code clarifies policy changes that were adopted in January 2013 and unifies them with other existing income tax provisions. It also (i) eliminates exemptions for accumulation of special reserves; (ii) simplifies the application of capital gains taxation on equity, bonds, and property transactions; and (iii) streamlines and tightens rules for depreciation and deductions for medical expenditures. Simplifications introduced by the code are a significant step toward overhauling an overly complicated and nontransparent tax system.

- **Tax procedures code (TPC)** (MEFP ¶6). The new code simplifies taxpayers' dealings with the revenue administration through modern registration, filing, payment and collection procedures. It (i) consolidates provisions that were spread over different pieces of legislation; (ii) modernizes the penalties for noncompliance and introduces interest payments in place of surcharges for late payment; (iii) clarifies the revenue collection roles of the revenue administration and specifies clear collection rules; (iv) introduces a new mechanism for internal review of tax disputes; and

(v) consolidates provisions on deferred payment and installment arrangements. Following adoption of the code, implementation will require rapidly overhauling IT systems, drafting secondary legislation, and training staff—introduction by the start of 2014 will require concerted effort, as there are considerable risks of slippages in the preparation timeline.

- **Real estate tax** (MEFP ¶7; Box 3). The existing PPC levy, which collects real property taxes through electricity bills, is deeply unpopular and sanctioning non-payment by shutting off electricity service has been deemed unconstitutional. A new framework aims at replacing the PPC levy and the existing real-estate-based wealth tax collected by the revenue administration (FAP) with a single state-level property tax in a revenue-neutral way. The new tax will ultimately target properties rather than individuals and will have a broader base—including commercial buildings and land and industrial properties—thereby reducing the tax burden on currently taxed properties. But, as it relies on self-assessment by property owners and increases by 30 times the number of property owners receiving a bill from the revenue administration, staff has considerable concerns regarding the capacity of the revenue administration to implement effectively this overhaul of the property tax system. At a minimum, the administration will need additional resources and tools to follow up on property tax bills that have fallen overdue and a dedicated project management team to design the policy and prepare the groundwork for implementation. This is needed especially since the revenue administration is already tasked with undertaking numerous other major reforms in the coming months related to strengthening its autonomy and operational efficiency, the rollout of the new income tax regime, and the implementation of the tax procedures code. Should it become evident that a shortfall in revenue from the new property tax cannot be overcome through further readjustment of the rate structure, extending the existing property taxes into 2014 may be necessary, modified to take account of concerns about constitutionality.

19. Public administration reform has lagged far behind and the authorities are beginning to address delays:

- **Motivation.** Civil service reforms are critical to improve the efficiency and quality of public services, lower the total amount of public sector employment (through attrition) and the public sector wage bill, and bring in young and skilled workers for those whose positions have become obsolete (through exit and the mobility scheme). But, as noted earlier, progress in completing staffing plans and placing public sector employees in the mobility scheme has been very slow.
- **Measures** (MEFP ¶11). To bring these reforms back on track:
    - *Staffing plans*. The authorities committed to catch up by the end of the year and complete staffing plans for all ordinary employees in the general government.
    - *Mobility scheme*. The authorities agreed to an end-September 2013 target for the mobility scheme of 12,500 employees (a delay of one quarter) and to the full commitment of 25,000 staff in the mobility scheme by end-year. They have also committed to transfer over 4,000 staff to the scheme already in July.

- *Mandatory exits*. Of those transferred to the mobility scheme in July, a substantial number (2,000) would be intended for mandatory exit. The authorities maintain the objective of 15,000 mandatory exits from the civil service in 2013–14. In a measure that goes beyond what was agreed previously in the program, they have reduced the maximum time an employee could stay in the mobility scheme from 12 to 8 months. This has the effect of bringing forward the exits in late 2014 to mid-2014. The authorities also committed to eliminate the employment of a substantial share of about 4,000 contractual staff who were using judicial claims to indefinitely extend their contracts.

20. Employment support programs and the social safety nets are being strengthened (MEFP ¶12). To help address the exceptionally high unemployment, with financing from EU structural funds, the authorities launched in July an employment voucher program that supports six-month vocational training and internships for 45,000 unemployed youths. Preparations are also on track to introduce later in 2013 a social community work program that targets about 50,000 individuals from jobless households. To protect vulnerable groups and ensure a fairer distribution of adjustment costs, the authorities are launching a Health Voucher Program that will provide 100,000 long-term uninsured citizens with access to primary healthcare services; and they plan to extend the program further, subject to funding from the European structural funds. Finally, with assistance from the World Bank, they intend to launch in January 2014 a pilot means-tested minimum guaranteed income program, and aim to roll it out nationally by 2015.

Fiscal institutional reforms

21. Discussions focused on accelerating progress on reforms to ensure projected gains from revenue administration materialize and contain spending slippages. At present, there is no evidence that the targeted gains from revenue administration of 0.4 percent of GDP in 2014 (and 1.5 percent of GDP by 2016) will materialize. The authorities' focus is on organizational and operational upgrades that will deliver results. Regarding measures to contain spending, the authorities recognize that the framework for monitoring and control of spending, especially in the social sector, remains weak, and threatens to undermine fiscal consolidation achievements.

Revenue administration

22. Work is underway, but more is needed to bolster the autonomy of the revenue administration and change organizational structures (MEFP ¶13). The ability of the revenue administration to effectively execute powers transferred to the Secretary General for Public Revenues (SGPR) has been slow to materialize (text table). Civil service constraints to autonomy are proving difficult to overcome. The remaining legislative work includes withdrawing powers of local tax offices and other sub-units of the revenue administration vested by old legislation. Significant challenges to remove interference remain—e.g., in hiring procedures and other daily operations—and the major staff grading overhaul and integration of functions of the special prosecutor for tax evasion into the revenue administration forthcoming in October will test the political commitment to these reforms.

Autonomy in the Revenue Administration Remains a Work in Progress

Desired state	Issues that have arisen recently
Ability to organize sub-units	• Separate ministerial decisions are required whenever decisions that entail costs need to be taken (thus, constraining the ability of the Secretary General, SG) • Legal formalism means the SG's decisions have uncertain effect
Ability to direct local offices	• Laws are still in place that provide direct powers to local offices, limiting the power of the SG • Extent of delegated powers is still to be clarified
Ability to determine a grading structure	• Position-based grading is not envisaged by the Ministry of Administrative Reform and e-Governance or MAREG (this is critical for incentives and for matching staff with the right skill mix and positions)
Budget autonomy	• Flexibility to re-allocate funds is limited • Revenue administration has no single budget

Source: IMF staff.

23. Further steps are also needed urgently to improve the efficiency of revenue administration (MEFP ¶15). Staff remains concerned with the continued granting of tax filing deadline extensions and deferred payment schemes that undermine the payment culture. The authorities agreed to abolish deferred payment schemes and remaining amnesties in advance of the TPC introduction, and to abstain from extensions of tax filing deadlines. They recognized the need to prevent further slippages in debt collection reforms and reforms of the units for large taxpayers and high wealth individuals—or delays in training audit and collection staff—since these would significantly hamper their ability to secure revenue administration gains in the near term. To address problems with debt collection, they agreed to organizational changes at the large debtor unit and across local tax offices and to provide adequate resources for debt collection, thus, supporting recent legislative changes in the procedures to write-off uncollectable debt.

24. Strengthening Anti Money Laundering (AML) procedures would assist in bolstering tax compliance and help fight evasion (MEFP ¶14). Banks have a legal obligation to report customers to the authorities that they suspect of evading taxes. This could significantly step-up revenue collection as banks are well placed to ascertain their customers' tax evasion practices. However, the level of reporting by banks is still low, and the information does not appear yet to be adequately used by the revenue administration to start and support audits and facilitate debt collection. Adequate supervision of banks to ensure that they implement their legal requirements, and revision of the AML law to streamline the flow and use of information, would go a long way to fight evasion.

25. In light of recent slippages, the authorities are making an effort to improve the collection of social security contributions (SSC) (MEFP ¶17). The allocation of 600 staff on secondment to the joint collection center for SSC debt (KEAO) is welcome, as are the legislative changes to provide legitimacy to KEAO and enforce collection efforts of SSFs. Nevertheless, the efficiency of the new entity is yet to be observed and could be severely constrained by the lack of permanent staff and by delays in identifying collectible SSC debt. A monitoring framework for debt collection agreed with the authorities should help identify and address potential collection bottlenecks in a timely manner.

26. The new tax and SSC installment schemes have been launched (MEFP ¶16). Revenue collected in the initial weeks is modest, but it remains premature to assess participation. Going forward, the authorities can maximize the yield by improving monitoring capacity and focusing on prompt collection enforcement. In the event that participation in the schemes reaches targeted levels, such administrative issues will be particularly challenging and argue for faster implementation of necessary IT changes. The monitoring framework agreed with the authorities will help to identify potential shortfalls quickly.

Public financial management

27. The budget process needs to be strengthened further (MEFP ¶20). The adoption of the 2013-16 medium-term fiscal strategy (MTFS) update early in the year commenced a practice of setting multi-year binding expenditure ceilings for the line ministries and the health sector. It also revealed weaknesses in the existing budget preparation process. The adoption of local government (LG) budgets was delayed well into Q1, causing slippages in arrears reporting and clearance. The calendar for the next budget cycle was also delayed, and a parliamentary discussion of the 2014–17 MTFS framework did not take place in the spring. The authorities have started rectifying these shortcomings, some of which could be addressed with the amendments to the organic budget law. Mandatory budget preparation guidelines for the LGs, jointly issued by the Ministry of Interior and GAO, will strengthen the link between the MTFS and the individual LG budgets. Finally, the authorities have also started preparation, including outreach with the Parliamentary Budget Office, for incorporating a structural budget balance rule with an automatic correction mechanism in the revised organic budget law.

28. Moreover, the authorities and staff agreed that control over general government entities of systemic importance needs to be strengthened (MEFP ¶19 and 22). Continuing lack of consistency in the reporting of entities in the social budget calls for caution in interpreting their reported fiscal outturn. This has become most evident in the case of EOPYY—the health fund created in early 2012—where identifying the size and source of expenditure slippages was hampered by the quality of data provided by the SSFs. While staff and the authorities agreed on a reporting framework for EOPYY, significant improvements in EOPYY's capacity will be required before a detailed timely reporting framework can be introduced. In the interim, commitments that the authorities have undertaken to prevent shortfalls and improve data quality include: (i) introducing an additional automatic corrective mechanism (a claw-back) that broadens the coverage from pharmaceuticals to diagnostic and private hospital spending and imposes greater scrutiny on EOPYY's expenditure outturn; and (ii) a tendering procedure for the introduction of in-house financial and analytical cost accounting systems of EOPYY. The authorities are also addressing the quality of reporting on the e-portal from commitment registers of all general government entities by conducting a review of the reporting requirements and preparing a plan to introduce penalties for non-reporting entities.

29. The clearance of arrears has been slow and needs to be accelerated (MEFP ¶21). According to the program definition, the total stock of general government arrears has only fallen by €1.4 billion, from €7.6 billion at end-2012 to €6.2 billion at end-May 2013. This compares with a target stock of arrears at end-June 2013 of €3 billion. Part of the shortfall stems from roughly €700 million accumulation in arrears, over half of which is in the Social Budget. Also, progress in arrears clearance has been obstructed by legal and procedural obstacles: (i) objections to compliance issues in arrears verification by the Hellenic Court of Audit (HCA); (ii) lack of signed memoranda for arrears clearance by some SSFs; and (iii) delays in the adoption of LG budgets. All of these obstacles have recently been addressed.

- **Expenditure arrears**. The process will speed up once water companies, much like hospitals earlier in the year, are allowed to receive direct payments on arrears owed to them, accounting for about €0.7 billion of the outstanding stock of arrears. A number of actions have been planned to address delays in payment processes—a major cause of continuing accumulation of arrears—such as mandatory deadlines for each stage, removing the role of local tax offices in the payment process, IT and administrative improvements, and a review of the legal framework. The HCA will also review how the effectiveness of its role in this process can be enhanced. Finally, preliminary audits of the clearance of arrears of EOPYY and five other SSFs will identify weaknesses that hamper accurate reporting and slow down arrears repayment.

- **Tax refund arrears**. The new VAT refund risk analysis system encountered a slow start as additional guidelines to staff were needed to ensure smooth implementation. With the deadline approaching for re-defining tax refund arrears as those that have not been paid or rejected within 90 days of a claim being made, the authorities have committed to impose a mandatory 90-day deadline for payment of VAT and income tax refund claims, after which interest to taxpayers will accrue.

Financial sector policies

30. Following the recapitalization of the core banks, discussions and the authorities' efforts focused on further steps to secure financial stability. In particular, the emphasis was on developing a comprehensive strategy for a four-pillar banking sector, and on completing the sale of two bridge banks (the sale of TT New Hellenic Postbank was originally a structural benchmark for end-January 2013).

31. The authorities and staff discussed the main elements of the banking sector strategy (MEFP ¶24–25).

- **Structure of the banking system.** The strategy argues for a system centered around four core banks to maximize funding and operational synergies while avoiding excessive concentration. In line with the strategy, the announced sale of TT New Hellenic Postbank and Nea Proton Bank to Eurobank should bolster the role of Eurobank as a core bank in the system. Besides the core banks, the system will include small non-core banks with niche business models fully backed by private sector capital. The strategy also covers options for the rationalization of the cooperative sector, including the closely linked Panellinia bank, as the final step in the restructuring of the banking sector.

- **Privatization strategy.** Staff argued that the partial privatization of Eurobank should occur as early as possible, to guarantee against risks of prolonged state ownership and implied value losses. The authorities committed to such an undertaking by early next year, while taking preparatory steps, such as hiring advisors and inviting potential investors for due diligence earlier. To attract strategic and long-term investors, preferably brand-name foreign banks, to participate, the sale would be structured in a way to allow potential investors to gain controlling stakes in this asset.

- **Addressing any potential capital needs.** The strategy discusses some of the modalities that might be used for further capital injections into the banks, if needed.

- **Rationalization of foreign presence.** The foreign subsidiaries of Greek banks are fragmented and often of sub-strategic size. The strategy document lays out options in this area, which is an important component of the restructuring plans. The authorities plan to finalize their plans in this regard in consultation with EC/ECB/IMF staff as well as DG-Comp.

32. In view of its evolving role, a review of the functioning of the HFSF is merited. Following the completion of the recapitalization process, the HFSF's role will evolve into managing its portfolio and its divesture. The authorities agreed that it would thus be timely to review whether the institution has the legal and operational tools necessary to conduct this role effectively, including to safeguard the public interest and financial stability.

33. Progress in strengthening governance in the financial sector continues on many fronts, but further actions are needed (MEFP ¶30). To provide the HFSF's Executive Board and General Council with adequate legal indemnities, consideration should be given to amending the HFSF law to protect the members as long as their decisions are in line with the long-term interests of the banking sector and taxpayers. Relationship Framework Agreements between the banks and the HFSF were developed to ensure that banks under state control are free of political influence. These have now come into effect.

34. Further steps have been taken to ensure that the system is adequately capitalized.

- Two core banks have capital shortfalls of around 1 percent of risk weighted assets (RWA) relative to the regulatory minimum. These shortfalls have arisen because of the deterioration in asset quality beyond the projections made in 2011. To rectify these shortfalls, liability management exercises generated a total of €445 million CT1 capital in the two banks. In the unlikely event that these efforts are insufficient, the Bank of Greece will need to ask for further reduction in RWA through faster than envisaged divestment out of non-core assets.

- The modalities and the scope of the stress test to be conducted by end-year were agreed with the authorities, including the objective to align it as much as possible with the upcoming EBA stress test methodology. The macroeconomic environment has deteriorated significantly compared to the 2012 stress test. Yet, the buffers of around €5 billion in the financial sector envelope, as well as the €3.1 billion participation by the private sector, provide a cushion against such additional capital needs. A final round of liability management exercises has generated an additional capital of just under €0.6 billion, which is retained in the banks. (MEFP ¶26.)

- Furthermore, the distressed credit operations review of the banks to be completed by end-September will identify improvements needed in banks' procedures for recovery of these assets, which could ultimately reduce capital needs. (MEFP ¶32.)

35. Much remains to be done to facilitate the clean-up of bank balance sheets (MEFP ¶31–32). Greek banks face several challenges in dealing with the large stock of NPLs: legal and judicial weaknesses (moratoria on auctioning collateral, seniority of state claims over banks' claims, and long waiting times for court appointments); the break-down of the real estate market; and the potential lack of human and administrative resources. Initial steps have been taken to improve the effectiveness of NPL resolution activities by updating the household insolvency law and introducing the "Facilitation Program," a medium-term forbearance scheme for over-indebted households. Further steps are needed, including enhancing debt enforcement and collateral recovery and designing an effective out-of-court restructuring mechanism. An inter-agency working group is being set up in July 2013 to identify key bottlenecks and propose concrete steps for enhancements by end-October 2013.

36. Steps taken to improve the management of assets under liquidation are broadly sufficient, but further work would be beneficial (MEFP ¶29). The resolution of several banks has resulted in over €8 billion of non-performing assets under liquidation. The Bank of Greece has amended laws and regulations to enhance recovery from these assets. These enhancements include a new mandate to restructure loans and employ services of collection companies, which have so far resulted in significantly improved collections. Their efficiency and effectiveness could be strengthened, e.g., by consolidating assets into central pools for management under a liquidation company or outsourcing the collections' process to banks.

37. The government intends to establish the Institution for Growth (IfG) to alleviate potential financing gaps for SMEs and infrastructure projects (MEFP ¶33). While acknowledging the potential benefits of easing credit constraints for SMEs, staff expressed concerns that such institutions in Greece had in the past been associated with a high share of non-performing loans and costs to the budget. The authorities, however, were convinced that such risks would be minimized, including by putting in professional management, working with the EIB and the KfW from Germany, limiting the government's exposure and the level of loan guarantees of the IfG to be equivalent to its equity participation of €350 million, through lending only at market terms, and by not allowing deposit taking. To ensure that the financing of the IfG is indeed additional money to the economy that could not have been provided by the domestic banking system, the latter will not be participating in the IfG's equity or funding plans.

Structural reforms

38. The focus on structural reforms in this review was limited, and an in-depth assessment of privatization will be taken up in the next review. The implementation of structural reforms has been slow and needs to be accelerated. Further steps were agreed in this review to open up regulated professions, liberalize further trade and transportation sectors, improve the functioning of the judicial system, and strengthen the anti-corruption framework (Table 14). For the remainder of 2013, the structural reform agenda is focused on lowering regulatory barriers to competition, easing the administrative burden on businesses, and reducing further excessive labor entry/exit costs.

39. The authorities committed to liberalize further regulated professions in 2013 (MEFP ¶34). Excessive restrictions were eliminated for a number of professions. Although well behind schedule, the authorities plan to remove by end-year excessive restrictions in the area of exclusive and shared reserved activities for engineers (24 professions). They have also committed to adopt secondary legislation during the course of 2013 for the remaining list of professions for which the liberalization has started but is not yet complete (TMU ¶39). To ensure that de jure liberalization delivers the intended results, the authorities and staff agreed to monitor continuously and evaluate developments (including price changes and new entries) and address promptly any remaining restrictions identified by an ongoing assessment of reforms undertaken in this area (these will be discussed at the next program review).

40. The authorities acknowledged the need to accelerate progress in promoting competition and reducing the administrative burden (MEFP ¶35).

- **Reducing red tape.** Two ongoing in-depth studies, with OECD assistance, have identified a large number of regulations that give rise to excessive barriers to entry, limit the ability and incentives of suppliers to compete, and restrict the choices and information available to consumers. Targeted recommendations to address these barriers are expected in September and will be discussed at the next review, based on which reforms will be adopted by end year.

- **Attracting investments.** Progress on streamlining Greece's complex investment licensing system remains slow. Following a recent extensive review on licensing requirements to open a new business, the authorities committed to overhaul the existing system over the next two years, with assistance from the World Bank, by shifting from a license processing and approval mechanism to a self-compliance system based on established standards.

- **Liberalizing product and service markets.** To reduce input costs and help lower consumer prices, the authorities are taking steps to further liberalize the retail sector (by replacing the fixed margins for over-the-counter products sold in pharmacies with maximum ones, and increasing the flexibility of retailers' opening days), and reduce costs for ferry services (by streamlining mandatory ticket discounts). Going forward, the authorities plan to adopt by end-August 2013 a law to liberalize long-distance bus services (with secondary legislation to follow in 2014), and allow by end-September 2013 the sale of selected OTC products outside pharmacies.

- **Facilitating trade.** Greece continues to lag behind peers on the administrative burden of external trade declarations, and in customs clearance and handling procedures. To that end, the authorities remain committed to extend to imports reforms recently undertaken to facilitate exports, including: (i) the longer opening hours in the Athens airports and the Piraeus port by end-July; and (ii) the electronic submission system for trade declarations by end-November. In addition, the authorities plan to align the customs risk assessment system with best practices in EU Member States by end-September 2013 for exports, and by end-January 2014 for imports.

41. Following earlier labor market reforms that have facilitated wage adjustment, the authorities are focusing on reducing non-wage costs and rigidities (MEFP ¶36). Labor reforms so far under the program on collective bargaining and the minimum wage have helped firms to better align pay with productivity, and increased incentives to hire young workers (who suffer from the highest unemployment rate in Europe). The reduction in the redundancy notification period and severance pay has also reduced excessive labor exit costs. However, employment protection rules in Greece remain very rigid (especially on collective dismissals). To facilitate labor reallocation and attract investments, the authorities plan to adopt by end-2013, in consultation with the social partners, an appropriate set of reforms in this area. These issues will be taken up in the next review.

42. Privatization is behind schedule (MEFP ¶38). To catch up and bring the program back on track by mid-2014, the tender of DEPA (the natural gas company) is to be re-launched as soon as possible. Further, the authorities will press ahead with the sale of other assets, and increase the stakes of the ports to be tendered while accelerating the process. The pricing policy for the water companies will be issued in July, which will pave the way for their tender, and a further 250 real estate assets were transferred to the HRADF. To facilitate the sale of the water companies, the authorities will issue necessary legal acts to allow the Treasury to pay arrears to the water companies from the arrears clearance program on behalf of the local governments (with a compensatory reduction in transfers to the local governments). As next steps, a comprehensive assessment of privatization will be undertaken in the context of the fifth review, including an assessment of whether any changes are needed in the structure and governance of the privatization program to improve its effectiveness. To advance with the sale of problematic assets, the government has announced the restructuring or liquidation of three loss-making companies, to be completed by year-end. This will release for sale the marketable portion of their assets, shifting these into more productive use, and capping the fiscal costs of these entities.

PROGRAM MODALITIES

Program Monitoring

43. The authorities will implement nine prior actions to set the stage for Board consideration of the fourth review (MEFP Table 3). These measures are geared to ensure that the program remains on track towards achieving its objectives:

- **Restoring fiscal sustainability.** Prior actions cover: (i) the adoption of a package of measures to implement the fiscal strategy for 2013–14 (MEFP ¶5); (ii) the adoption of legislation to reform the income tax code and submission to parliament of the tax procedure code (MEFP ¶6); (iii) the adoption of steps to eliminate the debt (contingent fiscal liability) in the RES account (MEFP ¶9); and (iv) the issuance of all necessary legal acts that would place at least 4,200 ordinary (permanent) employees in the mobility scheme (MEFP ¶11).

- **Strengthening fiscal institutions.** Prior actions cover: (i) the issuance of ministerial decisions for the transfer to the revenue administration of functions, staff, and budget allocations of several departments previously under the ministry of finance (MEFP ¶13); and (ii) the adoption of legislative amendments to close—effective August 1, 2013—for new entrants any installment or deferred arrangements for payment of liabilities arising from audit assessments other than the Fresh Start and basic installment schemes (MEFP ¶15).

- **Preserving financial stability.** Prior actions cover: (i) the completion of the sale of the two bridge banks, New Hellenic Postbank and Nea Proton Bank (MEFP ¶24); and (ii) the completion of a comprehensive banking sector strategy centered on a system of four viable core banks (MEFP ¶25).

- **Supporting privatization.** A prior action covers steps to remove obstacles in the long-delayed privatization program (MEFP ¶39).

44. Proposed revisions to program quantitative targets will support the ongoing process of public administrative reforms and privatization (MEFP Table 1). In view of significant delays in placing workers into the mobility scheme, the targets have been revised, while still preserving the end-2013 totals, and a new indicative target is proposed for the number of employees in the mobility scheme who will eventually exit. Meanwhile, the timeline for mandatory exits in 2014 has been front-loaded. Moreover, the end-September performance criterion on privatization has been reduced from €1.8 billion to €0.9 billion. This reduction reflects the failed tender of the natural gas company, DEPA, which will be re-tendered with the expected sale pushed back to 2014. To achieve the revised performance criterion will require finalization of the sale of the OPAP betting company and national lottery, which remain subject to regulatory approvals.

45. New structural benchmarks have been established and an existing benchmark has been re-phased (MEFP Table 4):

- To preserve **financial stability**, by end-September 2013 (re-phased from end-July), banks are required to update their restructuring plans and submit them for validation to DG-Competition (IMF Country Report No. 13/20 MEFP ¶23).

- To secure **fiscal sustainability**: (i) by end-September 2013, legislation will be adopted to establish a new property tax regime (MEFP ¶7); (ii) by end-October 2013, secondary legislation will be adopted to implement the tax procedures code (MEFP ¶6); and (iii) end-September targets were established for key performance indicators on revenue administration (MEFP ¶18) and public financial management (MEFP ¶23).

46. Program reviews will continue on a quarterly basis (Table 15). The fifth review under the program is scheduled to take place on or after September 29, 2013. This is unchanged from the phasing approved by the Board at the last review, and provides an opportunity to review the program again in light of any short-term developments before end-September data become available. In the event that delays in completing program reviews persist, however, the program will need to be re-phased in the context of future reviews. Issues that will be covered in the forthcoming review include (in addition to other applicable program conditions): (i) review the macroeconomic framework, in particular the growth outlook to take account of progress in structural reforms relative to program assumptions; (ii) the 2014 budget and 2014–17 MTFS; (iii) passage and implementation of a new real estate tax; (iv) evaluating progress on privatization and the possible need for changes in the privatization process and structures to address repeated delays; (v) assessing progress in revenue administration reforms to support the fiscal program; and (vi) securing adequate financing at least through end-2014.

Exceptional access criteria, financing assurances, and capacity to repay

47. The program continues to satisfy the substantive criteria for exceptional access but with little to no margin (Box 4). Delays in the implementation of structural reforms raise concerns about the capacity of the authorities to implement the program in a difficult political environment. Nevertheless, the additional efforts undertaken by the authorities in the form of strong prior actions mitigate these concerns and allow the program to satisfy the criteria for exceptional access, albeit with little to no margin. The continued commitment of euro area member states to support Greece, including by providing additional official financing to fill future financing gaps and through further debt relief as necessary, is an essential part of meeting the criteria.

48. Financing assurances are in place for the fourth review (Table 16 and 17). The program is fully financed through July 2014, but a projected financing gap will open up in August 2014. Thus, under staff's current projections, additional financing will need to be identified by the time of the fifth review, to keep the program fully financed on a 12-month forward basis. The Eurogroup has initiated discussions on how to eliminate the projected financing gaps. In this regard, the Eurogroup's commitment in February and November 2012 to provide adequate support to Greece during the life of the program and beyond, provided that Greece fully complies with the program, is particularly important.

49. The staff's assessment of Greece's capacity to repay the Fund has not changed (Table 18). The macroeconomic outlook, debt service to the Fund, and peak access remain broadly unchanged. Euro area member states remain committed to an official support package that will help keep debt on a sustained downward path as long as Greece adheres to all program policies. Therefore, capacity to repay the Fund also depends on the authorities' ability to implement in full an ambitious program. It continues to be the case that if the program were to go irretrievably off-track and euro area member states did not continue to support Greece, the capacity to repay the Fund would likely be insufficient.

STAFF APPRAISAL

50. The economy continues to rebalance apace, but sustainability concerns remain because of the slowness of reforms. The fiscal adjustment remains exceptional by any international standard and the external competitiveness gap continues to narrow steadily. However, the reform effort is still not commensurate with the problems facing Greece, and the rebalancing is mainly a result of downward pressures on wages coming from the deep and socially painful recession. To avoid further across-the-board cuts in wages and pensions, and to assure that the recession gradually bottoms out and gives way to a steady recovery in 2014, it is essential that structural reforms gain much stronger support and momentum.

51. The ambitious 2013 budget is being implemented largely as planned. The authorities are taking corrective actions to ensure that they meet the fiscal targets and achieve at least a zero primary balance this year. The cyclically-adjusted fiscal adjustment of 15 percent of GDP and the tolerance of the associated hardship during the last three years is evidence of the determination of Greece to stay within the euro area.

52. But achieving the significant fiscal adjustment still ahead in a socially acceptable manner is unlikely to be possible without much deeper public sector reforms. The authorities face three immediate challenges in this regard:

- First, while much progress has been made in modernizing revenue administration, significant problems remain. They include the susceptibility to political interference because of the still insufficient autonomy of the revenue administration and the negative impact on the payment culture of the repeated extensions of filing deadlines, modifications to deferred payment schemes, and suggestions of tax amnesties. While it was assumed from the outset that gains from revenue administration reforms would take time to materialize, Greece has now reached the stage where such reforms are expected to begin contributing significantly to the adjustment effort. Unless the authorities tackle the problems of revenue administration with much greater urgency in the coming months, a credible 2014 budget would again need to be centered on painful expenditure cuts.

- Second, staff has considerable doubts about the authorities' ability to put in place a system for real estate taxation in the coming months that could replace already from 2014 the current system without significant loss of revenues. Achieving high compliance rates will be a major challenge, given that collection will be reliant on self-assessment in a culture where tax compliance has been particularly poor. Thus, while the current practice of collecting taxes through the electricity bill is clearly not a permanent solution, the authorities should consider extending this scheme, modified to take account of concerns about constitutionality. Here too, failure to take action would suggest the need for a much greater reliance on expenditure measures in 2014 than currently envisaged by the authorities, including potentially targeted cuts in socially sensitive areas.

- Third, despite the much publicized closure of the state-owned public broadcaster, ERT, progress in public administration reforms remains particularly disappointing. Staff takes note of the authorities' assurances that recent changes in the oversight of public administration reforms signal a much stronger political determination to advance such reforms, and new initiatives in this area are encouraging, including proposals to resolve the problem of de facto permanent contractual employees. However, staff is concerned that the focus is shifting significantly away from ensuring exit of redundant or unqualified staff to reallocation of such staff within the public sector. The reliance on attrition to bring about the necessary downsizing of the public sector is not credible unless the government creates room to hire new staff to fill expert positions.

53. A stronger determination is also needed to support structural reforms more broadly. While this was not a main focus of the current review—it will be central to the next one—progress on privatization remains painfully slow, both in terms of asset preparation and financial results, raising concerns about the effectiveness of the privatization strategy. With sales delayed into next year, the end-2013 objectives will be missed. Regulatory and institutional constraints need to be overcome to bring assets to the point of sale, and uncertainty in this process reduces the attractiveness of assets for potential buyers. More importantly, political constraints and interference remains a serious obstacle. If delays continue taking on a systemic character, then governance changes to the privatization fund would need to be considered in the context of the next review.

54. The authorities have completed critical steps in safeguarding financial stability. They have recapitalized the core banks and, in the context of the review, are completing the sale of the bridge banks and further enhancing the viability of one of the weaker core banks in line with their strategy for a four-pillar banking sector. Going forward, rebuilding a robust financial system, cleaning up balance sheets, and ensuring strong governance structures remain key challenges.

55. As noted in the third review staff report, debt sustainability concerns continue to remain a risk. If investors are not persuaded that the policy for dealing with the debt problem is credible, investment and growth will be unlikely to recover as programmed. The commitment of Greece's European partners to provide debt relief as needed to keep debt on the programmed path remains, therefore, a critical part of the program. But the programmed path entails still very high debt well into the next decade, leaving Greece accident prone for an extended period. Should debt sustainability concerns prove to be weighing on investor sentiments even with the framework for debt relief now in place, European partners should consider providing relief that would entail a faster reduction in debt than currently programmed.

56. The authorities' commitment to implement corrective actions and other program policies will be tested in the still difficult macroeconomic and political environment. The program remains subject to numerous risks, mainly from the worsening of the macro outlook combined with a further deterioration in banking sector assets (feeding back to the real economy), difficulties with the implementation of ambitious fiscal policy and administrative changes, and—above all—failure once again to ensure a reinvigoration of structural reforms in the face of strong resistance from vested interests. Absent a critical mass of structural reforms that would transform the investment climate, the growth outlook—and, therefore, crucially the assumptions regarding financing needs for the rest of the program period and the debt path—would not materialize. Externally, closing financing gaps and delivering on the commitment to reduce debt will be a test of European support.

57. On the basis of reforms undertaken in the context of this review, and the government's policy commitments going forward, staff supports the completion of the fourth review. Staff supports the authorities' request for waivers of applicability and modification of the end-September performance criterion on privatization receipts.

Box 1. Greece: Banking Sector Restructuring

The restructuring of the Greek banking sector is almost complete following the final recapitalization of four core banks, resolution of non-core banks, and sale of two bridge banks.

- Three of the core banks—National Bank of Greece, Alpha Bank, and Piraeus Bank—were successful in raising more than 10 percent of their capital needs from the private sector and thus stayed under private sector management. Eurobank was fully recapitalized by the HFSF (table below).

Share in Ownership After Recapitalization, 2013

(Percent of total share in equity)

	Private sector	HFSF
Alpha	16.3	83.7
Eurobank	1.4	98.6
National Bank of Greece	15.4	84.6
Piraeus	21.7	78.3

Sources: Bank of Greece; HFSF; and IMF staff estimates.

- From the non-core banks, ATE, T-Bank and FBB were resolved via Purchase and Assumption transactions; and Proton and TT-Hellenic Postbank were resolved into bridge banks, and subsequently sold to Eurobank. Attica Bank was the only non-core bank that avoided resolution by raising private sector capital. Probank is in its final stages of a capital-raising process.
- Foreign-owned banks were acquired by domestic core banks Alpha (Emporiki) and Piraeus (Geniki, Millennium BCP and the Greek branches of Cypriot banks). In the context of their sale, they were recapitalized by their parents.
- The post-recapitalization banking landscape is dominated by the four core banks with 96 percent share of total deposits.

Box 1. Greece: Banking Sector Restructuring (concluded)

The Status of Greek Banks, 2013

(Millions of euros)

Banks	Status	Injection by Official Sector	Injection by the Private Sector
Core banks			
NBG	Recapitalized.	8,677	1,079
Eurobank	Recapitalized.	5,839	0
Alpha	Recapitalized.	4,021	550
Piraeus 1/	Recapitalized.	6,415	1,444
Non-core banks 2/			
ATE	Resolved. Purchase and assumption by Piraeus.	8,041	0
FBB	Resolved. Purchase and assumption by NBG.	619	0
T-Bank 3/	Resolved. Purchase and assumption by Hellenic Postbank.	677	0
3 Cooperatives	Resolved. Purchase and assumption by NBG.	320	0
Proton 3/	Resolved. Purchase and assumption by Eurobank.	2,032	0
Hellenic Postbank	Resolved. Purchase and assumption by Eurobank.	4,233	0
Attica	Raised private sector capital.	0	199
Geniki	Purchased by Piraeus.	0	290
Emporiki 4/	Purchased by Alpha.	0	3,000
Millennium BCP	Purchased by Piraeus.	0	413

Sources: Bank of Greece; HFSF; and IMF staff estimates.

1/ Injection by the official sector includes injection for Cypriot banks but excludes capital payment for ATE. This item is included in resolution costs. Injection by the private sector includes subscription by SocGen and BCP to share capital increase.
2/ Resolutions include capital injections. Probank capitalization process ongoing.
3/ Includes injection by HDIGF.
4/ Includes 150 million subscription of Credit Agricole to an Alpha bond issuance.

Greek Banking Sector Landscape Post-Restructuring

(Percent)

Banks	**Deposit Market Share**
Four core banks	
NBG	25
Alpha	22
Eurobank	19
Piraeus	30
Remaining non-core banks	
Attica	2
Probank	2
Panellinia	<1
Specialized credit insistutions (ABB and IBG)	<1

Sources: Bank of Greece; and IMF staff estimates.

Box 2. Health Spending Overruns

Greece has reduced health care expenditures significantly since 2010, to well below the average for EU countries, supported by the creation of a unified public health care fund in 2012. However, further reductions planned for 2013 have fallen short, requiring an interim claw-back mechanism followed by improvements in underlying systems and controls to stay within the health care budget. Going forward, there is limited scope for additional fiscal savings from public health spending.

Public health expenditure as a share of GDP has declined in recent years. It dropped from 7.1 percent of GDP in 2010 to 5.8 percent of GDP in 2012 and is projected to reach 5.3 percent of GDP in 2013—well below the 6.3 percent of GDP average for EU countries. The decline was mostly due to lower wages and spending on supplies in public hospitals, and lower reimbursement costs for pharmaceuticals by the public health care fund, EOPYY.

The creation of EOPYY in 2012 has supported rationalization of the public health system, but further efforts are needed. By consolidating 8 SSFs, EOPYY allows for a consistent and unified national health policy subject to central oversight. Moreover, EOPYY's significant market power should facilitate delivery of high quality health care at reasonable cost. However, EOPYY continues to be hindered by unresolved financial relations with the old SSFs and weak budgeting and control practices.

EOPYY's spending in 2013 through April was running well above budget, which would lead to an annual shortfall of 0.3 percent of GDP if not corrected. The overruns are largely explained by above-budget spending on diagnostics and private clinics that reflect: (i) an increase in the benefit package for some beneficiaries who received minimal benefits in the past; (ii) increased use of the benefits as individuals learn about their entitlements, (iii) greater use of the public health system as incomes are affected by the recession; and (iv) the failure of cost control measures (higher co-pays and lower prices for diagnostic services) due to a surge in volume (which suggests that providers may be waiving co-payments and billing higher volumes to compensate).

Underlying weaknesses in EOPYY have impaired its ability to contain these budget slippages:

- **Weak controls on billing.** There is little effort to evaluate whether invoices are consistent, to identify abuse, or to evaluate the quality of care delivered.
- **Weak controls on budget implementation**. SSFs still maintain powers over the health care budget for functions that should be controlled by EOPYY, such as paying wages and some medical benefits. This suggests that the integration of some funds is only in name, but not in practice.
- **Deficiencies in the budget process**. Revenue estimates are imprecise, and expenditures under-budgeted.

Reform Plans

In the short run, the authorities will impose a claw-back mechanism to limit producer-induced demand and stay within 2013 budget allocations. A claw-back is equivalent to a budget constraint in which prices are determined after quantities are observed. However, the claw-back is a blunt tool and it could expose the government to litigation risks, and create adverse incentives (cherry-picking of patients, further incentives to cheat). Thus it should be only a stop-gap measure until more fundamental remedies can be put in place.

Box 2. Health Spending Overruns (concluded)

Durably containing EOPYY's costs require strengthening its oversight capacity. This will be achieved by introducing better monitoring and enforcement mechanisms, including: (i) randomly monitoring providers to verify whether co-payments are waived; (ii) sharing data on providers' reimbursement with the tax administration to verify that tax liabilities have increased in keeping with the spending increase (including collection of co-payments); (iii) establishing clearer reporting requirements for providers; and (iv) reducing EOPYY's dependence on other funds.

Over the medium and long term there is little room to achieve further durable savings from the public health budget. Recent savings have been achieved through targeted reforms to reduce wasteful spending. Going forward, the already low budget envelope for health care implies that there is little room for further savings short of measures to ration non-essential services.

Box 3. Toward a New Property Tax in Greece

Greece is undertaking a major reform to replace two property taxes that expire after 2013 with a unified property tax. It will be a major challenge to implement the new tax and raise the targeted €2.7-2.9 billion in 2014.

Property taxes in Greece need to be unified. The currently existing real estate based wealth tax (FAP) and the property tax collected through the Public Power Corporation (PPC) expire at end-2013 and will be replaced with a single property tax. This is also an opportune moment to reduce the excessive tax on property transactions (as revenues from this tax are currently low due to the very low volume of transactions), which would remove a major distortion in the real estate market. The annual revenue that a new tax must secure amounts to €2.7 billion (€2.9 billion if the transaction tax is also reduced).

State Property Taxes in Greece

	Current Taxes, 2013		New Tax, 2014
Tax	FAP	PPC	New Property Tax
Tax base	Objective value of property right	Area, adjusted for zone price and age	Area, adjusted for zone price and age
Collection Method	Tax declaration	PPC bill	Tax declaration
Taxpayer	Property owner(s)	Property occupant	Property owner(s)
Tax subject	Property right	Property	Property right (short run), property (long run)
Number of Taxpayers	170,000 (FAP 2010) 560,000 (FAP 2011-13)	5.6 million	Around 5.6 million
Collection Rate	66.5 percent	85 percent	70 percent on average
Projected Revenue	€0.8 billion	€1.9 billion	€2.7 billion, €2.9 billion if transaction tax is included

Sources: Ministry of Finance; and IMF staff estimates.

The agreed new property tax framework has the following features:

- Similar assessment methodology to the PPC levy, utilizing the zone price of the property, size of the building, and an age coefficient. This methodology retains a relatively simple assessment structure which gives an element of continuity with the PPC levy.
- An increase in the number of zone price bands from nine to 33 compared to the PPC tax to more accurately reflect the underlying 'value' of the property.
- Progressivity due to higher tax rate per square meter in more expensive zones and residual regressivity of the tax will be addressed through relief targeted at those in economic hardship.
- Expansion of the tax base to commercial, industrial, and agricultural properties that will share 25–30 percent of the tax burden.

Box 3. Toward a New Property Tax in Greece (concluded)

Preliminary Assessment of the New Property Tax Framework, 2014

	Assessed (millions of euros)	Collected (millions of euros)	Collection Rate (percent)	Share (percent)
Buildings (individuals)	2,278.3	1,526.4	67	53
Land (individuals)	786.1	526.7	67	18
Commercial buildings (legal entities)	272.9	245.6	90	8
Other commercial buildings (SMEs)	505.6	353.9	70	12
Land (legal entities)	81.2	73.1	90	3
Industry, etc. (legal entities)	68.5	61.7	90	2
Land (non-urban)	158.8	113.8	72	4
Total	4,151.4	2,901.2	70	100

Sources: Ministry of Finance; and IMF staff estimates.

Important limitations carried over from the FAP tax will remain, at least in the short run. Thus, the new tax should be seen as a transition step toward a modern, valuation based property tax regime in the next 2-3 years. Drawbacks include:

- The tax is based on property right holdings of individuals, rather than properties (e.g., if two individuals jointly hold a property, each individual is assessed based on her ownership share).
- Administering the tax relies upon self-assessment, given the lack of a property register.
- The formula for assessing the tax base is imperfectly correlated with the property's market value.
- Property right holdings of individuals are clustered within the 3 lowest value bands, with 40 percent of revenue collected from them also concentrated in those bands

There is a risk of revenue shortfalls, especially at the outset. Achieving good compliance rates will be a major challenge, given that collection will be reliant on self-assessment, similar to the current FAP (and unlike the PPC tax that was sent to all household electricity consumers). It is thus difficult to forecast compliance and revenue with a high degree of confidence. Strengthening the collection process to reduce the risk of revenue underperformance will require significant effort and resources. For example, with 5.6 million taxpayers subject to the tax, an additional 300 staff of the revenue administration will have to be allocated to property tax collection to ensure a collection rate of 85 rather than 67 percent.

Implementing the new property tax by 2014 will be challenging. Preparations need to address remaining policy design issues, legal drafting, data cross-checks, computer system and work process design, and education and public information. The project management team will have to compete with other ongoing reforms for the allocation of adequate human resources. Moreover, this initiative will be underway at the same time that the revenue administration is undertaking a large number of other major reforms in the revenue administration to strengthen its autonomy and operational efficiency, roll out the new income tax regime, and implement the tax procedures code.

Box 4. Greece: Exceptional Access Criteria

The program continues to satisfy the substantive criteria for exceptional access but with little to no margin. This assessment assumes that euro area member states support Greece, including by providing additional official financing to fill future financing gaps and through further debt relief, if necessary.

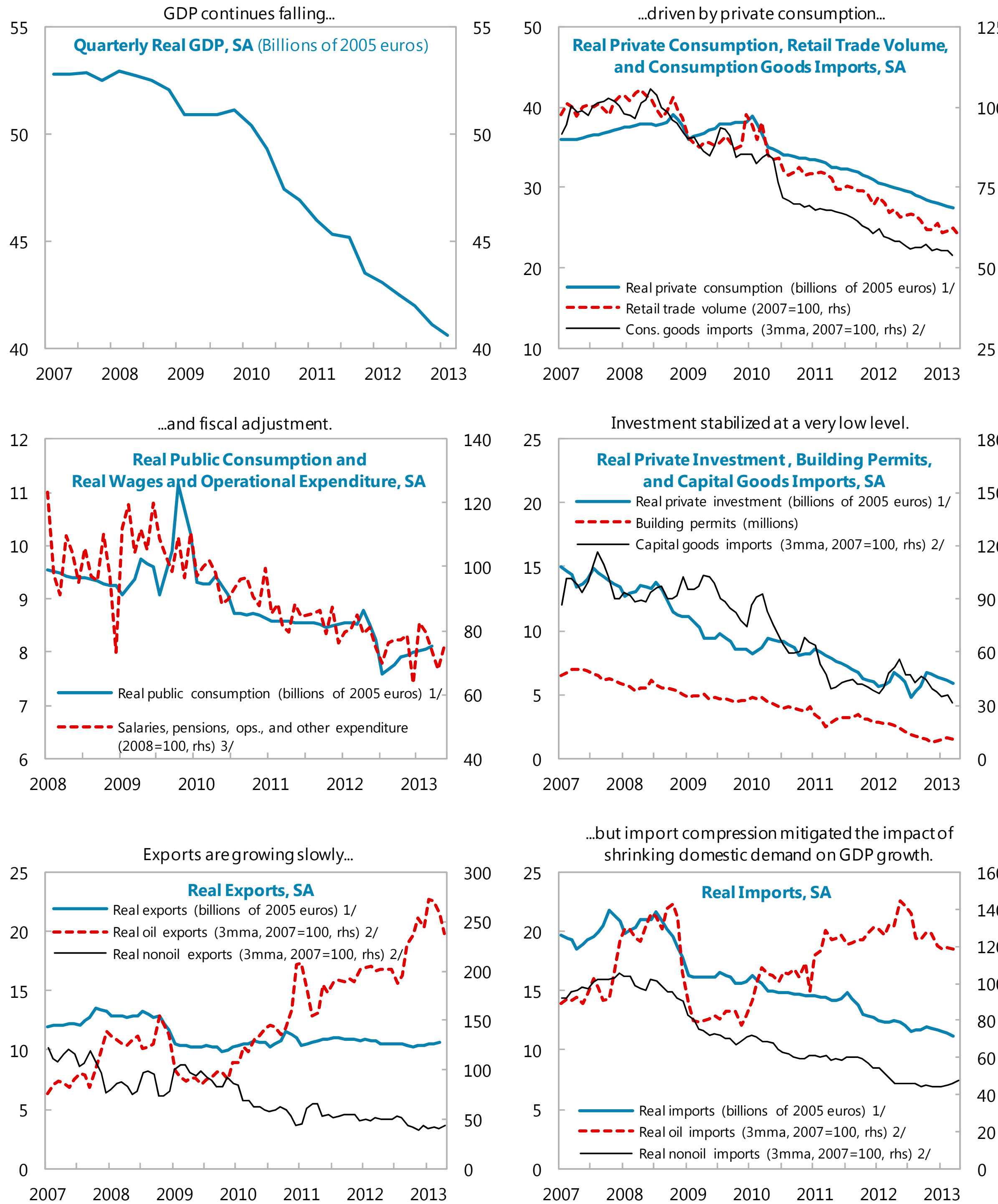
- **Criterion 1.** The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current or capital account, resulting in a need for Fund financing that cannot be met within the normal limits. Balance of payments support beyond normal access limits continues to be required since external financing needs remain large and financial conditions remain adverse.

- **Criterion 2.** A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. However, in instances where there are significant uncertainties that make it difficult to state categorically that there is a high probability that the debt is sustainable over this period, exceptional access would be justified if there is a high risk of international systemic spillover. In light of the commitments from euro area member states to provide additional debt relief as necessary, the baseline debt trajectory is sustainable in the medium-term but subject to significant risks. In the near term debt will remain very high, giving rise to uncertainties that make it difficult to categorically affirm that debt is sustainable with a high probability. However, the risk of international systemic spillovers in case of a permanent interruption of the program remains high and justifies exceptional access.

- **Criterion 3.** The member has prospects for gaining or regaining access to private capital markets within the timeframe when Fund resources are outstanding. Prospects for market access exist conditional on successful program implementation and adequate official financing from Greece's European partners. The staff expects the authorities to avoid large issuances, and to avail themselves of official financing that Euro area member states have committed to provide (so long as Greece adheres to program policies), on terms that would enable this financing to play an important catalytic role in securing market re-access. A gradual return to market access backstopped by official financing by Euro area member states will ensure Greece has financing on a scale and timing adequate to secure repayment of Fund resources.

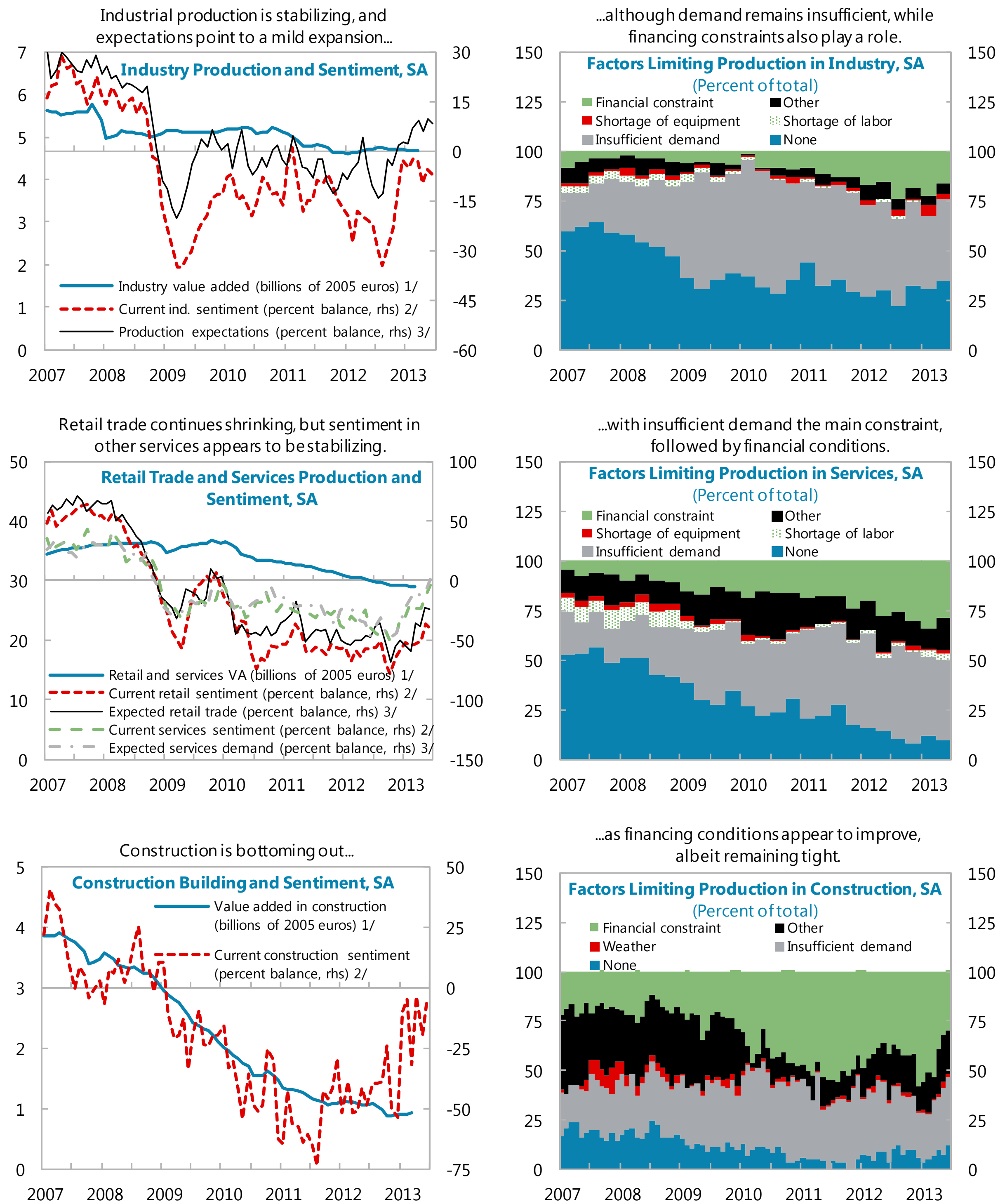
- **Criterion 4.** The policy program of the member provides reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment. Program implementation has been difficult given the social and political environment, but the authorities have demonstrated program ownership and policy resolve through the implementation of prior actions in key areas. Technical assistance from the EC and the IMF is supporting the authorities' efforts. On this basis, staff assesses there is a reasonably strong prospect of success of the program.

Figure 1. Greece: Demand Indicators, 2007–13



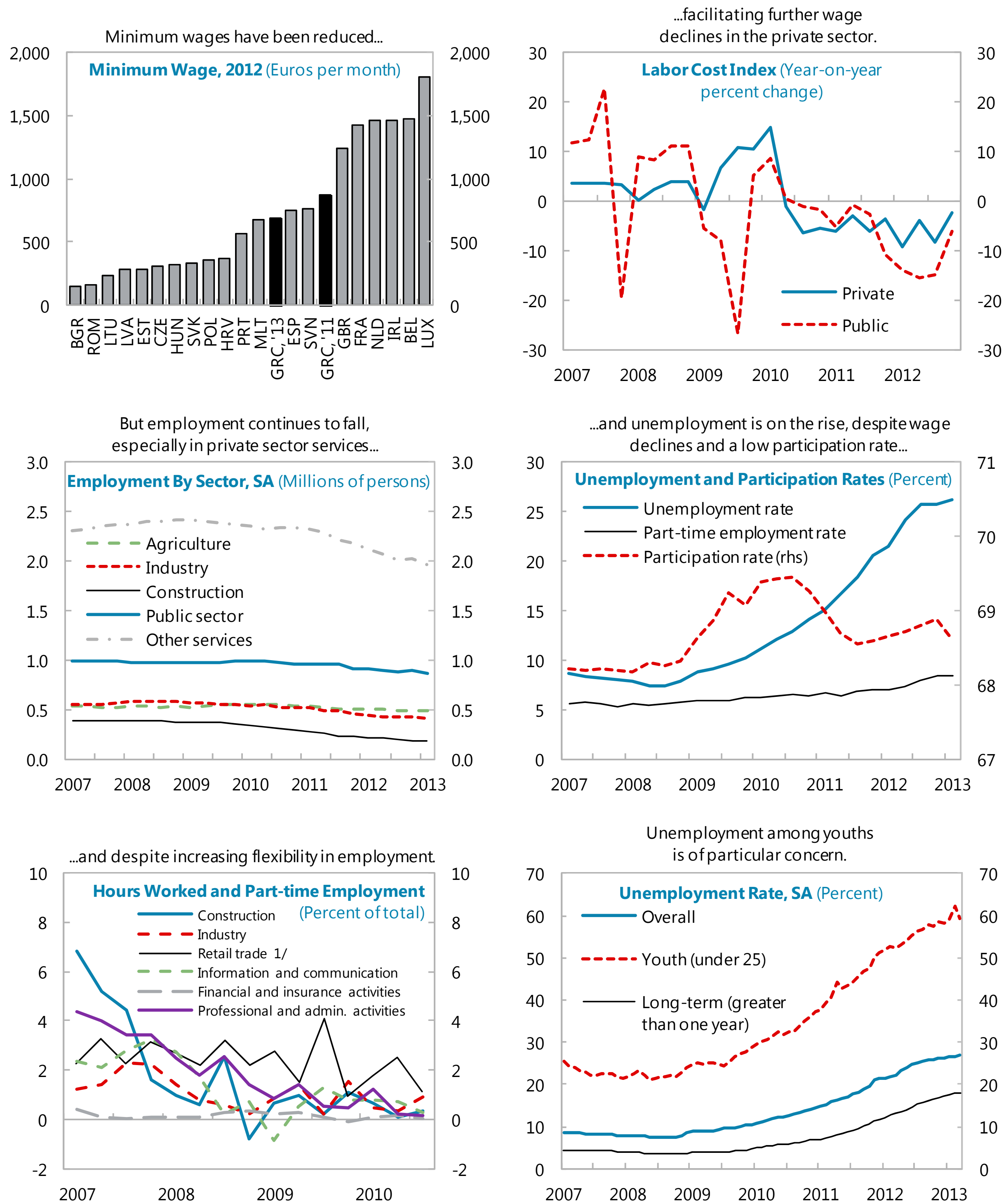
Sources: Elstat; Bank of Greece; and IMF staff estimates.
1/ Interpolated monthly.
2/ Deflated by PPI excluding energy.
3/ Deflated by CPI.

Figure 2. Greece: Supply Indicators, 2007–13



Sources: Elstat; Eurostat; and IMF staff estimates.
1/ Interpolated monthly.
2/ Over past three months.
3/ Over next three months.

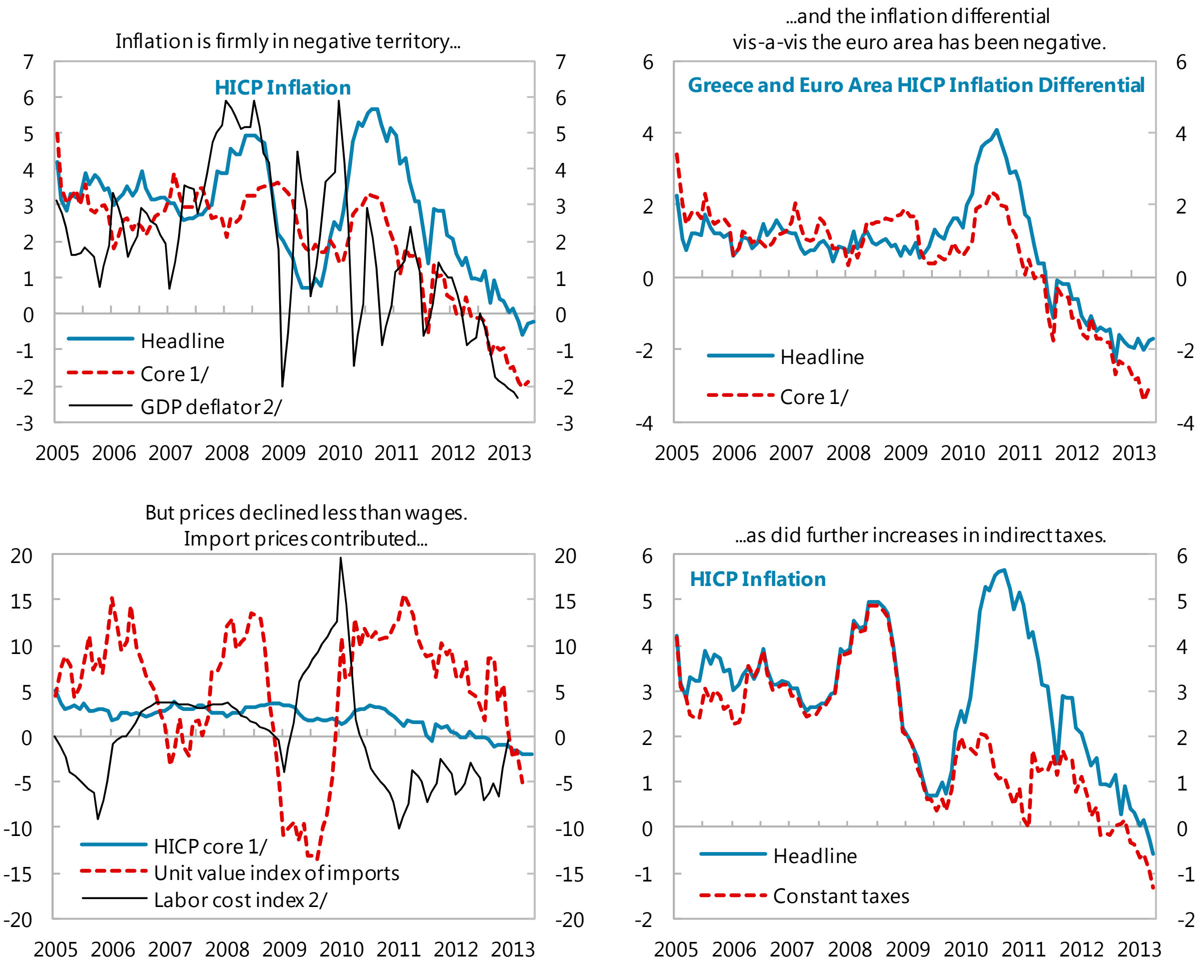
Figure 3. Greece: Labor Market Developments, 2007–13



Sources: Elstat; Eurostat; Haver; and IMF staff calculations.
1/ Includes wholesale and retail trade, transportation and storage, and accomodation and food service activities.

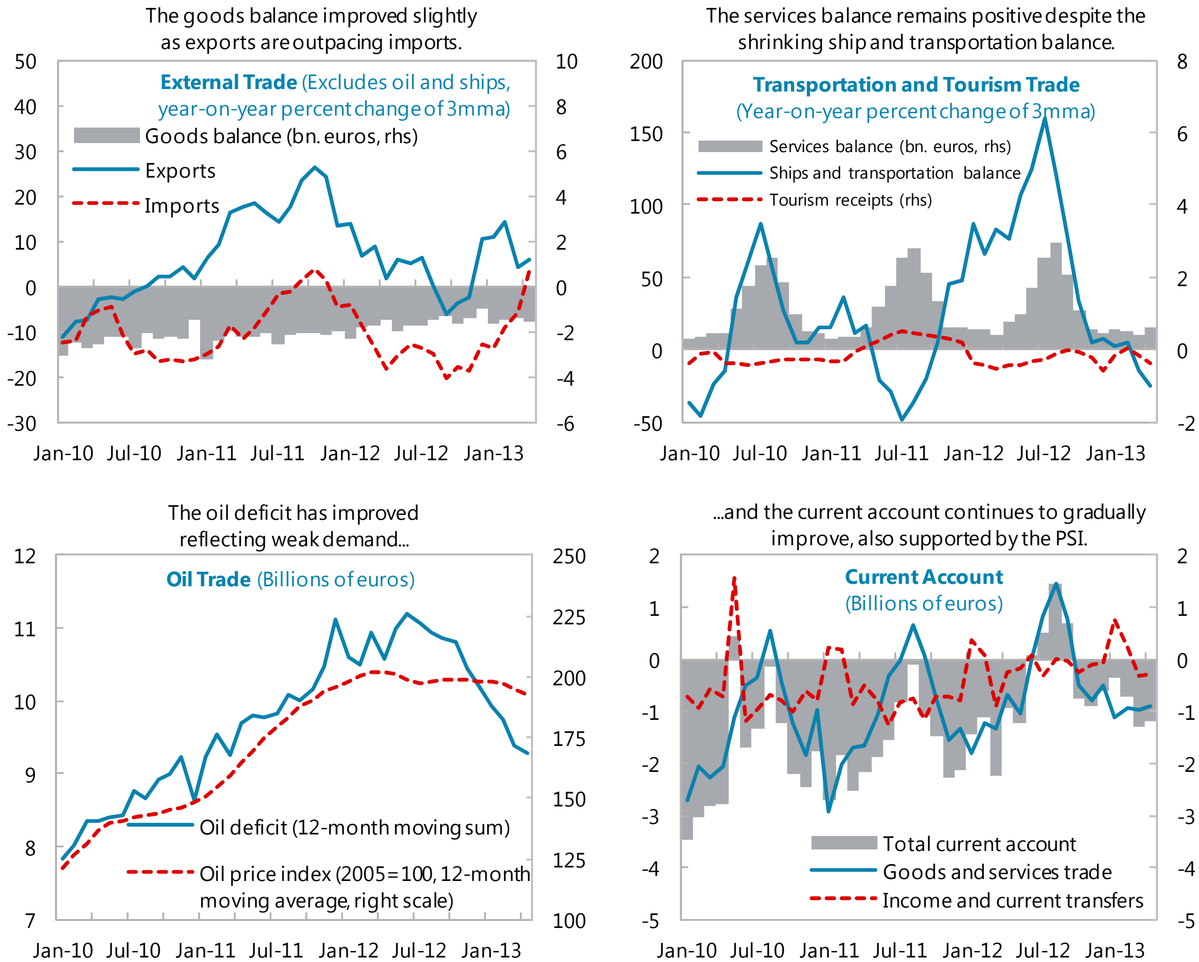
Figure 4. Greece: Inflation Developments, 2005–13

(Year-on-year percent change)



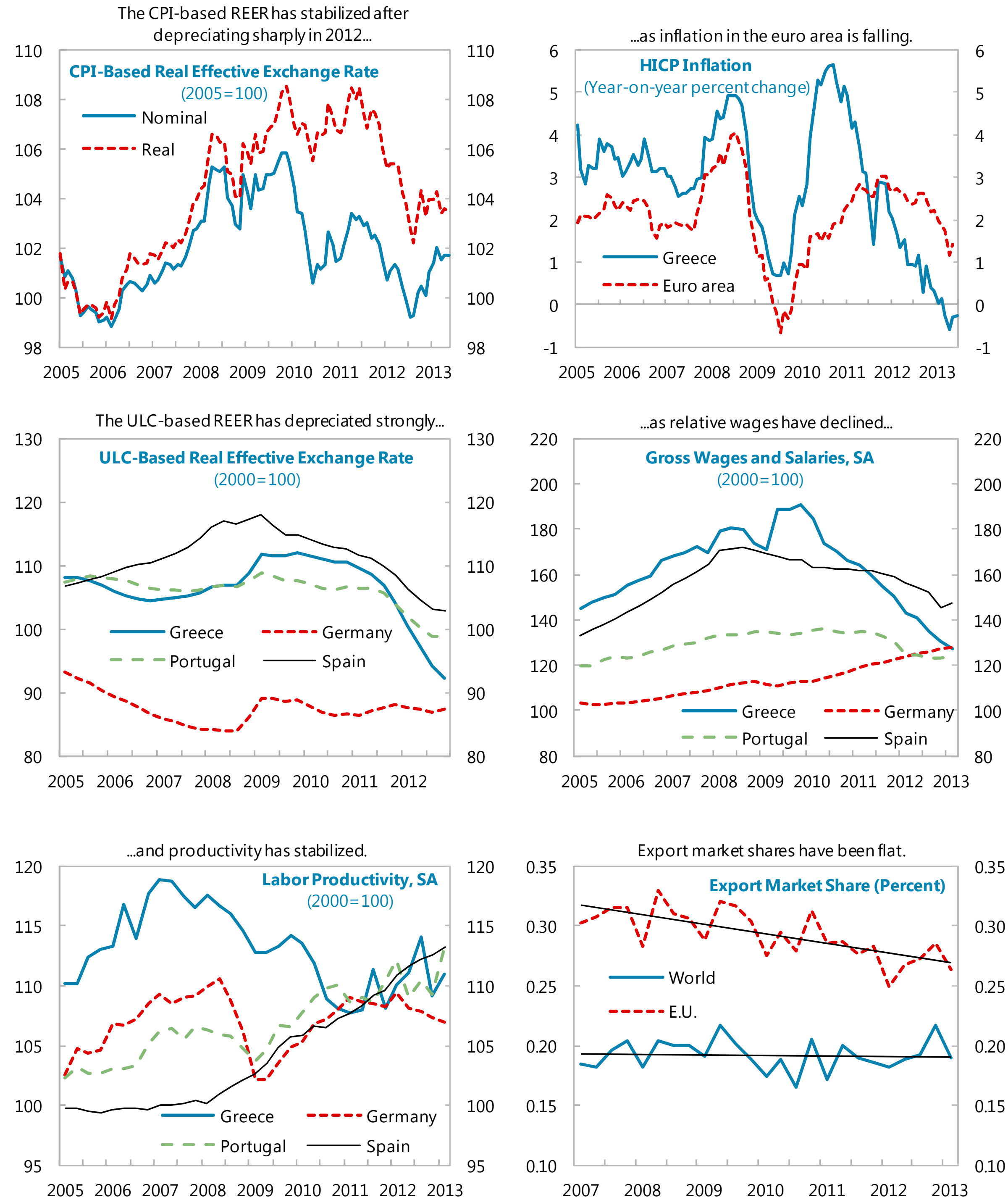
Sources: Elstat; Eurostat; Haver; and IMF staff calculations.
1/ Excludes food, alcohol, tobacco, and energy.
2/ Private sector business economy. Interpolated monthly from seasonally adjusted data.

Figure 5. Greece: Balance of Payments, 2010–13



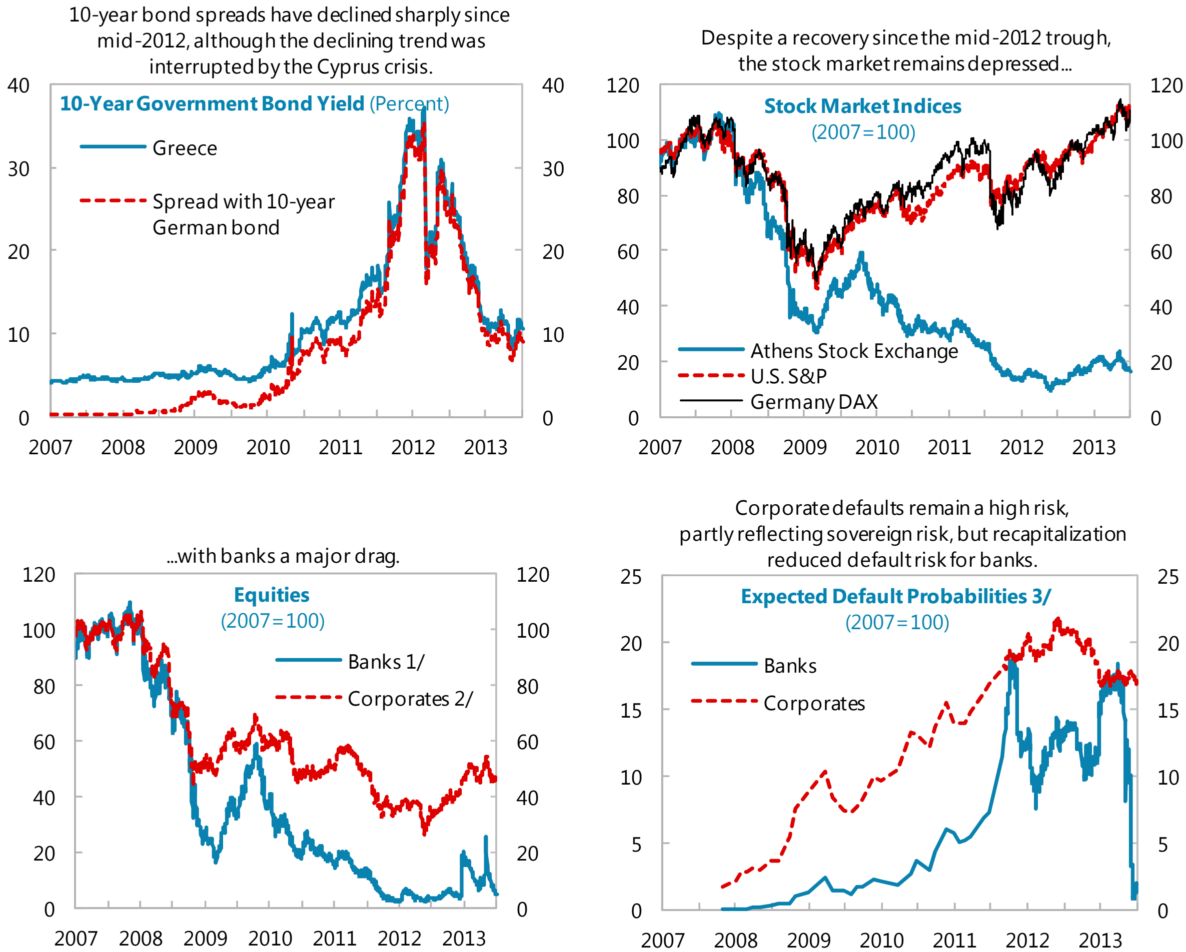
Sources: Bank of Greece; and IMF staff calculations.

Figure 6. Greece: Competitiveness Indicators, 2005–13



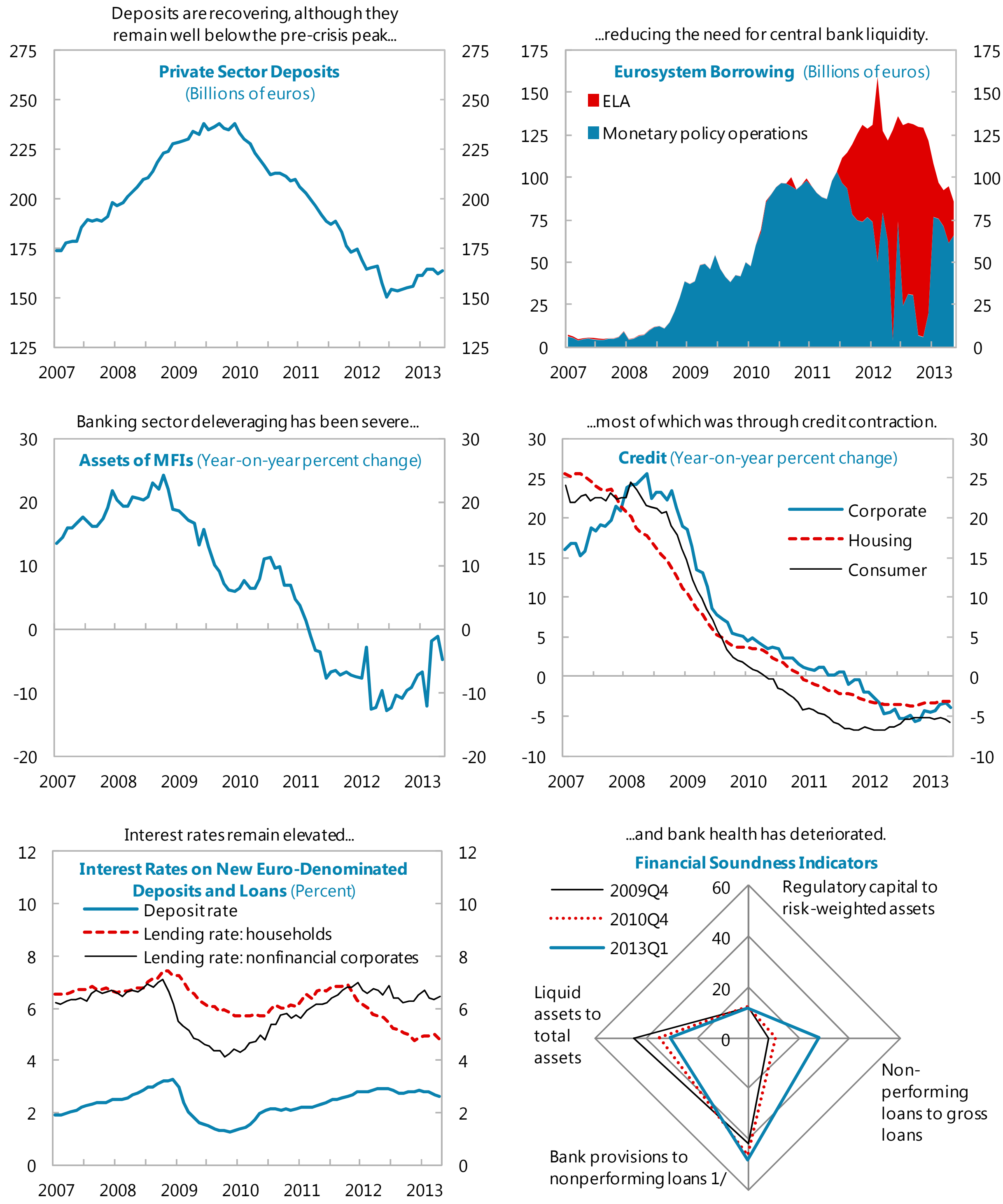
Sources: Haver; Eurostat; IMF, *Direction of Trade Statistics*; and IMF staff calculations.

Figure 7. Greece: Financial Indicators, 2007–13



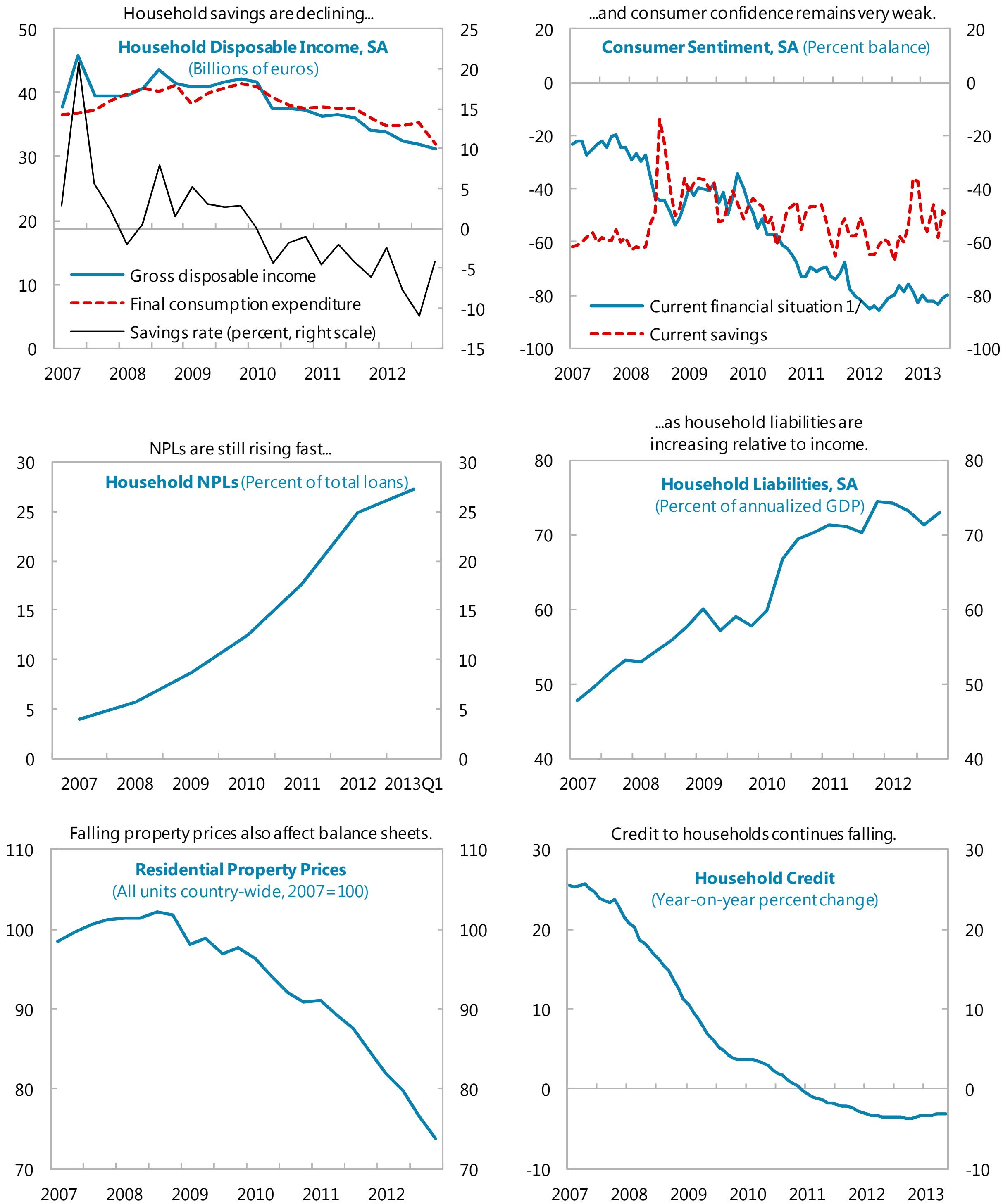
Sources: Bloomberg; InTrade; Moody's CreditEdge; and IMF staff calculations.
1/ Simple average of National Bank of Greece, Alpha Bank, EFG Eurobank, and Piraeus.
2/ Simple average of Coca-Cola Hellenic Bottling, Hellenic Petroleum, Hellenic Telecom, OPAP, and Titan Cement.
3/ Current 1-year EDF calculated by Moody's Analytics. EDF is the probability of default is defined as the failure to make a scheduled debt payment. The EDF is driven by both asset volatility and market leverage.

Figure 8. Greece: Money and Banking Developments, 2007–13



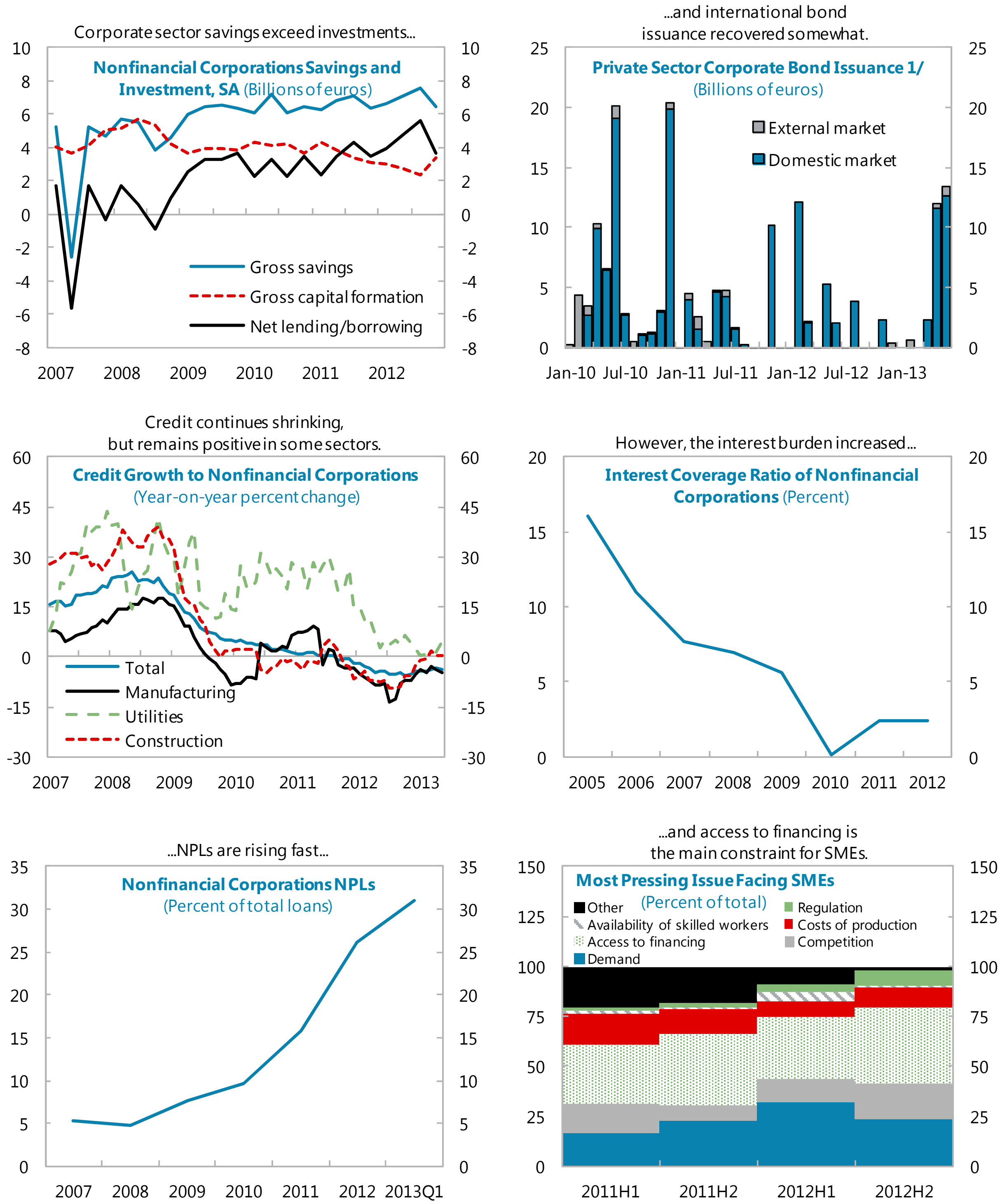
Sources: Bank of Greece; and IMF staff estimates.
1/ Nonperforming loans exclude restructured loans.

Figure 9. Greece: Household Balance Sheet, 2007–13



Sources: Bank of Greece; Eurostat; European Commission; European Central Bank; and IMF staff estimates.
1/ Over past 12 months.

Figure 10. Greece: Corporations Balance Sheet, 2007–13



Sources: Bank of Greece; Bloomberg; Eurostat; European Commission; European Central Bank; and IMF staff estimates.
1/ Financial and nonfinancial corporations.

Table 1. Greece: Selected Economic Indicators, 2009–14

	2009	2010	2011	2012	2013		2014
				Est.	Prog.	Proj.	Proj.
	(Percentage change, unless otherwise indicated)						
Domestic economy							
Real GDP	-3.1	-4.9	-7.1	-6.4	-4.2	-4.2	0.6
Output gap (percent of pot. output)	7.3	3.3	-2.6	-7.7	-10.6	-10.6	-9.5
Total domestic demand	-5.5	-7.0	-8.7	-10.4	-5.6	-5.6	-1.1
Private consumption	-1.6	-6.2	-7.7	-9.1	-6.9	-6.9	-1.6
Public consumption	4.9	-8.7	-5.2	-4.2	-4.0	-4.0	-6.2
Gross fixed capital formation	-13.7	-15.0	-19.6	-19.2	-4.0	-4.0	8.4
Change in stocks (contribution)	-1.2	0.7	-0.4	0.0	0.4	0.4	0.0
Foreign balance (contribution)	3.0	3.0	2.4	3.7	2.6	2.6	1.8
Exports of goods and services	-19.4	5.2	0.3	-2.4	3.0	3.0	4.6
Imports of goods and services	-20.2	-6.2	-7.3	-13.8	-6.4	-6.4	-1.9
Unemployment rate (percent) 1/	9.5	12.5	17.7	24.2	27.0	27.0	26.0
Employment 1/	-1.1	-2.7	-6.8	-8.0	-3.7	-3.7	0.6
Unit labor costs	4.2	0.1	-2.4	-6.4	-6.5	-6.5	-1.6
Consumer prices (national definition), period averag	1.2	4.7	3.3	1.5	-0.8	-0.8	-0.4
Consumer prices (HICP), period average	1.3	4.7	3.1	1.0	...	...	...
Core prices, period average 2/	2.3	2.6	1.1	-0.3	...	...	...
GDP deflator	2.3	1.1	1.0	-0.7	-1.1	-1.1	-0.4
	(Percent of GDP, unless otherwise indicated)						
Balance of payments							
Current account	-11.2	-10.1	-9.9	-3.4	-0.8	-0.8	-0.3
Structural current account balance	-7.0	-8.3	-10.9	-5.9	-4.9	-5.3	-4.2
Trade balance	-7.8	-6.8	-6.0	-2.5	-0.2	-0.1	1.5
Export of goods and services	18.3	20.5	23.4	25.4	27.4	27.4	28.3
Imports of goods and services	-26.2	-27.3	-29.5	-27.9	-27.6	-27.5	-26.8
Total transfers	0.6	0.1	0.3	0.7	1.8	1.8	1.5
Net income receipts	-3.9	-3.5	-4.1	-1.6	-2.5	-2.5	-3.2
Net international investment position	-86.4	-98.4	-86.1	-114.5	-118.9	-119.2	-117
Public finances (general government)							
Total revenues	38.3	40.6	42.4	44.1	44.3	42.9	43.6
Total expenditures	54.0	51.4	52.0	50.4	48.4	47.1	46.8
Primary expenditures	48.8	45.5	44.8	45.4	44.3	43.0	42.1
Overall balance	-15.6	-10.8	-9.6	-6.3	-4.1	-4.1	-3.2
Primary balance	-10.5	-4.9	-2.4	-1.3	0.0	0.0	1.5
Cyclically-adjusted primary balance	-13.0	-6.1	-1.3	2.2	5.0	4.8	5.9
Gross debt	130	148	170	157	176	176	174
Interest rates and credit							
Lending interest rate (percent)3/	5.1	6.1	6.8	5.8	...	5.5	...
Private credit growth (percent change) 4/	4.1	0.0	-3.1	-4.0	-6.5	-5.6	-4.0
Exchange rates, end-period (percent change) 3/							
Nominal effective exchange rate	0.4	-3.7	0.0	-0.5	...	1.3	...
Real effective exchange rate (CPI-based)	1.7	-1.2	-0.7	-2.0	...	-0.7	...
Real effective exchange rate (man. ULC-based)	1.1	0.8	-6.1	-8.4	...	-8.4	...
Memorandum items:							
Nominal GDP (billions of euros)	231	222	209	194	183	184	184
Nominal GDP (percent change)	-0.9	-3.9	-6.1	-7.1	-5.3	-5.3	0.2

Sources: Elstat; Ministry of Economy and Finance; Bank of Greece; and IMF staff projections.

1/ Based on Labor Force Survey.

2/ Core prices exclude energy, food, alcohol, and tobacco.

3/ Data for 2013 as of May.

4/ Includes securitized or otherwise transferred loans from 2010 onward.

Table 2. Greece: Summary of Balance of Payments, 2010–18

	2010	2011	2012	2013	2014	2015	2016	2017	2018
						Proj.			
					(Billions of euro)				
Current account balance	-22.5	-20.6	-6.5	-1.4	-0.6	0.1	0.4	1.3	2.0
Balance of goods and services	-15.0	-12.6	-4.9	-0.1	2.7	4.7	6.0	7.5	9.1
Goods balance	-28.3	-27.2	-19.6	-16.8	-15.6	-15.1	-15.2	-15.2	-15.3
Exports	17.1	20.2	22.0	22.2	22.6	23.3	24.0	25.0	26.0
Imports	45.4	47.5	41.6	39.0	38.1	38.4	39.2	40.2	41.3
Services balance	13.2	14.6	14.7	16.7	18.2	19.8	21.2	22.7	24.4
Credit	28.5	28.6	27.1	28.1	29.5	31.3	33.0	35.1	37.2
Debit	15.2	14.0	12.4	11.5	11.3	11.5	11.9	12.3	12.8
Income balance	-7.7	-8.6	-3.1	-4.6	-5.9	-6.8	-7.3	-7.7	-7.9
Credit	4.0	3.3	3.3	3.8	4.0	4.4	4.7	5.2	5.6
Debit	11.7	11.9	6.3	8.4	10.0	11.2	12.1	12.8	13.5
Current transfers (net)	0.2	0.6	1.4	3.3	2.7	2.2	1.8	1.5	0.8
Capital and financial account balance	-8.6	-21.0	-103.4	-33.3	-14.7	-7.1	-3.2	-5.4	-5.3
Capital account balance	2.1	2.7	2.3	4.6	3.5	3.2	3.3	3.3	2.8
Financial account	-10.6	-23.7	-105.7	-38.0	-18.1	-10.3	-6.5	-8.7	-8.0
Direct investment	-0.9	-0.5	2.3	1.6	3.0	1.9	2.0	2.1	2.9
Portfolio investment	-20.9	-19.8	-99.9	-3.2	-9.1	-5.4	-2.2	-3.6	0.0
Of which: government	-26.8	-23.3	-57.0	5.8	-9.1	-6.1	-2.8	-4.7	-1.2
Other investment (excl. program financing)	11.0	-3.4	-8.1	-36.4	-12.1	-6.9	-6.3	-7.2	-11.0
Reserve assets (increase = -)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program financing, net	31.5	41.5	109.9	34.8	10.9	0.5	2.7	4.1	3.2
Unidentified financing	0.0	0.0	0.0	0.0	4.4	6.5	0.0	0.0	0.0
					(Percent of GDP)				
Current account balance	-10.1	-9.9	-3.4	-0.8	-0.3	0.1	0.2	0.6	0.9
Balance on goods and services	-6.8	-6.0	-2.5	-0.1	1.5	2.5	3.0	3.6	4.2
Goods balance	-12.7	-13.1	-10.1	-9.2	-8.5	-8.0	-7.6	-7.3	-7.0
Services balance	6.0	7.0	7.6	9.1	9.9	10.4	10.6	10.9	11.1
Income balance	-3.5	-4.1	-1.6	-2.5	-3.2	-3.6	-3.7	-3.7	-3.6
Current transfers	0.1	0.3	0.7	1.8	1.5	1.2	0.9	0.7	0.4
Capital and financial account balance	-3.9	-10.1	-53.4	-18.2	-8.0	-3.7	-1.6	-2.6	-2.4
Capital account balance	0.9	1.3	1.2	2.5	1.9	1.7	1.7	1.6	1.3
Financial account	-4.8	-11.3	-54.6	-20.7	-9.9	-5.4	-3.2	-4.2	-3.7
Direct investment	-0.4	-0.2	1.2	0.9	1.6	1.0	1.0	1.0	1.3
Portfolio investment	-9.4	-9.5	-51.6	-1.7	-4.9	-2.8	-1.1	-1.7	0.0
Of which: government	-12.1	-11.2	-29.4	3.2	-4.9	-3.2	-1.4	-2.2	-0.5
Other investment	5.0	-1.7	-4.2	-19.8	-6.6	-3.6	-3.2	-3.5	-5.0
Reserve assets (increase = -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program financing	14.2	19.9	56.7	19.0	5.9	0.3	1.4	2.0	1.5
Unidentified official financing / market access	0.0	0.0	0.0	0.0	2.4	3.4	0.0	0.0	0.0
Gross external debt	213.1	225.4	232.5	236.6	228.9	210.9	193.6	180.2	166.6
Public sector 1/	150.9	173.5	183.3	185.6	178.8	162.6	147.3	136.3	124.6
Private sector	62.2	51.9	49.2	50.9	50.1	48.3	46.3	43.9	42.1
Memorandum item:									
Current account balance in cash terms	-10.1	-9.9	-3.4	-0.3	0.8	2.2	2.6	3.2	3.6
Structural current account balance	-8.3	-10.9	-5.9	-5.3	-4.2	-2.6	-1.3	-0.3	0.5

Sources: Bank of Greece; and IMF staff estimates.

1/ Includes debt of the monetary authority.

Table 3. Greece: Monetary Survey, 2010–14

	2010	2011	2012	2013				2014			
				Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
								Proj.			
					(Billions of Euros)						
Aggregated balance sheet of Monetary Financial Institutions (MFIs)											
Total assets	654.3	646.1	602.5	558.5	545.9	530.8	525.0	516.4	509.6	503.6	498.5
Cash (held by credit institutions)	2.1	2.4	2.5	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9
Claims on Bank of Greece	10.6	5.1	3.1	4.2	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Claims on other MFIs	187.9	198.8	170.7	130.9	124.3	118.9	116.6	112.2	108.4	104.5	100.7
Claims (Loans) on non MFIs	289.0	275.9	250.1	248.9	243.3	236.1	232.9	229.9	227.6	225.8	224.4
Domestic	282.5	269.5	244.8	243.6	238.2	231.1	227.9	224.9	222.6	220.7	219.4
General government	26.3	22.3	17.4	15.3	15.6	14.9	14.9	14.8	14.8	14.8	14.9
Other sectors 1/	256.2	247.2	227.5	228.2	222.6	216.1	213.0	210.1	207.8	205.9	204.5
Other countries	6.5	6.4	5.2	5.4	5.1	5.1	5.0	5.0	5.0	5.0	5.0
Securities 2/	99.3	93.0	100.4	99.8	99.1	97.6	97.5	96.6	96.1	95.6	95.3
Other assets	60.3	65.9	70.6	67.8	68.8	68.0	67.9	67.6	67.5	67.6	67.9
Fixed assets	5.0	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.7	4.8
Total Liabilities	654.3	594.1	602.5	558.5	545.9	530.8	525.0	516.4	509.6	503.6	498.5
Liabilities to Bank of Greece	97.8	76.9	121.2	92.0	86.1	81.2	78.7	74.8	71.3	67.7	64.1
Liabilities to other MFIs	164.0	154.4	133.2	109.3	104.7	99.7	97.4	93.4	89.9	86.2	82.6
Deposits and repos of non MFIs	282.5	237.5	225.2	227.2	222.7	220.1	219.9	219.1	219.0	219.7	220.8
Domestic	225.1	187.7	179.1	186.0	182.0	180.2	180.3	179.7	179.6	180.2	181.2
Other countries	57.4	49.8	46.1	41.2	40.7	39.8	39.6	39.4	39.4	39.5	39.6
Capital and reserves	45.8	54.8	56.0	59.8	59.2	58.2	57.7	58.1	58.5	59.0	59.6
Banknotes and coins in circulation	22.5	23.7	24.3	23.9	23.5	23.1	22.9	22.9	22.9	22.9	23.0
Other liabilities	41.7	46.8	42.6	46.3	49.7	48.7	48.3	48.2	48.1	48.2	48.4
Money and credit											
Broad money	232.9	199.2	188.4	193.7	190.9	189.2	189.2	189.0	189.3	190.3	191.7
Credit to the private sector 3/ 4/	257.5	248.1	227.3	228.0	222.2	215.8	212.6	209.7	207.4	205.5	204.1
Credit to government 3/	63.0	59.1	28.2	22.5	22.0	21.5	21.5	21.4	21.4	21.5	21.5
					(Annual percentage change)						
Broad money	-11.2	-14.6	-5.3	1.5	8.3	4.7	0.4	-2.4	-0.9	0.6	1.3
Domestic private sector deposits	-12.4	-17.0	-7.3	0.9	8.4	4.9	0.3	-1.6	-1.0	0.3	1.0
Credit to the private sector 3/ 4/	0.0	-3.1	-4.0	-3.5	-4.2	-4.7	-5.6	-7.9	-6.7	-4.7	-4.0
Credit to government 3/	28.3	2.0	-7.9	-17.0	-18.3	-27.5	-23.8	-4.7	-2.4	-0.2	-0.1
					(Percent of GDP)						
Broad money	104.8	95.5	97.2	101.1	101.3	102.5	103.3	103.4	103.6	104.0	104.4
Domestic deposits	101.3	90.0	92.5	97.1	96.5	97.7	98.4	98.3	98.3	98.5	98.7
Credit to the private sector 4/	115.9	119.0	117.3	119.0	117.9	116.9	116.1	114.8	113.6	112.4	111.2
Credit to government	28.4	28.4	14.6	11.7	11.7	11.6	11.7	11.7	11.7	11.7	11.7
Memorandum items:						(Percent)					
Capital to assets	5.8	6.9	5.7	5.8	5.6	5.6	5.5	5.7	6.0	6.2	6.4
Loans to customer deposits	103.5	117.0	111.6	110.2	108.4	106.4	105.0	104.0	102.9	101.7	100.6
Velocity	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Sources: Bank of Greece; and IMF staff estimates and projections.

1/ As of June 2010, securitised assets are no longer derecognised from the balance sheet of banks that have adopted the International Accounting Standards. The counterpart of these assets is recorded on the liabilities side as deposit liabilities to non-euro area residents.

2/ Holdings of securities other than shares and derivatives.

3/ Projected growth rates are calculated from differences in outstanding amounts and do not take into account write-offs, valuation changes, or reclassifications.

4/ Credit to domestic non-MFI residents by domestic MFIs excluding the Bank of Greece, including securitized loans and corporate bonds.

Table 4. Greece: Monetary Financial Institutions (excl. BoG)— Uses and Sources of Funds, 2010–16

	2010	2011	2012	2013	2014	2015	2016
					Proj.		
				(Billions of euros)			
Assets	515.3	476.9	442.2	408.1	396.2	393.9	398.2
Cash	2.1	2.4	2.5	1.9	1.9	2.0	2.1
Claims on other MFIs	87.0	68.7	48.3	36.7	35.4	35.3	35.7
Claims on non-MFIs	356.8	338.4	321.3	301.9	291.2	286.8	287.2
General government	63.0	59.1	28.2	21.5	21.5	22.2	23.3
Private sector 1/	255.8	246.8	227.1	212.6	204.1	199.6	198.5
Corporate	116.5	113.0	100.8	97.1	95.3	95.4	96.9
Households	139.3	133.8	126.3	115.6	108.8	104.3	101.6
Other countries	37.9	32.4	66.0	67.8	65.6	64.9	65.4
Other assets	69.4	67.4	70.0	67.6	67.6	69.8	73.2
Liabilities	515.0	476.9	442.2	408.1	396.2	393.9	398.2
Liabilities to other MFIs	66.3	44.5	31.7	35.0	34.9	35.9	37.4
Deposits of non-MFIs	280.2	232.3	218.9	214.5	215.4	223.7	236.5
Central government	9.0	4.1	7.1	7.2	6.4	6.4	7.2
Private sector	213.9	178.7	166.2	168.2	169.8	175.6	184.3
Other countries 2/	57.4	49.5	45.6	39.1	39.1	41.7	45.0
Other liabilities	26.3	70.1	17.2	26.8	26.8	27.7	29.1
Capital and reserves	44.4	53.1	53.2	53.2	55.0	58.6	63.3
Eurosystem liquidity support	97.8	76.9	121.2	78.7	64.1	48.1	31.9
				(Percent of GDP)			
Assets	232.0	228.7	228.2	222.8	215.8	207.7	200.2
Cash	1.0	1.1	1.3	1.0	1.0	1.0	1.0
Claims on other MFIs	39.2	33.0	24.9	20.0	19.3	18.6	18.0
Claims on non-MFIs	160.6	162.3	165.8	164.8	158.7	151.2	144.4
General government	28.4	28.4	14.6	11.7	11.7	11.7	11.7
Private sector 1/	115.2	118.4	117.2	116.1	111.2	105.3	99.8
Corporate	52.4	54.2	52.0	53.0	51.9	50.3	48.7
Households	62.7	64.2	65.2	63.1	59.3	55.0	51.1
Other countries	17.1	15.6	34.1	37.0	35.7	34.2	32.9
Other assets	31.2	32.3	36.2	36.9	36.8	36.8	36.8
Liabilities	231.8	228.7	228.2	222.8	215.8	207.7	200.2
Liabilities to other MFIs	29.8	21.4	16.4	19.1	19.0	18.9	18.8
Deposits of non-MFIs	126.1	111.4	113.0	117.0	117.3	117.9	118.9
Central government	4.0	2.0	3.7	3.9	3.5	3.4	3.6
Private sector	96.3	85.7	85.8	91.8	92.5	92.6	92.7
Other countries 2/	25.8	23.7	23.5	21.3	21.3	22.0	22.6
Other liabilities	11.8	33.6	8.9	14.6	14.6	14.6	14.6
Capital and reserves	20.0	25.4	27.5	29.0	30.0	30.9	31.8
Eurosystem liquidity support	44.0	36.9	62.5	43.0	34.9	25.3	16.0
Memorandum items:							
Domestic private sector deposit growth (percent)	-12.4	-17.0	-7.3	0.3	1.0	3.4	4.9
Private credit growth (percent change) 3/	0.0	-3.1	-4.0	-5.6	-4.0	-2.2	-0.6
Eurosystem liquidity support (percent of total assets)	19.0	16.1	27.4	19.3	16.2	12.2	8.0

Sources: Bank of Greece; and IMF staff estimates and projections.

1/ As of June 2010, securitised assets are no longer derecognised from the balance sheet of banks that have adopted the International Accounting Standards. The counterpart of these assets is recorded on the liabilities side as deposit liabilities to non-euro area residents.

2/ June 2010 reclassification related to liabilities associated with assets disposed of in a securitisation but still recognised on the statistical balance sheet.

3/ Projections do not take into account write-offs, valuation changes, or reclassifications.

Table 5. Greece: Core Set of Financial Soundness Indicators for Deposit-Taking Institutions, 2009–13

(Percent, unless otherwise indicated)

	2009	2010	2011				2012				2013
			Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Core set											
Regulatory capital to risk-weighted assets 1/	11.9	12.3	12.3	10.6	10.1	7.0	5.7	8.9	10.2	10.2	11.4
Regulatory tier I capital to risk-weighted assets 1/	10.9	11.2	11.1	9.6	9.2	5.8	4.7	8.1	9.4	9.5	11.1
Nonperforming loans net of provisions to capital	37.9	46.9	51.2	66.3	78.6	...	...	...	...	150.6	157.7
Nonperforming loans to total gross loans	7.8	10.5	11.5	12.8	14.7	16.0	18.7	21.6	22.5	24.5	27.8
Bank provisions to nonperforming loans	42.0	46.2	...	...	...	62.9	57.1	49.5	50.1	48.3	48.2
Return on assets (after taxes) 2/	-0.1	-0.6	-0.3	-1.7	-2.1	...	...	...	...	...	...
Return on equity (after taxes) 2/	-1.7	-8.8	-3.9	-27.3	-34.2	...	...	...	...	...	...
Interest margin to gross income 2/	75.8	91.0	82.5	87.4	91.7	93.7	100.1	106.5	123.1	103.1	75.2
Non-interest expenses to gross income 2/	57.4	62.2	54.1	56.9	58.6	66.1	72.0	89.2	106.0	93.9	87.3
Liquid assets to total assets 3/	45.2	35.2	34.5	35.2	33.2	32.3	27.3	29.3	30.8	32.1	30.7
Liquid assets to short-term liabilities 3/	56.9	46.9	46.4	48.2	50.2	43.1	34.0	37.5	39.7	41.9	41.2
Net open position in foreign exchange to capital 1/ 4/	11.6	11.3	12.0	15.4	14.5	...	...	...	...	15.4	10.6
Encouraged set											
Spread between reference lending and deposit rates (end-of-period, basis points) 5/	5.2	6.4	...	...	...	7.5	7.4	7.3	7.1	7.1	7.1
Customer deposits to total (noninterbank) loans 3/	1.3	1.0	...	...	...	0.9	0.8	0.8	0.9	0.9	0.9
Foreign currency-denominated liabilities to total liabilities 3/	10.8	9.0	...	...	...	7.7	7.1	6.7	6.5	6.5	6.5
Market liquidity											
Average bid-ask spread in the securities market (basis points)	60.6	126.0	...	...	...	87.2	177.0	185.0	155.0	193.0	194.0
Households											
Household debt to GDP	52.1	60.0	...	...	...	61.3	63.8	66.2	64.1	63.7	66.2
Real estate markets											
Residential real estate loans to total loans 3/	20.3	21.1	...	...	...	22.8	24.2	25.0	25.5	25.5	26.0
Memorandum items:											
Assets (billions of euros)											
Banks	440.3	465.5	...	...	...	412.7	376.0	383.5	383.3	389.7	389.7
Branches of foreign banks	38.3	36.9	...	...	...	52.0	47.6	42.6	40.9	39.1	12.3
General insurance companies 6/	15.6	15.7	...	...	...	14.9	14.3	14.1	15.1	15.4	15.8
Other credit institutions	11.6	11.4	...	...	...	11.5	10.6	10.9	12.1	12.6	12.9
Deposits (billions of euros)											
Banks	248.6	220.3	...	...	...	172.4	163.3	152.0	155.0	164.0	182.7
Branches of foreign banks	21.9	18.7	...	...	...	20.9	20.1	16.0	16.7	18.1	3.7

Source: Bank of Greece.

1/ Data on a consolidated basis. For end-2011 and 2012Q1, C.A.R. ratios are affected by the PSI and include only the first tranche of €18 billion HFSF recapitalization. In addittion, C.A.R. ratios are affected by the negative supervisory own funds of two banks (ATEbank and TT Hellenic Post Bank).

2/ From 2004 in accordance with IFRS.

3/ On an aggregate resident-based approach (i.e. commercial banks, cooperative banks, and foreign branches).

4/ Based on revised figures from 2002 onwards.

5/ Spread between rate on credit lines and savings deposit rate.

6/ There are no specialised life insurance companies in Greece. General insurance companies offer general insurance and life insurance products.

Table 6. Greece: Modified General Government Cash Balance, 2012–16 1/

(Billions of euros)

	2012	2013 (cumulative)				2014	2015	2016
		Mar-13	Jun-13	Sep-13	Dec-13			
	Actual				Prog.			Proj.
I. State budget								
Revenue	51.5	12.0	22.6	35.9	50.8	49.7	49.1	49.8
Ordinary budget (A + B + C - D + E)	47.9	10.3	20.2	32.2	45.6	45.1	45.2	47.0
A. Recurrent revenue	49.7	10.3	20.6	32.9	46.7	46.3	47.0	49.0
1. Direct taxes	21.1	4.2	8.5	14.1	19.5	19.7	19.7	20.2
Income taxes	13.3	2.0	4.5	8.1	11.2	12.5	13.1	14.3
PIT	10.0	1.6	3.2	5.6	7.8	6.7	7.0	7.6
CIT	1.7	0.0	0.5	1.0	1.5	3.7	4.0	4.4
Other	1.6	0.4	0.8	1.4	2.0	2.1	2.1	2.3
Property taxes	2.9	0.7	1.5	2.1	2.9	3.0	2.8	2.8
Tax arrears collection	1.8	1.0	1.6	2.1	2.6	1.4	1.5	1.6
Other direct taxes	3.1	0.4	0.9	1.8	2.9	2.7	2.3	1.6
2. Indirect taxes	26.1	5.6	11.2	17.2	24.4	23.9	24.7	26.0
Transaction taxes	15.7	3.5	6.9	10.5	14.3	14.0	14.5	15.3
VAT	15.0	3.4	6.6	10.0	13.4	13.3	13.7	14.6
Other	0.7	0.1	0.3	0.5	0.9	0.7	0.7	0.8
Consumption taxes	9.6	1.9	3.9	6.1	9.4	9.2	9.4	9.8
Tax arrears collections	0.5	0.2	0.3	0.4	0.4	0.4	0.5	0.5
Other indirect taxes	0.3	0.1	0.1	0.2	0.3	0.3	0.3	0.3
3. Transfers EU	0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.2
4. Nontax revenue	2.2	0.4	0.9	1.5	2.5	2.4	2.4	2.6
B. One-off revenue	1.5	0.3	0.5	0.7	1.2	0.9	0.8	0.8
C. Revenue from concession and rights	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0
D. Tax refunds	3.3	0.2	0.9	1.8	2.9	2.8	2.8	2.9
E. Tax Installment Scheme	0.0	0.0	0.0	0.2	0.5	0.6	0.3	0.1
Investment budget	3.6	1.6	2.4	3.7	5.1	4.6	3.9	2.9
A. EU flows	3.4	...	...	...	4.9	4.4	3.7	2.7
B. Own revenues	0.2	...	...	...	0.2	0.2	0.2	0.2
Expenditure	67.8	13.7	28.7	43.7	59.1	56.1	56.4	55.9
Ordinary spending	61.3	13.2	26.2	39.5	52.5	49.7	49.4	49.2
Ordinary primary spending	49.1	11.3	22.9	34.1	46.1	42.8	42.2	41.9
A. Remuneration and pensions	20.5	4.6	9.3	13.9	18.7	18.3	18.1	18.0
B. Insurance and healthcare	17.1	4.2	8.0	11.7	15.3	13.2	12.7	12.4
C. Operating and other expenditure	6.4	1.4	4.7	6.9	6.1	5.4	5.3	5.2
D. Earmarked revenue	3.5	0.9	...	...	3.8	3.7	3.9	4.3
E. Reserve	0.0	0.0	0.2	0.6	0.9	1.2	1.2	1.2
F. Guarantees on entities outside the general government	0.1	0.1	0.3	0.4	0.4	0.2	0.2	0.1
G. EFSF commitment fee	0.5	0.0	0.1	0.1	0.1	0.1	0.1	0.1
H. Spending on military procurement	0.4	0.0	0.2	0.5	0.8	0.6	0.8	0.6
I. Arrears clearance 2/	0.5	...	...	...	...	...	...	...
Interest	12.2	1.9	3.3	5.4	6.4	6.9	7.2	7.3
Investment	6.1	0.5	2.5	4.2	6.7	6.4	7.0	6.7
Balance	-16.3	-1.7	-6.1	-7.9	-8.4	-6.4	-7.3	-6.0
Primary balance	-4.1	0.2	-2.7	-2.4	-2.0	0.5	-0.1	1.3
II. Balance local governments	0.1	0.2	0.3	0.3	0.3	0.7	0.9	1.0
III. Balance social security funds	0.2	1.4	1.4	1.4	1.8	0.8	-0.6	-0.3
IV. Balance of extra-budgetary funds (ETERPS)	0.5	0.0	0.1	0.2	0.3	0.2	0.0	0.0
VIII. Balance of reclassified public enterprises	-0.5	-0.1	-0.2	-0.2	0.5	0.8	0.8	0.9
X. Modified general government cash balance	-15.6	-0.1	-4.5	-6.2	-5.5	-3.9	-6.2	-4.4
Unidentified measures	0.0	0.0	0.0	0.0	0.1	-0.1	3.4	4.1
Modified general government primary cash balance	-3.3	1.8	-1.2	-0.8	1.0	2.9	4.4	7.0
Primary spending	55.2	11.8	25.8	34.4	52.7	49.2	46.9	45.7
Memorandum items:								
Floor on the modified general government primary cash balance	-3.8	1.5	-1.2	-0.8	-0.3	2.0	3.6	...
Ceiling on primary spending	56.8	13.9	26.0	38.8	53.2	49.4	46.3	...

Sources: Ministry of Finance; and IMF staff projections.

1/ Calculations based on program definitions as outlined in the TMU.

2/ Arrears clearance going forward is modelled below the line.

Table 7. Greece: General Government Operations, 2010–17 1/

	2010	2011	2012	2013	2014	2015	2016	2017
					Proj.			
				(Billions of euros)				
Revenue	90.2	88.4	85.5	78.8	80.2	80.6	83.8	87.9
Indirect taxes	27.3	26.6	24.3	23.3	23.7	24.3	25.4	26.6
Direct taxes	17.5	18.0	19.1	17.0	19.1	19.0	19.5	20.4
Social contributions	29.8	27.4	26.5	24.6	24.2	24.7	26.3	27.6
Other current revenue	4.9	5.7	4.7	4.4	3.9	3.7	4.3	4.5
Sales	6.1	5.6	5.8	5.0	5.1	4.9	5.1	5.3
Capital revenue	4.6	5.0	4.9	4.5	4.3	4.1	3.2	3.4
Primary expenditure	101.1	93.3	87.9	79.0	77.4	78.3	78.9	82.7
Social benefits	47.5	47.5	44.4	39.0	38.9	39.9	40.1	42.1
Subsidies	0.1	1.0	1.0	0.9	0.9	1.0	1.0	1.1
Other current expenditure	3.4	2.6	2.3	2.1	1.9	1.9	1.9	2.0
Compensation of employees	27.8	25.9	24.2	21.5	21.3	21.1	20.9	21.9
Intermediate consumption	13.4	9.8	9.5	8.9	8.1	8.1	8.2	8.6
Investment	8.9	6.7	6.6	6.5	6.3	6.5	6.8	7.1
Unidentified measures (cumulative)	0.0	0.0	0.0	0.1	-0.1	3.4	4.1	4.3
Primary balance	-10.9	-4.9	-2.5	0.0	2.8	5.7	9.0	9.4
Interest	13.2	15.0	9.7	7.5	8.7	9.7	10.4	10.7
Overall balance	-24.1	-20.0	-12.2	-7.5	-6.0	-4.0	-1.4	-1.3
Gross debt (Maastricht)	329.5	355.2	303.9	322.5	320.1	319.7	318.0	313.1
				(Percent of GDP)				
Total primary revenue	40.6	42.4	44.1	42.9	43.6	42.4	42.0	42.0
Indirect taxes	12.3	12.8	12.6	12.7	12.9	12.8	12.7	12.7
Direct taxes	7.9	8.6	9.9	9.3	10.4	10.0	9.8	9.8
Social contributions	13.4	13.2	13.7	13.4	13.2	13.0	13.2	13.2
Other current revenue	2.2	2.7	2.4	2.4	2.1	2.0	2.1	2.1
Sales	2.7	2.7	3.0	2.7	2.7	2.6	2.6	2.6
Capital revenue	2.1	2.4	2.5	2.5	2.3	2.2	1.6	1.6
Total primary expenditure	45.5	44.8	45.4	43.0	42.1	41.2	39.5	39.6
Social benefits	21.4	22.8	22.9	21.3	21.2	21.0	20.1	20.1
Subsidies	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other current expenditure	1.5	1.2	1.2	1.1	1.0	1.0	1.0	1.0
Compensation of employees	12.5	12.4	12.5	11.7	11.6	11.1	10.5	10.5
Intermediate consumption	6.0	4.7	4.9	4.9	4.4	4.2	4.1	4.1
Investment	4.0	3.2	3.4	3.5	3.4	3.4	3.4	3.4
Unidentified measures (cumulative)	0.0	0.0	0.0	0.1	-0.1	1.8	2.0	2.0
Primary balance	-4.9	-2.4	-1.3	0.0	1.5	3.0	4.5	4.5
Interest	5.9	7.2	5.0	4.1	4.7	5.1	5.2	5.1
Overall balance	-10.8	-9.6	-6.3	-4.1	-3.2	-2.1	-0.7	-0.6
Gross debt (Maastricht)	148.3	170.3	156.9	175.7	174.0	168.1	159.4	149.7
Nominal GDP (billions of euros)	222.2	208.5	193.7	183.5	184.0	190.2	199.5	209.1

Sources: Ministry of Finance; and IMF staff projections.

1/ Calculations based on program definitions as outlined in the TMU.

Table 8. Greece: General Government Statement of Operations (GFSM 2001, flows), 2010–16

(Millions of euros)

	2010	2011	2012	2013	2014	2015	2016
Revenue	90,232	88,383	85,458	80,272	79,646	80,583	83,742
Taxes	45,109	44,917	43,644	41,907	42,037	42,540	44,133
Social contributions	29,764	27,435	26,508	24,723	25,028	25,325	26,543
Grants and other revenue	15,359	16,031	15,306	13,643	12,581	12,718	13,066
Expenditure	114,289	108,346	97,655	87,954	85,637	87,893	88,958
Expense	114,472	111,332	100,264	….	….	….	….
Compensation of employees	27,773	25,852	24,215	21,333	20,663	20,364	20,125
Use of goods and services	13,429	9,789	9,456	8,113	7,127	7,213	7,385
Consumption of fixed capital	5,386	5,782	6,263	….	….	….	….
Interest	13,193	15,016	9,723	7,533	8,711	9,656	10,378
Subsidies	129	982	977	561	366	569	570
Social benefits	47,476	47,450	44,383	38,482	37,877	38,781	39,639
Grants and other expense	7,086	6,461	5,247	3,426	2,353	1,870	1,863
Net acquisition of nonfinancial assets	-183	-2,986	-2,609	….	….	….	….
Gross capital formation 1/	5,203	2,796	3,654	8,506	8,540	9,440	8,998
(-) Consumption of fixed capital	5,386	5,782	6,263	….	….	….	….
Unidentified Measures (Cumulative)				149	38	3,357	3,807
Gross operating balance 2/	-18,854	-17,167	-8,543	972	2,586	5,487	7,588
Net operating balance 3/	-24,240	-22,949	-14,806	….	….	….	….
Net lending (+)/borrowing (–) 4/	-24,057	-19,963	-12,197	-7,533	-5,954	-3,953	-1,409
Primary Net lending (+)/borrowing (–)	-10,864	-4,947	-2,474	0	2,758	5,702	8,969
Net acquisition of financial assets	4,798	356	52,061	….	….	….	….
Monetary gold and SDRs	0	0	0	….	….	….	….
Currency and deposits	5,097	-2,012	4,979	….	….	….	….
Debt securities	0	-48	13,535	….	….	….	….
Loans	144	832	-4,995	….	….	….	….
Equity and investment fund shares	380	652	38,036	….	….	….	….
Insurance, pensions, and standardized guarantee schemes	4	1	1	….	….	….	….
Financial derivatives and employee stock options	0	0	0	….	….	….	….
Other accounts receivable	-827	931	505	….	….	….	….
Net incurrence of liabilities	28,695	20,057	64,525	….	….	….	….
SDRs	0	0	0	….	….	….	….
Currency and deposits	-503	-184	-46	….	….	….	….
Debt securities	-311	-2,981	-44,744	….	….	….	….
Loans	30,216	26,907	107,811	….	….	….	….
Equity and investment fund shares	0	0	0	….	….	….	….
Insurance, pensions, and standardized guarantee schemes	0	0	0	….	….	….	….
Financial derivatives and employee stock options	951	166	-1,499	….	….	….	….
Other accounts payable	-1,658	-3,851	3,003	….	….	….	….

Sources: IMF, Government Finance Statistics; and IMF staff projections.

1/ Acquisition less disposals of nonfinancial assets.
2/ Revenue minus expense (excluding consumption of fixed capital).
3/ Revenue minus expense (including consumption of fixed capital).
4/ Revenue minus expenditure.

Table 9. Greece: Financial Balance Sheet (GFSM 2001, stocks), 2008–12 1/

(Millions of euros)

	2008	2009	2010	2011	2012
Stock positions					
Net worth	....	....	....	....	....
Nonfinancial assets	....	....	....	....	....
Net financial worth	-221,099	-242,350	-211,112	-153,297	-198,700
Financial assets	64,412	77,232	79,471	75,756	121,573
Monetary gold and SDRs	0	0	0	0	0
Currency and deposits	13,213	11,764	16,901	14,732	20,707
Debt securities	702	741	741	693	14,196
Loans	1,591	5,261	5,407	6,238	1,243
Equity and investment fund shares	29,256	39,757	37,533	34,270	65,097
Insurance, pensions, and standardized guarantee schemes	38	42	47	48	49
Financial derivatives and employee stock options	0	0	0	0	0
Other accounts receivable	19,612	19,667	18,842	19,775	20,281
Liabilities	285,511	319,582	290,583	229,053	320,273
Monetary gold and SDRs	0	0	0	0	0
Currency and deposits	728	1,508	1,005	820	774
Debt securities	213,617	248,184	190,632	104,586	78,128
Loans	45,912	44,811	75,193	102,921	216,240
Equity and investment fund shares	0	0	0	0	0
Insurance, pensions, and standardized guarantee schemes	0	0	0	0	0
Financial derivatives and employee stock options	2,736	980	1,311	2,134	3,536
Other accounts payable	22,518	24,099	22,442	18,592	21,595
Memorandum items:					
Debt (at market value)	282,775	318,602	289,272	226,919	316,737
Debt at face value	285,802	323,784	351,957	373,764	325,513
Maastricht debt	263,284	299,685	329,515	355,172	303,918
Other economic flows					
Change in net worth from other economic flows	....	....	....	....	....
Nonfinancial assets	....	....	....	....	....
Change in net financial worth from other economic flows	-5,405	15,093	55,135	77,516	-25,729
Financial assets	-13,417	10,552	-2,559	-4,071	966
Monetary gold and SDRs	0	0	0	0	0
Currency and deposits	48	-67	40	-157	-223
Debt securities	0	0	0	0	-32
Loans	-2	0	2	-1	0
Equity and investment fund shares	-13,461	10,619	-2,604	-3,915	1,220
Insurance, pensions, and standardized guarantee schemes	-1	-1	1	0	0
Financial derivatives and employee stock options	0	0	0	0	0
Other accounts receivable	-1	1	2	2	1
Liabilities	-8,012	-4,541	-57,694	-81,587	26,695
Monetary gold and SDRs	0	0	0	0	0
Currency and deposits	0	57	0	-1	0
Debt securities	-7,067	-3,353	-57,241	-83,065	18,286
Loans	6	-11	166	821	5,508
Equity and investment fund shares	0	0	0	0	0
Insurance, pensions, and standardized guarantee schemes	0	0	0	0	0
Financial derivatives and employee stock options	-950	-1,234	-620	657	2,901
Other accounts payable	-1	0	1	1	0

Sources: Ministry of Finance; and IMF staff projections.

1/ Calculations based on program definitions as outlined in the TMU.

Table 10. Greece: Revenue Collection Process—Issues and Actions

Stage of the revenue collection process	Issues	Next Steps
1. Organization and management		
An independent revenue administration with modern operating structure and methods.	• Fragmented tax administration. • The General Secretariat for Public Revenues lacks autonomy and power over core business activities and is vulnerable to political interference. • Too many local offices lacking central control.	• Establish the SGPR advisory board; transfer the IAD and the revenue-related departments of GSIS to the revenue administration; identify SDOE's functions and staff to be transferred to the revenue administration; assign authority to the SGPR to reallocate expenditures across budget lines (July 2013). • Issue report on remaining constraints to the delegation of powers to SGPR (early-August) and adopt amending legislation (September 2013); fully staff the Strategic Planning and Financial Control Directorate (end-September). • Approve the new organizational structure, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration; transfer the revenue-related functions of SDOE; prepare a 2014-15 business plan for the revenue administration (October 2013). • Approve the 2014 revenue administration budget (end-2014). •Transition staff to the new organizational structure of the revenue administration (March 2014).
1. Assessment		
Tax authorities provide services and support to voluntary taxpayer compliance.	• Payment of taxes at tax offices. • Potentially large tax evasion: about 75 percent of self-employed professionals declaring taxable income below minimum exemption threshold. Unregistered taxpayers.	• Revise the tax and AML laws to: (i) ensure that the SGPR is represented at the Board of the FIU; (ii) enable the SGPR to obtain from the FIU information on 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 ; and (iv) require the FIU to promptly inform the SGPR when freezing assets related to laundering proceeds of tax crimes (July 2013). • Adopt a new Tax Procedures Code to harmonize, simplify, and modernize tax procedures; and establish a working group to implement the TPC (July 2013); develop a project plan for TPC implementation (August 2013); adopt all highest priority secondary legislation for TPC implementation and modernize the Code of Public Revenue Collection (October 2013).
2. Controls		
Tax authorities perform controls and enforce timely filing and payment.	• Data gathering ad hoc with no central control for monitoring and enforcing compliance. •Tax refunds processed with significant delay.	• Require that all ministries which have a fiscal relationship with taxpayers utilize their identification number for financial transactions with them (July 2013) and make it compulsory for all official transactions (end-2013) . • Introduce a central agency to consolidate and link all of the different identification numbers now employed across various government agencies (June 2014). • Adopt legislation introducing a 90-day deadline for VAT and income tax refund payments; optimize the VAT refund risk analysis system; issue a circular guiding VAT refund audits by local tax offices; introduce a risk analysis system for processing income tax refunds (September 2013).
Audits are performed and taxes due are assessed and collected.	• Audit workforce not sufficient and low levels of audit coverage of high risk groups. • Limited use of indirect methods of assessment. • Low collection of assessed taxes.	• Monitor progress towards achieving performance targets (Monthly performance reports in 2013). • Hire 186 external auditors (July 2013) and appoint a team of full-time trainers (September 2013) to complete the basic audit training of auditors and the new external hires by mid-2014. • Issue audit reports on more than 15 capital remittance cases based on indirect audit methods (September 2013).
3. Enforcement		
Tax assessments under appeal and tax arrears (including penalties and fines) are collected.	• Poor collection enforcement of taxes and social security contributions.	• Monitor and publish progress towards achieving performance targets and installment scheme results (Monthly). • Create an indirect bank account register to provide authorized revenue administration personnel access to information about bank accounts held by taxpayers; establish the internal review unit; close for new entrants any installment or deferred arrangements for payment liabilities arising from audit assessments (August 2013). • Assign 200 staff to the joint collection center for SSC debt (KEAO) (August 2013) and complete external recruitment of 400 recovery officers (end-2013). Adopt secondary legislation for uncollectable SSC debt, create a single SSC debt database, and transfer €4.2 billion of SSC collectable debt to KEAO (August 2013).

Source: IMF staff.

Table 11. Greece: Spending Process—Issues and Actions

Stages of the Spending Process and Issues	Next Steps
1. Budgeting	
Develop a medium-term budget framework and prepare annual budgets within medium-term expenditure ceilings. • Budgets prepared mainly in a bottom-up fashion with no hard budget constraints. Budget preparation processes for general government entities still largely disjointed. Responsibility for social security fragmented with no effective preparation, management, and monitoring of social security budget.	• Modify the organic budget law to introduce: (i) rolling 3-year expenditure ceilings (binding for the first 2 years); (ii) provisions to freeze ex-ante 10 percent of discretionary appropriations; (iii) binding annual budget balance targets for LGs; (iii) performance targets for state enterprises;(v) clarity in treatment of carryover of end-year outstanding commitments; and (vi) penalty procedures to General Government (GG) entities that fail to provide timely reporting to GAO. (October 2013). • Adopt legislation to introduce the Fiscal Compact provisions, including a structural balance rule (October 2013). • Issue a Joint Ministerial Decision indicating a common methodology for LG budget preparation and budget adoption by year-end and a review process of LG budgets by the Observatory of Local Authorities (July 2013).
2. Spending controls	
Ensure that expenditure commitments do not exceed appropriations and arrears are avoided. • Line ministries do not check or control expenditure commitments. • No central control on incurred commitments by decentralized agencies. • Execution of budget releases focused on verifying payments.	• Adopt legislation to establish permanent procedures for appointment of accounting officers (July 2013). • Ensure that commitment registers are in operation in 94 percent of GG entities under the 2013 KPI definition (September 2013). •Issue a new interpretive circular responding to GG entities' queries with a view to eliminating discrepancies in reporting between commitment registers and surveys. (September 2013). Suspend state transfer payments to GG entities that do not report on commitment registries (October 2013).
3. Reporting	
Collect and analyze information on payments, pending bills, and arrears. • Limited real-time monitoring of arrears and other pending bills. • Collection of payment information at non-central government level difficult.	• Expand the scope of data captured by the General Accounting Office's e-portal to include the whole expenditure cycle and monitor reporting of the expanded data and ensure that 78 percent of entities report the expanded information (September 2013). • Clear past arrears subject to validation of arrears, and compliance with basic PFM reforms and reporting requirements (During 2013). • Submit to the Council of State a Presidential Decree to move responsibility for payment execution from tax offices to fiscal audit offices by January 2014 (September 2013). • Make changes to IT and administrative processes to authorize electronically payment orders and accompanying documentation and introduce statistical reports to enable follow-up on progress; prepare a medium-term action plan for meeting the requirements of the Late Payment Directive (October 2013). • Hellenic Court of Auditors (HCA) and GAO will produce a joint note on the role and scope for streamlining of the HCA's ex ante audits in financial control (December 2013).
Monitoring and reporting of fiscal developments for general government and SOEs. • Monitoring and reporting of detailed fiscal data focused on the state budget. No timely in-year monitoring or reporting for general government published. Deviations of general government budget and contingent liabilities not detected on time.	• Require pension and employment funds, EOPYY, and hospitals to provide monthly reports in accordance with reporting templates agreed with GAO (Monthly reports commence by October 2013).
4. External auditing	
Parliamentary oversight and general auditing. • Lack of independent oversight of the budget process after dismissal of the Parliamentary Budget Office.	• Parliament continues to receive periodical reports (During 2013). • Strengthen the independence and competence of the Parliamentary Budget Office with a view to establish a fiscal council (December 2013). • Conduct focused audits of the commitment registers of SSFs comprising EOPYY, starting with IKA, OPAD, OAEE, TAYTEKO, and ETAA (August 2013), launch a tender for an independent external auditor (September 2013) to complete an audit of EOPYY's outstanding stock of accounts payable (end-March 2014).

Source: IMF staff.

Table 12. Greece: Implementation of Structural Reforms

Measures	Description	MEFP Deadline	Status
Labor market			
Refocusing the Labor Inspectorate	The government completes an independent assessment of the Labor Inspectorate, focusing on effective control procedures to fight undeclared work and to eliminate activities that impose excessive administrative costs for businesses.	Dec-12	Assessment of the Labor Inspectorate completed by the ILO, and action plan prepared in December 2012.
Minimum wage	The government adopts a mechanism to set the statutory minimum wage (the new system, which becomes effective in 2017, will be legislated by the government after consultation with social partnesr, other stakeholders and independent experts, taking into account the economic and labor market situation and prospects).	Mar-13	A minimum wage mechanism in line with program commitments is expected to be adopted by end-July 2013.
Sectoral deregulation			
Liberalization of regulated professions	The government takes steps during November and December 2012 to eliminate excessive entry restrictions on the remaining list of regulated professions (removing minimum fee for services and mandatory use of services). Structural benchmark.	Dec-12	Significant progress made, but restrictions remaining in a number of professions (e.g., engineers and lawyers). These will be addressed during 2013 (See TMU ¶39).
Business environment			
Trade facilitation	The government publishes a national trade facilitation strategy to simplify pre-customs and customs procedures, and to increase working shifts in customs (Athens airport and Piraeus port will shift to 24/7 by end-March 2013).	Nov-12	A national trade facilitation strategy was adopted in November 2012. The working hours for customs were increased in April 2013 to 24/7 in Athens airport, and expanded to two shifts in the port of Piraeus.
Simplification of licensing	The government further simplifies procedures for establishing companies (including streamlining background checks on company founders, and reducing minimum capital requirements in line with best EU practices); and completes the legal framework for the implementation of licensing laws (especially on manufacturing activities and environmental projects).	Mar-13	Procedures for establishing companies were streamlined in March 2013; the implementation of licensing laws on manufacturing activities and environmental projects has been delayed.
Reduction of case backlog in courts	Starting from end-2012, the government publishes quarterly reports on progress in tax cases backlog reduction, and updates the work plan to reduce the tax case backlog (with priority on cases exceeding €1 million).	Dec-12	Completed.
	The government adopts an action plan to reduce the non-tax case backlog.	Jan-13	Completed.
Reforming the Code of Civil Procedure	The government prepares a paper outlining the main proposals for amendments to the Code of Civil Procedure.	Mar-13	In progress (expected to be completed by end-July).

Source: IMF staff.

Table 13. Greece: Medium-Term Macro Framework, 2012–18

	2012	2013	2014	2015	2016	2017	2018
	Est.	Proj.					
	(Percentage change, unless otherwise indicated)						
Domestic economy							
Real GDP	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3
Output gap (percent of pot. output)	-7.7	-10.6	-9.5	-6.9	-4.4	-2.7	-1.1
Total domestic demand	-10.4	-5.6	-1.1	1.7	3.2	3.1	2.9
Private consumption	-9.1	-6.9	-1.6	1.4	2.2	1.8	1.5
Public consumption	-4.2	-4.0	-6.2	-4.8	-4.0	3.0	3.3
Gross fixed capital formation	-19.2	-4.0	8.4	11.3	14.5	7.8	7.4
Change in stocks (contribution)	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Foreign balance (contribution)	3.7	2.6	1.8	1.2	0.6	0.5	0.4
Exports of goods and services	-2.4	3.0	4.6	5.5	4.7	4.5	4.4
Imports of goods and services	-13.8	-6.4	-1.9	1.2	2.7	3.1	3.2
Unemployment rate (percent) 1/	24.2	27.0	26.0	24.0	21.0	18.7	16.3
Employment	-8.0	-3.7	0.6	2.6	4.0	2.9	2.7
Unit labor costs	-6.4	-6.5	-1.6	-0.5	1.8	1.4	1.7
Consumer prices (national defintion), period average	1.5	-0.8	-0.4	0.3	1.1	1.2	1.3
Consumer prices (HICP), period average	1.0	...	...	...	...	...	...
GDP deflator	-0.7	-1.1	-0.4	0.4	1.1	1.3	1.4
Monetary survey							
Private credit growth 2/	-4.0	-5.6	-4.0	-2.2	-0.6	5.3	...
Domestic private sector deposit growth	-7.3	0.3	1.0	3.4	4.9	5.0	...
Liabilities to the Bank of Greece (billions of euros)	121.2	78.7	64.1	48.1	31.9	25.6	...
	(Percent of GDP, unless otherwise indicated)						
Balance of payments							
Current account	-3.4	-0.8	-0.3	0.1	0.2	0.6	0.9
Structural current account balance	-5.9	-5.3	-4.2	-2.6	-1.3	-0.3	0.5
Trade balance	-2.5	-0.1	1.5	2.5	3.0	3.6	4.2
Export of goods and services	25.4	27.4	28.3	28.7	28.6	28.7	28.9
Export of goods	11.4	12.1	12.3	12.3	12.0	11.9	11.9
Exports of services	14.0	15.3	16.0	16.4	16.6	16.8	17.0
Imports of goods and services	-27.9	-27.5	-26.8	-26.2	-25.6	-25.1	-24.7
Imports of goods	-21.5	-21.2	-20.7	-20.2	-19.7	-19.2	-18.8
Imports of services	-6.4	-6.3	-6.1	-6.0	-5.9	-5.9	-5.8
Total transfers	0.7	1.8	1.5	1.2	0.9	0.7	0.4
Net income receipts	-1.6	-2.5	-3.2	-3.6	-3.7	-3.7	-3.6
Net international investment position	-114.5	-119.2	-117.3	-111.7	-104.6	-97.1	-89.3
Gross external debt	232.5	236.6	228.9	210.9	193.6	180.2	166.6
Private sector capital flows (net)	-21.5	-3.6	3.2	7.5	4.9	0.5	0.8
Public finances (general government)							
Total revenues	44.1	42.9	43.6	42.4	42.0	42.0	42.0
Total expenditures 3/	50.4	47.0	46.9	44.5	42.7	42.6	42.8
Primary expenditures 3/	45.4	42.9	42.1	39.4	37.5	37.5	37.8
Overall balance	-6.3	-4.1	-3.2	-2.1	-0.7	-0.6	-0.8
Primary balance	-1.3	0.0	1.5	3.0	4.5	4.5	4.2
Cyclically-adjusted primary balance	2.2	4.8	5.9	6.1	6.4	5.6	4.7
Privatization receipts	0.1	0.9	1.9	1.1	1.1	1.1	1.5
Gross debt	156.9	175.7	174.0	168.1	159.4	149.7	140.8

Sources: Elstat; Ministry of Economy and Finance; Bank of Greece; and IMF staff projections.

1/ Based on Labor Force Survey.

2/ Projections do not take into account write-offs, valuation changes, or reclassifications.

3/ Includes unidentified measures.

Table 14. Greece: Selected Structural Reforms Ahead, 2013–14

Measures	MEFP Deadline	Description	Macroeconomic Implications
Labor market			
Reducing tax wedge on labor	Sep-13 and Nov-13	The government completes by September 2013 actuarial studies on social security funds, and adopts a plan by November 2013 to reduce the employer share of social security contributions by 5 ppt (in a budget-neutral way and phased manner during 2014-16) by broadening the base for social security contributions; simplifying the contribution schedule across various funds; and phasing out nuisance taxes.	Improves competitiveness, and promotes employment and growth.
Reduce entry/exit costs	Dec-13	The government completes by November 2013 a study comparing Greece's regulations on temporary employment, scope for temporary employment agencies, and collective dismissal rules and procedures with those in other in other EU member states, and adopt by end-2013 reforms to bring the legal and regulatory framework in these areas in line with EU best practices.	Improves competitiveness, and promotes employment and growth.
Product and service markets			
Liberalization of regulated professions	Jul-13	Adopt a new Code of Lawyers, which will include removal of exclusivity for lawyers for the research of mortgage books and land registry.	Fosters competition, lowers intermediate costs and promotes investment and growth.
	Jul-13	Complete 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.	
	H2-13	Liberalize the remaining list of regulated professions (TMU ¶39).	
Transportation services	Oct-13	Adopt additional steps to increase the flexibility of labor arrangements and reduce manning obligations in the domestic shipping industry.	Fosters competition, improves price flexibility and competitiveness.
Retail trade	Jun/Jul-13	Adopt legislation to liberalize further the retail market, including: removing restrictions against discount sales outside sale periods; increasing flexibility in retailers' opening days; and replacing the current system of fixed margins for over-the-counter drugs with maximum margins.	Fosters competition, improves price flexibility and competitiveness.
	Sep-13	Government to allow the sales of selected over-the-counter products in other points than pharmacies.	
Product market liberalization	Sep-13	Based on OECD findings, Government to prepare draft legislative amendments aimed at reducing regulatory barriers to competition for construction materials, machinery and food processing industries, and tourism sector.	Fosters competition, improves price flexibility and competitiveness.
	Dec-13	Government to propose legislative amendments to reduce administrative burdens in 13 key sectors based on the findings of the OECD Standard Cost Model.	
Business environment and judicial reform			
Trade facilitation	Jul-13	Increase the working shifts to 24/7 in the Athens airport, and expand service to two shifts in the Piraeus port for imports.	Reduces input costs.
	Nov-13	Adopt risk-based audits for imports in line with EU practices.	
	Nov-13	Adopt e-custom system (allowing for electronic submission and e-signature) for imports.	
Reduction of case backlog in courts	Jul-13	Government to present to EC/ECB/IMF a first assessment of the operations of the magistrates' courts.	Improves efficiency of courts.
	Sep-13	Reallocate judges to the administrative courts with the highest backlog, and adopts an action plan to reduce civil and commercial cases backlogs, including draft legislation providing for compulsory mediation of small claims.	
Reforming the Code of Civil Procedure	Mar-14	Adopt a new Code of Civil Procedure.	Improves system efficiency.
Anti-corruption			
Anti-corruption legislation and action plan	Jul-13	Prepare draft legislation to bring anti-corruption legal framework in line with relevant international standards, and start the implementation of all outstanding anti-corruption actions.	Reduces informal market transactions.

Source: IMF staff.

Table 15. 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 became controlling for the purchase that was made upon completion of the third review in May 2013.

Table 16. Greece: General Government Financing Requirements and Sources, 2012–16

(Billion of euros, unless otherwise indicated)

	2012	2013	2014	2015	2016
		Proj.			
Gross borrowing need	111.0	35.3	26.2	14.4	8.3
Overall balance (accrual)	12.5	6.9	5.6	3.7	1.2
Amortization	9.3	16.1	25.1	16.4	6.8
Medium and long-term (non-official)	12.7	11.0	17.7	7.8	3.7
Short-term (net)	-3.4	3.4	0.0	0.0	0.0
Official creditors	0.0	1.7	7.4	8.6	3.1
IMF	0.0	1.7	7.4	8.6	3.1
EC	0.0	0.0	0.0	0.0	0.0
Other	89.2	12.2	-4.5	-5.7	0.4
Bank recapitalization	41.0	7.2	0.0	0.0	0.0
PSI-related costs	34.5	0.0	0.0	0.0	0.0
Arrears clearance	...	7.5	0.0	0.0	0.0
Privatization	...	-1.6	-3.5	-2.0	-2.2
ECB related income (SMP and ANFA)	...	-2.7	-2.5	-2.0	-1.7
Other	13.7	1.9	1.4	-1.7	4.2
Gross financing sources	110.9	35.3	21.8	7.9	8.3
Market access	0.0	0.0	0.0	0.0	0.0
Official financing (including disbursed and committed)	109.9	37.4	19.3	11.1	6.6
EC bilateral loans/EAMS	108.2	27.9	8.5	0.0	0.0
EC interest deferral	...	0.9	2.0	4.0	4.8
IMF	1.6	8.6	8.9	7.1	1.8
Deposit financing	1.1	-2.1	2.5	-3.2	1.8
Financing gap	0.0	0.0	4.4	6.5	0.0
Memorandum Items:					
Total Maastricht debt	303.9	322.5	320.1	319.7	318.0
Of which:					
Official creditors	183.6	219.3	235.7	244.7	248.2
IMF	22.3	29.2	30.7	29.2	27.9
(percent of quota)	29.2	2249.7	2363.7	2248.2	2148.1
EAMS	161.3	190.1	205.0	215.5	220.3
Private sector	120.6	103.2	80.0	64.1	58.9
Unidentified official financing/market access	0.0	0.0	4.4	10.9	10.9
Total Maastricht debt (percent of GDP)	156.9	175.7	174.0	168.1	159.4
Of which:					
Official creditors	94.8	119.5	128.1	128.7	124.4
IMF	11.5	15.9	16.7	15.3	14.0
EAMS	83.3	103.6	111.4	113.3	110.5
Private sector	62.3	56.2	43.5	33.7	29.5
Unidentified official financing/market access	0.0	0.0	2.4	5.7	5.5

Sources: Ministry of Finance; and IMF staff projections.

Table 17. Greece: External Financing Requirements and Sources

(Billions of euros, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
						Proj.			
Gross financing requirements	216.2	239.0	205.6	179.4	141.0	123.9	99.7	84.4	74.5
Current account deficit	22.5	20.6	6.5	1.4	0.6	-0.1	-0.4	-1.3	-2.0
Medium and long-term debt amortization	22.7	35.5	17.5	14.2	19.5	17.7	8.9	9.1	6.7
Public sector	15.6	22.5	10.6	11.1	16.5	14.7	5.8	6.1	3.8
Of which: EC/IMF	0.0	0.0	0.0	1.7	7.4	8.6	3.1	0.7	2.2
Banks	6.7	10.7	5.6	1.2	1.2	1.2	1.2	1.2	1.0
Other	0.3	2.3	1.4	1.9	1.8	1.8	1.8	1.8	1.8
Short-term debt amortization	171.1	182.9	181.5	163.8	120.9	106.3	91.3	76.5	69.8
Public sector and Bank of Greece	57.2	88.2	106.5	99.8	57.3	42.7	26.7	10.5	3.5
Bank of Greece 1/	49.0	87.1	104.8	98.4	55.9	41.3	25.3	9.1	1.3
Public sector	8.2	1.2	1.8	1.4	1.4	1.4	1.4	1.4	2.1
Banks 2/	113.2	93.4	74.4	63.0	62.7	62.8	63.8	65.2	65.4
Other	0.6	1.3	0.6	1.0	0.8	0.8	0.8	0.9	1.0
Source of financing	184.7	197.4	95.7	142.0	117.3	106.3	93.1	79.0	68.7
Capital account (net)	2.1	2.7	2.3	4.6	3.5	3.2	3.3	3.3	2.8
Foreign direct investment (net)	-0.9	-0.5	2.3	1.6	3.0	1.9	2.0	2.1	2.9
Equities (net)	-2.3	-0.2	-0.2	0.0	0.1	0.6	1.1	1.3	1.3
Assets drawdown (- increase)	21.7	12.4	-43.3	11.4	7.0	14.0	8.4	0.5	0.1
New borrowing and debt rollover	164.1	183.5	135.3	124.4	103.7	86.5	78.4	71.9	61.6
Medium and long-term borrowing	-18.8	2.0	-28.5	3.5	-2.7	-4.8	1.8	2.0	2.8
Public sector 3/	-5.7	-3.1	-31.6	1.7	-4.4	-6.5	0.0	0.0	0.0
Banks	-12.3	3.8	0.0	0.0	0.0	0.0	0.1	0.3	1.0
Other	-0.8	1.2	3.1	1.7	1.7	1.7	1.7	1.8	1.8
Short-term borrowing	182.9	181.5	163.8	120.9	106.3	91.3	76.5	69.8	58.7
Public sector and Bank of Greece	88.2	106.5	99.8	57.3	42.7	26.7	10.5	3.5	-8.0
Bank of Greece 1/	87.1	104.8	98.4	55.9	41.3	25.3	9.1	1.3	-10.7
Public sector 4/	1.2	1.8	1.4	1.4	1.4	1.4	1.4	2.1	2.7
Banks 2/	93.4	74.4	63.0	62.7	62.8	63.8	65.2	65.4	65.7
Other	1.3	0.6	1.0	0.8	0.8	0.8	0.9	1.0	1.1
Other	0.1	-0.6	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Program financing	31.5	41.5	109.9	37.4	19.3	11.1	6.6	5.4	5.8
Of which: interest deferral	...	...	0.0	0.9	2.0	4.0	4.8	5.4	5.8
Unidentified official financing / market access	0.0	0.0	0.0	0.0	4.4	6.5	0.0	0.0	0.0

Sources: Bank of Greece; Bloomberg; and IMF staff estimates and projections.

1/ Includes liabilities to Eurosystem related to TARGET.
2/ Includes currency and deposits and securitized loans.
3/ Actual figures on public sector medium and long-term borrowing are based on non-residents amortization figures provided by GAO and net flows from the balance of payment statistics provided by Bank of Greece. Negative sign indicates debt buybacks.
4/ Includes government deposits' build-up (regardless of currency denomination for presentational purposes).

Table 18. Greece: Indicators of Fund Credit

(Millions of SDRs, unless otherwise specified)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Prospective drawings (4-year EFF)	1,399	8,825	6,027	6,027	1,506	...	...	...	...	...	...	...	...	...	...
Percent of quota	127	801	547	547	137	...	...	...	...	...	...	...	...	...	...
						(Projected Debt Service to the Fund based on Existing and Prospective Drawings)									
Amortization	0	1,472	6,278	7,299	2,610	718	1,955	2,960	3,839	3,964	3,848	3,247	2,009	1,004	126
SBA	0	1,472	6,278	7,299	2,493	0	0	0	0	0	0	0	0	0	0
4-year EFF	0	0	0	0	117	718	1,955	2,960	3,839	3,964	3,848	3,247	2,009	1,004	126
Interest and service charge	504	480	1,007	960	910	859	810	718	586	426	265	114	28	8	1
Total debt service	504	1,952	7,285	8,259	3,520	1,576	2,766	3,678	4,425	4,390	4,113	3,362	2,037	1,013	127
Percent of exports of goods and services	1.2	4.6	16.5	17.8	7.3	3.1	5.1	6.5	7.5	7.2	6.4	5.0	3.0	1.4	0.2
Percent of GDP	0.3	1.3	4.7	5.1	2.1	0.9	1.5	1.9	2.2	2.1	1.9	1.5	0.9	0.4	0.0
						(Projected Level of Credit Outstanding based on Existing and Prospective Drawings)									
Outstanding stock	18,941	26,294	26,044	24,772	23,669	22,951	20,996	18,036	14,198	10,233	6,386	3,139	1,130	126	0
Percent of quota	1,719	2,387	2,364	2,248	2,148	2,083	1,906	1,637	1,289	929	580	285	103	11	0
Percent of GDP	11.5	16.9	16.7	15.3	14.0	12.9	11.3	9.2	7.0	4.8	2.9	1.4	0.5	0.1	0.0
Memorandum items:															
Exports of goods and services (billions of euros)	49	50	52	55	57	60	63	66	69	72	76	79	81	84	87
GDP (billions of euros)	194	184	184	190	199	209	219	230	240	249	259	269	280	291	302
Euro/SDR rate 1/	1.177	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Quota (millions of SDRs)	1,102	...	...	...	...	...	...	...	...	...	...	...	...	...	...

Source: IMF staff projections.

1/ Program exchange rate (see TMU).

Annex I. Debt Sustainability Analysis

1. This appendix provides an update on staff's assessment of the sustainability of Greece's public and external debt. In view of the unchanged macroeconomic framework, public debt dynamics are similar to the path under the Third Review. Results continue to suggest that the current program can place Greece's debt on a sustainable trajectory but that significant risks remain, particularly due to the significant and sustained primary adjustment required of Greece.

A. Key Inputs for the DSA

2. The macro, policy, and financing framework underlying the DSA is broadly unchanged:

- **Output.** Staff continues to project further contraction in the economy before a mild recovery begins in 2014. Liquidity conditions and confidence have improved but the underlying balance sheet correction continues to weigh on demand.

- **Fiscal adjustment.** The program remains based on 1.5 percent of GDP in headline primary adjustment per year culminating in a surplus of 4.5 percent of GDP in 2016. The DSA assumes Greece can maintain a primary surplus of 4 percent in the long run. Though some European countries (Belgium and Ireland) have sustained high primary surpluses in the past, this assumption is ambitious.

- **Privatization proceeds.** The DSA continues to assume that the authorities can generate about €22 billion from assets sales through 2020, down from the €45 billion assumed at the start of the EFF. Privatization proceeds are assumed to be back loaded compared to the third review, on the basis of the recent delays, although market value of some of the assets increased with the rebound in stock prices.

- **Financing.** The financing relief measures committed by the Eurogroup in December have broadly taken hold: the interest margin on GLF loans was cut from 100 bps to 50 bps, the administrative fee on EFSF loans was eliminated, the interest on EFSF loans has been deferred, and income on SMP profits is expected to be transferred in July. However, the Eurogroup agreed to provide further financing of almost €4 billion through 2014 and €5.6 billion through 2016.

- **Other.** The DSA has unchanged assumptions regarding key issues of liquidity management in Greece. As agreed with the euro area member states, Greece has reduced outstanding T-bills to €15 billion and will maintain that stock over the program period rather than a more aggressive drawdown as originally envisioned. Meanwhile, the program continues to assume financing provided will be adequate to reduce arrears in net terms by €8 billion by end-2013 while maintaining adequate deposit buffers.

B. Public Sector DSA

3. Baseline projections include contingent relief measures to bring the debt to 124 percent of GDP in 2020 (Table AI.1). Owing to small changes in the phasing of disbursements, debt now peaks in 2013 at around 176 percent of GDP before starting a sustained decline in 2015. In December 2012, euro area member states committed to provide further relief to Greece—once it reaches an annual primary surplus—to ensure that debt in 2020 is 124 percent of GDP in 2020 and substantially below 110 percent of GDP in 2022. The first commitment is modeled in the DSA: debt is slated for a reduction to 124 percent in 2020, after additional contingent relief measures of about 4 percent of GDP to be determined in 2014–15. Debt is expected to fall further to around 114 percent of GDP in 2022 (before measures to reduce debt to substantially below 110 percent of GDP in 2022 as conditionally committed by Greece's European partners).

4. Stress tests suggest the baseline debt path is particularly vulnerable to growth and primary surplus shocks while being resilient to lower privatization or interest rate shocks. This reflects the already low privatization assumptions and largely official sector debt.

- If the primary surplus stays at the 2013 target level of 0, debt to GDP will reach 148 percent of GDP in 2020 and will be rising over the medium term.
- If nominal growth averages 1 percent lower than the 4 percent baseline projection, debt will be 134 percent in 2020 with an only modest declining path thereafter.
- If privatization receipts are half of the €22 billion expected, debt in 2020 would be only 4ppts higher than the baseline while maintaining a strong downward trajectory.
- If EFSF interest rates are 1 ppt higher, debt would again be only 4 percentage points higher than the baseline. Shocks to market rates only affect debt slowly after 2020.

Table AI.1. Greece: Public Sector Debt Sustainability Framework, 2008–30

(Percent of GDP, unless otherwise indicated)

	Actual					Projections											Debt-stabilizing primary balance
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020	2021	2022	2023	2024	2025	2030	
Baseline: public sector debt 1/	112.9	129.7	148.3	170.3	156.9	175.7	174.0	168.1	159.4	124.0	118.2	113.6	109.4	105.7	102.3	86.5	1.1
Of which: foreign-currency denominated	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	0.0	0.0	0.0	
Change in public sector debt	5.7	16.8	18.6	22.0	-13.5	18.9	-1.7	-5.9	-8.7	-8.0	-5.8	-4.7	-4.2	-3.7	-3.3	-3.0	
Identified debt-creating flows (4+7+12)	5.5	16.5	16.6	20.1	65.3	18.6	-1.5	-7.6	-8.0	-8.2	-6.9	-4.8	-4.8	-3.9	-3.6	-2.9	
Primary deficit	4.8	10.5	4.9	2.4	1.3	0.0	-1.5	-3.0	-4.5	-4.2	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	
Revenue and grants	40.7	38.3	40.6	42.4	44.1	42.9	43.6	42.4	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	
Primary (noninterest) expenditure	45.5	48.8	45.5	44.8	45.4	42.9	42.1	39.4	37.5	37.8	38.0	38.0	38.0	38.0	38.0	38.0	
Automatic debt dynamics 2/	0.5	6.2	11.2	16.9	18.0	12.9	4.3	-0.6	-2.6	-1.1	-0.5	-0.3	-0.3	-0.1	0.1	0.9	
Contribution from interest rate/growth differential 3/	0.5	6.2	11.2	16.9	18.0	12.9	4.3	-0.6	-2.6	-1.1	-0.5	-0.3	-0.3	-0.1	0.1	0.9	
Of which contribution from real interest rate	0.3	2.6	4.5	5.7	6.3	5.9	5.4	4.3	3.4	2.2	1.9	1.8	1.8	1.9	2.0	2.4	
Of which contribution from real GDP growth	0.2	3.6	6.7	11.2	11.7	6.9	-1.1	-5.0	-6.0	-3.3	-2.4	-2.2	-2.1	-2.0	-1.9	-1.6	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...	...	...	...	...	
Other identified debt-creating flows	0.2	-0.1	0.6	0.8	46.0	5.8	-4.3	-4.0	-0.9	-2.9	-2.4	-0.5	-0.5	0.2	0.3	0.2	
Privatization receipts (negative)	0.0	0.0	0.0	-0.5	-0.1	-0.9	-1.9	-1.1	-1.1	-1.5	-1.3	-0.4	-0.4	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.2	-0.1	0.6	1.3	7.1	2.7	-2.5	-3.0	0.2	-1.3	-1.1	-0.1	-0.1	0.2	0.3	0.2	
Other (Includes bank recap, PSI sweetener)	0.0	0.0	0.0	0.0	39.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including debt relief (2-3) 5/	0.1	0.3	2.0	1.9	-78.7	0.2	-0.2	1.7	-0.7	0.3	1.1	0.2	0.6	0.2	0.3	-0.1	
Public sector debt-to-revenue ratio	277.6	338.2	365.2	401.9	355.6	409.2	399.2	396.6	379.6	295.1	281.4	270.3	260.3	251.5	243.6	205.9	
Gross financing need 6/	9.9	15.6	19.6	27.5	18.9	21.1	25.1	18.6	11.6	8.7	7.3	6.4	8.3	8.6	7.6	9.2	
Billions of U.S. dollars	34.1	50.2	57.9	79.7	47.1	51.4	60.8	46.3	30.2	26.8	23.2	21.1	28.5	30.8	28.2	41.4	
Key macroeconomic and fiscal assumptions underlying baseline																	
Real GDP growth (percent)	-0.2	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	2.9	3.7	2.6	2.0	1.9	1.9	1.9	1.9	1.8	
Average nominal interest rate on public debt (percent) 7/	5.0	4.5	4.4	4.6	2.7	2.5	2.7	3.0	3.2	3.5	3.6	3.6	3.7	3.9	4.1	4.8	
Average real interest rate (nominal rate minus change in GDP deflator, percent)	0.3	2.2	3.3	3.5	3.5	3.6	3.1	2.6	2.2	1.8	1.6	1.6	1.7	1.9	2.1	2.8	
Inflation rate (GDP deflator, percent)	4.7	2.3	1.1	1.0	-0.7	-1.1	-0.4	0.4	1.1	1.7	1.9	2.0	2.0	2.0	2.0	2.0	
Growth of real primary spending (deflated by GDP deflator, percent)	6.3	3.9	-11.3	-8.6	-5.1	-9.4	-1.4	-3.7	-1.2	2.6	2.7	1.9	1.9	1.9	1.9	1.8	

1/ General government gross debt. Only intra-government holdings are netted out.

2/ Derived as [(r - p(1+g) - g + ae(1+r)]/(1+g+p+gp)) times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as r - π (1+g) and the real growth contribution as -g.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as ae(1+r).

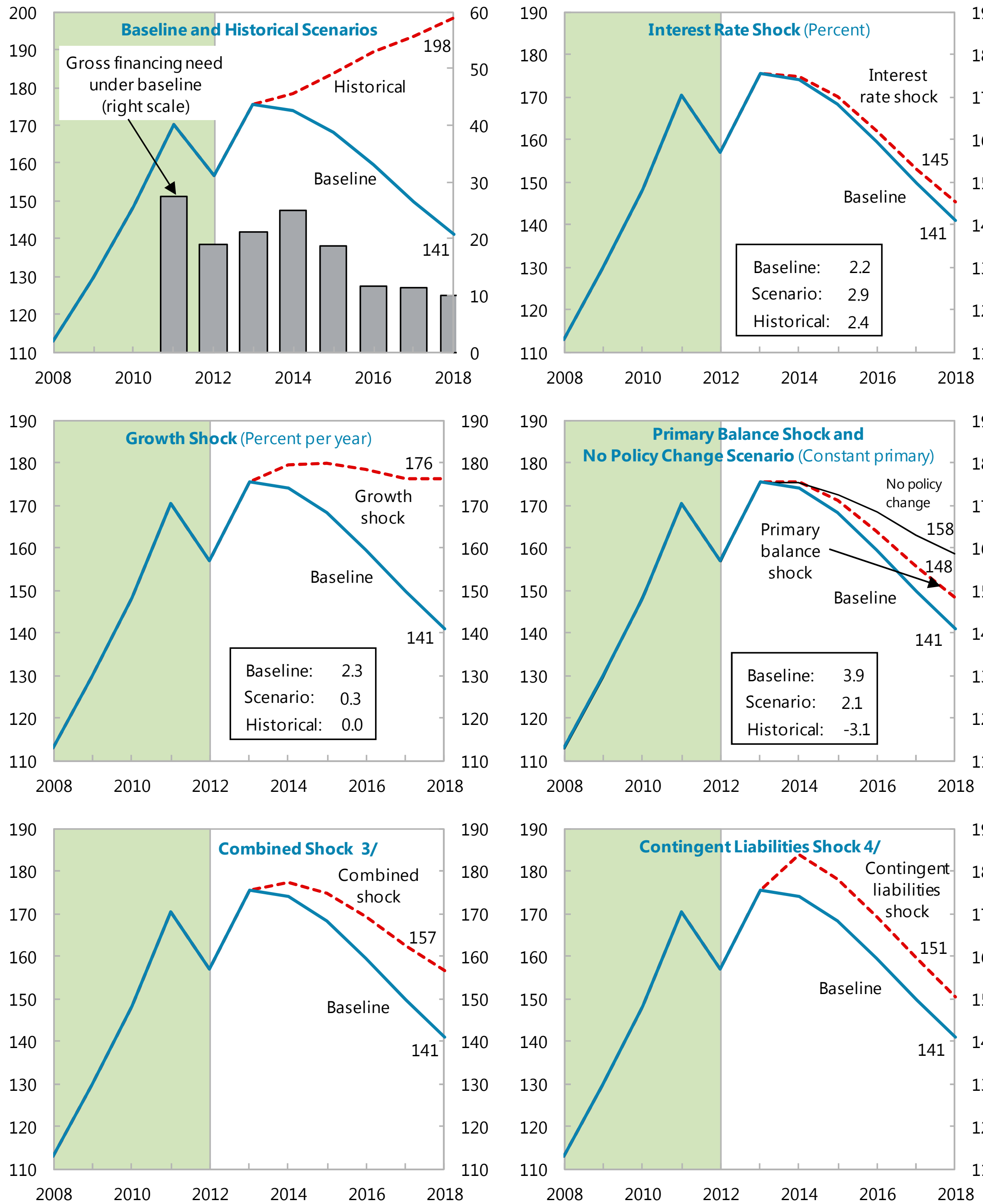
5/ For projections, this line includes exchange rate changes.

6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

7/ Derived as nominal interest expenditure divided by previous period debt stock.

Figure AI.1. Greece: Public Debt Sustainability: Bound Tests, 2008–18 1/ 2/

(Public debt in percent of GDP)



Sources: IMF staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.

4/ 10 percent of GDP shock to contingent liabilities occur in 2014.

C. External Sector DSA

5. External debt is expected to decline gradually. Gross debt, currently at 233 percent of GDP, would peak at around 240 percent of GDP in 2013 and then decline to about 145 percent in 2020. Net debt would fall from about 130 percent of GDP in 2012 to around 75 percent in 2020. Several factors lie behind the projected improvement in external debt. Most importantly, the current account is projected to improve as competitiveness is restored and Greece continues to rely on official loans at relatively low interest rates. The agreed reduction in the GLF interest rate and EFSF fees, and the return of SMP profits will also contribute to the sharp improvement in the current account. FDI inflows related to privatization also remain an important non-debt-creating source of financing.

6. Macroeconomic shocks and policy slippages could result in adverse dynamics.

- **Larger current account deficits.** Slow competitiveness improvements resulting from delayed structural reforms or a terms-of-trade shock could affect exports negatively and worsen the baseline current account projections by around 1.5 percent of GDP. The debt ratio would remain on a downward path, but would be 11 percentage points higher than in the baseline by 2020.

- **Deflation shock.** Larger-than-projected decreases in domestic prices would adversely affect external debt dynamic by reducing export receipts (assuming no volume increase) and the GDP deflator. For example, an additional 1 percent deflation over the medium term would result in a 2020 debt ratio that is 14 percentage points above the baseline.

- **Slippages in privatization.** Privatization delays that result in only about half of the projected privatization proceeds over the projections period would affect external debt dynamics by reducing non-debt-creating flows. The impact on the debt path would be modest since baseline privatization related inflows are small relative to the overall financial account balance. The debt ratio in 2020 would be around 4 percentage points higher than in the baseline.

7. Debt dynamics would be significantly worse under a combined shock involving lagged program implementation, weak competitiveness, and higher deflation. The shocks above would likely be individually manageable, but would have a more substantial impact in an adverse scenario where they occur simultaneously. The net debt ratio would reach about 105 percent of GDP in 2020, 30 percent of GDP higher than in the baseline.

Table AI.2. Greece: External Debt Sustainability Framework, 2007–21

(Percent of GDP, unless otherwise indicated)

	Actual						Projections									Debt-stabilizing non-interest current account 7/
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Baseline: external debt	70.5	76.8	90.5	134.4	148.3	130.6	135.1	131.5	124.1	115.0	105.4	95.3	85.6	76.4	69.1	-5.1
Change in external debt	6.7	6.4	13.7	43.9	13.9	-17.7	4.4	-3.6	-7.4	-9.1	-9.6	-10.1	-9.7	-9.3	-7.2	
Identified external debt-creating flows (4+8+9)	6.1	-1.9	9.2	12.6	16.7	12.2	5.2	-3.9	-8.0	-9.8	-9.8	-8.5	-8.4	-8.2	-7.4	
Current account deficit, excluding interest payments	9.8	9.1	6.0	4.9	3.7	-0.6	-3.8	-4.8	-5.5	-5.7	-6.2	-6.5	-6.6	-6.5	-6.1	
Deficit in balance of goods and services	11.2	11.5	7.8	6.8	6.0	2.5	0.1	-1.5	-2.5	-3.0	-3.6	-4.2	-4.6	-4.9	-4.8	
Exports	21.9	23.1	18.3	20.5	23.4	25.4	27.4	28.3	28.7	28.6	28.7	28.9	28.9	29.0	28.8	
Imports	33.1	34.6	26.2	27.3	29.5	27.9	27.5	26.8	26.2	25.6	25.1	24.7	24.4	24.1	24.0	
Net non-debt creating capital inflows (negative)	-2.4	-0.3	0.0	1.4	0.3	-1.1	-0.9	-1.7	-1.3	-1.5	-1.6	-1.9	-2.1	-2.2	-2.3	
Automatic debt dynamics 1/	-1.3	-10.7	3.2	6.3	12.7	13.9	9.9	2.6	-1.2	-2.5	-2.0	0.0	0.3	0.6	1.0	
Contribution from nominal interest rate	2.6	2.5	2.5	2.6	3.9	2.6	2.6	2.9	3.1	3.2	3.3	3.2	3.0	2.7	2.4	
Contribution from real GDP growth	-1.8	-10.0	2.4	4.7	10.2	10.2	5.8	-0.9	-3.7	-4.4	-3.8	-3.3	-2.8	-2.2	-1.5	
Contribution from price and exchange rate changes 2/	-2.0	-3.2	-1.7	-1.0	-1.4	1.1	1.5	0.5	-0.6	-1.3	-1.5	-1.5	-1.6	-1.5	-1.4	
Residual, incl. change in gross foreign assets (2-3) 3/	0.6	8.2	4.5	31.2	-2.8	-29.9	-0.7	0.3	0.6	0.7	0.2	-1.6	-1.3	-1.1	0.2	
External debt-to-exports ratio (in percent)	321.8	332.6	494.5	655.3	633.2	515.2	492.5	464.5	432.3	401.8	367.1	330.3	296.3	263.5	239.9	
Gross external financing need (billions of euros) 4/	93.3	122.9	194.4	216.2	239.0	205.6	179.1	141.0	123.9	99.7	84.4	74.5	66.9	56.9	42.2	
Percent of GDP	41.9	52.7	84.1	97.3	114.6	106.1	97.6	76.7	65.2	50.0	40.3	34.0	29.2	23.7	16.9	
Scenario with key variables at their historical averages 5/	...	...	...	...	...	...	130.9	130.8	131.0	131.1	130.9	130.5	130.4	130.3	131.0	-6.7
Key macroeconomic assumptions underlying baseline																
Real GDP growth (percent)	3.0	17.5	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3	3.0	2.6	2.0	
GDP deflator (change in percent)	3.3	4.7	2.3	1.1	1.0	-0.8	-1.1	-0.4	0.4	1.1	1.3	1.4	1.7	1.7	1.9	
Nominal external interest rate (percent) 6/	4.3	4.4	3.3	2.8	2.7	1.6	1.9	2.2	2.4	2.7	3.0	3.2	3.3	3.3	3.3	
Growth of exports (euro terms, percent)	9.6	10.4	-21.5	7.7	7.2	0.6	2.4	3.5	4.8	4.5	5.2	5.3	5.0	4.7	3.4	
Growth of imports (euro terms, percent)	14.3	9.6	-25.2	0.3	1.4	-12.1	-6.6	-2.1	1.0	2.4	2.8	2.9	3.4	3.3	3.7	
Current account balance	-14.6	-14.9	-11.2	-10.1	-9.9	-3.4	-0.8	-0.3	0.1	0.2	0.6	0.9	1.3	1.6	1.5	
Net non-debt creating capital inflows	2.4	0.3	0.0	-1.4	-0.3	1.1	0.9	1.7	1.3	1.5	1.6	1.9	2.1	2.2	2.3	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in euro terms, g=real GDP growth , e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

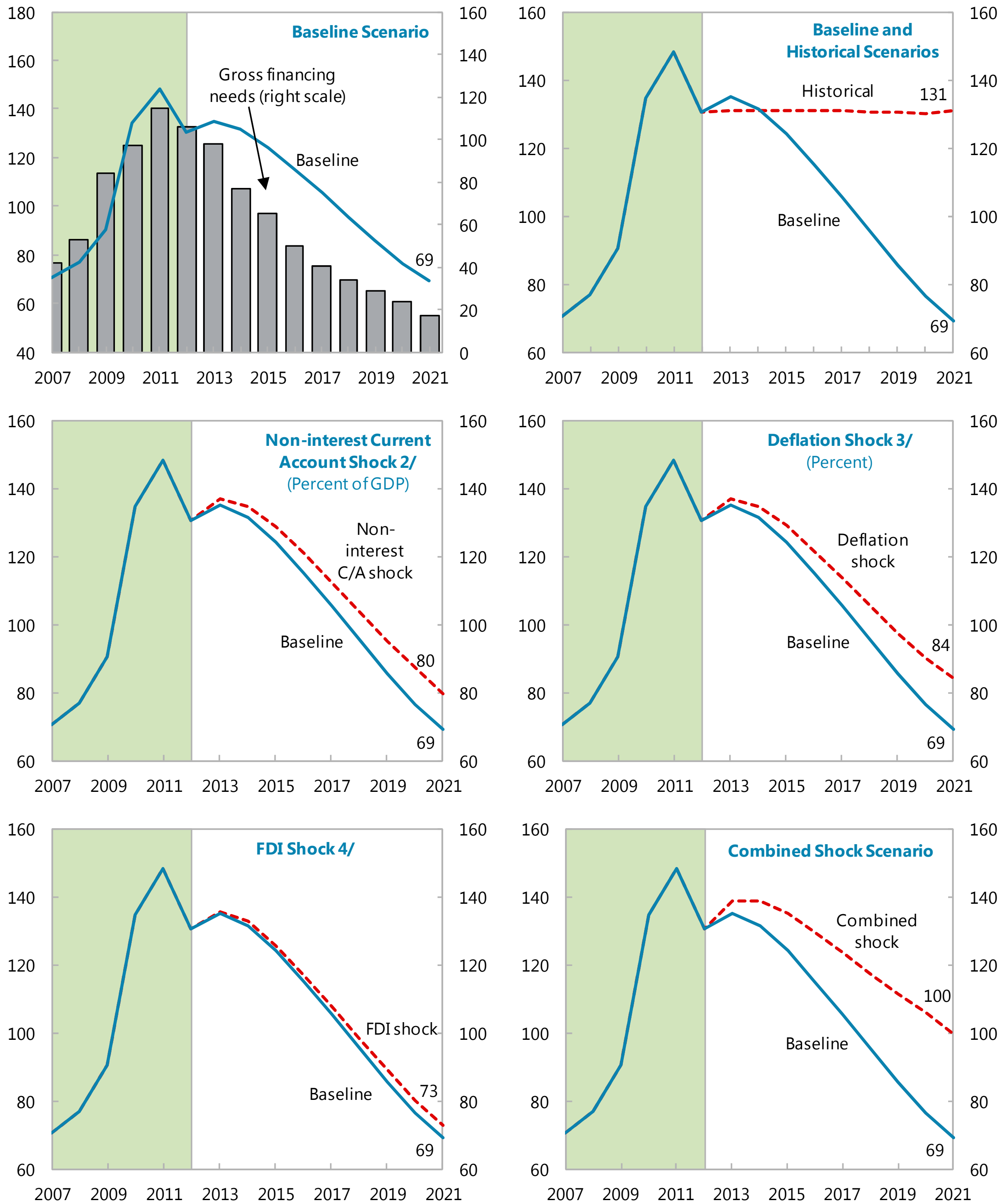
5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ The external DSA is based on net external debt while the interest rates in the public sector DSA are based on gross debt. Nevertheless, average interest rates generally follow a rising trend, and are more closely correlated at the end of the projection period, as more new debt is contracted at higher interest rates.

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure AI.2. Greece: External Debt Sustainability: Bound Tests, 2007–21 1/

(Net external debt in percent of GDP)



Sources: Greek authorities; and IMF staff estimates.

1/ Shaded areas represent actual/preliminary data. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year (pre-crisis) historical average for the variable is also shown.

2/ Current account balance lower by 1.5 percent of GDP due to delayed program implementation and terms-of-trade shock.

3/ Impact of1pp negaitve shock to inflation rate (GDP and exports deflators). To be conservative, assumes no quantity effect.

4/ Decline in FDI due to reduced privatization receipts.

Annex II. Fund Relations

(As of June 30, 2013)

Membership Status: Joined December 27, 1945. It has accepted the obligations of Article VIII, Sections 2, 3, and 4.

Exchange Rate Arrangements: Greece's currency is the euro, which floats freely and independently against other currencies. It maintains an exchange system free of restrictions apart from those resulting from European Council regulations, which were last notified to the Fund in accordance with Decision 144.

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	1,101.80	100.000.
Fund holdings of currency	24,106.92	2,187.96
Reserve position in Fund	240.82	21.86

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	782.36	100.00
Holdings	553.52	70.75

Outstanding Purchases and Loans:	**SDR Million**	**Percent Quota**
Stand–by Arrangements	17,541.80	1,592.10
Extended Arrangements	5,704.10	517.71

Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
EFF	Mar 15, 2012	Mar 14, 2016	23,785.30	5,704.10
Stand-By	May 09, 2010	Mar 14, 2012	26,432.90	17,541.80

Projected Payments to Fund (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	1,471.81	6,277.79	7,299.09	2,609.70	591.93
Charges/Interest	410.95	721.80	426.91	192.05	123.59
Total	1,882.76	6,999.59	7,726.00	2,801.75	715.53

Implementation of HIPC Initiative: Not Applicable

Safeguards Assessment: An update safeguards assessment of the Bank of Greece (BoG) has been conducted in connection with the current Extended Fund Facility, and was finalized in August 2012. The update assessment found that BoG has strengthened its safeguards framework since the 2010 assessment. Financial reporting and external audit practices adhere to international standards and recent amendments to the BoG's Statute are expected to enhance governance and the central bank's autonomy from private shareholders. Emergency lending operations are subject to established legal and control frameworks, but the assessment recommends a compliance review by the BoG's internal audit department.

Last Article IV mission: Discussions for the 2013 Article IV Consultation were held during April 8–15, 2013. The Staff Report (Country Report No. 13/154) was considered by the Executive Board on May 31, 2013. The report is available at http://www.imf.org/external/pubs/cat/longres.aspx?sk=40637.0. Article IV Consultations with Greece are currently held on a 24–month consultation cycle.

Technical Assistance:

Department	Purpose	Date
MCM	Banking Supervision	March 2010
FAD	Public Financial Management (PFM): Initial Analysis and Priority Reforms	April 2010
FAD	Revenue Administration: Initial Analysis and Reform Priorities	April 2010
STA	Data Quality and Misreporting (K-1 Report)	April 2010
FAD	General Tax Policy	May 2010
MCM/FAD/LEG	Financial Instruments	May 2010
FAD	Expenditure Policy	June 2010
FAD	PFM: Follow-up on Priority Reforms	June 2010
LEG	Implementation of Financial Sector Components of the SBA Program	June 2010
MCM	Implementation of Financial Sector Components of the SBA Program	June 2010
FAD	Tax Administration: Design of the Anti-Evasion Plan	July 2010
MCM	Implementation of Financial Sector Components of the SBA Program	September 2010
FAD	Tax Administration: Implementation of the Anti-Evasion Plan	September 2010
FAD	PFM: Implementation Status of Priority Reforms	September 2010
STA	Monitoring of Fiscal Data for the Program	September 2010
FAD	Tax Administration: Anti–Evasion and Structural Reforms	October 2010
FAD	Health System Analysis and Proposals	October 2010
STA	Government Finance Statistics	December 2010
FAD	Tax Administration: Anti–Evasion and Structural Reforms	February 2011
FAD	Role of Accounting Officers	February 2011

Department	Purpose	Date
STA/FAD	Government Finance Statistics/Fiscal Reporting	March 2011
FAD	Tax Administration: Strategic Planning	March 2011
FAD	PFM: Follow-up on Implementation of Priority Reforms	April 2011
FAD/LEG	Tax Administration: Anti–Evasion and Structural Reforms	April 2011
LEG	Legal Framework for Privatization	April 2011
MCM/LEG	Review of the Legal and Operational Framework for Bank Resolution	June 2011
FAD	Tax Administration: Strategic Planning and Taxpayer Audit	June 2011
FAD	Tax Administration: Tax Collection and Tax Administration Reform	July 2011
LEG	Anti-Money Laundering (AML) and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	September 2011
LEG	AML and Anti-Tax Evasion: Review of Cross-Border Financial Flows	September 2011
FAD	Safeguarding Revenue and Encouraging Growth	September 2011
FAD	Modernizing the General Accounting office	September 2011
FAD	Preparing the 2012 Budgets	September 2011
STA	Fiscal Reporting	December 2011
FAD	Expenditure Policy: OECD Review of Social Programs	January 2012
FAD	Tax Administration	January 2012
LEG	Reform of Central Bank Governance for Banking Supervision and Resolution	January 2012
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	January 2012
FAD	PFM: Accounting Officers and 2013 Budget Preparation	February 2012
FAD	Tax Administration: Collection and Analyzing Taxpayer Compliance Data	February 2012
MCM	Strengthening Governance Arrangements for Financial Sector Agencies	February 2012
STA	Fiscal Reporting	February 2012
FAD	Expenditure Policy: Spending Review Mission	March 2012
FAD	Tax Administration: Follow-up	March 2012
FAD	Revenue Administration: Social Contribution Compliance	March 2012
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	April 2012
MCM	Bank Resolution	April 2012
STA	Fiscal Reporting	April 2012
STA	Fiscal Reporting	June 2012
FAD	PFM: Discussions on PFM TA with the new Government of Greece	July 2012
FAD	Tax Administration	July 2012

Department	Purpose	Date
FAD	Revenue Administration: Social Contribution Compliance	July 2012
FAD/LEG	Tax Policy: Technical Consultations on Tax Policy Reforms	September 2012
FAD	Revenue Administration: Social Contribution Compliance	September 2012
FAD	Tax Administration: IT Audit Techniques	September 2012
FAD	Tax Administration: Tax Audit Case Selection	September 2012
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	September 2012
FAD	PFM: Reform Implementation Review	October 2012
FAD	Tax Administration: Follow-up	October 2012
FAD/LEG	Tax Policy: Technical Consultations on Tax Policy Reforms	October 2012
FAD	Tax Administration: Organizational Reform	October 2012
FAD	Tax Administration: IT Audit Techniques	October 2012
FAD	Tax Administration: Organizational Reform	November 2012
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	November 2012
FAD	PFM: Enterprise Resource Planning (ERP) IT Project and General Directorate of Financial Services	December 2012
FAD	Revenue Administration: Social Contribution Compliance	January 2013
FAD/LEG	Tax Policy: Follow-up	January 2013
FAD	Tax Administration: Follow-up	January 2013
STA	Fiscal Reporting	January 2013
FAD	PFM: ERP IT Project, General Directorate of Financial Services and Commitment System	February 2013
FAD/LEG	Tax Policy: Drafting Income Tax Code	February 2013
LEG	Judicial Reform	February 2013
FAD	Tax Administration: Organizational Reform	March 2013
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	March 2013
STA	Fiscal Reporting	March 2013
FAD	Tax Administration: Follow-up	April 2013
FAD/LEG	Tax Policy: Drafting Tax Procedure Code	April 2013
STA/FAD	Expenditure Policy: Strengthening the Social Budget Report	April 2013
STA	Fiscal Reporting	April 2013
FAD	Revenue Administration: Social Contribution Compliance	May 2013
FAD	PFM: Payment Processes	May 2013
LEG	Judicial Reform	May 2013
FAD	PFM: Arrears and Commitment Registers	June 2013
FAD	Tax Policy: Property Tax Reform	June 2013
FAD/LEG	Tax Policy: Drafting Income Tax Code	June 2013
FAD	Tax Administration: Follow-up	July 2013
FAD	Tax Policy: Property Tax Reform	July 2013

Department	Purpose	Date
LEG	AML and Anti-Tax Evasion: Strengthening the BoG's Supervisory Process	July 2013
LEG	Tax Policy: Drafting Tax Procedure Code	July 2013

Resident Representatives: Mr. Bob Traa (Senior Resident Representative) and Ms. Stephanie Eble (Deputy Resident Representative) assumed their positions in October 2010.

Appendix I. Letter of Intent

Athens, July 17, 2013

Ms. Christine Lagarde:
Managing Director
International Monetary Fund
Washington DC

Dear Ms. Lagarde:

In the attached update to the Memoranda of Economic and Financial Policies (MEFP) from March 9 and December 21, 2012, and May 20, 2013, we describe progress and policy steps towards meeting the objectives of the economic program of the Greek government, which is being supported by an arrangement under the Extended Fund facility (EFF).

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

While full data to assess performance against our end-June 2013 quantitative performance criteria are not yet available, we expect to have met all targets. However, the indicative targets on privatization receipts, transfers to the mobility scheme, and domestic arrears (despite progress) were missed (Table 1). Some structural benchmarks relevant for this program review were also missed (Table 2).

Against this setting, we are taking corrective steps and are adopting key reforms, including as prior actions for this review (Table 3). We also remain committed to a steadfast implementation of the ambitious reform agenda that lies ahead.

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

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

- **Safeguarding financial stability.** As prior actions, we are completing a comprehensive banking sector strategy centered around the core four pillar banks, and are completing the disposal of the two bridge banks under HFSF control consistent with the above strategy. The recapitalization of our core banks is now complete, with three of these banks attracting sufficient private capital to allow them to remain under private management control. For the remaining core bank that was fully recapitalized by HFSF, we are committed to place by March 2014 a substantial equity stake with a private strategic international investor.
- **Accelerating growth-enhancing reforms.** Our structural reform agenda focuses on strengthening the investment climate and domestic competition, reducing administrative burdens, and improving the functioning of our labor market. To that end, efforts continue to open up restricted professions, remove excessive regulations in the labor market, streamline export procedures, improve the functioning of our judicial system, and advance the privatization program.
- **Facilitating employment creation and protecting vulnerable groups.** We are introducing employment programs targeted at unemployed youths, and are strengthening social protection to cushion vulnerable groups from the crisis impact, including by leveraging EU structural funds.

The program is fully financed through the next twelve months. Firm commitments are also in place thereafter from euro area members to provide adequate support during the program period and beyond, provided that we fully comply with the requirements and objectives of the program. In this regard, we also remain on track to receive the first phase of conditional debt relief from our European partners, as described in the Eurogroup statements on November 27 and December 13, 2012.

On this basis, we request completion of the fourth review under the EFF arrangement, and the next purchase in the amount of SDR 1.5068 billion. We have revised the targets for mandatory exits and entrants in the mobility scheme to gradually catch up with our original program targets, established a floor for employees in the mobility scheme that will exit, and revised the targets for privatization receipts in 2013 as some sales have slipped into 2014 and request on this basis a revision to the end-September 2013 performance criterion on the floor of privatization receipts (Table 1). We have introduced new structural benchmarks, on adoption in September of a new property tax, on issuance in October of secondary legislation to implement the tax procedures code, and on end-September targets for key performance indicators on the revenue administration and on public finance management reforms. We have also rephased one structural benchmark related to the financial sector (Table 4). We request a waiver of applicability for the end-June quantitative performance criteria on the overall stock of central government debt, domestic arrears, and the general government balance since the relevant data will not be available until early August and we expect to meet these targets.

We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives under the program and stand ready to take any measures that may become appropriate for this purpose as circumstances change. We will consult with the Fund on the adoption of any such actions and in advance of revisions to the policies contained in this MEFP, in accordance with the Fund's policies on such consultations.

This letter is being copied to Messrs. Dijsselbloem, Rehn and Draghi.

/s

Antonis Samaras

Prime Minister

/s

Yannis Stournaras

Minister of Finance

/s

George Provopoulos

Governor of the Bank of Greece

Appendix II. Memorandum of Economic and Financial Policies

Outlook and Strategy

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

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

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

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

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

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

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

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

Fiscal Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. To prevent the accumulation of debt in the renewable energy account (RES) and restructure the electricity market, we are undertaking the following reforms. As a **prior action,** following the recommendation of RAE, we are increasing the RES Special Levy from the current average of €9.30 per MwH to €14.96 per MwH, and have fully liberalized all end-user tariffs as provided by law. Now we will monitor developments closely, including the number of new producers in the renewable energy market, to ensure that the RES deficit remains in line with targets, and adjust the Renewable Energy Special Levy every six months, as necessary, to eliminate the debt in the RES Account by end-2014. Starting from end-June 2013, we will provide EC, ECB, and IMF staff with monthly tables on the stock of arrears. The Government Cabinet will approve in July the PPC restructuring and privatization plan, including the timeline to complete the process by Q1-2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Institutional Reforms

Revenue administration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Public financial management

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

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

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

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

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

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

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

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

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

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

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

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

Financial Sector Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2013, with their technical assistance, propose concrete steps for enhancements in this area.

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

33. The government intends to establish the Institution for Growth (IfG), a non-bank financial institution, to support innovation and growth by catalyzing private sector financing, especially for SMEs, while minimizing fiscal risks. The IfG will use its expertise and that of its sponsors, as well as funding ability and will operate to ensure a sustainable fund, while supporting public policy objectives. The ongoing deleveraging by banks has exacerbated the economic contraction and curtailed access to credit, especially for SMEs. The IfG will: (i) provide debt financing for SMEs; (ii) provide equity capital to SMEs having significant growth potential, and to private equity and venture funds; (iii) provide debt or equity financing for infrastructure projects; (iv) where it provides debt financing, make such loans available only under co-financing arrangements with a significant participation by commercial or cooperative banks; (v) lend and invest at market terms; (vi) not accept deposits; (vii) not accept capital contributions or other financing from domestic financial institutions owned or controlled by the public sector, including HFSF; and (viii) limit any guarantees to a level not exceeding the Hellenic Republic's (HR's) capital subscription. The HR will seek to become a minority shareholder eventually, with its own capital contribution limited to €350 million over the next three years. Shareholders other than the HR will have to agree on the appointment of the management of the IfG. The IfG board will have a strong international presence to ensure a high degree of independence. Finally, overlapping functions between ETEAN and IfG will be avoided, and some of these functions may be performed by the IfG upon an HR request and subject to IfG investor's approval.

Structural Reforms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39. To minimize further delays in privatization and liquidation of entities that cannot be privatized, we will take the following steps as a **prior action**: (i) formally announce a restructuring or resolution of ELVO, HDS, and LARCO, with a view to completion by December-2013; (ii) issue the five year pricing policy (for the period 2014-18) for EYATH (water tariffs); and (iii) adopt legislative acts permitting the payment of arrears owed to EYDAP and EYATH directly from the arrears clearance program (the Expression-of-Interest for EYDAP privatization will then be issued in Q4 2013). In addition, and subsequent to meeting the prior action, we will validate the amount of payment arrears to the two water companies by end-August, and clear these arrears by end-September. We will also issue the Joint Ministerial Decision to shift the second parcel of 250 real estate assets to the HRADF.

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

(Billions of euros, unless otherwise indicated)

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

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

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

(Billions of euros, unless otherwise indicated)

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

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

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

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

Table 3. Greece: Prior Actions

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

Table 4. Greece: Existing and Proposed Structural Benchmarks

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

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

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

Table 5. Key Performance Indicators on Tax Administration

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

Source: Ministry of Finance; and IMF staff.

1/ Cumulative for the calendar year.

2/ The amount of tax and penalty assessed will be no less than €430 million in September.

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

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

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

Table 6. Key Performance Indicators on Public Financial Management Reforms

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

Source: Ministry of Finance; and IMF staff.

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

Appendix III: Technical Memorandum of Understanding

July 17, 2013

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the indicators subject to quantitative targets (performance criteria and indicative targets), specified in the tables annexed to the Memorandum of Economic and Financial Policies. It also describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. We will provide the European Commission, ECB and the International Monetary Fund with the necessary information for program monitoring.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on January 31, 2012. In particular, the exchange rates for the purposes of the program are set: €1 = 1.3176 U.S. dollar, €1 = 100.63 Japanese yen, and €1.1772= 1 SDR.

General Government

3. **Definition**: For the purposes of the program, the general government includes**:**

- The central government. This includes:

    - The entities covered under the State Budget as defined in Chapter 2 of the Law 2362/1995 as being modified by Law 3871/2010 regarding "Public Accounting, Auditing of Government Expenditures and Other Regulations," and other entities belonging to the budgetary central government.

    - Other entities or extra-budgetary funds (EBFs) not part of the State budget, but which are, under European System of Accounts (ESA95) rules (*"ESA95 Manual on Government Deficit and Debt"*), classified under central government. The following state enterprises and organizations included by the National Statistical Service (ELSTAT) under the definition of central gover*nment (ATTIKO METRO, OSY, ELGA, HELLENIC DEFE*NCE SYSTEMS S.A., OSE, TRAINOSE, ELECTROMECHANICA KYMI LTD, OPEKEPE (excluding the account ELEGEP that is included in the State Budget by ELSTAT, KEELPNO, EOT, GAIAOSE, ERGOSE, INFORMATION SOCIETY IN GREECE, Unit for the Organization and Management of Development Projects S.A., and the Green Fund (ETERPS).

- Local government comprising municipalities and prefectures including their basic and special budgets, including all agencies and institutions attached thereto, which are classified as local governments according to ESA 95.

- Social security sector (pension funds, employment funds, health fun (EOPYY), and hospitals) comprising all funds that are established as social security funds in the registry of ELSTAT.

- Other extra budgetary entities included by ELSTAT under general government, which are not yet counted under central government.

- This definition of general (central) government also includes any new funds, or other special budgetary and extra budgetary programs that may be created during the program period to carry out operations of a fiscal nature. The government will inform IMF, European Commission and ECB staff of the creation of any such new funds, programs, or entities immediately. In particular, GAO will indicate the classification of the Institution for Growth as soon as there is a formal decision on this matter by ELSTAT.

- **Supporting material**: The Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign cash balances of the central government at the central bank of Greece, all other sources of financing including capital transactions, and arrears of the general government. The Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures for local governments, as collected in the Ministry databank. The Minister of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures in main social security funds (including IKA, OGA, OAEE, OAED) and the central healthcare fund (EOPYY). The Bank of Greece will provide detailed monthly data on assets and liabilities of local authorities, social security funds, the Green Fund (and other extra-budgetary funds), and state enterprises included in the definition of general government in line with monetary survey data. Data will be provided within four weeks after the closing of each month.

QUANTITATIVE AND CONTINUOUS PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND CONTINUOUS PERFORMANCE CRITERIA: DEFINITIONS AND REPORTING STANDARDS

A. Floor on the Modified General Government Primary Cash Balance (Performance Criterion)

4. **Definition**: The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus interest payments by the state budget. The MGGCB is defined as the sum of the cash balances of the ordinary state budget, the cash balance of the public investment budget, the change in net financial assets of local government, the change in net financial assets of social security, the change in net financial assets of the Green Fund, the change in net financial assets of reclassified public enterprises (RPEs). Privatization receipts, as defined below, and the proceeds from the sale of land and buildings will be excluded from cash receipts. Net lending operations by the state budget will be recorded as cash expenditures.

- **The cash balance of the ordinary state budget.** The cash balance of the ordinary state budget will be measured from above the line, based on: (i) gross ordinary budget revenues (recurrent revenue plus non-recurrent revenue, minus tax refunds (excluding any payments relating to tax refund claims made before end-September 2012); minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the ordinary state budget. Ordinary budget expenditures will exclude amortization payments, but include: salaries and pensions; grants to social security funds, medical care and social protection; operational and other expenditure; earmarked spending; returned resources; payments in exchange of claims of insurance fund for the personnel working in the Public Electricity Company; the contingency reserve; disbursement fee to EFSF; interest payments; transfers for the settlement of past debt, payments for military equipment procurement on a cash basis;, capital transfers to social security funds or other entities by bonds; and called guarantees where the state or central government assumes payments on behalf of entities outside of the general government.

- **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures of the investment state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.

- **The change in net financial assets of local governments** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of local authorities adjusted for valuation changes by the Bank of Greece.

  - Financial assets include (but are not limited to) deposits of local governments in the Bank of Greece and deposits of local governments in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.

  - Financial liabilities include (but are not limited to) short- and long-term loans from domestic credit institutions to local governments, measured at face value, consistent with recording for monetary survey data.

- **The change in net financial assets of social security funds** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of social security funds, adjusted for valuation changes by the Bank of Greece.

    - Financial assets include

        - Deposits of social security funds in the Bank of Greece and deposits of social security funds in the domestic credit institutions and deposits held either directly or indirectly through the IKA mutual fund. Deposits are measured at face value excluding accrued interest, consistent with reporting requirements for monetary survey data.

        - Holdings of shares quoted on the Athens Stock Exchange held by social security funds either directly or indirectly through the IKA mutual fund.

        - Direct or indirect holdings of Mutual Fund units issued by Greek management companies (other than the IKA mutual fund).

        - Holdings of central government bonds, including short and long-term securities issued domestically, long-term securities issued abroad operated from Bank of Greece accounts, and indirect holdings through the IKA mutual fund. Holdings will be measured at nominal value.

        - Holdings of bonds issued abroad and other foreign assets.

    - Financial liabilities include the short and long term loans from domestic credit institutions to the social security funds, measured consistently with monetary survey data.

- **The change in net financial assets of the Green Fund** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of the Green Fund, adjusted for valuation changes by the Bank of Greece.

    - Financial assets include

        - Deposits of the Green Fund in the Bank of Greece and in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.

        - Holdings of shares, held by the Green Fund, quoted on the Athens stock exchange.

        - Holdings of Mutual Fund units issued by Greek management companies.

        - Holdings of central government bonds.

  - Holdings of other bonds issued abroad.

- Financial liabilities include the short and long term loans from the domestic credit institutions to the Green Fund, measured consistently with monetary survey data, or other lending from the Bank of Greece.

- **The change in net financial assets of reclassified public enterprises (RPEs)** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of RPEs, adjusted for valuation, minus the amount of guarantees called from entities which are consolidated within the general government. RPEs will include the following organizations: ELGA, KEELPNO, OPEKEPE (excluding the account ELEGEP), EOT, ATTIKO METRO, HELLENIC DEFENCE SYSTEMS S.A., ERT, TRAINOSE, ERGOSE, GAIAOSE, OSY, ELECTROMECHANICA KYMI LTD, INFORMATION SOCIETY IN GREECE, MANAGEMENT ORGANISATION UNIT, TAIPED (HRADF) and OSE.

  - Financial assets include

    - Deposits of RPEs in the Bank of Greece and deposits of RPEs in the credit institutions (domestic and foreign). Deposits will be measured at face value excluding accrued interest.

    - Holdings of shares, held by RPEs quoted on the Athens Stock Exchange.

    - Holdings of Mutual Fund units issued by Greek management companies.

    - Holdings of central government bonds.

    - Holdings of other bonds issued abroad.

  - Financial liabilities include the short and long term loans from the domestic credit institutions to RPEs, measured consistently with monetary survey data. They also include short and long term loans from the foreign banking system, as well as loans from the EIB or other official lenders, as measured by the difference between new loans granted to these entities (as approved by the GAO in line with the Fiscal Responsibility Act) and amortization of these loans through called guarantees of the government or amortization of these loans made by actual payments by the companies themselves, upon monitoring and information provided by the General Accounting Office (D25).

- The MGGPCB will also exclude all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regards to income of euro area national central banks, including the BoG, stemming from their investment portfolio holdings of Greek government bonds.

- Receipts from privatization are excluded from cash general government revenue receipts. However, for the entire program period where this is applicable, sales of those gaming licenses, telecom licenses, sales of aircrafts, and extension of the airport concession that were established in the context of the May 2010 SBA program or the 2011 budget (Second Review) discussions will be recorded as cash revenue receipts and taken into account for the MGGPCB criterion, irrespective of whether the realized proceeds accrue to the privatization agency or not.

- The primary expenditure of the central government excludes payments related to bank support that are part of the program's financial sector strategy. Transactions that may be excluded from the balance include loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; purchases of troubled assets, and operations related to the HFSF. Any financial operation by central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to IMF, European Commission, and ECB staff.

- The primary revenue of the central government will exclude any cash payments from loss-making banks beyond those which would accrue from the ELA guarantee fee structure existing on November 30, 2012 (25 basis points).

- Capital transfers to social security funds or other entities by bonds shall exclude bond issuance for settlement of end-2009 health related arrears, and the settlement related to the judiciary liabilities.

5. Supporting material.

- Data on cash balances of the State ordinary and investment budgets will be provided to the European Commission, ECB and IMF by the General Accounting Office in the Ministry of Finance within three weeks after the end of each month. Data will include detailed information on revenue and expenditure items, in line with monthly reports published on the official website of the Ministry of Finance. The monthly data will indicate which portion of tax refund payments relate to claims that were made before end-September 2012. Data will also include data on capital transfers to social security funds or other entities in bonds and called guarantees.

- Data on the change in net financial assets of local authorities and social security funds, extra-budgetary funds including AKAGE, and reclassified public enterprises including the Green Fund will be provided to the IMF, European Commission and ECB by the GAO in cooperation with the Statistics Department of the Bank of Greece within four weeks after the end of each month. With respect to reclassified public enterprises, GAO will also provide on a monthly basis the change in foreign liabilities to correct for the fact that the below the line data of the BOG only refers to changes in domestic liabilities.

B. Ceiling of State Budget Primary Spending (Performance Criterion)

6. Definition. The state budget primary spending consists of state budget spending (spending of the ordinary state budget plus spending of the public investment budget) minus interest expenditures paid by the state budget, minus any arrears payments made. Ordinary state budget spending includes called guarantees to entities inside the general government (as opposed to the definition of the modified general government primary cash balance criterion above that excludes this spending item). Primary expenditure of the central government that is monitored for the Performance Criterion excludes any cash payments related to bank support in line with the definition above in paragraph 5 bullet 3. However, any financial operation by central or general government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to European Commission, ECB and IMF staff.

7. Supporting material. The General Accounting Office of the Ministry of Finance will provide monthly expenditure data of the ordinary and investment state budget, as defined above.

C. Ceiling on the Stock of Domestic Arrears (narrow definition) (Performance Criterion)

8. Definition. For the purpose of the program, domestic arrears (narrow definition) are defined as: (i) unpaid invoices of line ministries and hospitals that are 90 days past their due date; plus (ii) tax refunds for which a refund document ("AFEK") has been issued and cleared but have not been repaid to the taxpayer. In case no due date is specified on the supplier contract, an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. The stock of arrears excludes hospital arrears to pharmaceutical companies which were incurred by end-2009 (€113 million as of November 30, 2012). Beginning July 1, 2013, the definition will include the change in the stock of tax refund claims made on or after July 1 (cumulative from July 1) that have not been paid or rejected within 90 days; and beginning January 1, 2014, it will include the entire stock of tax refund claims that have not been paid or rejected within 90 days. In both cases refund claims that are under legal dispute will be excluded.

9. Supporting material. Monthly data on arrears of line ministries and public hospitals will be provided by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will publish this information on its website. The expenditure arrears data will be based on survey data, until data from commitment registers are assessed by the IMF, European Commission, and ECB staff to provide comprehensive and reliable information. These reports will also include data on accounts payable overdue by 0–30, 31–60, and 61–90 days for the central government (line ministries and Decentralized Prefectures) based on the commitment registers. Tax refund arrears data will be based on information provided by General Secretariat for Information Systems and General Secretariat for Tax and Customs. The Ministry of Finance will also provide a monthly table on tax refund arrears as defined above (with AFEK issued) as well as on full tax refund accounts payable that include any refund claims for which AFEK has not been issued (and showing those that have not been assessed after 90 days).

D. Ceiling on the Stock of Domestic Arrears of the General Government (Indicative Target)

10. Definition. For the purpose of the program, domestic arrears of the general government are defined as: (i) unpaid invoices of general government entities that are 90 days past their due date; plus (ii) tax refunds for which a refund document "AFEK" has been issued and cleared but have not been repaid to the taxpayer. In case no due date is specified on the supplier contract, an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. The stock of all general government arrears excludes: (i) the arrears accumulated by the Civil Servants' Welfare Fund; and (ii) hospital arrears to pharmaceutical companies which were incurred by end-2009 (€113 million as of November 30, 2012). Beginning July 1, 2013, the definition will include any new tax refund claims made on or after July 1 that have not been paid or rejected within 90 days; and beginning January 1, 2014, it will include all tax refund claims that have not been assessed within 90 days. In both cases refund claims that are under legal dispute will be excluded.

11. Supporting material. The Ministry of Finance will provide consistent data on monthly expenditure and tax refund arrears of the general government, as defined above within four weeks after the end of each month, and publish this information on the Ministry of Finance website. The expenditure arrears data will be based on survey data, until data from commitment registers are assessed by the IMF, European Commission, and ECB staff to provide comprehensive and reliable information. These reports will also include data on accounts payable overdue by 0–30, 31–60, and 61–90 days for the central government (line ministries and Decentralized Prefectures), based on the commitment registers. Tax refund arrears data will be based on information provided by General Secretariat for Information Systems and General Secretariat for Tax and Customs.

E. Ceiling on the Overall Stock of Central Government Debt (Performance Criterion)

12. Definition. The overall stock of central government debt will refer to ESA95 central government debt, which includes the state debt, debts of extra budgetary funds and public enterprises that are consolidated into the central government, and other ESA 95 adjustments. Holdings of intra-government debt will be netted out. It will be defined for the purposes of the program as total outstanding gross debt liabilities. It will include, but not be limited to, liabilities in the form of securities and loans. It will exclude accounts payable. Debt will be measured at nominal value. The program exchange rates will apply to all non euro-denominated debt. Inflation indexation will apply to inflation indexed debt, using the relevant index as specified in the debt instrument. For the purposes of the program, the ceiling on the stock of central government debt will exclude debt arising from payments for bank restructuring, when carried out under the program's banking sector restructuring strategy (this does not cover the debt related to the Financial Stability Fund). This includes loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; and purchase of troubled assets. However, any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, with the exception of Hellenic Republic intermediation in repos between foreign and domestic financial institutions will be immediately reported to IMF, European Commission and ECB staff.

13. Adjusters. The ceiling on the overall stock of ESA95 central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2012 ESA95 central government debt of €311.4 billion.

14. Supporting material. Data on the total stock of central government debt will be provided to the European Commission, ECB and IMF staff by the General Accounting Office consistent with the ESA95 definition no later than 30 days after the end of each month.

F. Ceiling on New Central Government Guarantees (Performance Criterion)

15. Definition. The ceiling on the new central government guarantees shall include new guarantees granted by the state, as well as new guarantees granted by any other entity that is classified under ESA95 under central government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of central government debt as defined in paragraph 15. The ceiling shall exclude: (i) guarantees to support banks; (ii) guarantees related to EIB financed loans; (iii) guarantees granted by ETEAN (up to a total amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); and (iv) guarantees granted under a risk sharing instrument of the EU structural funds (see COM (2011) 655 final) that do not create contingent liabilities for the Greek State. New guarantees are guarantees extended during the current fiscal year, but for those for which the maturity is being extended beyond the initial contractual provisions, only 50 percent of the full value will be counted. Modification of existing guarantees (without changing the maturity, amount of guarantees, and beneficiaries of the loan) will not be treated as new guarantees.

16. Supporting material. All new central government guarantees will be reported in detail, identifying amounts and beneficiaries. The General Accounting Office will provide the data on a monthly basis within three weeks after the end of each month. Non-state entities classified under the central government shall report the new guarantees they extended to the General Accounting Office on a monthly basis within three weeks after the end of each month.

G. Non-Accumulation of External Debt Payment Arrears by the General Government (Continuous Performance Criterion)

17. Definition. For the purposes of the program, an external debt payment arrear will be defined as a payment on debt to non-residents contracted or guaranteed by the general government, which has not been made within seven days after falling due. For purposes of this program, the term "falling due" means the date in which external debt payments are due according to the relevant contractual agreement, including any contractual grace periods. The performance criterion will apply on a continuous basis throughout the program period.

18. Supporting material. The stock of external arrears of the general government will be provided by the General Accounting Office with a lag of not more than seven days.

H. Floor on Privatization Proceeds (Indicative Target and Performance Criterion)

19. Definition. Privatization proceeds will be defined as the cash receipts from the asset sales carried out by the privatization agency (HRADF), cash receipts from direct government sales, and cash receipts from the sale of any bank participations through the HFSF, the HRADF, or from the government directly. These will include, but not be limited to, the sale of equity of listed or non-listed companies and banks, shareholdings in public infrastructure, shareholdings in SPVs, leasehold in commercial real estate and publicly held land, sale-lease back operations, securitization of asset-related cash streams, or other assets incorporated in the authorities' privatization program, as well as sale of rights and concessions (including securitization of the proceeds of concessions). Proceeds will be valued in Euros and will be measured as the inflows of cash received by the HRADF and deposited in the Segregated Account at the Bank of Greece within 10 days after the settlement of the transaction.

20. Supporting material. Monthly information on the cash receipts from asset sales into the segregated account will be made available by the GAO, in collaboration with the HRADF, within 30 days after the end of each month.

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

21. ESA program deficit. For the purposes of the program, the ESA deficit (EDP B.9) will have the following adjustments (i) the sale of non-financial assets such as land, buildings, and other concessions or licenses will be excluded, unless these have been agreed in the context of the program; (ii) costs related to banking support as defined in MGGPCB above will be excluded; (iii) all payments relating to tax refund claims made before September 2012 will be excluded; (iv) the accrual revenue from the PPC levy of a given year will include cash receipts within the year plus amounts pertaining to the given year received through March of the following year; (v) all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regard to income of euro zone national central banks will be excluded, including the BoG, stemming from their investment portfolio holdings of Greek government bonds (schedule B provides the latest estimates) and (vi) any called guarantees to entities outside the general government related to liquidated public enterprises above what is already expected in the fiscal program for the current fiscal year.

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

(Billions of euros, accrual terms)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 12-20
ANFA	349.0	636.0	518.0	500.0	557.0	464.0	367.0	306.0	253.0	3,950.0
SMP		2,098.0	1,941.0	1,503.0	1,134.0	898.0	729.0	580.0	422.0	9,305.0

Source: Greek authorities, ECB, IMF staff estimates.

22. ESA primary balance. For the purpose of the program, the ESA primary balance is defined as general government ESA95 balance (EDP B.9) minus ESA 95 general government consolidated interest payable (EDP D.41).

23. Overall monitoring and reporting requirements. Performance under the program will be monitored from data supplied to the EC, ECB, and IMF by ELSTAT, the Ministry of Finance, the General Accounting Office, and Bank of Greece. The authorities will transmit to the IMF, EC, and ECB staff any data revisions in a timely manner.

J. Floor on Mandatory Exits (Indicative target)

24. Definition: Employees counted as mandatory exits to the private sector will originate from those that: (i) are employed by the general government (ESA95 definition) on a permanent employment contract or on a contract of indefinite duration; and (ii) have no entitlement to early retirement within the next 3 years. Mandatory exit means that the employee leaves the public sector on an involuntary basis, but includes exits from the mobility scheme to the private sector. Mandatory exits are not entitled to severance pay or any other form of compensation (if not provided for under current legislation). The count of mandatory exits will exclude those employees that leave the public sector because the entity they belong to is being privatized under the HRADF privatization program or that leave as part of a restructuring ahead of such privatization. Further, employees that are separated from the public sector for outsourcing will not qualify to be replaced under the 1:1 re-hiring rule. Mandatory exits cannot be rehired into the public sector except via a merit-based selection procedure by ASEP, open to external candidates.

K. Floor on Entrants for Future Exit in the Mobility Scheme (Indicative Target)

25. Definition: Employees counted toward this target have no entitlement to early retirement within the next three years and eight months, qualify for the definition of entrants to the mobility scheme (section x above), which will stay in the scheme until they exit from the public sector after a maximum of eight months. After April 1, 2014, if all previous exit targets have been observed, the floor on the minimum staff will be adjusted downward by any additional exits above the cumulative end-March 2014 target of 5,000 exits from other eligible sources.

Annual Overall Employment Ceilings for the General Government (Revised) 1/

(Number of persons)

	2012	2013	2014	2015	2016
General government	**712,494**	**676,421**	**649,878**	**628,295**	**608,928**
Ordinary staff	628,972	608,871	588,662	569,990	553,342
Other staff	55,979	40,529	34,838	32,562	30,514
Chapter A entities	24,914	24,392	23,749	23,114	22,443
Chapter A fixed term contracts	2,629	2,629	2,629	2,629	2,629
Memorandum items:					
ESPA and self-financed other staff	15,343	15,343	15,343	15,343	15,343
Total general government	727,837	691,764	665,221	643,638	624,271

Source: MAREG.

1/ Revised for small update in Dec 2012 (379 staff) and to exclude ESPA and self-financed staff.

Note 1. The number of employees in Chapter A entities will be adjusted for any privatizations.

Note 2. The number of employees in Chapter A entities will be adjusted for the inclusion of employees of municipal private law legal entities. These employees are already in the wage bill but not yet counted in the Census Data Base.

Note 3. Some small private law legal entities are being verified whether they belong in the general government. If so and their employees are already in the wage bill, the above ceilings will be adjusted accordingly.

Note 4. The above ceilings are based on GAO projections and reflect the measures of the MTFS 2013-2016 as well as other assumptions that may be updated in cooperation with the EC/ECB/IMF (e.g. for revised ESPA numbers; finalization of hiring ceilings for 2013/14, etc.)

Mobility and Exit Scheme

(Cumulative numbers of persons)

	Staffing Plans		Into Mobility Scheme		Exits From Government	
	Total Personnel Covered	Actual To Date	Total Personnel Covered	Actual To Date	Total Personnel Covered	Actual To Date
2013						
March		205,000		0		0
April		211,000		0		0
May		221,000		0		0
June 1/		361,000		0		2,000
July						
August						
September	400,000		12,500		2,000	
October						
November						
December	650,786		25,000		4,000	
2014						
Q1					5,000	
Q2					9,000	
July					10,500	
August					12,000	
Q3					14,000	
Q4					15,000	

Source: MAREG.

1/ Actual to date for exits from government a preliminary estimate.

L. Floor on Entrants to the Mobility Scheme (Indicative Target)

26. Definition: Employees counted as transferred to the mobility scheme will originate from those that are employed by the general government (ESA95 definition) on a permanent employment contract or on a contract of indefinite duration. Entrance into the labor mobility scheme is defined when the employee's payment is reduced to 75 percent of the remuneration in the case of "availability," or to one-third of the remuneration in the case of "disciplinary suspension." It does not include employees that belong to entities that are in the process of being privatized under the HRADF privatization program or that are part of a restructuring ahead of such privatization.

27. Supporting material. The Ministry of Administrative Reform and E-Governance (MAREG) will report on a monthly basis (15 days after the closing of each month) for the mobility scheme on entrants (number, entity they previously belonged to, reason for entry, number of entrants which will exit) and departures (number, reasons for departure, new entity transferred to or exit), and the stock of employees currently in the scheme (grouped by the months of their entrance). Further, MAREG will report monthly (15 days after the closing of the month) on exits, the number, the general government entity they came from, the reason for the exit, if any. MAREG will report on a monthly basis (15 days after the closing of the month) the stock of general government employees defined as in the Census Data Base.

M. Actions to Achieve a Semi-Autonomous Revenue Administration

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

- Issue Ministerial Decisions as required under Law [4152]/2013 to transfer to the revenue administration the following units:
    - Ministry of Finance internal affairs department, including its staff and available resources.
    - The competences, staff and available resources of the following organic units of GSIS, pertaining to the exercise of tax and customs administration: i) The Directorate for Computer Applications (Directorate 30), with the exception of the Sections for Budget and Public Expenditure, Payroll and Pensions; and ii) The Directorate for Computer Data Entry and Control (Directorate 32).
- Issue a report to identify all the tax and customs administrative functions, personnel, and budget allocations necessary to exert the competences specified in case β' par. 2 and cases α' and δ' of par. 5, article 30 of L. 3296/2004, including: (i) preventive checks and temporary tax audits, especially for withholding and imposed taxes, focusing on Value Added Tax (VAT); (ii) checks of transit, imports and exports, trading, supply and

distribution of products subject to Special Consumption Tax (Excise Duty); (iii) checks in customs warehouses; (iv) checks the goods under special duty-suspension procedures and implementation of customs legislation in general; (v) checks in means of transportation, shops, warehouses, etc; and (vi) Confiscation of books, documents, goods, means of transportation and other evidence.

- Create a five member advisory Council comprised of high level experts to be appointed by the Minister of Finance (two of which will be selected among persons with significant international work experience in revenue administration). The SGPR will be an ex-officio member of the board. The advisory board will report to the Minister of Finance, give advice on major matters of revenue administration strategy including human resource issues, monitor performance of the revenue administration against plans and targets, support the revenue administration in managing external stakeholders, and provide assurance that the SGPR is exercising powers appropriately. The Board will have no role in taxpayer specific issues, and will not have access to any specific taxpayer information. Issue a ministerial decision to determine the qualifications, duration of appointment and compensation for the board members and will specify the rules for dealing with conflict of interest, reporting to the Minister, and administrative support for the board. The Board members term will be three years.

- Establish a new Strategic Planning and Financial Control Directorate in the revenue administration that manages its budget (while maintaining the role of the GDFS as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) and has the following functions: (i) coordinates the preparation of the revenue administration's budget; (ii) follows up its implementation; and (iii) proposes reallocations of non-wage recurrent spending in line the organic budget law; (iv) supports the SGPR in project management and monitors progress with reform and KPI implementation.

- The institutional reform working group (IRWG) chaired by the SGPR, issues a report shared with the Minister and Troika that analyzes and maps the constraints to the operational and administrative autonomy of the SGPR and proposes immediate solutions. Though not limited to the following matters the IRWG examination incorporates any limits to autonomy within:

    - Revenue laws (income tax, VAT, property tax, customs and excise and other taxes administered by the SGPR).

    - Other general laws related to human resources and financial management within the civil service.

    - Powers delegated to the SGPR.

The IRWG will also determine whether additional changes to law are required to authorize SGPR competence for tax administration beyond singular decisions affecting taxpayers.

N. Monitoring of Tax and SSC Installment Schemes

29. Definitions – The framework for monitoring tax and SSC installments under the "fresh start" and "basic" schemes has two sections to monitor participation, one focused on values and a second focused on the number of debtors.

a. Values-Based Indicators:
   i. Stocks: (i) the outstanding stock of debt (including principal and surcharges) accumulated before end-2012 (ii) the amount of this debt (including principal and surcharges) that is currently in the Fresh Start scheme, (iii) the amount of this debt (including principal and surcharges) current in the Fresh Start scheme that has also been legally "verified"
   ii. Flows: (i) the amount of debt (including principal and surcharges) that has entered into the scheme during that month (ii) the increase in the amount of debt (including principal and surcharges) that has been legally "verified" during the month; (iii) the total amount actually paid thus far under the scheme and, of this, the amount that refers to upfront full payment (including principal and surcharges paid). iv) the amount that has become delinquent during the month.

b. Number of Debtor-based Indicators
   i. Stocks: (i) the current number of debtors with outstanding debt accumulated before end-2012 (ii) the total number of applications for participation in the scheme thus far (iii) the total number of applications which have been legally "verified".
   ii. Flows: (i) the total number of applications submitted for participation in the scheme during that month, (ii) the number of applications that have been legally verified during that month, (iii) the number of debtors that made an upfront full payment, the number of debtors that made their installment payment and the number of debtors that are newly delinquent as of that month. (iv) the number of debtors that have made their last installment payment

30. Supporting material. There will be a weekly report that includes a subset of the data above and will be received by Tuesday after the week to which it refers. The first such report will be received on July 16 and will refer to the previous week. It will include the following variables i) number of debtors currently in the scheme ii) total debt currently under the scheme iii) amount paid year to date and iv) amount of payment contractually expected in the rest of the year based on amount of debt in the scheme at that time. Then, the SGPR and the MoL will report on a monthly basis (within three weeks of the closing of each month) the full set of indicators defined in the monitoring framework for the "fresh start" and "basic" installment schemes, with the first report coming at end-August. The report by the MoL of the SSC installment schemes will provide individual information for the two largest SSFs (IKA, OAEE)

O. Monitoring of SSC Debt Collection

31. Definitions

- The monitoring framework for SSC debt collections includes: (i) the stock of debt and collection of SSC debt accumulated by December 31, 2012; (ii) the stock of debt and collection of SSC debt incurred during the current year; and (iii) the number of debt assessments completed by the SSFs.

- The monitoring framework for debt collection by IKA also includes the number and value of legal collection actions (garnishments, seizure writs issued, immovable property seizure, movable property seizure, mortgage and liens, auctions, and bankruptcies and liquidations).

32. Supporting material. The MoL will report according to the monitoring framework for SSC debt collection and for debt collection by KEAO on a monthly basis (three weeks after the closing of each month) . The MoL will provide individual information for the two largest SSFs (IKA, OAEE) starting in late August

P. Monitoring of Structural Benchmarks

33. Benchmark on progress in revenue administration, 2013. Progress in revenue administration in 2013 will be defined as reaching or exceeding the targets set in MEFP Table 1.

34. Definitions:

- **A completed audit is defined as an audit repo**rted as formally finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the **taxpayer ass**essment has been issued, or the audit report states that no underpayment has occurred.

    - Audit reports which are brought to the Tax Dispute Administration Resolution Committee (Article 70A Committee) for settlement after 1 January 2013 are defined as a completed audit when the case is submitted to the committee.

    - High Wealth Individual (HWI) audits carried out on a legal person owned or controlled by the high wealth individual will also be regarded as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual. Furthermore, audit of off-shore companies with the aim of identifying the natural person owing or controlling the offshore company will also be regarded as an HWI audit case. These audits will be reported separately.

- The **assessment amounts** from the audit reports submitted to the Article 70A committee are included when reporting on the assessment performance for HWI and Large Taxpayer Unit (LTU) audits. The assessment amount is only included for reporting on the LTU and HWI audit case collection performance when the final assessment is issued following the decision of the committee. These amounts shall be adjusted for any difference between the audit report assessment amount and the final assessment amount.

- **Risk-based audits** for large taxpayers are defined as audits selected on a risk basis using the ELENXIS audit management system.

- **Collection** on HWI and LTU full scope audits and temporary audits are amounts collected in the year from such LTU and HWI audits completed during the year or previous years.

- **Collection of tax debt** does not include debts such as calls on loan guarantees, fines, etc., of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities.

- In 2013, **new tax debt collection** includes collection of debt accrued in the month of December, 2012.

- An **audit of assets of a manager, director or auditor** includes an audit of all assets, both movable and immovable, including those of his/her spouse. This will include but will not be limited to an examination of all his/her financial accounts for a period of up to 10 years from a current date, all immovable assets compared against information from State registries and of the acquisition of all moveable assets. The purpose of this audit will be to trace and justify the legal acquisition of these assets. These audits will be conducted annually by the Internal Affairs Directorate of the MoF.

35. Supporting material. Monthly information on risk-based full-scope audits and temporary audits of large taxpayers, self employed and high wealth individuals, and VAT non-filers, collection of assessed taxes and penalties, collection of tax debt, and audits of asset declarations from auditors and managers of local tax offices will be made available by the Minister of Finance no later than two weeks after the end of each month. The monthly submission will also include, for each local tax office and special unit, the number of audits, hours spent on audits, assessed tax specified for income tax and VAT, assessed penalties and surcharges, collected tax amount from assessments, collected penalties and surcharges from assessments, specified for temporary and full scope audits.

36. Benchmark on progress in public financial management, 2013. Progress in implementing public financial management reforms in 2013 will be defined as reaching or exceeding the targets set in MEFP Table 2.

37. Definition. For the purpose of the 2013 target, the reporting institutional units (state and general government entities) include any unit under the general government as defined by

ELSTAT as of end-September 2012 whose overall annual spending exceeded €1 million in 2011. Entries under the e-portal include all fields with financial information as prescribed in the GAO circular of Dec 29, 2010 (protocol number 2/91118/0026); this includes inter alia cumulative appropriations released, commitments made, the sum of invoices received, and payments made.

38. Supporting material. Monthly summary information from the e-portal, surveys, and other sources on performance against the above indicators will be published by the General Accounting Office of the Ministry of Finance on their website no later than four weeks after the end of each month. Data submission will include data back to end-2011. Survey information will continue to be provided after December 2013 unless discrepancies between survey and e-portal data are fully eliminated. An authoritative list of entities included under general government as defined by ELSTAT (including annual spending in 2011) will be made available by ELSTAT by August 30, 2013 and will be updated upon updating the ELSTAT register of general government entities.

Q. Regulated Professions

39. As referenced in the MEFP (paragraph 34), the targets on professions are delineated in the table below.

Table 1. Greece: Actions on Regulated Professions, 2013–14

Profession	Restrictions to be Eliminated	Timing	Instrument
Chartered valuators	• Adopt secondary legislation to set up certification from the Ministry of Finance • Amend L4152/2013 to (i) allow the Ministry of Finance the option to provide certification exams itself; and (ii) to abolish the requirement for applicants to provide academic qualifications on top of certification for registration.	• July 19, 2013 • September, 2013	• 3 Ministerial decisions • Amend L4093 (subparagraph C2)
Actuaries	• Adopt secondary legislation to start examinations by October 2013	• July 15, 2013	• Ministerial decision
Electricians (41 professions)	Issue secondary legislation on: • the notification process of technical profession • the fees paid for notification of technical profession • the syllabus and process for obtaining a license • defining the fees paid for obtaining a license	 • July 15, 2013 • July 15, 2013 • September 2013 • October 2013	 • 4 Joint Ministerial decisions
Technical professions (56 professions)	Issue secondary legislation on: • conditions of conducting exams by private entities • replacing of professional experience by seminars organized by approved bodies • the fees for the seminars replacing professional experience • syllabus and process for obtaining a license for cooling technicians • defining the fees paid for obtaining a license for cooling technicians • syllabus and process for obtaining a license for machine operators • defining the fees paid for obtaining a license for machine operators	 • End-November 2013 • End-March 2014 • End-March 2014 • End-June 2013 • End-July 2013 • End-August 2013 • End-September 2013	 • Joint Ministerial Decision • 6 Presidential Decrees • Ministerial Decision • Joint Ministerial Decision • Joint Ministerial Decision • Joint Ministerial Decision • Joint Ministerial Decision
Slimming/dietary businesses	Issue circular to clarify that no restriction for co-establishment of medical or paramedical professions apply	• End-July, 2013	• Circular
Sales of fertilizers, propagation and plant-protecting material (10 professions)	• Adopt implementing legislation that (i) abolish minimum space requirements and (ii) introduce a 3-month period for administration to issue license, after which professionals are free to operate • Adopt legislation that (i) allow sales by individuals with adequate training without the mandatory presence of scientists and (ii) define training standards	• End-July, 2013 • End-July 2013	• 2 Ministerial decisions • Presidential decree
Geo-technicians (agronomists, foresters, geologists, ichthyologists)	• Issue secondary legislation to abolish mandatory issuance of professional IDs (from the Geo-Technical Chamber) • Issue implementing regulation to abolish mandatory presence of scientist for specific activities (for example sale of plant-protecting products)	• End-August 2013 • End-August 2013	• Presidential decree • Circular
Lawyers	• Adopt legislation to: (i) ease the re-entry into the legal professions; (ii) repeal age limit to take the Bar examinations; (iii) abolish total bans on commercial communications; (iv) provide for licenses of unlimited duration; (v) remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry; (vi) clarify that lawyers' fees are freely determined through a written agreement between lawyers and clients (in case there is no written agreement for court appearances, reference fees still apply); (vii) eliminate any kind of minimum wages for salaried lawyers working in the private sector; (viii) de-link contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts; and (ix) set a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific 'reference amount'.	• End- July, 2013	• Code of lawyers and Presidential decree
Engineers (including architects and land surveyors)	• Present a proposal of which activities could be reserved (in exclusivity) to specific professions in consultation with the HCC • Amend unjustified or disproportionate requirements reserving certain activities to specific professions	• End-September 2013 • End-December 2013	• Proposal • Law and Presidential decree
Firms trading Petroleum	**Wholesale**: Adopt legislation to: (i) abolish minimum capital requirement; (ii) mandate written contracts between fuel wholesalers and retailers; (iii) abolish the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them; (iv) remove the restriction that a wholesaler's storage facility needs to be accessible by either the sea, railway network, or through a refinery; and (v) require the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain **Retail**: Adopt legislation to : (i) mandate gasoline stations to state the price and quantity of liquid fuel on all receipts issued; (ii) complete the installation of inflow-outflow systems in the retail market; and (iii) repeal law provisions that provide the Ministry of Development with the possibility to impose a minimum price on the sale of fuels to consumers. • Issue secondary legislation to provide details on insurance scheme (as alternative to minimum capital requirement)	• End-July 2013 • End-July 2013 • End-October 2013	• Laws and 2 MDs • Market Policing Code and 1 MD • MD
Mediators	• Adopt legislation to allow mediation to be done by non-lawyers	• End-2013	• Law

Source: IMF staff estimates.

INTERNATIONAL MONETARY FUND 123

Appendix IV. Letter of Intent to the European Commission and the European Central Bank

Athens, 19 July 2013

Mr. Jeroen Dijsselbloem,
President,
Eurogroup,
Brussels.

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

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

Dear Messrs Dijsselbloem, Rehn and Draghi,

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

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

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

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

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

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

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

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

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

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

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

This letter is being copied to Ms Lagarde.

/s

Antonis Samaras

Prime Minister

/s

Yannis Stournaras

Minister of Finance

/s

George Provopoulos

Governor of the Bank of Greece

Appendix V. Memorandum of Understanding on Specific Economic Policy Conditionality

GREECE

Memorandum of Understanding on Specific Economic Policy Conditionality

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

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

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

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

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

GREECE

Memorandum of Understanding
on
Specific Economic Policy Conditionality

1 Achieving sound public finances

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

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

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

Fiscal consolidation

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

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

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

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

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

Prior to the disbursement the Government will:

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

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

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

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

Additional Measures:

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

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

2 Structural reforms with budgetary relevance

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

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

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

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

Prior to disbursement the Authorities:

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

Actions to be taken by the Government include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Tax policy reform

Prior to the disbursement the Government will:

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

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

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

Other Actions

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

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

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

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

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

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

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

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

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

2.3 Revenue administration reforms

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

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

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

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

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

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

2.3.1 Organization

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

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

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

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

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

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

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

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

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

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

3. Establish an internal review unit by:

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

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

2.3.2 Fight against tax evasion, money laundering and corruption

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

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

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

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

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

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

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

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

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

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

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

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

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

5. The Authorities:

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

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

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

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

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

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

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

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

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

2.3.3 Revenue and debt collection

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3.4 Social Security Contribution

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

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

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

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

        i. 200 by August 2013;

        ii. 400 additional by December 2013;

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

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

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

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

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

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

2.3.5 Management of the State Revenue Service

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

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

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

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

    ii. Continuously after September 2013;

2.3.6 Tools

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

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

2.4 Public Financial Management Reforms

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

2.4.1 Monitoring and reporting

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

The Government will:

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

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

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

2.4.2 Payment flows and clearance of arrears

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

The Government will:

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

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

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

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

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

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

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

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

6. To address problems still lying in the extra-budgetary funds and in the social security sector, especially in relation to the transfer of competencies from SSFs to EOPPY, despite the progress in the setting-up of the commitment/co-payment registries, the Government will:
   i. ensure that commitment registers are in operation in 94% per cent of general government entities based on 2013 entity coverage **(September 2013)**.
   ii. monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system (**Continuous)**.
   iii. enforce the obligation of accounting officers to report commitments by enacting sanctions to entities not submitting needed data, though disciplinary action for accounting officers, and by strengthening the role of GAO in providing support and guidance to Accounting Officers (**Continuous)**
   iv. take actions as soon as significant deviations from yearly targets of EOPYY become evident (**Continuous**).
7. To address other problems still lying in the central government sector the Government will:
   i. complete procedures for identifying fully qualified senior financial managers for the Accounting Office positions in all line ministries (**September2013**).
   ii. Appoints the Accounting Officers based on these new procedures. (**September 2013**).
   iii. The MoF/GAO and MAREG, in consultation with the Accounting Officers of the Ministries, ensure adequate staffing for the financial functions in line ministries and develop training material and a training scheme for GDFS staff (**continuous**).

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

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

2.5 Safeguards for the delivery of fiscal commitments

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

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

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

2.5.2 Budget preparation and implementation

The Government will:

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

2. Adopt the organic budget law by **October 2013** to introduce:
   i. The MTFS will set fixed expenditure ceilings for line ministries and the health care sector and every year a ceiling for an additional year will be added while the already set ceilings (i.e. for the first two years of the rolling three-year period covered by the ceilings) would remain as previously fixed;
   ii. Establish binding annual budget balance targets for local governments;
   iii. identify performance targets for SOEs;
   iv. Provisions to freeze ex-ante 10% of discretionary appropriations per budget line as part of the MTFS. The frozen appropriations would be released in the second half of the year conditional upon meeting the fiscal targets. The first application should concern the 2014 budget.
   v. A revenue rule for the general government, according to which at least 30% of windfall revenues in excess of the target will be devoted to debt repayment while up to 70% could be used the following year by the Government to support temporary policies aiming to boost growth and social cohesion automatically, conditional to the achievement of the fiscal targets.

2.5.3 Corrective and sanctioning mechanisms

The Government will:

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

i. Reviewing the functioning of the privatisation framework law, through specific QPCs to be enforced the moment the privatisation plan derails.

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

iii. Increasing automatically the primary surplus target, should there be a shortfall of privatisation proceeds due to the delay in sales of specific assets compared to programme targets for two consecutive quarters. Any shortfall in privatisation proceeds ceteris paribus increases the financing need and the debt ratio. To mitigate this undesirable outcome, unless other adjustments are agreed with the EC/ECB/IMF, the primary surplus target would be raised with immediate effect by 50 percent of the shortfall in proceeds, and should be achieved by means of current expenditure cuts in the general government. The adjustment within any year would be capped at €1 billion.

3. Enhance the corrective mechanism for local governments (LGs) through a top down approach for the preparation of 2014 realistic budgets for LGs. This approach foresees subsequent steps:
   i. an agreement between Ministry of Interior and GAO on the total grants from the State to the LGs consistent with the updated macro-economic projections and with the binding ceilings for 2014-15 within the preparation of the MTFS (**July 2013**).
   ii. the issuance of a Joint Ministerial Decision for the preparation of 2014 LGs' budgets (July 2013) consistent with the level of grants from the State, their own resources and with the guidelines for the assessment of the local government's budgets;
   iii. Municipalities prepare budgets for 2014 consistent with the balance budget rule (**September 2013**)
   iv. a review process of LG's budgets by the Observatory of local authorities, in order to ensure consistency with the overall MTFS targets for LGS to be completed before the adoption of the MTFS. (**November 2013**)
   v. Submission and approval of the LGs' budgets by the decentralized administration (**December 2013**)

2.5.4 Transparency, accountability and oversight

The Government will:

1. Increase transparency and accountability to the public/parliament, by e.g. releasing status reports on the implementation of the legislated fiscal measures, publication of hiring numbers, proper fiscal impact assessment of legislation, statement of the main sources of fiscal risks related to changes in key economic assumptions in the forecast, as well as an assessment of the fiscal impact of the main sources of fiscal risk including government guarantees and other contingent liabilities etc. (**December 2013**)

2. Take steps to strengthen the reputation of the existing Parliamentary Budget Office, independence and technical competence towards a fully-fledged fiscal council (e.g. provision/endorsement of forecasts for the budget preparation, monitoring of compliance with budgetary targets and fiscal rules, provision of independent assessments of fiscal developments and challenges, etc.), building on best international practices. (**December 2013**)

2.5.5 Debt servicing account

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

2.6 Other institutional requirements

Prior to disbursement the Government:

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

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

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

Other Actions

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

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

2.7 Making the public administration more efficient and effective

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

2.7.1 Reforming the public administration

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

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

Prior to disbursement the Authorities:

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

Other Actions

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

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

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

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

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

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

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

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

8. To foster the effective restructuring of the public sector and use of the mobility and exit scheme, the Authorities will:
   i. prepare a detailed action plan to be adopted by the Governmental Council of Reform (GCR) in **July 2013**, including a precise and realistic timetable for the structural evaluations and the completion of staffing plans, taking into account the

priorities set by the GRC. This timetable should cover the full list of the public entities separately.

ii. complete staffing plans for all general Government entities, to be adopted by the GCR progressively and at the latest by **December 2013**. Staffing plans are to be implemented with their respective legal acts for each entity **within three months** after their adoption by the GCR.

iii. involve the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement when taking related decisions (**continuous**);

iv. adopt by the GCR common guidelines by August 2013 to ensure a consistent and effective functioning of the mobility scheme across the administration. The Human Resources Units (HR) and functions and the senior management in all administrations must operate under these common coordinated frameworks, objectives and guidelines.

v. develop the necessary tools for the functioning of the mobility scheme (**September 2013)**. This will include setting up a database for the management of personnel, committees for the selection of personnel, a database for the management of open positions within the administration, detailed procedure, departure package. These tools are communicated across the administration as soon as possible.

iii. complete the assessment of individual employees for the purpose the mobility scheme (**December 2013**).

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

10. The Greek Authorities will provide a full and updated picture of public employment. Accordingly, they will:

    i. publish on a monthly basis data on full time public sector employment and contractual positions, the number of employees in the mobility scheme, the number of exits and the number of pending disciplinary cases in the various stages (**monthly**)

    ii. record all employees into the census database by **September 2013**.

11. The consolidation program will make room to hire new staff, and this room will be used to address areas where we face deficits of skilled staff. To this end:

    i. The Government will hire one new employee for each exit as a result of (i) disciplinary cases; (ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment; (iii) evaluation of the personnel using the mobility scheme, including before any reallocation to a new position; (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (v) the elapse of a 8-month period in the mobility scheme. (**continuous**).

    ii. If the assessment (to be provided to EC/IMF/ECB **monthly**) at any point shows that the employment developments and plans are no longer on track to achieve our aggregate targets, the Authorities commit to reduce the 1:1 hiring ratio for exits mentioned under (i.) (**continuous, monthly**).

    iii. For all other exits than those mentioned under (i.), the hiring ratio will remain 1:5, as envisaged in the program (**continuous**).

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

v. By **September 2013**, in line with the preparation of the annual Budget and the MTFS, the Cabinet of Ministers will adopt detailed hiring plans for 2014, in consultation with the EC/ECB/IMF

vi. Provide the hiring plans to ASEP with at least a six-month notice with respect to the desired recruitment process, so as to allow proper planning and that selections can be carried out to the highest standards, compatible with the budgetary constraints. Ensure a sufficient budget so that modern methods are used by ASEP for the selections, including through a competency-based approach **(continuous).**

12. To develop and implement a human resources strategy, to valorise the public employment, the Authorities will:

i. Define **by July 2013** a human resources strategy in order to:

- identify and address the weaknesses of the public service management of human resources;
- identify and implement the best possible way to manage the career of civil servants (including recruitment procedures, appointments, trainings, evaluation as well as mobility, etc.); and
- assess and clarify the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management, leading to a reduction of the number of advisors, who should be provided with a specific job description.

ii. reflect this strategy in legislation (**September 2013**). This legal act will aim at ensuring institutional continuity and higher levels of efficiency in the public administration, and provide a basis for evaluating and developing the competences of the senior management and the staff at large.

13. The Authorities define the full set of instructions to organise the HR services under regular, common and transversal standards and put them in place, with a view to develop a coordinated, respected and efficient HR network within and across the different Ministries (October **2013**).

2.7.2 Fighting corruption

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

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

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

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

2.7.3 Coordination of Government Policies and E-Government

The Authorities:

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

2.8 Avoiding waste and increasing quality through sound public procurement

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

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

The Government:

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

2.8.1.2 To increase the efficiency of procurement processes:

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

Agora portal

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

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

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

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

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

Central Purchasing Bodies (CPB):

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

Reform of public procurement legislation:

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

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

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

The Government:

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

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

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

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

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

2.9 Completing the pension reform to secure sustainability

The Government:

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

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

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

2.10 Modernising the health care system

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

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

2.10.1 Governance

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

1. From **January 2014,** hospital services will start to be purchased directly by EOPYY through prospective budgets based on KEN-DRGs costing procedure (and payroll costs, should be at least reported).
2. EOPYY ensures that the number of doctors is reduced in headcount by a further 10% **in 2013**.

2.10.2 Controlling pharmaceutical spending

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

2.10.2.1 Contingency measures to deliver the overall targets

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

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

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

2.10.2.2 Pricing of medicines

The Government:

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

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

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

2.10.2.3 Prescribing and monitoring

The Government will,

1. Update the positive list of reimbursed medicines and the list of OTC medicines. These lists must be updated after every price bulletin (or the corrective)**(deadlines should follow 2.10.2.2.1 with some offset).**
2. Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals) **by September 2013**. E-prescribing is made compulsory and must include at least 90 percent of all outpatient medical acts covered by public funds (medicines, referrals, diagnostics) (**Continuous**).
3. Finalise the implementation of the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA. **(New Deadline September 2013).**
4. Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory **(Continuous)**.
5. Enforce the application of prescription guidelines through the e-prescription system starting with at least 5 therapeutic groups by **September 2013.**
6. Further develop the e-prescription system by monitoring the compulsory ICD-10 and enforcing SPC filters in the e-prescription system **(At a pace of 500 drugs per month starting October 2013).**

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

2.10.2.4 Increasing use of generic medicines

Prior to the disbursement, the Government:

a. Enforces compulsory ICD10 in the electronic prescription.

The Government also:

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

iv. deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC. **(Continuous);**

v. excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria. **(Continuous);**

vi. in the frame of the Administrative Reform process of EOF, set up scientific capacity in order to include cost effectiveness criteria in the reimbursement and licensing process and to manage the positive and internal reference price mechanism (October 2013).

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

2.10.3 Reviewing the provision of medical services contracted by EOPYY

Prior to the disbursement, the Government:

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

Further the Government:

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

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

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

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

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

2.10.4 National Health System (NHS) service provision

2.10.4.1 Reorganisation and management of the health care sector

The Government:

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

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

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

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

2.10.4.2 Accounting, costing, control, IT and monitoring systems

The Government ensures that:

1. EOPYY publishes a monthly report with analysis and description of detailed data on healthcare expenditure with a lag of three weeks after the end of the respective month. This report will make possible the more detailed monitoring of budget execution, by including both expenditure commitments/purchases (accrual basis) and actual payments (cash basis). The report will also (1) describe performance on the execution of budget and accumulation of arrears, and (2) recommend remedial actions to be taken. **(Continuous)**
2. Further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through:
   i. the introduction of analytical cost accounting systems, with the implementation of the respective action plan, due to be finalised, with complete hospital coverage, by **November 2013**;
   ii. the regular annual publication of balance sheets in all hospitals. **(September 2013);**

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

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

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

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

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

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

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

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

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

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

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

2.10.5 Centralised procurement

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

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

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

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

2.11 Upgrading the education system

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

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

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

3 Stabilising the Financial System

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

3.1 Framework for restructuring and strengthening of the banking system

Prior to disbursement,

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

The BoG commits to:

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

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

The Government commits to invite the HFSF to:

3. Undertake to place a substantial equity stake in Eurobank with a privately owned strategic international investor by **end-March 2014**. To this end, consultants will be contracted by **end-**

August 2013, an evaluation metric for potential investors will be developed by **end-October 2013** and potential bidders will be allowed to start a due diligence process no later than **end-November 2013**. The structure of the placement will also be designed with a view to incentivize participation of investors who want to obtain a majority stake in the future.

3.2 Funding

The BoG commits to:

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

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

3.3 State-owned preference shares of the banks

The Government commits to:

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

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

3.4 Follow up stress testing

The BoG:

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

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

3.5 Management of assets under liquidation

The BoG commits to:

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

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

3.6 Supervisory model and HFSF's liability

The BoG commits to:

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

The Government commits to:

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

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

3.7 Review of legal insolvency frameworks

The Government commits to:

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

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

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

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

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

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

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

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

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

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

3.8 Establishment of the Institution for Growth (IfG)

The Government intends to:

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

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

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

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

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

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

3.9 Loan and Consignment Fund

The Government commits to:

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

2. Ensure that the commercial sector part of the Loan and Consignment Fund will be in a gradual run-off. In that respect, the Government commits to revise the legal framework of the Loan and Consignment Fund by **September 2013** to provide that its commercial

sector part will not grant any new loans and will not take any new deposits, except the roll-over of existing deposits.

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

4 Strengthening labour market institutions and promoting employment

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

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

4.1 Reforms in the wage-setting system

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

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

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

4.2 Reducing non-wage labour costs

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

1. Adopts legislation **by November 2013** reforming the system of social contributions in a revenue-neutral way, inter alia by broadening the base for contributions, simplifying the schedule across the various funds, shifting funds away from nuisance taxes and onto

contributions, and reducing average contribution rates by 3.9 percentage points from their current levels, which will be phased in over 2014, 2015 and 2016.

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

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

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

4.3 Lowering compliance costs, fighting undeclared work and informality

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

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

4.4 Further improving regulatory framework

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

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

4.5 More transparent and enforceable labour law

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

4.6 Support to the unemployed

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

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

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

   ii. Promoting the implementation of the youth voucher scheme;

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

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

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

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

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

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

facilitate a front-loading of the new initiatives should the fiscal space be found within the existing overall budget envelopes.

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

5 Creating favourable conditions for economic activity

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

5.1 Promoting an efficient and competitive business environment

5.1.1 Rationalising / eliminating quasi-fiscal charges

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

5.1.2 Reducing procedural and other administrative burden

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

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

3. **To implement Law 4014/2011** on environmental licensing of projects and activities, the Government issues:

i. The Ministerial Decisions (Art. 8.3) on laying down the standard environmental commitments of projects and activities in category B:

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

b. Garages and parking spaces; hydraulic works; ports; environmental infrastructure projects for waste and wastewaters; roads; hospitals; air transport projects; ultrahigh voltage centres; and special projects and activities (**September 2013**).

ii. The Ministerial Decision (Art.10.2) on the content of the Special Environmental Assessment according to the type of project or activity (**September 2013**).

iii. The Ministerial Decision (Art. 19.9) on the specification of procedures for consultation and participation during the public consultation process (**October 2013**).

iv. The Presidential Decree (Art. 14.5) on the establishment of the environmental licensing directorate (**October 2013**).

v. The Ministerial Decisions and Circulars (Articles 11.3, 11.4, 11.5, and 11.6) on the content of the dossier for the Preliminary Determination of Environmental Requirements and the Environmental Impact Assessment (**October 2013**).

vi. The Ministerial Decision (Art.18.5) Digital Environmental Registry (**February 2014**).

vii. The Ministerial Decision (Art. 17.8) on fixing compensatory fees and procedures (**April 2014**).

viii. The Presidential Decrees (Art. 16.6) on the establishment of the certified Environmental Impact Assessment assessors registry (**June 2014**).

ix. To confirm progress in the area of environmental licensing, a review of the implementation of law 4014/2011 examining the degree to which licensing procedures have been simplified and shortened (**December 2013**).

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

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

6. To simplify export and import procedures, the Government:

i. a. Appoints at least 20 exporters in the authorised trader scheme for fresh fruits and vegetables by **December 2013**.

b. Fully implements risk based control system based on EU best practice for fresh fruits and vegetables by **January 2014**.

c. Following the example of fresh fruits and white cheese, reviews pre-customs and customs procedures for 5 more products by (olive oil, cosmetics, aluminium profiles, canned peaches, dual use product) by **December 2013**, and

d. Streamlines relevant procedures by **March 2014**.

ii. Launches a pilot for imports enabling 24/7 customs operations in the customs offices of Athens airport and two shifts in Piraeus Port by **July 2013**.

iii. Adopts the following procedures in pilot customs offices by **July 2013**:

a. Allow 'presentation of goods' at appointed locations other than only the Customs office under normal procedures.

b. Supporting documents are only requested when the declaration is selected by the risk assessment system for documentary or physical control.

c. When supporting documents are requested for any type of declaration, photocopies, faxes or email attachments are accepted; and

d. The authorization from the represented trader to the customs representative should be made in a simple fashion without any need of a witness or notarization.

iv. a. Implements automatic clearance for low risk declarations in line with EU best practices in customs pilot offices by **November 2013**, and

b. Across all customs offices by **December 2013**.

c. Aligns the risk assessment system for exports with best practices in EU Member States, to ensure that the level of controls converges across all customs offices to the average level of controls in the EU by **September 2013**.

d. Makes similar alignments to the risk assessment system for imports by **March 2014**.

v. a. Ensures that the e-customs system supports the submission of declarations and supporting documents for exports in all customs offices by **July 2013**.

b. Ensures that the e-customs system supports the submission of declarations and supporting documents for imports in the pilot customs offices by **July 2013.**

c. Ensures that the e-customs system supports the submission of declarations and supporting documents for imports, and electronic payments for exports and imports, in all customs offices by **November 2013**.

vi. a. With assistance by the World Customs Organization, assesses the results of the pilots by **November 2013**.

b. Presents a detailed plan with timetable on how optimised procedures will be rolled out across all other customs offices by **December 2013**.

c. Applies optimised procedures permanently in pilot customs offices of the Athens airport and Piraeus Port by **January 2014.**

d. Rolls-outs optimised procedures during 2014 and applies them permanently in all other customs offices by **December 2014**.

vii. Staffs and empowers the Operational Steering Committee for the National Trade Facilitation Strategy and Roadmap project to coordinate and monitor the implementation of the reform by **September 2013**.

7. To identify and eliminate unnecessary **reporting requirements** for businesses:

i. The Government concludes the preparatory analysis of the Standard Cost Model in 13 sectors to identify administrative burdens for businesses (**September 2013)**.

ii. The Government presents the results of the Standard Cost Model in 13 sectors (**December 2013**).

iii. Following the identification of administrative burdens the Government completes the amendments to sector specific legislation (**March 2014)**.

8. To facilitate **spatial planning**, the Government:

i. Adopts a revised framework legislation to simplify and reduce the time needed for town planning processes (**July 2013**).

ii. Completes the revision of the regional spatial plans to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:

  a. After the completion of the first phase, the second phase of modification is completed by **July 2013.**

  b. The third phase for the formulation of proposals is completed by **November 2013.**

  c. The fourth phase for the legislation of the final proposal is completed by **February 2014**.

iii. Completes the revision of the spatial plan for South Aegean to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:

  a. The first phase of this revision is completed by **September 2013**.

  b. The second phase of modification is completed by **November 2013.**

  c. The third phase for the formulation of proposals is completed by **March 2014.**

  d. The fourth phase for the legislation of the final proposal is completed by **June 2014**.

iv. Reforms the forestry legislation as follows:

  a. Updates the legislation on forests and forest lands by **September 2013.**

  b. Codifies the legislation on parks, forests and forest lands by **December 2014.**

9. Accelerating work on a modern **cadastre** is essential to ensure the timely completion of cadastral property register covering all land and buildings in Greece. This is necessary to secure fiscal revenues from real estate tax and will also provide the legal certainty needed to open up the real estate market to new investment, including for foreign direct investment. Following the adoption of Law 4164/2013 the government will:

i. Ensure that the Ministry of Finance and tax administration has full access to the cadastral database for taxation purposes, including for the purpose of the E9 tax fiches (**July 2013**).

ii. Establish a business plan to create a nation-wide system of new Cadastral Offices under EKXA AE. The business plan will include the proposed organograms for each office in order to prepare their transformation into final offices. Ensure that until the full cadastre is in place, registrars operate as agents of these Cadastral offices. **(November 2013)**

iii. Ensure the immediate transformation of temporary cadastral offices into final ones in the capital of the regions where the cadastre is operational by issuing the respective PD for each office. Ensure that all responsibilities of registrars are transferred to these Offices. (**December 2013)**

iv. Ensure that all real estate related transactions in the country are registered electronically using the web platform provided by EKXA AE and that a standard format for registration is used (**September 2013**).

v. Ensure that the transaction fees that are due to the State are transferred automatically to the account of the Ministry of Finance. Data on all other transaction fees should be fully accounted and audited by the Ministry of Finance (**September 2013**).

vi. Ensure that Urban Planning and Construction Permits to be built on maps provides by or in conformity with EKXA AE (**December 2013**).

vii. Ensure that all other cadastral efforts (e.g. archaeological or industrial development) necessary for operations in different Ministries must be based on the cadastral database and layers developed and managed by EKXA AE (**December 2013**)

viii. Adopt secondary legislation to ensure that the Cadastre SA database is linked to other databases, such as on real estate, urban planning database, construction permits, and LPIS for agricultural subsidies calculation based on cadastral database (**December 2013**)

ix. Extend the cadastral database to include transaction prices, objective values of transactions. (**December 2013**) The scope of the cadastre should be widened to include buildings and other constructions on non-urban land (**December 2014**).

10. In order to achieve a timely realisation of the cadastre, the government will:

i. Based on existing surveys, provide maps of constructions on non-urban land (**June 2014**).

ii. Legally validate the forest maps and the coastal zone of the entire country based upon the respective maps of the EKXA delivered in 2009 (**December 2015)** Milestones will be set for the completion of particular areas.

iii. Proceed with the awarding of the seven (7) million active property rights tendered since December 2011 (**March 2014**); tender out all remaining rights (ca. 15 million). (**September 2013**). Complete the award of tenders for unfinished cadastral projects (**December 2014**).

iv. Make it compulsory to include the single cadastral code number of each parcel in tax declarations (form E9) of real estate (**July 2013**).

5.1.3 Enhancing competition and promoting better regulation

1. Following the competition assessment in sectors such as food processing, retail trade, building materials and tourism, the Government prepares the legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit (**September 2013)**.

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

3. To implement law 4048/ 2012 on regulatory governance: principles, procedures and tools of good law making, the Government issues the Presidential Decrees provided for in Art. 21 of that law, providing for the setting up of the better regulation structures (i.e., the Better Regulation Offices, the Legislative Initiative Offices of the Ministries and the Inter-ministerial Sector for Better Regulation) (**October 2013).**

4. The Government presents an annual better regulation plan (as provided for in Art. 15 of law 4048/2012) with measurable objectives to simplify legislation (including through codification) and to eliminate superfluous regulations. (**December 2013**).

5.2 Reforming the judicial system to support economic activity

To improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy, and without prejudice to the constitutional principles and the independence of justice, the Government: (i) ensures effective and timely enforcement of contracts, competition rules and judicial decisions; (ii) increases efficiency by adopting organisational changes to courts; (iii) speeds up the administration of justice by eliminating backlog of court cases and by facilitating out-of-court settlement mechanisms.

In designing and implementing the measures below, the Government consults the EC/IMF/ECB.

5.2.1 Review of the code of civil procedure

The Government commits to review the Code of Civil Procedure in accordance with the roadmap defined in section 9.3 of this Memorandum, which defines intermediate steps towards its completion by **March 2014**.

5.2.2 Judicial statistics

In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4 of this Memorandum. (**Quarterly**)

5.2.3 Tax case backlog reduction

Building on the 2012 Administrative Courts data reports and reports by the General Commission for the Administrative Courts, the Government:

1. Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts. (**July 2013**).

2. Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts (**July 2013**).

5.2.4 Non-tax case backlog reduction

1. Based on the study on the backlog of non-tax cases in courts conducted by an external body of experts, the Government prepares by **July 2013** an Action Plan with specific measures aiming at continuously reducing the number of civil and commercial cases pending in Courts. This should include short term and longer term actions.

2. The Authorities prepare by **July 2013**, draft legislation on compulsory mediation for small claims.

5.2.5 Development of e-justice applications in courts

1. The Government updates, further refines and operationalizes the e-justice Action Plan (**Continuous**, on a **quarterly basis**). Updated versions are to be submitted within 15 calendar days from the expiration of the relevant quarter.

2. The action plan will include additional actions as follows:

    i. An evaluation of the use of IT systems in courts (**March 2014**);

    ii. a timetable, including proposed deadlines, for the extension of case e-registration and e-tracking to all courts (**March 2014**).

3. Short term actions within the framework of the E-Justice Action Plan. The Government:

    a. By **September 2013,** the Government ensures the full operation (for all types of civil procedures, except of those for which this is not feasible due to jurisdictional/procedural rules/reasons i.e. payment orders, interim measures, provisional orders) of the e-filing project at the Athens Court of First Instance

b. By **December 2013,** the Government completes the pilot implementation of e-filing in the Piraeus and Thessaloniki Courts of First Instance (provided that the respective Bar Associations co-operate with the MoJ to meet the above deadline).

4. Implementation of integrated e-justice systems within the Framework of the E-justice Action Plan:

   c. **By December 2015**, the Government completes the implementation of integrated e-justice applications, enabling e-filing, e-registration and e-tracking for courts that cover the **majority** of the total in flow of cases in the country:

      i. the Magistrate Courts, Civil and Criminal Courts of First Instance & the Courts of Appeal of Athens, Piraeus, Thessaloniki & Chalkida, including the respective Prosecutors Offices

      ii. All the Administrative Courts

   d. The Government completes the extension of the above applications to the other courts (**December 2017)**.

5. The Government ensures consistency of the e-Justice action plan with the national e-government strategy. (**Continuous**)

5.2.6 Promotion of pre-trial conciliation and mediation

1. By **September 2013**, the Government conducts an assessment of whether the enactment of Law 3898/2010 on mediation in civil and commercial matters has delivered the results which the legislation intended to achieve, and presents data and analyses concerning costs, time and success rates arising from alternative dispute resolution.

2. By **December 2013**, the Government presents a legislative proposal for the effective opening of the mediator's profession to non-lawyers.

3. The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website (**Continuous**).

5.2.7 Other measures on judicial reform

1. Assessment of the Law on fair trial and conciliation (4055/2012): The Government conducts an assessment whether the enactment of Law 4055/12 has delivered the results which the legislation intended to achieve, in particular as regards civil courts, improved case processing in multi-member first instance courts, the speeding-up of the issue of provisional measures, the strengthening of the institution of 'voluntary jurisdiction' in certain matters at the level of the magistrates' courts and efficiency gains in enforcement proceedings, and as regards administrative courts, the strengthening and general application of pilot proceedings in the Council of State and the speeding-up of the issue of provisional measures. An interim assessment is presented by **July 2013**, in order to assess the Law after a six-month regular operation of the courts1, and the final assessment is presented by **January 2014**, that is after a twelve month of regular operation of the courts.

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

2. Administrative review of cases: The Government prepares, in accordance with Law 4048/2012 on better regulation, draft legislation providing for, where appropriate, a compulsory administrative review before an independent committee before a case may be brought before the administrative courts and submits it to the Greek Parliament. (**September 2013**)

3. Study on the costs of civil litigation: the Government completes a study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, together with recommendations. The study will include a table of court fees in civil and administrative courts (including magistrate courts) per court procedure and for each degree of jurisdiction, with a break down distinguishing between court fees and mandatory legal fees for lawyers, and a further break down of court fees in their different components. The table should focus on contract, land, insolvency, labour, rent, tax, attachments/seizures, injunctions, summary proceedings (**October 2013**)

4. Brief on enforcement measures: the government presents an initial brief on the current situation and on the legal framework on the enforcement framework of civil decisions, including the powers, tools, fees, and organization of enforcement agents. The brief will include references to the legislation (**December 2013**).

6 Efficient Network Industries and Services

6.1 Energy policy

Important reforms are ongoing in the energy sector. The privatisation and restructuring of PPC, the transition to the EU target model for the electricity market and the improved sustainability of the incentives for renewable energies are part of a comprehensive approach to make this sector competitive and effectively contribute to Greece's growth.

6.1.1 PPC restructuring and privatisation

Following the plan adopted by the Government in its cabinet meeting of […] the Government takes the following actions by **September 2013**:

1. Adopts legislation:

    a. To provide full ownership unbundling of ADMIE from PPC within the second quarter of 2014.

    b. To cap the maximum generation capacity that can be owned and/or operated by any power generator in Greece, following the definition of the assets of the new generation company, and taking into account the need for the new company to have at least 30% of PPC generation capacity, taking into account decommissioning and investment plans of PPC.

    c. To clear further possible legislative obstacles to the privatisation process while protecting the rights of minority shareholders.

2. Ownership by the State or by any other entity controlled by the State of any quota of ADMIE shares will be subject to the following conditions:

    a. ADMIE shares will be managed separately (i.e. by separate state entities) from those of the PPC or another energy company;

b. The privatisation strategy and targets of the Government are fully respected;

c. The process of acquiring the shares will have no tax or financial consequences for the Government that are incompatible with the objectives of the Adjustment Programme for Greece.

3. The execution of the plan will be made in strict adherence to the announced timetable, and in full agreement with the European Commission services so as to ensure consistency with the relevant EU legislation and best practice and with the current fiscal programme and financing targets (**continuous**)

6.1.2 Provisions regarding the privatisation of PPC and DESFA:

1. The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC. (**Continuous**)

6.1.3 Ensuring that electricity prices reflect costs

1. RAE ensures that electricity prices fully reflect system marginal costs at wholesale level and a retail margin allowing retail competition for all customer categories when assessing price change proposals from PPC **(continuous).**

2. In reviewing PPC's price change proposals, RAE will endeavour to eliminate currently existing cross subsidisation, such as may exist for instance for agricultural electricity consumers and for consumers connected to the low voltage grid with low consumption (**continuous**).

3. The Government assesses best practices with a view to charging royalties for the use of hydro and lignite and publishes its report. (**July 2013**)

6.1.4 Providing for a financially sustainable development of renewable energy sources

The Authorities commit to design and implement a comprehensive reform of renewable energy policies, with the support and in close cooperation with the technical assistance provided by the European Union, also taking into account proposals in Ministry's "Plan to Reform the Sector of Renewable Energy Sources (RES)" and the view of industry, to provide long-term sustainability at zero average deficits.

The Authorities monitor the evolution of the Renewable energy sector in order to stimulate its appropriate development as provided by EU policies and legislation, while ensuring sustainability of incentives and security of the network. In this view, the Authorities:

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

2. Complete by **September 2013** the negotiations with the industry for introducing permanent adjustments to existing power purchasing contracts, in particular for PV installations, with a view to align rates of return to sustainable EU average levels, considering Greek-specific conditions. The results of the negotiations will have to provide the financial sustainability of the RES account to avoid an extension of the "special solidarity contribution", without putting an excessive burden on consumers.

3. Ensure that measures taken to ensure the financial sustainability of the RES special account do not endanger the economic viability of existing projects and that measures aimed at reducing excessive windfall profits (special solidarity contribution or negotiated Purchasing Power Agreement (PPA) payments) are only taken in cases where tariffs had not been previously adjusted to competitive levels already (**continuous**).

4. Ensure that LAGIE, RAE, and the Ministry of Energy, publish monthly data on the evolution of the RES account with rolling projections over the following 24 months from the date of publication. (**Monthly/continuous**) These projections will have to provide a baseline and a normative scenario to bring the debt down to zero by end-2014 and support policy choices after 2014.

5. To ensure the financial sustainability of the RES account, and ensure that no excessive burdens are put on consumers, introduces constraints that will cap the newly-installed RES capacity receiving incentives, effective 1st of January 2014.

6. Following the entry in operation of the electronic registry of RES installations, the Government ensures the monthly publication of a report, detailed by source, on the state of existing installations (installed power and production). The report also includes data on the evolution of the licensing and installation process for forthcoming new plants. (**September 2013, continuous)**

7. The Government modifies (**September 2013)** Ministerial Decision **ΥΑΠΕ/Φ1/οικ. 24840 (ΦΕΚ 1900/Β'/03.12.2010)** to allow the inclusion of PV rooftop plants in the registry **(October 2013)**.

6.1.5 Liquidity and arrears in the energy sector

1. With a view to a complete clearing of existing arrears in the energy markets, the Ministry of Energy, in close cooperation with ADMIE and LAGIE, will communicate to the EC, the ECB and the IMF the detailed gross debt and credit positions of all participants in such market on a monthly basis, starting from June 2013 (**continuous**).

2. The Ministry of Energy, in close cooperation with RAE, will promote, and facilitate through intermediation, the clearing of existing obligations among energy market participants, while encouraging them for a fair sharing of the outstanding debt (**continuous**).

3. RAE implements and monitors adequate regulatory provisions for netting of credit and debt positions by all actors in the energy markets, including, inter alia, terms for clearance of debts and payment of interest and penalties in line with Directive 2011/7/EU on late payments, and Regulatory provisions will have to ensure equal treatment for all participants, avoiding any distortion or unjustified advantage coming from the belonging to vertically integrated companies (**June 2013 - continuous**).

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

1. Based on the plan for the transitional reform of the electricity market adopted by the Government and RAE in consultation with the European Commission the Government and RAE implement the following actions:

   a. Following the removal of the 10% margin, provide a timeline for the full phasing out of the 30% rule in view of the establishment of a proper mechanism for the scheduling of power producing units. (**September 2013**). In order to incentivise user of the 30%

rule to seek alternative destinations for gas, full recovery of variable costs should not be allowed after (**March 2014**).

b. Calibrate the procurement of reserve capacity volumes of by type (warm, cold reserves) in line with the reserve requirements as established by ADMIE (**September 2013**).

c. Review capacity payment mechanisms with a view to incentivise the retirement of power plants that have reached the end of their economic life (**September 2013**). The revised capacity mechanism(s) will be in line with EU law, including forthcoming revisions of guidelines in this field.

2. Finalize the structure and the parameters of the auctions of NOME-type products, limiting the participation in auctions to generators and suppliers (**September 2013**).

6.1.7 Fuel market

The Government will:

1. Make operational a system for the storage of fuel reserves based, alternatively, on a non-profit independent organisation or on regulated third-party access to existing facilities; and allow the national network to use storage capacity of other EU countries in compliance with EU regulation 119/2009. (**July 2013**) Repeal minimum duration of one year for contracts on storage facilities' use by third parties. (**September 2013**)

2. Introduce a compulsory requirement for refineries to transmit to the Ministry and the regulator monthly data on storage and other cost components charged to domestic and international customers. (**July 2013**)

3. To remove regulatory restrictions that hinder competition in the *wholesale* fuel sector, the Government, as per Opinion no. 29/VII/2012 of the Hellenic Competition Commission:
   i. assesses minimum capital requirements and adjusts them downwards in accordance with best practices and taking into account the relevant Opinion of the Hellenic Competition Commission (**July 2013**);
   ii. mandates the conclusion of written contracts between fuel wholesalers and retailers, including the obligation to state the duration of the discounts offered on the payment documents (**July 2013**);
   iii. provides in legislation for the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain; new legislation to be put into force (**July 2013**);
   iv. removes the restriction that a wholesaler's storage facility needs to be accessible by either the sea, railway network, or through a refinery(**July 2013**);
   v. abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them. (**July 2013**)

4. To enhance competition in the *retail* fuel sector, as per the same opinion of the Hellenic Competition Commission:

i. mandates gas stations to state the price and quantity of liquid fuel on all receipts issued by **March 2014** (Athens-Thessaloniki **August 2013**, other urban areas by September, remaining March 2014) ;

ii. completes the installation of inflow-outflow systems by **March 2014** (Athens-Thessaloniki **August 2013**, other urban areas by September, remaining March 2014)

iii. abolishes the possibility to impose a minimum price on the sale of fuels to consumers. (**July 2013**)

6.2 Electronic communications

The switch-over from analogue to digital TV technology will release a significant amount of high quality radio spectrum which will be free for the deployment of new services and new technologies. This 'digital dividend' can boost both the broadcasting sector and the wireless communication industry, make a major impact on competitiveness and growth, and provide a wide range of social benefits. The items below provide a roadmap for the release of the digital dividend in Greece.

1. **Regarding the release of Digital Dividend, the Government (and/or EETT) undertakes to:**

   i. Adopt necessary secondary legislation for the establishment of licensing procedures for the DTT broadcasting network providers (**September 2013**)

   ii. resolve cross-border coordination issues with neighbouring countries, if any. If difficulties on international coordination make this date unfeasible, the frequency and broadcasting plans might indicate alternative channels for re-location of broadcasters, while continuing negotiations with third countries in view of the final assignment of frequencies to broadcasters and mobile operators. (**Continuous**)

   iii. launch the tender for the assignment of rights of use for DTT broadcasting transmission (**September 2013**)

   iv. launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services, in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. **(March 2014)** *(*)*

   v. launch the tender procedure for the assignment of frequencies of the digital dividend, allocating and authorising the use of the digital dividend (800 MHz band) to Electronic Communications Services in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. (**October 2014**). The obligation to ensure the 800 MHz band can actually be used for electronic communications other than broadcasting from 1 November 2014 *(*)*

(*) The deadlines for steps (iv) and (v) might be amended according to the Decision of the European Commission on the request for derogation from the deadline provided by Art. 6.4 of the Radio Spectrum Policy Programme submitted by the Greek Government on 15 May 2012.

6.3 Transport

The opening of the road haulage and occasional passenger transport is completed. Therefore, priorities now shift to measures that will help promote tourism and investment, particularly with respect to road (limousines and shuttle services), maritime and port activities (domestic ferry and port services) and aviation. Specific actions are expected to lead to the reduction of operating costs of service providers, while increasing consumers' choice. The gradual restructuring of railways should also lead to its effective privatisation.

6.3.1 Transport strategy

1. The Authorities develop a comprehensive framework for transport investment which supports infrastructure development and tackles strategically key road, rail, port and airport infrastructure networks in order to improve connectivity to core networks, enhancing the country's possibilities as an international logistics hub. (**June 2014**)

6.3.2 Road

1. Having completed the report on the functioning of the regular passenger services and the follow up strategy for the effective opening of the sector, the Government approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators **(July 2013).**

6.3.3 Aviation

1. Having submitted the National Airport Policy strategy, the Privatisation Fund (HRADF) carries out the appropriate process leading to the privatisation of regional airports. Any State Aid issues must be clarified. The concession agreements must take into account the current best practices, including capping levels for airport charges and imposed taxes, facilitating investment approval, and allowing for transparent and swift dispute resolution mechanisms (**Continuous**).

2. The Government ensures full implementation of EU Regulation (EU 691/2010) referring to the performance of air traffic management (**Continuous**). The Government takes full advantage of the assistance offered by the Network Manager in delivery of the additional capacity for the first Reference Period as required by Regulation (EU) 691/2010, and in looking forward to the second Reference Period of the Performance scheme as enabled in regulation (EU) 390/2013.

3. The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, and able to carry out its functions (**December 2013**). To this end the Government submits all necessary draft legislation (**June 2013**), adopts legislation (**September 2013)** and fully implements the relative legislation by **December 2013**.

6.3.4 Railways

1. The Government implements the spin-off of ROSCO (Maintenance Unit), GAIAOSE (Real Estate), and the transfer of the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan (**July 2013**).

2. The function of award authority for public service contracts for rail passenger transport according to Regulation 1370/2007/EU, is integrated into the new authority for contracting land passenger (both intercity bus and rail) services. The new legislation:
   i. Is adopted by **July 2013** and,
   ii. fully implemented by **December 2013**.

3. The renewal of the current public service contract for rail passenger transport is to be completed by direct award by end April 2014 and should have a maximum duration of five years. Public service contracts concluded subsequently will be awarded by means of

competitive tender. The rent contracts concerning all rolling stock, employed in every public service contract are synchronized both in terms of their duration and to allow for any reallocation of rolling stock as it may become necessary when amending these public service contracts. (**continuous**). The rent contract between TRAINOSE and the State will be initially synchronized with the 5 year PSO contract including one additional renewal option of five year maximum duration. Contracts will be awarded at market prices.

4. The State adopts legislation to allow the rail regulatory authority RAS to exert its right of imposing fines, notably (1) amending law L3891/2010 granting RAS the right to perform hearings, (2) granting RAS the right of adopting a hearing regulation and (3) granting RAS the right to adopt and publish in the Official Gazette regulatory acts and decisions on all matters of its competence. To this end, the Government;
    - iii. submits draft legislation by **May 2013** and
    - iv. adopts it by **July 2013**.

5. The function of safety authority is transferred to an independent authority. (**July 2013**).

6. The HRADF launches tender procedure for Trainose (**July 2013**).

6.3.5 Maritime Activities and Ports

The Government:

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

2. The HRADF launches the appropriate call(s) for tender for ports (through concessions of individual terminals or through the sale of shares in the "master concessions" port companies) (**September 2013**). The sustainability of the financing of those Port Authorities of the twelve major ports to be privatised by selling concessions in profitable activities should be ensured (**continuous**).

6.4 The Retail Sector

On retail, the selected measures aim at allowing a wider class of goods to be sold by more efficient retailers, and reduce their operating costs. Measures not only look into retail specific regulations (such as rules on pricing, sales and labelling) but also, into the rules on licensing applicable to retail outlets. Combined, the measures should help contribute to lower prices and more choice for consumers.

The Government:

1. Adopts a Ministerial Decision repealing Market Regulation 7/2009, following the results of the notification procedure provided for in Directive 98/34 one month after the end of the standstill period (**July 2013**).

2. Reviews and amends the Market Policing Code (Law 136 /1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012. In addition, this should include (i) removal of restrictions in order to permit more freely discounts, promotions, and offers outside and during sale periods, more sales periods combined with more flexibility in the duration of the sales, (ii) increased

flexibility in retailers' opening hours by, inter alia, giving all shops the option to remain open at least seven Sundays per year, especially during holiday seasons. Trading on Sundays is likely to increase retail activity and competition and boost growth and employment, especially in small and medium enterprises (**July 2013**).

3. Reviews and simplifies the licensing procedure for the establishment and operation of retail outlets. This exercise should lead to a significant reduction in the number of authorisations requested by the public administration for the opening and operation of shops, which should be replaced, if needed, by less demanding instruments such as declarations or notifications. The results and recommendations of the review are presented in **July 2013**, and adopted before **December 2013**.

4. To enhance competition in the market for over-the-counter (OTC) products, allows the sales of selected products (e.g., vitamins) in other points than pharmacies **(September 2013**).

6.5 Regulated professions, professional qualifications and provision of services

1. For professions and economic activities included in Section 9.2, the Government adopts legislation amending sector specific legislation as per the opinions of the Hellenic Competition Commission and other requirements. The pending legislation is fully adopted by **September 2013.**

2. A report on the implementation of Law 3919/2011 is published on the Government's website (**July 2013**). The report:
   i. Summarises the list of all professions/economic activities falling under the scope of that law and the restrictions and formalities eliminated as per Arts. 2 and 3 of the same law;
   ii. Specifies whether the access to and exercise of a regulated profession or economic activity is subject to an authorisation procedure, to a declaration or to the holding of a professional identity card;
   iii. Specifies whether access to a profession or economic activity requires the registration in a professional association and or to a professional registry;
   iv. Specifies whether the exercise of the profession is conditional on the periodic renewal of authorisations.

3. To assess the proportionality and justification of **activities reserved** to specific regulated professions, the Government:
   i. Organises a mutual evaluation exercise, whereby representatives of the engineer, architect, geologist and land surveyor professions assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. The assessment excludes the requirements applicable to their own profession (**July 2013**).
   ii. Presents a proposal specifying the activities with an exclusive and/or shared reserve for the different types of engineer, architect, geologist and land surveyor professions for an opinion to the Hellenic Competition Commission. (**September 2013**).
   iii. Following the opinion of the Hellenic Competition Commission, submit draft legislation to Parliament amending unjustified or disproportionate requirements reserving certain activities to specific professions (**December 2013**).

6.5.1 Additional measures

1. A draft code revising Legislative Decree 3026/1954 is adopted by **July 2013**. The new code should, among others:
   i. Ease the re-entry into the legal profession;
   ii. Repeal age limits to take the Bar examinations
   iii. Abolish total bans on commercial communications;
   iv. Provide for licenses of unlimited duration;
   v. Remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry;
   vi. Clarify the nature of lawyers' fees provided for in current legislation. Fees are freely determined through a written agreement between lawyers and clients. In case there is no written agreement for court appearances, the fees shall be determined through reference fees;
   vii. Eliminate any kind of minimum wages for salaried lawyers working in the private sector.

2. The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific 'reference amount' (**July 2013)**.
3. It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts (**July 2013**).
4. To confirm progress in the area of regulated professions, the Government:
   i. Completes a study of the 20 largest professions examining the degree to which they have been liberalized, including results with respect to new entrants and price changes (**July 2013**).
   ii. Conducts an in-depth follow-up review of the reforms of regulated professions, including interviews and surveys of stakeholders, with the support of outside experts (**December 2013**).
   iii. In consultation with the EC/ECB/IMF staff, develops a list of high-frequency indicators to assess on an ongoing basis the impact of reforms in this area, and publish these indicators on a regular basis to strengthen public accountability (**October 2013**).
5. The Government reviews the recent reforms on the regulation of temporary employment agencies and on that basis fine tunes the scope of temporary employment agencies and reduces barriers to entry into this market by **December 2013**.

6.5.2 Easing the recognition of professional qualifications

Measures are taken to ensure the effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings. In particular, the Government:

1. Continues to update the information on the number of pending applications for the recognition of professional qualifications, and sends it to the European Commission. (**Quarterly**)

2. Ensures the implementation of PD 38/2010 (as amended by law 4093/2012) and the recognition of qualifications derived from franchised degrees from other Member States to access to or exercise of an economic activity and to ensure that holders of franchised degrees from other Member States have the right to work in Greece under the same conditions as holders of Greek diplomas. (**Continuous**)

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

The Government:

1. Amends the joint ministerial decision 25209/2011 in order to include also the submission of applications and documents by electronic signature **(July 2013)**.

2. Ensures that there is adequate connection between the PSC and other relevant authorities (including one-stop shops, professional associations and the recognition of professional qualifications) and launches the submission of on-line applications as regards the recognition of professional qualifications on a pilot basis to verify technical feasibility (**September 2013)**.

3. Ensures that the submission of on-line applications as regards the recognition of professional qualifications is fully operational (**December 2013)**.

7 Increasing the impact of structural and cohesion funds

1. The Government meets targets for payment claims in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data.

Targets for **payment claims** in the absorption of Structural and Cohesion Funds (programming period 2007-2013) to be submitted in 2013
(EUR million)

	2013
European Regional Development Fund (ERDF) and Cohesion Fund	3,000
European Social Fund (ESF)	890
Target of first half of the year	1,284
Target of second half of the year	2,606
Total annual target	3,890

2. The Government submits complete applications for all remaining major projects for which a Commission decision under Article 41 of Regulation (EC) No 1083/2006 has to be adopted. (December 2013). Out of these applications, at least 4 applications **by September 2013** and the remaining **by December 2013**.

3. In deciding the "Public Investment Budget" allocation, the Government ensures that the necessary national contribution remains available in order to complete the unfinished ERDF, ESF and Cohesion Fund projects of the 2000-2006 programming period and to cover the required national contribution including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period (**Ongoing**).

4. The Government takes measures in order to accelerate the implementation of the projects which should be completed by December 2015, especially in particular those which are critical for the development of the country — as the functional review of the public administration, the "Elenxis" project for the tax control services, the land register, the solid waste management infrastructures, the railway projects, the e-prescription, the e procurement, the development of a social economy sector and the national registry. On top of the 24 priority projects, already finished and the 2 priority projects cancelled, the Government takes measures in order to ensure completion of 27 priority projects by end 2013, of 20 priority projects by end 2014 and of 70 priority projects by end 2015. The Greek Authorities take necessary measures to limit the number of the priority projects that will be phased.

5. Within the review of the public procurement regulations standardised tendering documents per category of works are set up in view to simplify procedures on contract awarding. (**September 2013**)

6. The monitoring tool for expropriations is completed and operational and the data are made accessible to the public. (**July 2013**)

7. The Government consolidates the simplification initiative by reviewing the "implementation trail" and the mapping of competences of the involved entities, permits and deadlines needed for the implementation of the main categories of projects supported by the Structural Funds and the Cohesion fund (e.g. transport, waste management, social infrastructure, entrepreneurship, ICT). It lifts the unnecessary steps, simplifies the implementation processes and sets reasonable deadlines. In particular, the Government establishes an alternative to the function of "ypologos" procedure for the EU co-funded projects and establishes the electronic payment (**September 2013**). The ypologos should be abolished by December 2013. Periodically and until the end of the programming period 2007-2013, it reviews the "sleeping" projects, un-activated delegations and "sleeping" contracts and informs the Commission on those eliminated.

8. The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund (**September 2013**).

9. The Government reports the Commission monthly on the progress of the Financial Engineering Instruments. If necessary and where appropriate, it proposes a rationalisation of the current allocations and instruments. **(September 2013)**

10. The Government establishes an efficient inter-service consultation procedure for the EU co-financed projects supported by an electronic system. An integrated project will be fully operational for the EU co-financed projects by end of 2013 **(December 2013).**

8 Monitoring

8.1 Statistics

1. Government will fully honour the Commitment on Confidence in Statistics signed in February 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility. (**continuous**)

2. Legal amendment will be introduced to ensure that ELSTAT will have access to the tax information (including tax registration number), at individual level, of legal entities under private law, associations of individuals and natural persons, notwithstanding tax confidentiality, so that it can carry out its statistical work for the production of official statistics, as it is provided for in Law 3832/2010 as in force, and is specifically set out in the Regulation on Statistical Obligations, while at the same time ELSTAT safeguards the confidentially of personal records. (**July 2013**)

3. Government respects the independence of ELSTAT in carrying its tasks and providing high quality statistics. In this regard it fully respects the financial independence of ELSTAT, and provides all the necessary resources in a timely manner, as approved in the annual budget of ELSTAT, for the agency to complete uninterrupted its tasks. In this respect, Government cannot invoke art. 1 of Legal Act of 18/11/2012 and the Ministerial Decree 2/91674 of 201/12/2012, while, at the same time, ELSTAT provides to the Hellenic Parliament information for monitoring the execution of its budget as provided for in the Regulation of the Parliament (Article 31A) and the Statistical Law of Greece (Article 16). (**continuous**)

4. Government will facilitate ELSTAT to complete, as soon as possible, the acquisition of qualified staff under way for staffing essential positions in its central office, as well as receive additional qualified staff through transfers from other Government entities for addressing urgent staffing needs in prefecture offices and the central office, as reflected in the Medium term plan of ELSTAT submitted in the context of the preparation of the MTFS preparation and incorporated in the latter. (**September 2013**)

9 Annexes

9.1 Privatisation plan and intermediate steps

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

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

Source: HRADF update on projects under development.

1/ ESCHADA = zoning and land planning permit.

9.2 Regulated professions: regulated professions / economic activities whose regulatory framework needs to be adjusted to applicable opinions of the Hellenic Competition Commission and other requirements

1. **Selling and production of reproductive material for agricultural plant species and selling of plant-protecting material, fertilizers, and pesticides**: Adopt implementing legislation that (i) abolish minimum square requirements and (ii) introduces a 3-month period for administration to issue license, after which professionals are free to operate; and adopt legislation that (i) allow sales by individuals with adequate training without the mandatory presence of scientists and (ii) define training standards (*cfr*. HCC opinion no. 19/VI/2012) (**July 2013**).
2. **Chartered valuers**: Ament Law 4152/2013 to (i) set up certification from the Ministry of Finance and establish procedures for state examination (**July 2013**) and (ii) abolish the requirement for applicants to provide academic qualifications on top of certification for registration (**September 2013**).
3. **Geo-technician**: Issue secondary legislation to abolish administrative license and mandatory issuance of professional IDs (from the Geo-Technical Chamber) (**August 2013**).

9.3 Agreed roadmap between the Greek Ministry of Justice and the EC/IMF/ECB for the review of the code of Civil Procedure

9.3.1 Code of civil procedure

1. The Task Force for the review of the Code of Civil Procedure presents an initial draft of the Code at the earliest possible date following the completion of the third review of the economic adjustment programme. By mid-September 2013, the draft Code of Civil Procedure is presented by the Task Force to the Authorities. Within 15 days, by end September 2013, the draft Code of Civil Procedure is presented to the EC/IMF/ECB for comments.
2. On the basis of the above cooperation, the Task Force presents to the Authorities, **by November 2013**, a revised version of the draft Code of Civil Procedure. The Authorities carry out a broad public consultation, including EC/IMF/ECB, on the draft law bringing the Code of Civil Procedure in line with international best practice.
3. The Authorities submit the final draft Code to the Hellenic Parliament (**March 2014)**.

9.4 *Statistics to be published by the Ministry of Justice*

1. Every quarter, for civil and administrative first instance court, court of appeal as well as the Supreme Court and the Council of State) tables published will provide for:
    - the number of judges and administrative staff[2],
    - the stock of cases at the beginning of the period,
    - the inflow of cases registered during the period,
    - The outflow of cases closed during the period[3]
    - the stock of cases at the end of the period.

    The tables will also include the following data:

    i. For the tax and customs cases, the data will also include the inflow of the new cases with a breakdown above and under 150 000 euros.

    ii. For civil and commercial courts, the data for stock and flows of cases will also show the corporate insolvency cases.

    iii. For administrative Justice, specific data, provided in another table, will include a breakdown by year of registration of the stock of cases for which no hearing date has been fixed yet. This will be provided for beginning and for end period. The table will also show the total number of cases with a hearing date.

2. For some of the most relevant courts, defined in agreement with EC, IMF and ECB, the Ministry of Justice will also publish by quarter, or by semester or year if so agreed by EC-IMF/ECB:

    i. The stock of cases (both at beginning and at end period), with a breakdown by year of registration.

    ii. for civil and commercial Justice, more detailed information on corporate insolvency cases including:
        - a more detailed breakdown by value[4], defined in agreement with EC, IMF and ECB,
        - a more detailed breakdown by sector (e.g., agriculture, construction, manufacturing, and services), defined in agreement with EC, IMF and ECB,

3. Ministry of Justice and General Secretariat for public revenue:

---

[2] At the end of the period.

[3] A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

[4] "Value" of the case could correspond to the value of the liabilities of bankruptcy, as this appears after the 3-months period of the submission of announcements by the debtors has expired.

i. The General Secretariat for public revenue will conduct and publish by September 2013 one study based on small but random sample, in order to gather information on recovery rate for tax and customs cases.
ii. The Ministry of Justice will try and propose a method to get relevant information on recovery rates for corporate insolvency cases.

4. When the IT system will be fully in place, the Ministry of Justice will publish:

i. Tables showing:

- the number of judges and administrative staff5,
- the stock of cases at the beginning of the period,
- the inflow of cases registered during the period,
- The outflow of cases closed during the period6,
- the stock of cases at the end of the period.

ii. The stock of cases at beginning and at end period will be broken down by year of registration,
iii. The stock of cases at beginning and at end period and the flow of cases will be broken down by categories of litigations,
iv. The average duration of the outflow cases during the period.

[5] At the end of the period.

[6] A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

9.5 Provision of Data

During the programme, the following data shall be made available to the European Commission, the ECB and the IMF staff on a regular basis.

These data should be sent to the following e-mail address:

ecfin-greece-data@ec.europa.eu

This address should also be used for the transmission of other data and reports related to the monitoring of the programme.

To be provided by the Ministry of Finance	
Preliminary monthly data on the state budget execution (including breakdown by main categories of revenue and expenditure and by line ministry). *(Data compiled by the Ministry of Finance)*	Monthly, 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.
Final monthly state budget execution, including breakdown by main categories of revenue and expenditure and by line ministry. *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month.
Monthly data on staff: number of employees, entries, exits, transfers among Government entities; and from and into the mobility and exit scheme, per entity, average wage(including the relative shares of the base wage, allowances and bonuses).. *(Data compiled by Ministries of Administrative Reform and E-Governance and of Finance)*	Monthly, 30 days after the end of each month.
Monthly above the line cash data on general Government entities other than the state. *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision.

See 2 cells up	
Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered. *(Data compiled by the Ministry of Finance)*	Weekly on Friday, reporting on the previous Thursday.
Data on below-the-line financing for the general	Monthly, no later than

Government. *(Data compiled by the Ministry of Finance)*	15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.
Data on expenditure pending payment and clearance (including arrears) of the general Government, including the State, local Government, social security, hospitals and legal entities. *(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)*	Monthly, within 30 days after the end of each month.
Data on use of international assistance loans split among following categories: Financial stability fund, segregated account, debt redemption, interest payments, other fiscal needs, building of cash buffer; per quarter and cumulative	Quarterly, by the end of each quarter.
Data on public debt and new guarantees issued by the general Government to public enterprises and the private sector. 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.
Monthly execution of SOEs and EBFs financial results and the quarterly targets for the monitoring of the corrective mechanisms *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month.

To be provided by the Bank of Greece

Assets and liabilities of the Bank of Greece.	Weekly, next working day.
Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions.	Monthly, 30 days after the end of each month.
Evolution of the external funding provided by Greek banks to their subsidiaries abroad.	Monthly, 15 days after the end of each month.
Report on banking sector liquidity situation.	Weekly, next working day.
Report on the evolution of financial stability indicators.	Quarterly, 30 days after the publication data of each quarter.
Report on NPLs, restructured loans and write-offs on a 30, 60, 90 and 180 days basis.	Quarterly.
Weighted average of Loan-to-value (LTV) ratio for new loans with real estate collateral	Yearly.

To be provided by the Hellenic Financial Stability Fund

Detailed report on the balance sheet of the Hellenic Financial Stability Fund with indication and explanation of changes in the accounts.	Monthly.

Abbreviations

ASEP	Supreme Council for Staff Selection
ADMIE	Independent Power transmission operator
CPB	Central Purchasing Bodies
DEPA	Public Gas Corporation
DOY	
DRG	Diagnostic-Related Group
DSO	Distribution System Operator
EBFs	Extra budgetary Funds
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EETT	Hellenic Telecommunications and Post Commission
EFSF	European Financial Stability Facility
EKDAA	National Centre for Public Administration and Local Government
EKEVYL	National Centre for Medical Technology
ELENXIS	
ELSTAT	Hellenic Statistical Authority
EOF	National Organisation for Medicines
EOPYY	National Organisation for the provision of Health services
EPY	Health Procurement Commission
ERDF	European Regional Development Fund
ERP	Enterprise Resource Planning
ESA	European System of Accounts
ESF	European Social Fund
ESY	National Health System
ETEA	
EU	European Union
GAIA OSE	Real estate agency
GAO	General Accounting office
GDFS	
GDP	Gross Domestic Product
GEMI	General Commercial Registry
GSIS	General Secretariat for Information Systems
HCA	
HCAA	Hellenic Civil Aviation Authority
HFSF	Hellenic Financial Stability Fund
HRADF	Hellenic Republic Asset Development Fund
HSCA	Hellenic Slot Coordinator Authority
HWI-HISE	High Wealth Individual and High Income Self Employed
ICD – 10	International Classifications of Diseases
IDIKA	E-governance of social insurance
IMF	International Monetary Fund
JMD	Joint Ministerial Decision
KEN-DRGs	Diagnosis Related Groups
KPI	Key performance indicators
KTEL	Joint Fund for Bus Receipts
LAGIE	Operator of electricity market

LG	Local Government
LNG	Liquefied Natural Gas
LTU	Large Tax Payers Unit
LTV	Loan-to-value
MAREG	Ministry of Administrative reform and Electronic governance
MD	Ministerial Decision
MEFP	Memorandum of Economic and Financial Policies
MIS	
MTFS	Medium-Term Fiscal Strategy
NHS	National Health System
NPL	Non-performing loans
OASA	Athens Urban Transport Organisation
OECD	Organisation for Economic Cooperation and Development
OGA	Agricultural Insurance Organisation
OSE	Railway Organisation of Greece
OTC	Over - the – counter
OTE	Hellenic Telecommunication Company
PIB	Public investment budget
PPC	Public Power Corporation
PSC	Point of Single Contact
QV	
RAE	Regulatory Authority for Energy
RAS	Regulatory Authority for Railways
ROSCO	Rolling Stock & Railroad Maintenance business unit
RSPP	Radio Spectrum Policy Programme
SDOE	Corps for the Prosecution of Financial Crimes
SOE	State Owned Enterprises
SPA	Single Payment Authority
SPC	
SPPA	Single Public Procurement Authority
SSC	Social security contributions
SSF	Social Security Funds
TAP	trans-Adriatic pipeline
TAXIS	
TEN-T	Trans European Transport network
TSO	Transmission System Operator
WHO	World Health Organisation

Statement by the Staff Representative on Greece
July 29, 2013

1. **The authorities have completed nearly all the prior actions, and are expected to complete the one on public administration by the time of the Board meeting** (Table 1).

- On public administration reform, the authorities passed legislation (the omnibus bill that took effect on July 23, 2013) to place ordinary employees in the mobility scheme. But the legislation has fallen short of placing at least 4,200 employees in the mobility scheme in July, owing to significant eligibility exemptions. The authorities are taking corrective steps and plan to restrict the exemptions through an amendment on July 25, 2013. Once this amendment is approved and published, staff expects this prior action will have been met, as the authorities estimate that it would result in at least 4,200 employees being placed in the scheme. Confirmation of the precise number will take the process into August. Wages of these employees will be reduced to 75 percent, effective retroactively to the date of passage of the omnibus bill.

- On privatization and specifically the water tariff policy component, European Commission experts in this field were satisfied with the broader progress in this area, but recognized that more time is needed. On this basis, staff considers that satisfactory action has been taken to recommend completion of the review. The authorities agreed on a policy framework for water tariffs, but did not issue the detailed five-year water tariff policy as specified in the prior action (to separate regulatory issues from negotiations of privatization), indicating that they need until August to complete the necessary technical work.

2. **All but one of the key performance indicators in tax administration for end-June (structural benchmarks) were missed** (Table 2). The main gaps relate to the collection of old debts and the number of completed "full-scope" audits for large taxpayers and high wealth individuals. Such shortfalls were fully anticipated at the time of the mission, based on information available at that time. As noted in the MEFP (paragraph 18), the authorities are taking corrective actions to bring performance back on track.

3. **The authorities reduced the VAT rate on restaurants and catering**, effective between August 1 and December 31 of this year, from 23 to 13 percent (and from 16 to 9 percent on islands). The fiscal impact is estimated at about €130 million, which the authorities intend to offset by reducing military expenditures by €100 million and other savings. Staff had advised against this reduction for, among other reasons, the limited fiscal space and the need to focus efforts on other more efficient fiscal means of supporting the economy such as reducing the high tax wedge on payroll. However, staff acquiesced since the authorities' accompanying measures made the reduction consistent with achieving the program's fiscal target for 2013 and given its temporary nature.

4. **Data releases and developments since the issuance of the Staff Report do not affect the thrust of the staff appraisal.**

Table 1. Greece: Prior Actions for the Fourth Review

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

Source: IMF staff.

Table 2. Key Performance Indicators on Tax Administration

Indicator	End-June, 2013 1/	
	Actual	Target
Debt collection		
Collection of tax debts as of the end of the previous year	847	1140
Collection of new debts in the current year (percent of new debt in the year)	13.2%	14.0%
Tax audits and collection of large tax payers		
Number of risk-based full scope audits in the year	118	176
Number of risk based temporary audits in the year	273	260
Of which : field audits		
Collection full scope audits in the year (percent of assessed tax and penalties)	31.9%	65.0%
Collection temporary audits in the year (percent of assessed tax and penalties)	41.9%	45.0%
Audits and collection of high wealth individuals		
Number of completed risk-based audits in the year	227	280
Collection of assessed audits in the year (percent of assessed tax and penalties)	34.5%	40.0%
Internal control and human resource integrity 2/		
MoF audit of assets of managers of local tax offices	0	50
MoF audit of assets of auditors	0	50

Sources: Ministry of Finance; and IMF staff.

1/ Cumulative from January 2013.

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

INTERNATIONAL MONETARY FUND

COM COMMUNICATIONS DEPARTMENT

Press Release No.13/280
FOR IMMEDIATE RELEASE
July 29, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes Fourth Review Under Extended Fund Facility Arrangement for Greece, Approves €1.72 Billion Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Greece's performance under an economic program supported by an Extended Fund Facility (EFF) arrangement. The completion of this review enables the disbursement of SDR 1.51 billion (about €1.72 billion, or US$2.29 billion), which would bring total disbursements under the arrangement to SDR 7.21 billion (about €8.24 billion, or US$10.94 billion).

In completing the review, the Executive Board also approved a waiver of applicability of three end-June performance criteria on which data are not yet available—the overall stock of government debt, government domestic arrears, and the general government balance—as well as the modification of the end-September performance criterion on privatization receipts.

The EFF arrangement, which was approved on March 15, 2012 (see Press Release No. 12/85), is part of a joint package of financing with euro area member states amounting to about €173 billion over four years. It entails exceptional access to IMF resources equivalent to about 2,159 percent of Greece's quota.

Following the Executive Board discussion, Ms. Christine Lagarde, IMF Managing Director and Chair, said:

"The Greek authorities have continued to make commendable progress in reducing fiscal and external imbalances. However, progress on institutional and structural reforms, in the public sector and beyond, has still not been commensurate with the problems facing Greece. Greater reform efforts remain key to an economic recovery and lasting growth.

"The authorities are taking corrective actions to meet the ambitious target of a zero primary balance in 2013. Deeper public sector reforms are critical to complete the necessary fiscal adjustment going forward with broad public support. Progress in modernizing revenue administration continues to fall short of what is required, and more needs to be done to strengthen its autonomy and operational efficiency. It is also important to prepare adequately for, and implement successfully, the income tax reform while putting in place a property tax that achieves the revenue target. It will be critical to avoid tax policy changes that undermine revenues. Given the slow progress in public administration reforms, efforts should focus on ensuring exit of unqualified personnel to create room to hire new staff with the relevant skills.

"Broader structural reforms must be accelerated to boost productivity and growth. And urgent steps need to be taken to address concerns about the structure and governance of the privatization program and to improve its effectiveness.

"Considerable progress has been made in safeguarding financial stability, notably through the recapitalization of the core banks and the sale of bridge banks. Key challenges going forward include cleaning up balance sheets, ensuring strong governance structures, and rapidly re-privatizing the remaining state-owned bank.

"Public debt is projected to remain high well into the next decade. The assurances from Greece's European partners that they will consider further measures and assistance, if necessary, to reduce debt to substantially below 110 percent of GDP by 2022, conditional on Greece's full implementation of all conditions contained in the program, are welcome. Their continued commitment to provide adequate financial support to Greece during the life of the program and beyond until the country has regained market assess, provided that Greece complies fully with the program, remains essential," Ms. Lagarde said.

Statement by Thanos Catsambas, Alternate Executive Director for Greece
July 29, 2013

Mr. Catsambas submitted the following statement:

A. Political Developments

1. Since the last Board meeting on May 31st, the government of Prime Minister Samaras was reorganized on the basis of two coalition parties: New Democracy as the main party and PASOK (the traditional socialist party) as the junior partner. The reshuffling of the cabinet included the appointment of two new ministers in the key posts of Administrative Reform and Health, which bodes well for a more cohesive decision-making in the reform of public administration and health services. These two areas were among the focus of the latest review of the program.

B. General Outlook and Market Sentiments

2. The Fund-supported adjustment program has entered the fourth year of implementation and is proceeding at a steady, if slower than expected in some areas, pace. The reforms are going deeper and deeper and are touching upon broad sections of the Greek society—not just macroeconomic policy, but also public administration, labor market, product market, pensions and social benefits, justice, education and health. Many of them continue to require shared sacrifices by the Greek people, but Prime Minister Samaras and Finance Minister Stournaras have consistently declared their intention to proceed towards the modernization of the Greek economy, as evidenced by the recent bold step to overhaul overnight the Greek Public Broadcasting Company, thus breaking the taboo against dismissals of public sector employees.

3. Confidence is returning. The Economic Sentiment Indicator, at 93.5 in June, is at a level not seen since September 2008. The Purchasing Managers Index for June, at 45.4, also improved for the third consecutive month and is on a 24-month high, in reflection of a more moderate slowdown in new orders and employment. Improved market sentiment is also visible in the significant decline of bond yield spreads; spreads of 10-year Greek government bonds vis-à-vis bunds now stand at around 950 bps, down from over 3000 bps a year ago.

C. Macroeconomic Framework and Structural Reforms: Main Issues and Achievements

4. The economic outlook remains largely unchanged from the previous review and no contractionary measures are foreseen for the remainder of the calendar year. In fact, on July 17, the government announced a temporary reduction in the VAT rate on restaurants and catering from 23 percent to 13 percent. This measure, which will be in effect between August 1 and December 31, 2013, comes on top of recent disinflation indicators: Greek prices fell 0.4% year-on-year in June, the only EU country to record outright deflation on the CPI measure; the on-going acceleration of product market

reforms appears to be bearing fruit, with a successful transmission from cost savings to lower prices. The reduction in the VAT rate is based on the expectation that price moderation in this area will also help boost demand in other sectors, especially during the tourist period, and will help sustain confidence. Given the persistent reduction in domestic demand, a GDP contraction of 4.2% continues to be expected in 2013. However, the authorities are hopeful that a moderate recovery led by investment and exports will take place next year, leading to annual GDP growth of 0.6% in 2014 and accelerating in 2015 and beyond.

5. Increasing public revenues through **reforming the revenue administration** continues to be a vital priority. New tax audit techniques were introduced in May to be used by tax auditors against tax evasion by individuals. Institutionally, the legal framework has been modified to transfer more powers to the Secretary General for Public Revenue Administration (SGPR). The process for its budget allocation has been clarified and the SGPR has been authorized to determine a grading and promotion system for staff in the revenue administration offices. The process for its budget allocation has been clarified and the SGPR has been authorized to determine a grading and promotion system for staff in the revenue administration offices. In addition, the High Wealth Individual Audit Centre has been established and the Large Tax Payers Office has also been transformed into a fully functioning audit centre.

6. An important milestone in tax policy and administration was achieved in the past two months: Following extensive and fruitful consultations with Fund staff, **a simpler and less distortionary taxation system is being introduced,** which will help reduce tax evasion and combat fraud and corruption. The comprehensive income tax reform legislated in January 2013 is being complemented with the adoption of the Income Tax Code and the Tax Procedures Code in July 2013, which consolidate a very large number of regulations dispersed in separate laws, while modernizing the relations between the government and the taxpayer. Key innovations in the new Income Tax Code are tighter and more transparent rules concerning eligible business expenditures and benefits in kind, new rules to avoid tax evasion (e.g. through off-shore companies), and modern rules concerning business capitalization and transfer pricing. The Tax Procedures Code consolidates and streamlines provisions dealing with tax registration, auditing, collection and enforcement, including internal review procedures. Significant progress is also being made with a revised and greatly simplified set of business tax accounting rules, known as the Code of Tax Recording (the former Code of Books and Records), which will be adopted in October, and which would complete a fundamental recodification of the whole tax system. All three codes will require significant preparation and are planned to enter into force as of January 2014.

7. **The downsizing of the public administration** aims at improving the efficiency and effectiveness of the public sector, and includes the closing, merging or restructuring of public entities by outright dismissing their staff or transferring them to other entities according to new staffing plans. This essential reform is a prerequisite for both building a more effective civil service and supporting the government's medium-term fiscal targets, and has continued through attrition of permanent staff. It also included the direct dismissal of over 2,500 employees of the Public Broadcasting Company, which was shut

down in June with the expectation to replace it with a much leaner entity. The authorities remain strongly committed to achieve the targets of the public administration reform, which is being carried out in phases during 2013 and 2014. However, as noted below (see section D), some quantitative targets were missed and the authorities are redoubling their efforts to catch up with the original plan.

8. **The recapitalization of the Greek banking system has been completed.** All four Greek core banks have been recapitalized, with the Hellenic Financial Stability Fund (HFSF) becoming the largest shareholder. Three core banks managed to attract at least 10 percent of the required additional capital from private sources and will remain under private control. The two bridge banks were acquired by one of the core banks, a positive development for maintaining the stability of the financial system. One non-core bank has been fully recapitalized through the market and another is in the final phase of negotiations with foreign investors. In addition, the Greek authorities are in the final stages of completing a comprehensive banking sector strategy, which will outline the targeted medium- to long-term landscape to create a leaner, cost efficient, competitive and well capitalized banking sector. Moreover, the governance of the HFSF has been improved, by including two independent members in its General Council. Relationship frameworks have been signed between the HFSF and each of the four core banks and monitoring trustees oversee the banks' governance and operations.

9. The authorities recognize that a **further deepening of product market reforms** remains crucial for strengthening investment, innovation and competition, and for enhancing the beneficial effects of the successful labor market transformation. Retail market monitoring shows that reforms may have started to increase competition and have led to lower prices. Further action has been taken to liberalize sales periods and trading days and hours. Some progress has been made in the transport sector to relax restrictions on road haulage and to restructure the railways sector, and new strategies for liberalization and growth are being implemented in the airport and maritime sectors. In general, two on-going in depth studies under the auspices of OECD have identified barriers to entry, limited incentives for suppliers to compete, and restriction of choices and information available to consumers. All these issues are currently being studied by the authorities with a view to adopting appropriate reforms by the end of 2013.

D. Challenges, Corrective Measures and Next Steps

10. Despite the progress in the various areas noted earlier, serious challenges remain. While the very large and highly front-loaded package of fiscal consolidation measures (totaling over 6.7% of GDP over 2013-14) continues to be largely implemented, **shortfalls emerged in three areas**. First, expenditure overruns in the main health care fund EOPYY in the area of diagnostics and private clinics; second, delays in the issuance of property tax bills that were expected to be paid during 2013; third, a downward revision in the yield of some measures, most notably in the area of social security contributions.

11. The authorities, in close consultation with Fund staff, have identified the **measures needed to close the fiscal gap** in 2013-14 for adoption in the course of July, so as to reach the targets of a primary balance in 2013 and a primary surplus of 1.5% of GDP in 2014. **A comprehensive omnibus legislation was adopted by parliament on July 17** that aims at frontloading some measures initially planned for 2014 and also recouping the losses reflected in certain expenditure overruns. In particular, the authorities are undertaking corrective actions to address the healthcare overruns, through a set of structural measures aimed at rationing the healthcare provision and preventing misuse of publicly funded services. In the short-run, to ensure that expenditures are brought in line with the budget by the end of 2013, a claw-back mechanism is being introduced, which will be applied to diagnostics and private health care clinics, by reimbursing invoices only up to the level of the annual budget targets. Besides the actions in the healthcare sector, a set of revised fiscal measures (such as shortening the pay period for the property tax collected by the Public Power Company and the establishment of a Center for the Collection of Overdue Social Security Contributions) will generate additional moderate revenue. Some measures planned for 2014 will be frontloaded, such as the luxury tax on cars, swimming pools and airplanes, and an increase in court fees for lawsuits, while a docking fee for leisure boats will apply from October 2013. A streamlining in defense expenditures will also be implemented from the autumn.

12. **A disappointing development has been the slow progress in selling public assets through privatization, and proceeds to date have been clearly below expectations**, although in at least one important area (state gas company) the shortfall was due to exogenous factors. In particular, in the case of the *natural gas* company DEPA, and despite some early encouraging signs, there were no bidders in the tender process concluded in June 2013; therefore, the privatization process has been delayed until later in the year. On the other hand, the *gas transmission operator* DESFA received a successful bid and its privatization is proceeding swiftly. The government is fully aware of the importance of privatization not only for financing purposes, but also for the important benefits that privatization would yield in the form of additional investment, managerial expertise and better governance of the assets. Together with the Hellenic Privatization Fund, the government is considering a number of other initiatives to address shortfalls in receipts, mainly by speeding up earlier approved privatization projects, such as regional ports, and by promoting the sale of assets previously not included in the pipeline.

13. The authorities share the staff view that **public administration reform has lagged behind,** but are confident that the reshuffled cabinet will provide the opportunity for a speedier approach to the achievement of the targets**. A series of corrective measures to catch up with the timetable for public administration reform has been introduced** as part of the July 17 Omnibus bill: over the following months the authorities aim to complete the staffing and mobility plans, including placing at least 4,200 permanent employees in the mobility scheme by end-July, 12,500 employees by end-September and 25,000 employees (cumulatively) by end-December. Employees placed in the mobility scheme will be assessed within a centrally-defined evaluation framework to be established by end-September, before being reallocated to new positions or asked to exit the public service. As part of the revised process, *the mobility scheme is*

being compressed to eight months from the original twelve, thus the delay in the past two months will not affect the overall exit targets agreed in April 2013, namely 4,000 employees by end-2013 and 15,000 (cumulatively) by end-2014. In view of the significant possible re-allocation and hiring of staff, reflecting the combined effects of the *attrition rule*, the *mandatory mobility* and the *mandatory exits*, a strategy for the allocation of the staff to be hired or reallocated is currently being considered by the Cabinet to align staffing with the government priorities.

14. All in all, and despite some setbacks, the advancement of structural reforms on multiple fronts is the main objective of government policy in the foreseeable future: strengthening the investment climate and domestic competition through elimination of excessive regulations, reducing the burden of the public sector, and improving the functioning of the judicial system are all essential ingredients towards promoting private sector initiatives supported by a leaner and more efficient public administration.

E. Growth Prospects and International Support

15. In general, growth prospects for 2014 and beyond appear within reach, although they depend crucially on global economic developments. Important recent events point to a rebalancing in favor of investment and job creation. The most important examples are (a) Greece's participation in the Trans-Adriatic Pipeline (TAP) project, which will export natural gas from Azerbaijan to Europe, via a route through Greece, Albania and Southern Italy; the expected FDI is of the order of €1.5 billion and direct positive effects include both job creation and non-tax revenues; and (b) the creation of a development fund, called Institution for Growth (IfG), which will be managed on commercial terms and under a clear governance structure, with the potential to create a good track-record and attract public as well as private investors. The purpose of the IfG is to alleviate credit constraints for SMEs and critical infrastructure projects. My authorities note the staff concerns about such a vehicle, but underscore that the intention of the Greek government is to participate primarily as a catalyst to successfully attract private and institutional investment funds, such as EIB and the German KfW.

My authorities are grateful for the July 18 visit to Athens by German Finance Minister Schaueble, for his support of the ongoing reform program, his appreciation of the sacrifices by the Greek people in the last three years, and his pledge of €100 million to the IfG on behalf of the German government; and to US Secretary of the Treasury Lew on July 21 for his support of the difficult decisions taken by the government, the recognition of the shared sacrifices by the Greek people, and his emphasis on jobs and growth.

F. Risks and Conclusion

16. The authorities fully recognize the existence of implementation risks, which, as the recent withdrawal from the coalition of the third minor party suggests, become more serious the deeper the reforms and the stronger the reaction by vested interests. Nevertheless, the government is determined to persevere and push along with its plan to modernize the Greek public sector until it is successfully completed and the targets of the

EFF-supported program are met. **Downside risks** to this outlook are related mainly to a slowdown in global economic activity, an adverse turnaround in market sentiment, delays in the implementation of the very ambitious structural reforms, and continued anemic credit conditions.

17. However, there are also some **important upside risks**. In particular, sustained strong policy implementation can help reduce uncertainty and prompt a faster return of investment spending, both foreign and domestic. Positive effects on economic activity could also materialize from accelerated utilization of EU funds, in cooperation with the European Investment Bank. An improved institutional environment, as perceived by markets (easier to do business, more efficient public administration, reliable justice system) would encourage FDI. There could also be a somewhat stronger impact from the liquidity injection expected from an accelerated clearance of government arrears, public works programs, and from a more dynamic tourist season. Finally, domestic investment could grow faster with improved financing conditions for enterprises, mainly as a result of the completed recapitalization and ongoing restructuring of the Greek banking system and from the operations of the newly established IfG.

18. Overall, the government is confident that, on the one hand, the *continuity of the core economic team*, and, on the other, *the new blood in key line ministries* will provide the basis for a reinvigorated effort towards achieving the goals of the EFF-supported program. On the basis of these considerations, the unwavering belief in the future of the Euro zone by both the government and the Greek people, and with appreciation for the strong support of the Board, management and staff in the past three difficult years, my authorities are requesting the approval of the Fourth Review, including the waiver of applicability of three QPCs and modification of the end-September performance criterion on privatization receipts.