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The Second Economic Adjustment Programme for Greece
Fourth Review – April 2014



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Directorate-General for Economic and Financial Affairs

The Second Economic Adjustment Programme for Greece

Fourth Review – April 2014

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EXECUTIVE SUMMARY

This report provides an assessment of the progress made by Greece with respect to its Second Economic Adjustment Programme, based on the findings of a four-part joint Commission/ECB/IMF mission to Athens between 16-29 September 2013, 28 October-8 November 2013, 2-15 December 2013 and 24 February-17 March 2014. The report examines current macroeconomic, financial and fiscal developments and assesses compliance with programme conditionality.

Greece has made delayed, but eventually substantive progress since the last review completed in July 2013. Building on the impressive fiscal consolidation effort in recent years, Greece has exceeded its fiscal target in 2013, as a primary surplus in programme terms has been recorded. On the back of several measures taken recently to assure achievement of its fiscal target for 2014, the scope was created for temporary support to the socially most vulnerable. The authorities have committed to achieve the 2015 primary surplus target of 3 percent of GDP, including as needed by extending expiring fiscal measures. Reforms continue in the areas of the revenue administration, taxation, public financial management, privatisation, public administration, health care, pensions, social welfare, education and the fight against corruption. The financial sector is undergoing a further recapitalisation, attracting significant private capital. Now banks and the supervisor need to swiftly and forcefully address the high level of non-performing loans, also by fully implementing laws and by enhancing initiatives which support the payment culture. Wages better aligned with productivity dynamics and falling unit labour costs are improving cost competitiveness, although the performance of exports will improve visibly only when reforms in other parts of the economy are fully implemented. Key structural reforms in the areas of product markets and business environment have been recently undertaken or are now being taken by the authorities to increase competition and reduce administrative burden. Still very sizeable challenges remain in many areas. Nevertheless, the amount and ambition of measures implemented since the previous review completed in July 2013 as well as of the new concrete commitments enshrined in the updated programme are significant.

Both soft indicators and hard data point to a bottoming out of the protracted economic recession, and confirm the programme expectation that Greece should return to economic growth in 2014. The pace of the recession weakened markedly in 2013 with negative GDP growth decelerating from 6.0% year-on-year in the first quarter to 2.3% in the last quarter, resulting in an annual GDP contraction of 3.9% for 2013 as a whole, slightly less pronounced than what was expected last July (4.2%). Since the turn of the year, confidence indicators continue to improve and, together with the latest industrial production releases, clearly indicate first signs of a recovery, suggesting an expansion in output for the first time since the autumn 2009. A return to positive annual GDP growth of 0.6% is expected in 2014, followed by a stronger recovery of 2.9% in 2015 and 3.7% in 2016. Growth is expected to be supported by the structural reforms undertaken since May 2010 in labour and product markets which have enhanced competitiveness and improved adjustment capacity. This is reflected in strengthened outlook for exports and investment. Price competitiveness continues to improve with inflation remaining well below the euro area average. The current account deficit has disappeared, with a surplus of 0.7% of GDP in 2013, a significant improvement compared to a deficit of 2.4% of GDP in 2012 (balance of payment definition). The significant import contraction is expected to reverse once the economy picks up. Overall, uncertainties about the extent and speed of the economic recovery in 2014 remain significant, but are now more balanced than seen in July 2013.

Financial conditions are steadily improving. Reflecting a gradual improvement in sentiment towards Greece, government bond spreads and the stock exchange index (ATHEX) continued to recover throughout the second half of 2013 and Q1 2014, the spread is now back to the pre-May 2010 level and the government issued in April 2014 a new 5-year bond returning to the international bond market after four years. The deleveraging in the

banking sector and also the improvements in liquidity positions of credit institutions continued, while lending to the economy remained very weak. Banks are regaining access to the international capital markets as demonstrated in March 2014 by a bank bond issuance for the first time since 2009 and the successful equity raising operations by two banks, validating investors' renewed trust in the Greek economy. As a result of lowering their interest rate margin and tapping the international repo, debt and equity capital markets, Greek banks have substantially reduced their reliance on Eurosystem funding over the past few quarters.

The fiscal performance continued to be strong, with the 2013 primary balanced budget target met with a sizable margin. The positive result largely reflects the better-than-expected outturn of the State budget and to a minor degree of the social budget. On the expenditure side, operational and social welfare spending was substantially under-executed compared with the budgeted amounts. As regards revenue, it benefited from a strong tourist season and robust collection of direct taxes, most notably property taxes. Moreover, higher-than-projected non-tax and one-off revenue, such as proceeds from the state guarantee fees paid by the banks, also played a role. Finally, the authorities frontloaded the absorption of EU structural funds in 2013 in the context of reactivation of the large motorway construction projects. The government will use savings related to the better-than-expected fiscal outcome in 2013 to reduce the stock of public debt and to speed up the clearance of arrears.

The authorities have implemented a range of mainly administrative measures to secure the 2014 fiscal target which, complemented with the limited carry-over of the better-than-expected 2013 fiscal outcome, have allowed to accommodate the cost of some structural reforms and initiatives supporting socially-vulnerable groups. Corrective actions, such as a claw back mechanism and interventions of a structural nature, have been taken to tackle the expenditure overruns identified in mid-2013 in the healthcare sector. The authorities undertook a series of actions aimed at increasing weak payment compliance for social security contributions through automatically offsetting of VAT and income tax refunds against Social Security Contributions (SSC) debts, increasing sanctions and fees for the use of undeclared workers, cross-checking of administrative data, introducing mandatory declaration of contributions for some supplementary and lump-sum pensions and expanding the automatic reminders to all employers who have not paid their SSC obligations, rationalisation of OAE (Fund for self-employed) exemptions. Additional steps are also being taken on the rationalisation of public expenditure reducing military procurement programmes and spending ceilings for Extra Budgetary Funds (EBFs). Overall, all these efforts coupled with some positive re-evaluation of baseline components – most notably, the new income tax reform – created scope for implementing costly structural reforms and a moderate increase in spending. The former concerns the elimination of nuisance charges and a reduction of social security contribution rate by 3.9 percentage points, which is faster than required by the programme. The spending increase relates to the government initiative to provide socially vulnerable groups with temporary income support and low-earning uniform personnel with a one-off bonus. The resources set aside for this purpose by law amount to around EUR 500 million, which is equivalent to ¼% of GDP. It should be noted that these new plans were only made possible by an impressive fiscal consolidation over recent years and by continuing to adhere to a fiscal stance in line with the agreed targets going forward.

For the outer years, it is essential to ensure that the ambitious reform agenda is fully implemented to close any remaining fiscal gaps. The authorities have reconfirmed their commitment to meet the 2015 target and to implement policies needed to achieve that objective, including the extension of expiring fiscal measures. An in-depth review of the social security system and a welfare spending review will be undertaken in the coming months to improve sustainability, efficiency and fairness. Steps will also be taken to address the relatively big VAT compliance gap with a comprehensive review of VAT policies and administration. Any failure to deliver the structural reforms already initiated (e.g. re-organisation of the revenue administration) or those that are in the pipeline would result in the necessity to search for savings in other areas.

The taxation system and the revenue administration have been greatly reshaped over the last year, and further reforms are being introduced in 2014. Key reforms include the Income Tax and Tax Procedures Codes that have broadened the tax base and modernised the rules of tax administration. The new unified Property Tax has replaced both the PPC tax and the FAP wealth tax and allowed a substantial reduction in transaction taxes. Following these initiatives, a new Accounting and Tax Recording Code will be adopted by May 2014. Important progress has also been made with the reform of the revenue administration, after the long

delays up to the end of 2012. A semi-autonomous revenue administration has now been created with all competences on tax and custom issues. Its reorganisation is nearing completion and plans to ensure full staffing in the coming months are in place. A strategic planning and financial directorate has been set up and an advisory council of external experts has been created. In addition, an internal review unit has been put in place to which taxpayers must submit their claims, prior to them being able to go to court. This stream of reforms should be completed in the first semester of 2014. A programme is now being implemented to address other remaining weaknesses in the system, reinforce tax collection, and support the fight against tax evasion and corruption. This will improve the security of taxpayers and contribute to a better business environment. Tax collection has been consolidated in the largest offices and cash payments replaced by transfers and checks. An increased number of audits and the use of a risk-based approach should multiply the impact of the audits and slowly lead to an increase of compliance. New tools are in place, such as the indirect bank account register. The collection of social security contributions and debt is also being stepped up gradually. The results of these reforms of both the taxation and the revenue administration now being put in place are expected to become more visible in terms of stronger revenues over the next quarters as implementation progresses.

Since the inception of the adjustment programme, Greece has made significant progress in Public Financial Management reforms but improvements in the area of budget preparation are still needed and should be a priority for 2014. These reforms now allow provision of timely and accurate budgetary information, assure strict compliance with the ceilings of the entity's budget, and ensure the management and optimal utilisation of each entity's resources. However, more training and further sectorial expertise is needed in order to reap the full benefit of the reformed set-up which is built upon General Directorates of Financial Services (GDFS) embedded in each line ministry. The stronger budgetary process is helping to ensure respect of targets, but the new corrective mechanisms can be useful to the full extent only if ceilings for the various levels of government are used in the budgetary process over time. To improve budget preparation, competences must be built up both in General Accounting Office and in GDFS, accompanying the upcoming overhaul of the organic budget law.

Privatisation proceeds continue to come in, but again with some delays. Steps are being taken to reinforce the governance and effectiveness of the privatisation process, including of real estate assets. Corporate sales advance broadly in line with plans, although some have been delayed in order to allow proper regulation of markets before privatisation (gas, ports). Concerning real estate, despite the large number of assets available, current weak demand and immaturity of assets make it difficult to extract much value from real estate in the short term, which has resulted in some adjustment in the projections. Recent tenders have nevertheless produced satisfactory results, and some are expected to set significant investment in motion over the coming years. Crucially, in order to speed up generation of proceeds, work has been undertaken to strengthen the institutions in charge of the privatisation process (HRADF) and of the preparation of real estate assets (ETAD), to be reflected in improved legislation and organisational changes. Monetisation through the involvement of private sector investors in the development of real estate assets is being explored, but will only be able to mobilise modest revenue flows in the short-run.

The crucial reforms of the Greek public sector, notably the rationalisation and modernisation of the public administration, progress further. The strong reduction of public administration staff is proceeding ahead of plans (over 20% since 2010 for employees of the General Government). The 2013 targets for mandatory mobility have been achieved, although with a three-months delay. The targets for mandatory staff exits in 2014 are being delivered according to plans, by dismissing people illegally appointed, subject to disciplinary procedures or who have been in the availability scheme without being moved to another position. This notwithstanding, very substantial improvements in public administration are still needed to bring Greece in line with best practices. The priority is improving the quality and efficiency of the public administration, through the reorganisation of ministries to be completed in the next weeks, reallocation of personnel also via mandatory mobility, competence-based evaluation for managers and staff, better financial management, the simplification of rules, the reduction of scope for corruption. All these steps are expected to help improve the performance in the public sector and hence the service of the public administration provides to its businesses and citizens.

A period of deepening and fine-tuning of health care reforms has now started, with important challenges ahead. The financial situation of EOPYY (National Organisation for the Provision of Health Services) remains difficult, though significant positive developments can be observed. Despite some progress, addressing remaining delays in the transfer of contribution revenues to EOPYY from Social security funds, and the current lack of control, guidelines and proper referrals for the use of diagnostics, private clinics and hospitals remain important challenges. Regarding the pharmaceutical sector, the implementation of established policies continues, with new policies on pricing, targets for generic medicaments and spending caps and an effective prescription budget for each doctor. However, EOPYY and EOF (National Organisation for Medicines) capacity must be reinforced to ensure that pricing and reimbursement is timely and effective in delivering a cost-effective use of pharmaceuticals and securing the necessary savings. Important steps have been taken in the hospital sector to improve the monitoring of financial and activity data and to ensure that financial execution is in line with the budget. Nevertheless, more could be done regarding ESY (National Health System) facilities and hospital spending in a number of areas. Finally, a considerable concern remains that a large, but still undetermined, number of people do not have adequate access to healthcare services and goods, although access to health centres and emergency care is available to all.

Since 2010 substantial progress has been achieved in the reform of the pension system, but important challenges remain. While major steps have been taken to stabilise the system and make it sustainable, there is a clear need for further rationalisation of the social security system. The main pension system remains highly fragmented, relying on increasing financing from state transfer, while pension rules differ greatly across different categories of population. The 2012 reform of supplementary pensions has still to be implemented in full, while the reform of lump-sum pensions also needs to be completed. The authorities have committed to enhance the pension system to ensure its viability and support labour supply and to this end will prepare a draft comprehensive proposal on the main elements of SSF consolidation and harmonise contribution and benefit payment procedures by June 2014, to be subsequently complemented by an actuarial study of the whole pension system, supporting specific design and parametric improvements. These changes will be legislated to take effect from 1 January 2015.

As concerns education and research, clear efforts to rationalise the Greek education system have been undertaken, but further measures are needed to improve its quality. In primary and secondary education, the system has been significantly rationalised. In Higher Education, the authorities have completed a first wave of consolidation of HEIs and departments under the Athina project to increase efficiency and eliminate duplications. However, substantial additional measures are required to increase the quality of education. The initiatives included in the Education Action Plan need to be fully implemented, and the authorities should take the necessary additional steps to implement effectively the new policy of evaluation of schools and of educational staff. Further steps to increase financial and organisational autonomy of primary and secondary schools should also be considered. In Higher Education, the provisions of laws 4009/2011 and 4076/2012 need to be fully implemented and a comprehensive impact assessment of the Athina project is now urgent as a basis for possible additional rationalisation steps. Closer linkages between R&D and businesses are needed to boost the productivity and competitiveness of the economy. A comprehensive national research and innovation strategy for smart specialisation need to be developed.

Efforts to fight corruption are being stepped up but the challenge is substantial. According to recent reports by Transparency International and the European Commission, the perception of corruption in Greece is the highest among the EU Member States. The adjustment programme is tackling this reality, and there has already been some progress, with the adoption of an anticorruption strategy and the appointment of a national coordinator. The Government has adopted the crucial framework law for anticorruption and is expected to adopt a code of conduct for members of Government in April, and by June revised legislation on funding of political parties and legislation on declaration and monitoring of assets which will put Greece at the forefront on this aspect.

With regard to the financial sector, the authorities remain committed to taking all necessary actions to ensure that banks are healthy and adequately capitalised and are in a position to support the economic recovery. The review took note of the stress test results and attendant capital needs estimates by the Bank of

Greece. According to the assessment of the mission teams, there are some upside risks to the capital needs estimates, in particular, if the authorities and banks do not urgently and efficiently address the high level of non-performing loans. Swift recapitalisation of banks is needed to strengthen their balance sheets. The ongoing injection of fresh private capital into the Greek banks is a sign of confidence, and will help to strengthen the private management of Greek banks. The recapitalisation framework has been redesigned in light of the improved banking sector capitalisation and market circumstances. The Bank of Greece should remain vigilant in its oversight of the banking system and proceed forcefully in requiring banks to quickly work out their large stock of impaired assets. The authorities are also committed to significantly strengthening the private sector debt resolution framework, also by implementing the transition scheme put in place in December 2013, and facilitating the orderly and swift workout of impaired bank assets. The buffers in the Hellenic Financial Stability Fund will be retained to meet potential future adverse contingencies.

With solid fiscal performance and the stabilisation of the banking system, it is now crucial to ensure that a wide range of ambitious structural reforms is implemented to quickly restore and promote growth and support employment. The government committed to implement a package of important structural reforms which, if fully implemented, will significantly improve the growth potential and flexibility of the Greek economy. Equally importantly, product market reforms tend to enhance social fairness as excess prices or rents, which so far benefited a small group of privileged firms or professions, are reduced, increasing the living standards of ordinary citizens.

An important part of the structural policy package is the reform of product markets. According to the OECD, in 2008 Greece had one of the highest levels of regulation among developed countries. While reforms already implemented under the programme have allowed significant progress in this area in recent years, Greece is still among the OECD countries with relatively strict product market regulations. This is also testified by the Doing Business report by the World Bank, where Greece has greatly improved its ranking, but still remains low compared to other EU Member States.

Indeed, the authorities are taking significant steps to remove restrictions to competition in many areas of the economy, and action is on-going to reduce administrative burden. Since July 2013, the authorities have, among others, lowered the property transfers tax, eased licensing procedures for retail outlets, introduced simplified procedures in pilot customs offices and expanded e-customs functions, and reduced the minimum duration of commercial rental contracts from 12-16 years to 3 years. The Greek government has committed to implement, starting from April 2014, almost in their entirety the OECD recommendations resulting from an in-depth study of legislation and practices in the key sectors of tourism, retail trade, food processing and construction materials, launched in 2012 as part of the programme. It has also been agreed to continue this work and four additional sectors will be analysed by the OECD or an equivalent organisation to identify further regulatory constraints on competition. These are wholesale trade, telecommunications, e-commerce and manufacturing. Concrete measures are also being taken to liberalise the transport and residential rental markets, to develop the logistics market and also to open up closed professions. By June 2014, the authorities will take further steps to simplify licensing and customs procedures, to streamline rules for land use, and intend to adopt legislation on reduction of administrative burden on business across 13 sectors.

In addition, Greece is now moving to a more modern market for energy through a fundamental transformation of its energy sector. An ambitious package of reforms has been agreed which have the potential of completely transforming the Greek energy market and liberalising it ahead of privatisation. Unlocking the Greek gas market, which benefits currently from a unique derogation under the EU directive, removing significant distortions in the electricity market and improving competition in the supply segment, are essential steps to turn the energy market from a drag into a driver of growth for the Greek economy. These reforms are urgently needed as the high cost of energy is affecting the competitiveness of the economy and the welfare of households. To deal with both immediate and long-term challenges in a coherent approach, the government will adopt, starting from April and with a significant set of measures by end June, a package of reforms, designed to address in a structural manner the many distortions in the energy markets rather than simply compensating them. The privatisation process of PPC, the electricity incumbent, is a key element of this package and is progressing well. The sale of ADMIE, the network operator, is now in the Expression of Interest phase, while the legislation

for the privatisation of part of the capacity of PPC ("Small PPC") was submitted to the Parliament prior to completion of this review.

A comprehensive reform to improve the functioning of the judicial system and reduce the burden on businesses and citizens is taking place, but backlogs are hefty. Some progress in this area is already visible, as since 2012 the number of pending cases in the courts started to be reduced. However, the stock of pending cases remains high. A revised Code of Civil Procedure in line with international best practice will be adopted in May 2014. Measures to reduce the backlog of cases and to develop e-justice applications in courts are also foreseen.

The ambitious reforms implemented in the labour market over the past two years have allowed Greece to eliminate a significant part of the stifling rigidities which had led to oversized sectors, and wages disconnected from productivity dynamics. The reforms helped to realign wages with productivity and to recover the competitiveness that Greece lost over the last decade in terms of unit labour costs. At the same time, the diversity of work arrangements now available creates more room for adjustment to the changes in activity. In the course of 2013, hiring became more dynamic, despite shrinking economic activity. Further support will come from the ongoing reduction in administrative burden through streamlining labour reporting requirements and by a reduction in social security contribution rates entering in force in mid-2014. New job creation depends upon reforms and adjustment in other areas of the economy, but also on continued improvement in labour market institutions. In this respect, Greece has undertaken measures to tackle remaining restrictions. Administrative steps are being taken by the authorities to improve the system for collective dismissals, and should these improvements not be effective, credible and durable, the system will be aligned with EU best practices through legislation in the autumn of 2014. Legislation on temporary work and temporary work agencies is being reformed. The authorities have agreed to assess the framework for industrial action, in consultation with social partners, with a view to implement the necessary reforms at a later stage.

The programme has a strong focus on social welfare and reducing unemployment. Besides, the one-off "social dividend" planned for 2014, efforts have been made to widen the scope of unemployment benefits to the long-term unemployed and to widen access of the uninsured to health services through health passports. In addition, a minimum income guarantee scheme is being launched on a pilot basis in two municipalities. It is intended that this scheme will be rolled-out across the country in phased manner, starting in 2015. It will be a key component of the country's new strategy for social welfare, which will be based on a comprehensive review, consolidation and better targeting of all existing benefits to ensure a fiscally sustainable, more efficient and effective allocation reaching those most in need. Concerning unemployment, the first phase of the public works scheme with 50,000 places that is underway will be followed by a further scheme of a similar size. Action has also been taken to assist the re-integration of the long-term unemployed into the labour market through an effective reduction of the minimum wage for these workers that entered into effect in April. All these measures, coupled with schemes financed with EU structural funds already in place to recruit young and long-term unemployed, will promote employment creation. In addition, a major reform and expansion of vocational education and apprenticeships will increase the level of skills and the employability of entrants to the labour market.

Implementation risks to the programme remain high. The macroeconomic recovery now seems to be more firmly established than it was expected in July 2013, but risks remain considerable, in particular in relation to perseverance in confronting vested interests. Sustained and determined reforms in the areas of product (goods and services) market, public administration and anti-corruption could clearly reduce costs for businesses and households and underpin a recovery in investment, while postponement of such reforms and incomplete implementation could perpetuate a heavy drag on the economy, making it difficult to achieve a substantial improvement in employment and productivity growth, and thus also a steady reduction of the debt-to-GDP ratio. Key reforms to revenue administration and the public administration are now beginning to bear fruit, but delays may jeopardise the generation of revenues which underpin the fiscal projections. Progress on the privatisation programme may be more significant if the heightened investor interest results in stronger participation and higher proceeds, but could also be delayed by the persistence of the significant hurdles and administrative inefficiencies still in place. Further labour market reforms would be important to complete the move towards a

modern regulatory framework which is essential to attract substantial new foreign direct investment flows, but sensitivities in this area may make progress in this area difficult. Finally, a lack of progress by authorities and banks in working out NPLs, cleaning and strengthening bank balance sheets with the help of private investors and management, and in improving the payment culture, could severely undermine the ability of banks to supply more credit and support strong, sustainable economic and employment growth.

Debt dynamics point to a slight deterioration in the debt-to-GDP ratio compared to July 2013. After the strongly negative contribution of nominal GDP growth in the period 2010-2013, leading to a peak of around 177% of GDP in 2013-2014, Greece's debt-to-GDP is expected to decline visibly from 2015 onward as growth picks up and the primary surplus becomes more substantial. The debt-to-GDP ratio is expected to continue to be gradually reduced to around 125% of GDP in 2020 and around 112 % of GDP in 2022, assuming full implementation of the economic adjustment programme. However these projections could be revised slightly down in case some market operations concerning the banking sector turn out more favourably than currently assumed. The DSA stress-test scenarios confirm that the debt-to-GDP ratio will perceptibly decline from current levels in most scenarios. Under an adverse, combined negative shock scenario, the ratio would decline initially, but would stabilise at a high level. Conversely, in a more benign scenario, the debt-to-GDP ratio could be around 110% already by 2020.

On the basis of this analysis of compliance with the MoU, and conditional on continued implementation by the Greek authorities of the revised MoU, notably of the prior actions, the programme is now broadly on track and the Commission services recommend disbursement of the instalments originally scheduled for Q4 2013 and Q1 2014 of the EFSF funds under the second programme. Estimated financing needs to be covered for the coming quarter by the EU are equal to EUR 8.3 billion, which will go to cover outstanding debt service. The disbursement should be made in three tranches with the first one amounting to EUR 6.3 billion paid in April 2014. The disbursement of the remaining two tranches of EUR 1 billion each should be made in June and July 2014, following achievement of the new milestones (see Table 12).

1. INTRODUCTION

- 1. This report provides an assessment of the progress made by Greece in respect of its Second Economic Adjustment Programme.** It examines current macroeconomic, financial and fiscal developments, and assesses compliance with the programme conditionality agreed between the Greek Authorities and the European Commission (EC), ECB, and IMF, as set out in the Memorandum of Understanding (see Box 1 and Annex 3). The assessment is based on the findings of a four-part joint EC/ECB/IMF mission to Athens between 16-29 September 2013, 28 October-8 November 2013, 2-15 December 2013 and 24 February-17 March 2014, as well as the continued interaction with the authorities, including through Commission and IMF staff based in Athens.
- 2. The economic adjustment programme is supported with financing by euro area Member States and the IMF.** The financing by the euro area Member States takes place through the EFSF, whilst the IMF financing is provided through the Extended-Fund Facility (EFF). Up to March 2014, the international assistance loans disbursed so far to Greece amount to EUR 214.9 billion. Of this amount, EUR 73.0 billion were disbursed within the first programme (EUR 52.9 billion have been paid by the euro area Member States through the Greek Loan Facility and EUR 20.1 billion by the IMF). Within the second programme, the EFSF and the IMF have already disbursed EUR 141.9 billion in three releases (EUR 133.6 billion by the EFSF and EUR 8.3 billion by the IMF).
- 3. The outline of the report is as follows.** The second section examines macroeconomic and financial developments in the Greek economy, including a detailed macroeconomic scenario. Section three provides the analysis of programme compliance and outlines the policy commitments up to 2017 that have been agreed between the Greek Authorities and the Commission, ECB, and IMF staff teams. Comprehensive compliance tables, the macroeconomic forecast, and key programme documents are attached in Annex.

Box 1. The documents for a comprehensive adjustment strategy

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

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

Box 2. Success stories of the Economic Adjustment Programme

Restoring fiscal and financial stability

The Economic Adjustment Programme for Greece was designed (first in 2010, and then updated in 2012), in a context of extreme macro-economic imbalances, very large fiscal deficits and debt, a serious gap in competitiveness and productivity, rigid markets, and a contracting economy. The immediate objectives of the programme have been restoring fiscal and financial stability, and important progress has been made on these two fronts. After a marginally better-than expected result in 2012, Greece exceeded the primary balance target for 2013 by a significant margin, and the authorities remain committed to achieve the fiscal targets for 2014 and beyond. Abstracting from bank resolution costs and other programme adjustments, the general government deficit as a percentage of GDP has been reduced from 15.6 in 2009 to 3.2 in 2013. The overall improvement in this period in the underlying fiscal position when taking account of the severe recession is much larger in cyclically-adjusted terms. Reforms of the pension and health systems have been adopted, putting the system on a more sustainable path. The projected increase in pension expenditure over the next 50 years is limited now to 1.1% of GDP by 2060. In healthcare, pharmaceutical reforms reduced public spending on pharmaceuticals from EUR 3.9 billion in 2010 to about EUR 2.5 billion in 2013. Public employment has been reduced by over 20% since 2010 and, along with the adjustment in wages, a major reduction in the wage bill has been achieved.

Greece has also restructured, consolidated and stabilised its financial system, which is undergoing a further recapitalisation exercise involving private investors to ensure it is well prepared to face the impact of expected losses from the high-level of non-performing loans. The recapitalisation framework has been redesigned in light of the improved banking sector capitalisation and market circumstances. The authorities are also committed to significantly strengthening the private sector debt resolution framework and facilitating the orderly and swift workout of impaired bank assets. The buffers in the Hellenic Financial Stability Fund will be retained to meet potential future adverse contingencies.

Growth-enhancing structural reforms at the core of the programme

The reform plan under the Economic Adjustment Programme for Greece constitutes a comprehensive short- to long-term agenda for growth and employment. While strong attention to the stabilisation of public finances and of the financial system is still necessary, the programme puts great emphasis on the implementation of a wide range of structural reforms to create new opportunities for investment, innovation and employment. Some of these reforms are already starting to bear fruit, although many challenges remain to be addressed and vigorous action to fully implement the policy conditionality of the Economic Adjustment Programme will still be needed.

The ambitious labour market reforms already implemented, such as wider use of decentralised wage bargaining, a lower minimum wage, and reductions in other non-wage labour costs, have allowed Greece to realign wages and to recover almost all of the competitiveness it lost over the last decade, in terms of unit labour costs: by 2014, Greece is projected to have broadly regained its 1995 labour cost competitiveness position relative to the Euro area. Compensation per employee fell by 4.2% in 2012 and is forecast to decline by 7.0% in 2013 and by a further 1.5% in 2014. Overall, the ULC-based real effective exchange rate of Greece is forecast to fall by 21.6% between 2009 and 2014. Looking forward, reforms in the labour market will have to focus not so much on wage adjustment but on increasing contractual flexibility and abolishing employment obstacles, where there is still significant scope for improvements.

Efforts to modernise product markets and improve the business environment are starting to bear fruit. The 2013 update of the OECD indicators of Product Market Regulation show that Greece made the largest improvement over the last five years, although it continues to be among the OECD countries with relatively strict product market regulations. Greece has also improved substantially its overall rank in the World Bank's 2014 Doing Business Report jumping 111 ranks from 147th to 36th in the starting a business field, which has made Greece the world's fastest reformer in this area. However, Greece's ranking remains low compared to other EU Member States, highlighting the need for the country to remain strongly committed to the agreed structural reform agenda.

The adjustment programme is also a major driving force behind the crucial reform of the Greek public administration. The Government is on track to deliver the decrease in general government employment by 150,000, likely ahead of the deadline of 2015. The transfer of 25,000 employees to the mobility ("availability") scheme has been completed, although with delay, and staffing plans have been almost completed across the administration, which will imply a reduction in organisational structures and management posts by about a third. It is however extremely important that reform effort in the field of public administration for example to introduce performance evaluation, stronger appointment and recruitment standards, and more strategic organisation, continues unabated to reach the goal of a flexible and modern service targeted at the needs of the general population.

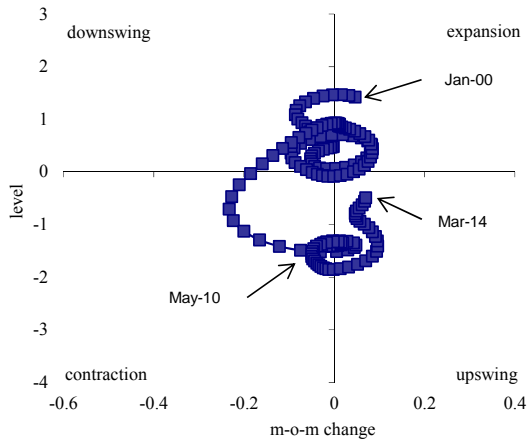
2. MACROECONOMIC AND FINANCIAL DEVELOPMENTS

2.1 MACROECONOMIC DEVELOPMENTS

4. **Both soft indicators and hard data point to a bottoming out of the protracted economic recession in Greece.** The pace of the recession weakened markedly in 2013 with negative GDP growth decelerating from 6.0% year-on-year in the first quarter to 2.3% in the last quarter. The GDP contraction of 3.9%¹ for 2013 as a whole was slightly less pronounced than expected during the last review in July 2013 (4.2%). The impetus towards recovery was reinforced by tourism as the engine of growth last summer, supported by increased competitiveness and simplified visa procedures. In broader terms, the deceleration in the pace of the recession has been driven by developments in both private and public consumption, as well as net exports. As regards private consumption, developments were supported by prices falling somewhat faster than expected as the strong decline in unit labour costs increasingly fed through to consumer prices, offering some buffer for household purchasing power as well as important momentum for the economy. These effects helped offsetting the temporary impact of the hike in property taxes and the reductions in Christmas bonuses on disposable income in the second half of the year. On the exports side, the strong tourism season boosted services exports while the recovery in other type of exports has been very modest. Net exports were driven also by a continued contraction of imports, and Greece registered a current account surplus last year for the first time since the 1940s. While the pace of contraction slowed down also for investment, it still remained very weak throughout 2013. However, a combination of large planned infrastructure projects coupled with continued structural improvements in business environment and rising confidence should support a gradual revival ahead.
5. **The first signs of prospective economic recovery heralded in spring 2014.** Economic confidence indicators such as the Economic Sentiment Indicator (ESI) and the Purchasing Managers Index (PMI) continue to improve and the latest industrial production releases strongly point to first signs of recovery. The strong recovery in the ESI has been broadly based on improvements in manufacturing, services and retail sectors. Some improvement is also visible in consumer confidence indicators, although to a much lesser extent, retaining it at rather low levels compared to its pre-crisis average. The PMI crossed the 50 mark in January 2014 and remained above thereafter, indicating an expansion in output and new orders for the first time since August 2009. Greek government bonds spreads narrowed significantly in February and March 2014 and corporate interest rates also went down. Net exports of goods and services, beyond tourism, are showing some improvement and the external adjustment is proceeding. Employment started to increase as of March, reflecting seasonal gains from tourism although these gains were largely lost as of September. Whilst unemployment still remains at very high levels (at 27.3% in 2013), prospects are improving for a fall in the rate starting already in the course of this year. February 2014 data on private-sector dependent employment flows (net hirings amounted to 19,900) have been positive for the first time since 2008, also supported by the implementation of the public works schemes.

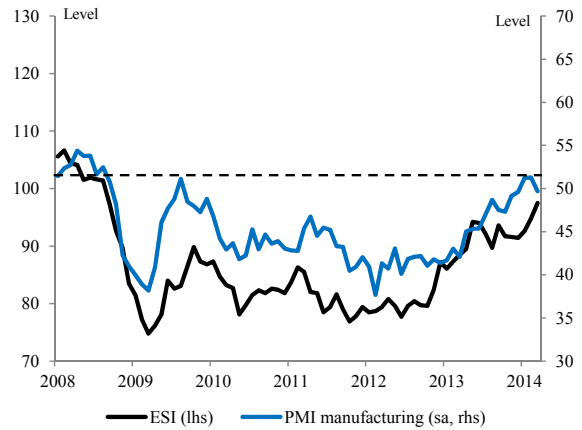
¹ Based on revised data for the period 2012-2013 released by ELSTAT in March 2014.

Graph 1. Economic climate tracer



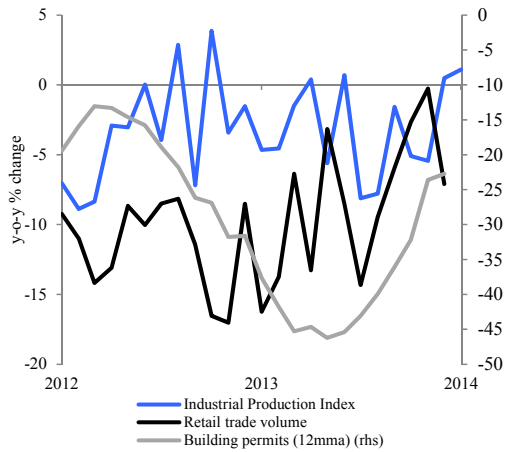
Source: European Commission services' calculations.

Graph 2. Economic Sentiment Indicator and Purchasing Managers Index



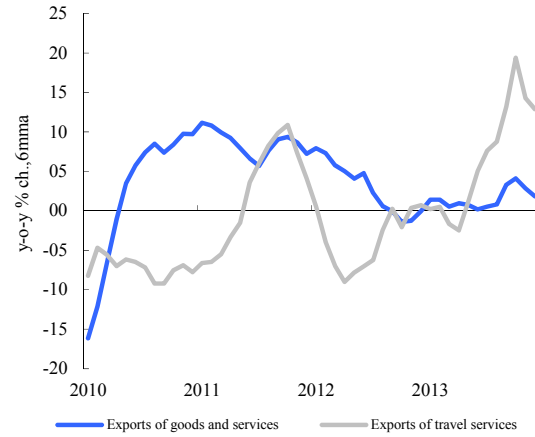
Source: Markit, European Commission

Graph 3. Production indicators: industrial production, retail turnover and building permits



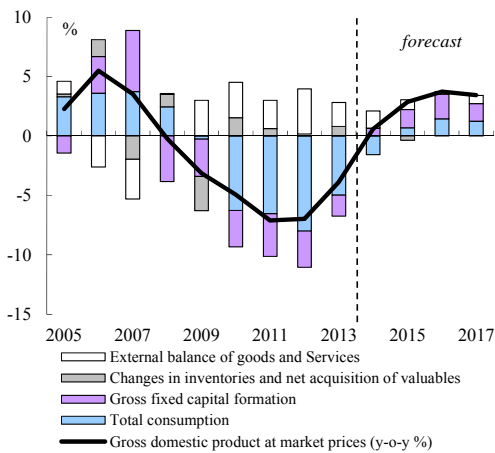
Source: EL.STAT.

Graph 4. Exports of goods and services and exports of travel services



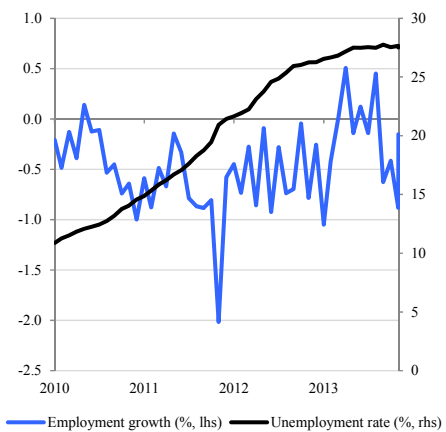
Source: Bank of Greece.

Graph 5. Contribution of GDP components to GDP growth



Source: European Commission services' calculations.

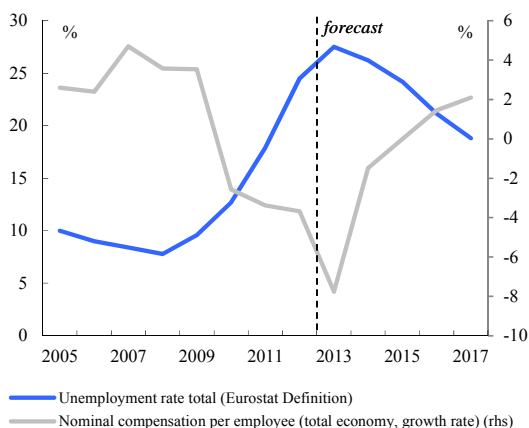
Graph 6. Labour market: unemployment rate vs. changes in employment



Source: EL.STAT and European Commission services' calculations.

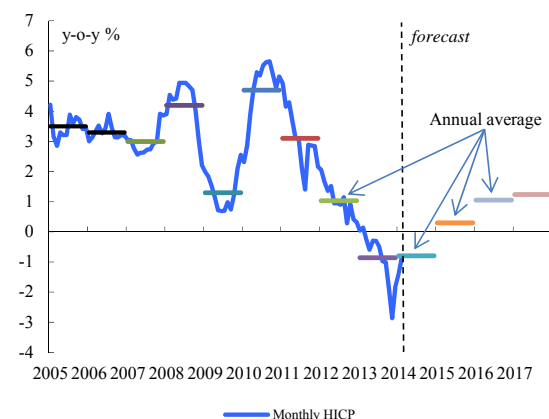
6. **The programme projections point to a positive annual GDP growth rate of 0.6% in 2014.** The growth of the Greek economy is expected to pick up in the course of 2014 and beyond, supported by strengthened exports and investment on the back of improving competitiveness resulting from the structural reforms undertaken in labour and product markets. Overall, investment is projected to turn around, led initially by publically funded investment stemming from the restart of the motorway projects in H1 2014 and faster absorption of EU structural funds. The improved business environment is expected to attract more private investment. Tourism is likely to register another strong year, as suggested by the rapidly rising early bookings' from the EU; last year's EU arrivals still were some 20% below their 2007 peak. The recent negative contribution to export growth from transportation services is forecast to fade out, as the slump in international shipping bottoms out. The bank recapitalisation process and fiscal stabilisation are set to support growth. Nevertheless, despite the gradual improvement in the labour market, private consumption is still expected to decline slightly in line with disposable income developments. Falling prices have mitigated the impact of recent wage adjustment. Prices are expected to continue falling during 2014.
7. **The economic recovery is expected to accelerate, with GDP growth reaching 2.9% in 2015 and 3.7% in 2016.** Private consumption is expected to begin to turn around in 2015. Private investment is expected to strengthen as credit conditions improve, supported by a swift and efficient resolution of non-performing loans, and the further clearance of government arrears injecting much-needed liquidity into the private sector. The programme projections also expect significant increases in agro-food exports, where export and credit growth has already been observed over the last year. Greek export performance is projected to continue to strengthen on the back of improved labour cost competitiveness, increasing trade credit and a more conducive external environment. However, given that structural changes require time, issues of the small size of establishments, a limited export base, and over-regulation will still weigh on overall outcomes (see Box 3).
8. **Prices, as measured by the GDP deflator, have been falling faster than projected so far under the programme.** The 2013 GDP deflator was revised down to -2.1% compared to a forecast of -1.1% in July 2013, with important methodological changes affecting this price measure². Lower prices have offered some additional support to household purchasing power and impacted positively on price competitiveness. The HICP index fell by 0.9% in 2013 (against a forecast of a fall of 0.8% in July 2013). HICP inflation is expected to remain in negative territory also in 2014 and only gradually pick up thereafter.
9. **Total employment is forecast to start growing again** and increase by 0.6% in 2014 and by 2.6% in 2015. The ratio of unemployment has reached 27.3% in 2013. Against the background of high level of unemployment and wage agreements suggesting moderation, a further decline in compensation of employees by 1.5% is expected.

Graph 7. Growth in nominal compensation per employee and unemployment



Source: European Commission

Graph 8. Monthly HICP developments and annual averages



Source: European Commission

² The recent ELSTAT GDP data revision involved changes in the methodology of calculating the GDP deflator in the results of the quarters of 2012 and 2013. This addressed a significant and persistent discrepancy between the GDP (output side) deflator and the GDP (expenditure side) deflator, which created bias in the results of the estimates of volume and price changes in the quarterly accounts.

- 10. The current account deficit is shrinking fast.** In Balance of Payments (BoP) terms, the current account recorded a EUR 1.2 billion surplus in 2013, equivalent to 0.7% of GDP, a significant improvement compared to a deficit of 2.4% of GDP in 2012. Using the national accounts definition³, the current account deficit shrank radically from 4.6% of GDP in 2012 to 2.4% of GDP in 2013. This was mainly driven by a severe contraction in imports, some import-substitution effects, and the improvement in tourism income, while the performance of exports other than tourism remained weak. The current account has also significantly improved thanks to reduced government interest payments and transfers of national central bank profits on Greek bond holdings. Export growth, beyond tourism, is forecast to play a larger role in 2014. Relative to the July 2013 review projections, given that prospects for import substitution over the medium-term has somewhat weakened, a stronger rebound of imports is more likely in the recovery phase. Due to this, the current account deficit is projected to improve less vigorously in the outer years than previously expected.
- 11. Risks about the extent and speed of the investment and export recovery in 2014 remain significant, but are more balanced than in July 2013.** In particular, downside risks exist concerning the impact on Greek exports of the economic turmoil in Turkey and the developments related to Ukraine. Some further concerns are related to the implementation of the structural reform programme, not least due to the opposition by vested interests. Furthermore, the eventual yields from these reforms may only be visible with longer lags than expected. On the upside, the indication of yet another good summer tourism season in 2014 and the momentum that the Greek economy gained throughout 2013, also supported by progress in programme implementation and political stability, could generate a faster rebound than in the programme forecast.

Table 1. Macroeconomic scenario, main features (2012-2017)

	2012	2013	2014	2015	2016	2017
Real GDP (growth rate)	-7.0	-3.9	0.6	2.9	3.7	3.5
Final domestic demand contribution*	-11.1	-6.8	-1.0	2.3	3.5	2.7
Net trade contribution	4.1	2.2	1.5	0.9	0.2	0.7
Employment (growth rate)	-8.3	-3.7	0.6	2.6	4.0	2.9
Unemployment rate**	22.8	25.8	24.5	22.5	19.5	17.1
Compensation of employees, per employee (growth rate)	-3.7	-7.8	-1.5	0.0	1.5	2.1
Unit labour cost (growth rate)	-5.1	-7.8	-1.5	-0.3	1.6	1.2
HICP inflation (growth rate)	1.0	-0.9	-0.8	0.3	1.1	1.2
Current account balance (% of GDP)**	-4.6	-2.4	-2.3	-2.2	-2.1	-1.4
Net borrowing vis-à-vis RoW (% of GDP)	-2.3	-0.7	-0.7	-0.4	-0.4	0.3
General Government balance (% of GDP)***	-6.4	-3.2	-2.9	-2.1	-0.7	-0.7
General Government primary balance (% of GDP)***	-1.3	0.8	1.6	3.0	4.5	4.5
General Government debt (% of GDP)	157.2	175.0	177.2	172.5	162.9	154.2

* Excluding change in inventories and net acquisition of valuables

** National accounts definition

*** Programme definition

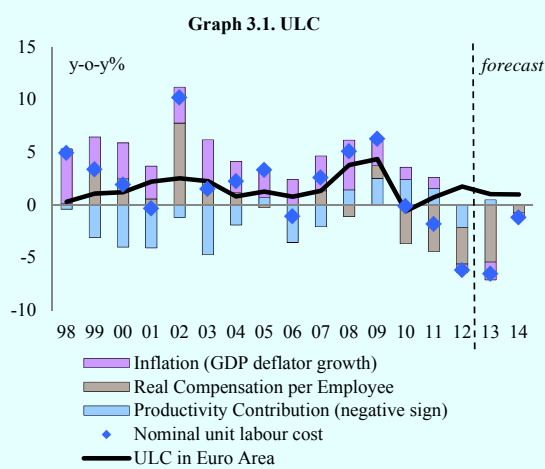
Source: European Commission

³ Methodology used by the European Commission for its forecasts.

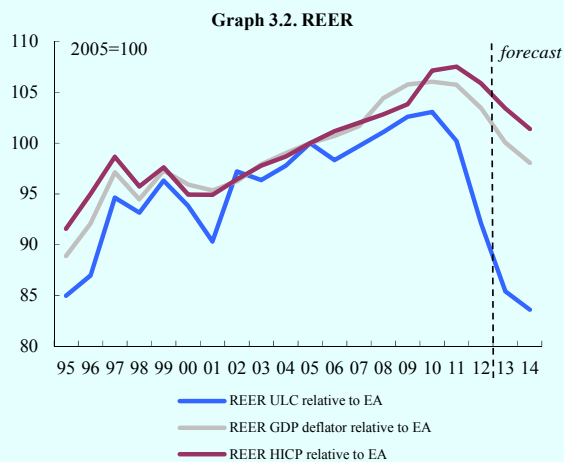
Box 3. Competitiveness and Greek export performance

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

By 2014, Greece is projected to have broadly regained its 1995 labour cost competitiveness position relative to the Euro area. Supported by wide-ranging structural labour market reforms, such as wider use of decentralized wage bargaining, a lower minimum wage, and reductions in other non-wage labour costs, compensation per employee fell by 3.7% in 2012 and is forecast to decline by 7.8% in 2013 and by a further 1.5% in 2014. Overall, the ULC-based real effective exchange rate of Greece is forecast to fall by 21.6% between 2009 and 2014. Consumer prices are expected to fall in both 2013 and 2014. Over the period 2009-2014, the HICP-based real effective exchange rate is forecast to fall by 10.6% (see graphs 2.1 and 2.2).

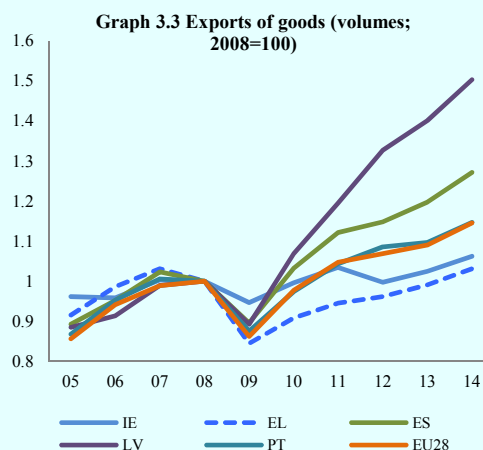


Source: European Commission

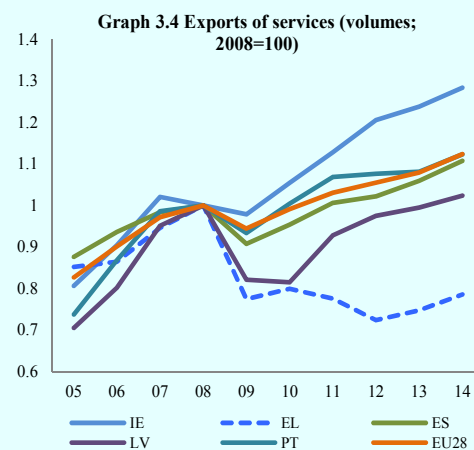


Source: European Commission

Despite the recovery in competitiveness, Greece's export performance has lagged behind that of other programme countries (see graphs 2.3 and 2.4). This relative under-performance cannot be explained purely by a slowdown of the world economy, and the Eurozone in particular. Several Greek-specific factors are responsible. In particular, the export sector has been hampered by a severe lack of trade credit amplified by initial uncertainty about the implementation of the programme and the effectiveness of policies, as well as a weakened domestic banking system. At that time, exports of travel services declined sharply as political upheaval and strikes put a severe break on tourism. International shipping, on which Greek exports of services are especially reliant, faced a severed oversupply due to the global economic slowdown following the financial crisis of 2008. All these headwinds have progressively faded since 2012. In addition, tourism also experiencing a significant boost last summer due to the political crisis in competitor destinations, namely Turkey and Egypt. This has contributed to a nascent recovery of export growth.



Source: European Commission

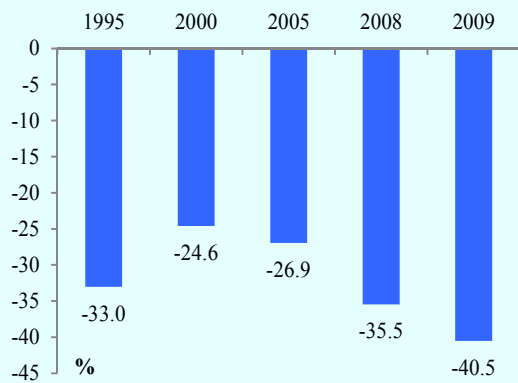


Source: European Commission

Analysis using an econometric gravity model for external trade suggests that deep-rooted factors must be tackled to address the persistent competitiveness gap. The standard gravity model predicts bilateral trade flows based on the economic sizes (GDP) and the distance between two units (countries). The regression is estimated using data on value-added exports from a joint OECD-WTO project based on 39 exporter countries that are either EU or OECD members and 56 partner countries including emerging market economies for the years 1995, 2000, 2005 and 2009. Results show that for a trading partner of given size and given geographical distance, Greek overall exports underperform relative to what a standard gravity model would predict, giving an average competitiveness gap of -32.6 percent. Graph 2.5 shows that the negative competitiveness gap has been a persistent phenomenon since at least the mid-1990s. However, this gap has exacerbated during the crisis, as Greece was hit by substantial policy uncertainty and the evaporation of trade credit.

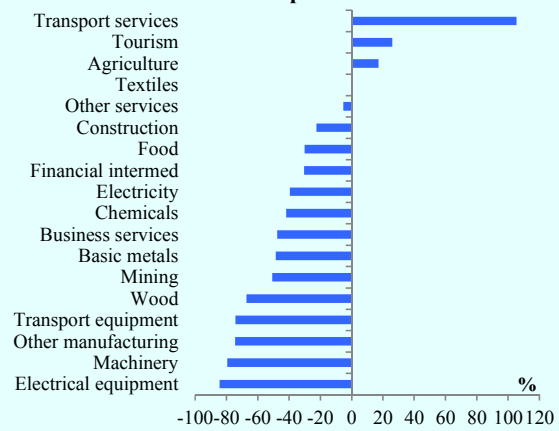
Sectoral competitiveness varies greatly and may be amenable to structural reforms. With domestic demand still weak, enterprises look increasingly to find customers abroad both within and outside of Europe to sell products ranging from agro-food products, construction materials, chemical products, to pharmaceuticals. However, the gravity model exercise applied on individual export sectors in the OECD-WTO dataset suggests that many sectors face a competitiveness gap. Transport, tourism and agriculture are the most competitive sectors, while all others experience a competitiveness gap, which is most pronounced in labour intensive sectors (see graph 2.6).

Graph 3.5 Estimate of the Greek competitiveness gap by year (%)



Source: European Commission

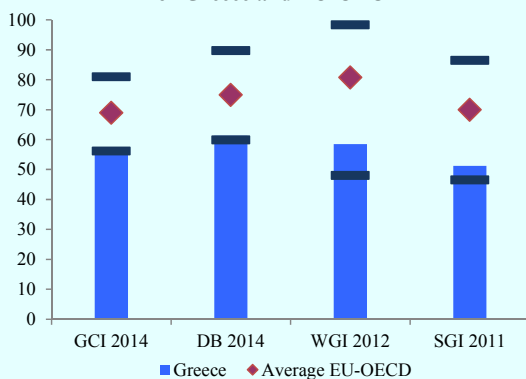
Graph 3.6 Estimate of the Greek sector competitiveness



Source: European Commission

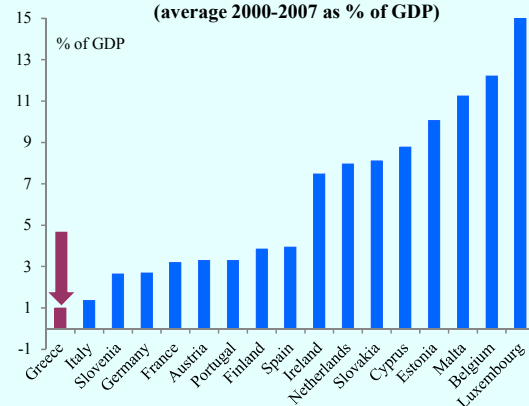
Institutional quality indicators reveal significant need for further structural reforms in Greece. Augmenting the gravity model with various measures of institutional quality related to the business environment and governance* we find that weak institutions can explain much of Greek competitiveness gap. Graph 2.7 shows the position of Greece for each institutional indicator used in the gravity model (latest year available) relative to the average EU-OECD country, as well as the minimum and maximum in the dataset**. Greece's institutional deficit is rated as extremely poor by all four indicators, clearly below the sample averages and partly at the very bottom of the distribution. The augmented gravity model shows that by improving the Greek institutional framework to the EU-OECD average level, the Greek export gap would close by between 54 and 78 percent. Improvements of the business environment could support exports by attracting Foreign Direct Investment (FDI), where Greece continues to lag far behind the EU average (see Graph 2.8).

Graph 3.7 Institutional quality indicators for Greece and EU-OECD



Source: World Economic Forum, World Bank, OECD, own calculations

Graph 3.8. FDI in EA countries (average 2000-2007 as % of GDP)



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

Mindful of the drag on exports coming from poor institutions, the government has made improving export performance a key policy priority. Based on the April 2012 National Export Strategy, reforms are proceeding in three areas supported by significant technical assistance, from the Task Force for Technical Assistance to Greece (TFGR) and several other institutions and Member States:

- Trade facilitation: the government adopted a reform road-map in November 2012 aiming at reducing time and costs for Greek traders. The set of 25 actions includes simplifying issuing of licences and certificates, optimizing customs operations and introducing digitized procedures.
- Customs operations: the reforms focus on reducing and simplifying export procedures, implementing electronic customs procedures and introducing a streamlined risk-based customs system. These reforms of pilot customs offices are in line with advice of the World Customs Organization. Customs operations have shifted to 24/7 or double-shifts for exports in the pilot offices of Athens airport and Piraeus Port. The Government simplified pre-customs for fresh fruits and feta cheese, and intends to streamline procedures for an additional five products in 2014. Key next steps are to enable fully fledged e-customs, align risk assessment systems in line with EU best practices, implement automatic clearance for low risk declarations in all customs offices and to fully roll-out optimized procedures to all customs offices by end-2014.
- Export promotion: The Greek authorities have merged HEPO (Hellenic Foreign Trade Board, responsible for implementing the export policy of Greece) and Invest in Greece (Agency responsible for seeking, promoting and supporting foreign direct investment into Greece) in order to support more effectively Greek companies in accessing foreign markets and to attract foreign investments.

Notes

* The measures of institutional quality used in the augmented gravity model are the following: the Global Competitiveness Indicator (GCI) from the World Economic Forum; the World Bank Doing Business Distance to Frontier indicator (DB); the World Bank Worldwide Governance Indicator (WGI); the OECD Sustainable Governance Indicator (SGI). These indicators were examined separately in the gravity model for both exporter and partner countries.

** For presentational reasons all indicators were rescaled to 100. Normally, the GCI ranks between 1 and 7, the DB between 0 and 100, the WGI between -2.5 and 2.5 and the SGI between 0 and 10.

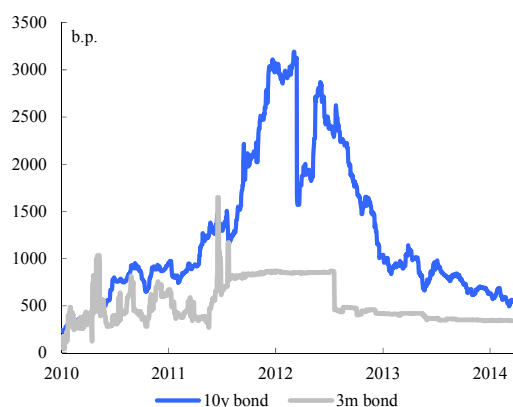
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2.2 FINANCIAL MARKET DEVELOPMENTS

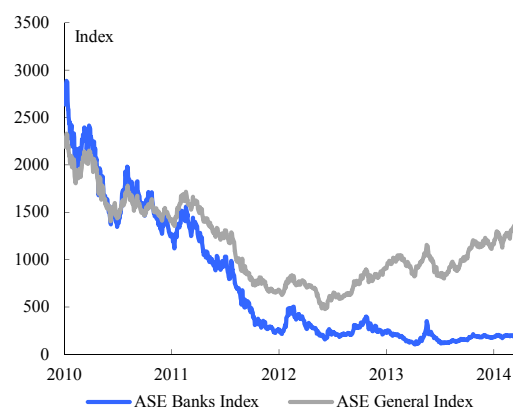
12. **Reflecting a gradual improvement in the financial sentiment towards Greece, the Greek Government Bond spread and the Athens Stock Exchange index (ATHEX) continued to recover throughout the second half of 2013 and Q1 2014, and the government returned to the bond market.** The spread between the 10-year Greek and German Government bonds declined in H2 2013, reaching a low of approximately 615 bps by November 2013. During Q1 2014, spreads continued a downward trend falling to approximately 494 bps by March 2014 (corresponding to a y-o-y 88% reduction), going back to pre-May 2010 levels. In April 2014, Greece's first bond issuance in four years has met very strong demand; close to EUR 20 billion of orders were placed from about 600 investors on EUR 3 billion worth of 5-year bonds at an annual coupon of 4.75 percent. By mid-March 2014, the prices on the ATHEX increased by 30% y-o-y, returning to Q1 2011 levels. Similarly, the Greek bank index has also improved, albeit with a fair amount of volatility. From end-June 2013 to date, the Greek bank index increased 45%, from a still depressed level. The index remained on average broadly unchanged in March 2014.

Graph 9. Greek 10y and 3m Bond Yield spread against Bund



Source: Bloomberg

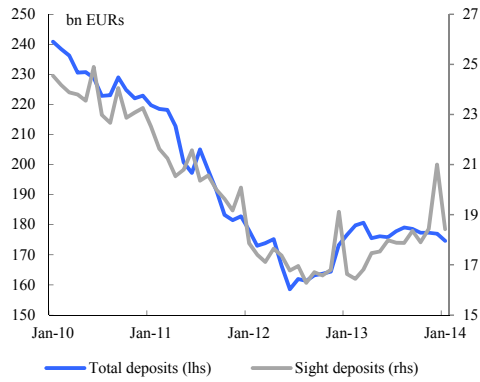
Graph 10. Athens Stock Exchange Indices



Source : Bloomberg

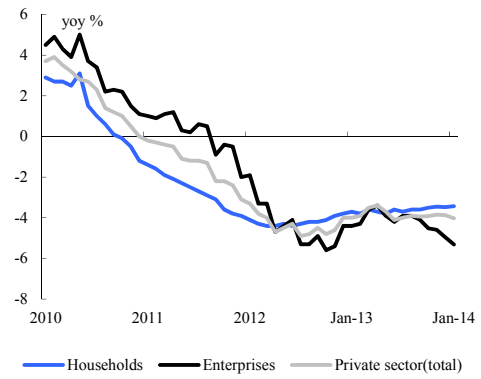
13. **The deleveraging in the banking sector has continued, while the liquidity position of credit institutions also continues to improve.** The total balance sheet of Greek commercial banks has expanded in H1 2013 by 6.4% year-on-year, primarily due to the acquisition of Cypriot branches by Piraeus Bank. However, as of end-2013, the total balance sheet of the Greek commercial banks contracted by a rate of 7.8% year-on-year. Following the significant improvement in the nine months to March-2013, partly reversed in the period around the Cypriot crisis, domestic deposits remained broadly stable throughout H2 2013, with a small decline in household deposits by 1.9% y-o-y in Q1 2014.
14. **Improvements in access to the international capital markets were observed as demonstrated by bond issuance by a bank for the first time since 2009 and successful share capital increases by two banks, validating investors' renewed trust in the Greek economy.** In Q1 2014, one of the core banks successfully tapped the debt capital markets as it placed a EUR 500 million three-year senior unsecured benchmark note at a yield of 5.125%. Investors' demand, from 25 countries, surpassed the EUR 3 billion level, implying that the bond offering was 6 times oversubscribed. The share capital increases by two banks in March 2014 have also proved successful, as international investors offered funds totalling EUR 5.4 billion euros, against EUR 2.95 billion sought.
15. **As a result of lowering their interest rate margin and tapping the international repo markets, Greek banks have substantially reduced their reliance on Eurosystem funding over the past few quarters.** In February 2014, total central bank borrowing (including ELA) stood at approximately EUR 68 billion, materially below the historical high levels of 2012 of around EUR 130 billion. The most recent successful recourse to international debt and equity capital markets will also improve the liquidity position of Greek banks, helping them further reduce their reliance on central bank funding.
16. **Despite positive market reaction and the improvement of the economic climate, Greek banks continue to face the consequences of the recession and the inability of many borrowers to service their debt obligations.** Non-performing loans (NPLs) continue to rise, however the rate of new delinquencies has moderated. It is yet to be determined to what extent the latter can be attributed to the new personal insolvency framework. NPLs in 2013 reached 33.3% of total loans, up from 25.5% in 2012. The share of consumer credit of total NPLs decreased to 16% by end-2013 from 18% reported at end-2012 as well as that of mortgages, which decreased marginally to 24% by end-2013 from 25% at end-2012. The share of business lending of total NPLs stood at 60% at end-2013 compared to 57% at end-2012. The coverage of NPLs remained stable in 2013 at 49.2%. At the same time, total credit to the domestic private sector shrunk by 3.9% year-on-year by end 2013.

Graph 11. Bank deposits



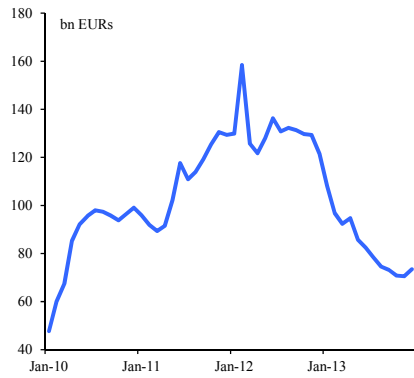
Source: Bank of Greece.

Graph 12. Credit to private sector (% change, y-o-y)



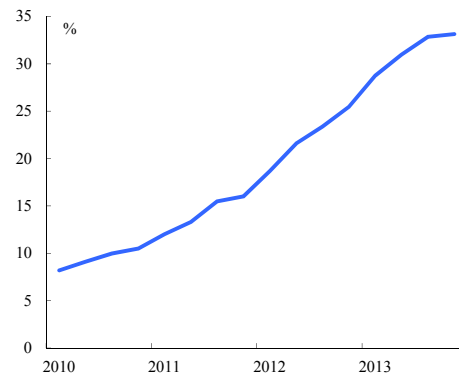
Source: Bank of Greece.

Graph 13. Total borrowing from the Eurosystem



Source: IMF IFS (International Financial Statistics).

Graph 14. Non-performing loans ratio



Source: Banks' financial statements.

3. PROGRAMME IMPLEMENTATION

3.1. FISCAL DEVELOPMENTS AND POLICY OUTLOOK

3.1.1. Fiscal outcome for 2013

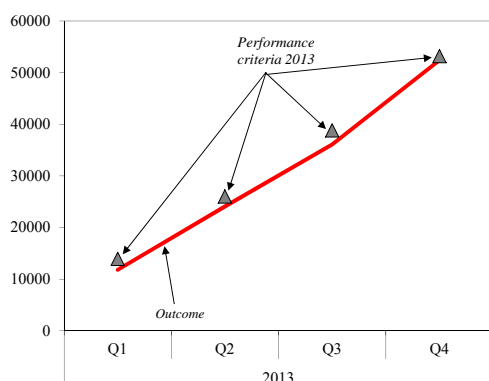
17. **After achieving the fiscal target in 2012, the balanced primary budget target for 2013 has been exceeded by a significant margin, the outcome being a primary surplus of 0.8% of GDP in programme terms (see Table 2 and 4).** The two quarterly fiscal quantitative performance criteria – the general government primary modified cash balance and primary state cash expenditure – for 2013 under the programme have been met (see Table 3 and Graphs 15, 16). Overall, taking into account the very good result of 2013, Greece has accomplished since 2009 a remarkable improvement in its fiscal position, especially in cyclically-adjusted terms.
18. **The strong fiscal result in 2013 largely reflects a better-than-expected outturn of the State budget.** On the expenditure side, operational and social welfare spending recorded notable under-execution compared with the budgeted amounts. As regards revenue, taxes turned out to be better than anticipated on the back of the strong tourist season but also benefiting from robust collection of direct taxes. In particular property tax collection was strong, despite a concentration of payments towards the end of the year. Moreover, higher-than-assumed non-tax and one-off revenue (e.g. income from the banking sector on account of state guarantees fees) played a positive role. Finally, the authorities frontloaded the absorption of EU structural in 2013 in the context of reactivation of the large motorway construction project.
19. **The social budget (pension, employment and health funds) also contributed slightly to the 2013 fiscal over-performance.** Revenues came in significantly lower than expected due to shortfalls in social security contributions and other categories, which were only partly offset by the improvements in debt collection. However, this has been over-compensated by savings from the expenditure side, which however are largely of a temporary nature. While the spending on pensions turned out to be significantly higher than projected due to an unexpected wave of retirements, this was more than offset by lower-than-assumed outlays on unemployment benefits and healthcare. The authorities compressed the latter with the application of the claw-back mechanism (the mechanism that ensures a payback by market providers of the expenditure in excess of the specific spending ceiling) after identifying overruns on diagnostics and private clinics in the first half of 2013. The financial results of other entities of the central government (extra-budgetary funds and state-owned enterprises) and local governments were broadly in line with expectations.
20. **The Authorities have allocated the 2013 fiscal over-performance.** In accordance with the Eurogroup statement of November 2012, the authorities intend to transfer some 30 percent of the over-performance to the segregated account earmarked for debt reduction. In addition, another part of the over-performance is expected to be used for clearing unpaid government obligations linked to the past, thereby not affecting the 2014 headline deficit.
21. **The implementation of the arrears clearance plan has not been completed yet.** About EUR 6 billion has been cleared through January 2014 compared to the target of EUR 8 billion. The remaining EUR 2 billion are expected to be paid out by Q3 2015. These delays mostly reflect limited progress to speed up clearance by public hospitals and by the Welfare Fund of Civil Servants. In addition, notable obstacles that hinder the process still remain within EOPYY and some municipalities (more details in Box 4).

Table 2. Bridge table from ESA General Government Balance to Programme Primary Balance Definition

	2013 (bn EUR)	2013 (% of GDP)
ESA General government balance	-23.1	-12.7%
(+) EDP interest expense	7.2	4.0%
ESA primary balance	-15.9	-8.7%
(+) Programme Adjustors	17.3	9.5%
(-) Privatization receipts	0.3	0.2%
(+) Operations related to banking support	19.7	10.8%
(+) Cost of clearing pre-October 2012 tax refunds	0.5	0.3%
(+) Adjustment in accounting treatment of PPC property tax	0.4	0.2%
(-) ANFA & SMP transfers	2.7	1.5%
(-) Greek Loan Facility (GLF) cost reduction	0.3	0.2%
Programme primary balance	1.5	0.8%

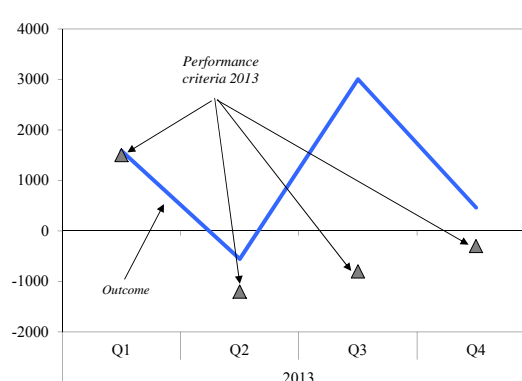
Source: European Commission services

Graph 15. State primary payments 2013 (cumulative, EUR million) Quarterly outcomes and criteria



Source: GAO and Commission services.

Graph 16. General Government primary balance 2013 (cash basis, cumulative balance, EUR million) Quarterly outcomes and criteria



Source: GAO and Commission services.

Table 3. Fiscal quantitative performance criteria (EUR billion)

	Mar-13		Jun-13		Sep-13		Dec-13	
	Progr.	Actual	Progr.	Actual	Prog.	Actual	Prog.	Actual
Performance criteria								
1. Floor on the modified general government primary cash balance 1/	1.5	1.6	-1.2	-0.5	-0.8	3.1	-0.3	0.5
2. Ceiling on state budget primary spending 1/	13.9	11.8	26.0	24.1	38.8	36.1	53.2	52.4
3. Ceiling on the overall stock of central government debt	347.0	309.4	347.0	321.4	335.0	321.9	335.0	321.5
4. Ceiling on the new guarantees granted by the central government 2/	0.2	0.2	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0
6. Ceiling on the stock of domestic arrears (narrow definition)	3.0	2.6	2.0	1.9	1.0	2.0	0.0	1.3
Indicative targets								
7. Ceiling on the stock of domestic arrears (general government definition)	4.5	7.3	3.0	6.4	1.5	5.8	0.0	3.9

1/ Applies cumulatively from start of the target's calendar year

2/ Applies cumulatively from 1 Oct 2012

3/ Applies on a continuous basis from program approval.

Source: IMF and Commission services.

Box 4. Public sector arrears to the private sector in Greece

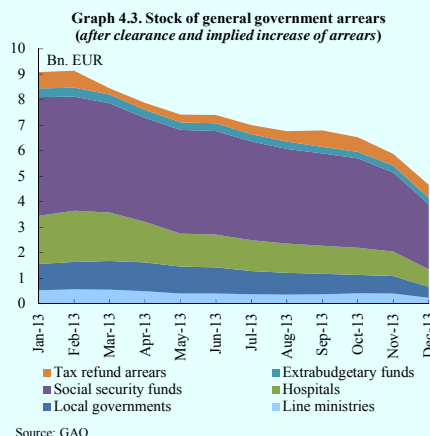
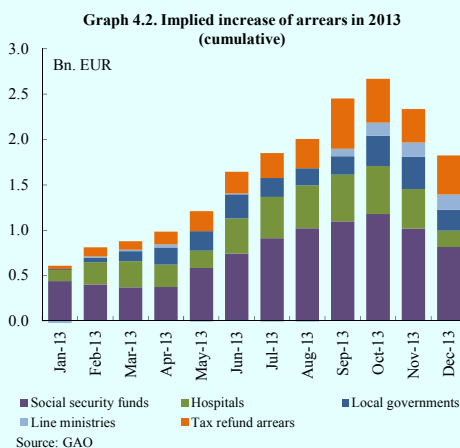
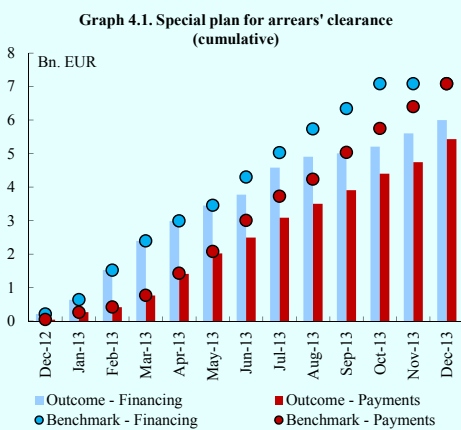
2013 was an important year for clearance of arrears due to the implementation of a special plan financed within the programme. The second programme, adopted in March 2012, provided EUR 8 billion to clear all the pre-2012 arrears. The implementation of such a plan for arrears' clearance topped up the normal payment of past arrears resulting in a paramount reduction of outstanding arrears paid out in 2013. After delays in the repayment of arrears throughout 2012, the implementation of the plan picked-up in 2013. However, out of the EUR 8 billion in arrears originally envisaged, EUR 2 billion could not be cleared in 2013, and therefore are expected to be paid out in 2014.

Despite the significant reduction of arrears in 2013 amounting to EUR 4.2 billion compared to end 2012, it remained below expectations as **a significant amount of new arrears (EUR 1.9 billion) were accumulated in 2013.** Accumulation of new arrears was mainly observed at the state hospitals sector, EOPYY and Local Governments. Accumulation of arrears by hospitals is partially due to EOPYY's failure to pay its debt. A number of factors explain the poor performance of EOPYY:

- Delays occurred in the past in transferring health care contributions by SSFs.
- Structural malfunctions within the organization, while at the same time its revenues cannot be increased due to the recession
- Lack of capacity for the clearance and repayment of old debts and current's year expenditure. It must be noted that at the end of September EOPYY's recorded cash was about EUR 729.3 million, which should be used to repay unpaid obligations.

Concerning Local Governments, the change (reduction) in arrears recorded in 2013 is less than the payment of arrears for the same period, because LG's repayments to EYDAP (the water company in Athens) are included as arrears payments but an important part of them has not been recorded at the level of arrears stocks; this stems from agreements that are in place allowing the repayment of debts by instalments.

The stock of general government arrears to the private sector (including tax refunds) at the end of December 2013 still stood at EUR 4.67 billion therefore missing by a large margin the end-December 2013 performance criterion (as per the programme definition) for the stock of domestic arrears. The biggest share of the stock of arrears comes from social security funds, at EUR 2.55 billion (55 percent of total) with public healthcare provider EOPYY being by far the largest contributor. This amount will be revised downwards when the clawback (a system that ensures a payback by pharmaceutical companies and private providers of all the expenditure in excess of the expenditure ceiling set for specific EOPYY spending categories) will be fully implemented. However problems in EOPYY are still related to past arrears with OPAD (the former healthcare Fund for public employees). Next in the list of outstanding arrears per amount are state hospitals with EUR 687 million (15 percent) and local authorities EUR 431 million (9 percent).



3.1.2. Fiscal outlook in 2014

- 22. The authorities reaffirmed their commitment to comply with the 2014 programme fiscal target, which remains within reach according to the current assessment.** Recent discussions on the fiscal outlook were framed in the context of evident better-than-expected fiscal outcome in 2013 and the degree to which it carries over into 2014. Discussions focused on consolidating the improvements in a viable manner and further advancing the reform agenda towards improved delivery and cost-effectiveness of public services. Moreover, significant amount of time has been devoted during the review to ensure that the implementation of programme commitments with potentially sizable budgetary impact does not endanger the fiscal targets. This concerns, in particular, the reduction of social security contribution rate and elimination of nuisance taxes.
- 23. Only a limited portion of the sizeable 2013 fiscal over-performance is projected to carry over into 2014.** The positive carry-over of ordinary state revenues is broadly offset by the reverse effect in 2014 of the frontloading of the EU structural funds receipts which took place in 2013. Moreover, the 2013 spending under-execution in multiple categories is mostly regarded as one-off with the exemption of the state expenditure where the government decided to lock in the savings through revised spending ceilings with the adoption of the new Medium-Term Fiscal Strategy (MTFS) in early May 2014. Finally, the outlook for 2014 deteriorated on account of downward revisions to social security contributions and other social budget revenues given the lower-than-expected outturns in 2013.
- 24. Some of the shortfall in social budget revenues is offset by an upward revision of the estimated yield of the new income tax reform and the incorporation of the savings related to the public investment.** The higher-than-previously-estimated yield of the income tax reform results partly from the tightening of the depreciation allowances, through bringing the overly favourable rules prevailing so far in Greece closer to the EU standards. In addition, the re-quantification of the income tax baseline components has also played a role. In particular, these relate to the positive effects of the automatic withholding of income tax for pensioners, new tax regime for professionals and small businesses income, as well as changes in the tax burden on salary and wage earners. The budget savings on public investment reflect the impact of new EU regulations on the cost of co-financed projects carried by the Greek state.
- 25. To improve the underlying fiscal position and to secure the achievement of the fiscal target, the government adopted a series of mostly administrative measures.** It was agreed that the new actions should be targeted to address structural issues in specific sectors, in particular weak payment compliance of current and overdue social security contribution. In this context, the authorities have undertaken a series of steps (described in Box 5) to increase compliance in social security contributions and estimated to bring around EUR 0.5 billion in additional revenue on yearly basis. Additional steps are also being taken on the rationalisation of public expenditure reducing military procurement programmes and tightening spending ceilings for Extra Budgetary Funds (EBFs). The entire spectrum of the proposed measures is estimated to yield about EUR 0.9 billion in 2014 with yields falling to EUR 0.8 billion as of 2015 as some elements have a temporary effect.
- 26. The government took a number of policy measures in 2014 to support employment and strengthen social cohesion.** The authorities decided to implement ahead of schedule a cut in social security rates of IKA (the largest social security fund) by 3.9 percentage points, with effect from 1 July 2014 (to achieve a total reduction of 5 p.p since 2012). The rate cut is achieved mostly by reducing employer-paid non-pension contributions (2.9 percentage points). The full-year cost of reducing the rates is estimated at 0.4% of GDP and will be partly financed by the following actions: (i) elimination of OAED (the unemployment fund) family benefits following the broader rationalisation of family benefits in 2013; (ii) reduction of OAED training programs; (iii) rationalization of OAEE exemptions; (iv) automatic offsetting of VAT and income tax refunds against SSC debts. To strengthen social cohesion, the government initiated a programme aimed at provision of one-off income support to socially vulnerable groups. The envelope of the scheme is estimated at around EUR 500 million. Moreover, according to the government proposal, additional resources of EUR 20 million will be devoted for programmes targeted at homeless. Finally, the government have also adopted a new scheme

to support the long-term unemployed, who have lost the right to the regular one-year unemployment benefit scheme (EUR 200 million).

27. **Overall the risks to the 2014 fiscal outlook are broadly balanced.** The authorities reiterated their readiness to take compensatory measures if some of the near-term risks to the fiscal outlook should materialise. The imminent uncertainties relate to court rulings on the wage cuts for uniform personnel and property taxes collected through the electricity bills. The authorities remain committed to take offsetting actions to mitigate the effect of any ruling on the budget.

Box 5. Measures to increase compliance in social security collection

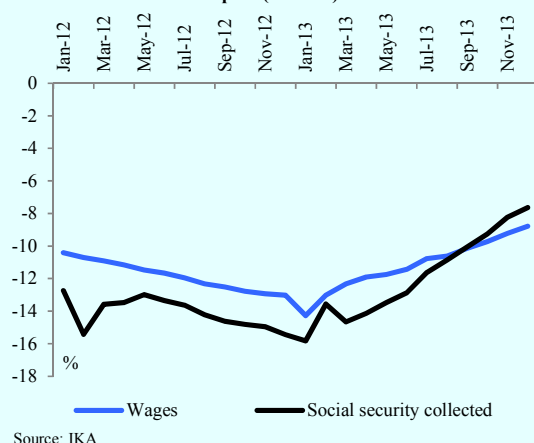
A significant shortfall was experienced in social security contributions (SSC) in the first half of 2013. While the adjustment programme has focused primarily on improving tax administration, much less attention has been devoted until recently to reforms in the social security administration. Collection of social security debt in the past has mainly been done through generous settlement schemes, which however weakened incentives for taxpayers to remain compliant on their current contributions. Limited use of normal administrative and enforcement measures has compounded the inefficiencies of the system.

Since August 2013, the authorities have implemented a series of measures to improve social security administration and boost collection of social security contributions. These included increasing sanctions and fees for the use of undeclared workers, cross-checking of administrative data, introducing mandatory declaration of contributions for some supplementary and lump-sum pensions and expanding the automatic reminders to all employers who have not paid their SSC obligations. A new system of instalment scheme was introduced in July 2013 (see Box 8).

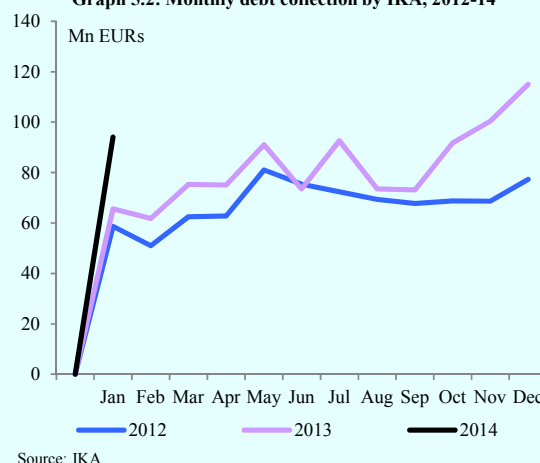
The results of the efforts are already visible and tangible. The collection of social contribution is now growing faster than wages, reversing the trend from past years (see Graph 5.1). In addition, monthly debt collection has increased by 50% compared with previous years (see Graph 5.2). Enrolment of debt into the new instalment schemes is also increasing rapidly.

Despite the improvement, there are still a series of reforms to be undertaken. One area of immediate concern is the single collection centre for social security debt, KEAO. While this has been set up in the second semester of 2013, it has not been fully staffed at end-2013 as planned, and the additional staff may only arrive during Q2 2014, which may delay social security debt collection this year. Further reforms are needed to address weaknesses in SSC collection and in enforcement (see section 3.2.2. Tax policy reform).

Graph 5.1: Annual change in wages and contributions paid (2012-13)



Graph 5.2: Monthly debt collection by IKA, 2012-14



3.1.3. MTF5 and Fiscal Outlook for 2015-2017

28. **The authorities remain committed to achieve the fiscal targets for 2015 and beyond,** including as needed by extending expiring fiscal measures. While still challenging, the fiscal outlook for 2015 has improved compared with the previous review. As a result, the projected fiscal gap to achieve the 2015 primary surplus target of 3% of GDP has declined to about 1.1% of GDP from the 1.8% of GDP foreseen at the end of the previous review in July 2013. The improvement is largely explained by the following factors: (i) the small permanent component of the 2013 over-performance; (ii) higher than expected yields of the income tax reforms; (iii) the effect of newly adopted measures during this review; and (iv) faster absorption of EU structural funds.

- 29. The mission urged the authorities to timely deliver all programme commitments and to start working towards identifying areas, where further improvement can take place, thereby supporting the fiscal adjustment.** Given that the expected gains from the re-organisation of the revenue administration are assumed to contribute to the fiscal consolidation, a timely delivery of the reforms on this front is crucial. Moreover, despite the significant improvements having been made since the start of the programme, there are still areas where significant efficiency gains can be made, through further streamlining of the public sector and reviewing spending envelopes. The authorities are starting work toward a comprehensive VAT reform to be introduced in 2015 and will in the coming months review the existing VAT policy and administration (see section 3.2.2. Tax policy reform and Box 6). Furthermore, a review of social security policies is being initiated to improve targeting, fairness, and efficiency. The authorities are also starting work on consolidating pension fund administration with a view to ensuring that the consolidated system is actuarially balanced in the next decades. The discussions of the concrete proposals will take place in the context of the 2015 budget preparation in the autumn.
- 30. The projections for 2016-17 are inherently uncertain.** A key issue is the impact of structural reforms and economic recovery on tax and spending aggregates. Tax revenues could rebound significantly more than assumed in the baseline projections once the economy recovers and the liquidity situation improves. This will be contingent on continued resolute implementation of the on-going reforms of the tax and social security revenue administrations. On the other hand, any severe delays in programme implementation may result in a widening of the fiscal gap, thereby leading to higher needs for savings in other areas.

Table 4. Medium-term fiscal projections

In % of GDP	2012	2013	2014	2015	2016	2017
General government balance	-6.4	-3.2	-2.9	-2.1	-0.7	-0.7
Primary balance	-1.3	0.8	1.6	3.0	4.5	4.5

Note: the fiscal numbers in the table are consistent with programme definitions as laid out in the Technical Memorandum of Understanding (TMU). The main differences compared with the ESA-95 definition are the exclusion from the programme definition of ANFA and SMP profit transfers, most sales of non-financial assets, and costs related to bank resolutions and recapitalisations.

Source: European Commission services

3.2. STRUCTURAL REFORMS WITH BUDGETARY RELEVANCE

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

- 31. Progress has been made in completing privatisation deals.** Following the completion of the privatisation transactions for State Lotteries (EUR 133 million) and OPAP (EUR 622 million), the authorities are moving forward with the certification process of the gas transmission operator (DESFA), which has been adjudicated for around EUR 187 million. Additional transactions in the pipeline include the railway operator (Trainose), the rail service provider (Rosco) and regional airports. The preferred investor was selected for the acquisition of the shares in the landmark real estate project Hellinikon after it improved its financial offer significantly (EUR 915 million). A successful conclusion of the tender would imply that the consortium undertakes an investment of EUR 5.7 billion (over 2.5% of GDP) over the coming years, out of which EUR 1.25 billion correspond to the necessary infrastructure costs and the metropolitan park, which will be exclusively assumed by the company. The transaction for the sale and lease-back of 28 buildings is expected to be completed in the second quarter 2014 following a delay in the approval of the deal by the Court of Audit.
- 32. As the preparation of key assets for privatisation is advancing and the majority of state-owned enterprises have now been transferred to the privatisation fund, the focus is now on designing and implementing appropriate arrangements to ensure appropriate regulation and oversight.** This includes setting up a strong regulator for ports, to oversee the market after the privatisation of a large array of ports, in particular those of Piraeus and Thessaloniki. The authorities strengthened the

effectiveness and autonomy of the port regulator by appointing the Board of Directors and are additionally committed to adopt and implement the secondary legislation aiming to have a fully functioning institution by the end of the tender process for the ports. They also staffed the newly-created water regulator and strengthened its independence by revising the legislation aiming to gradually enable the Special Secretary to issue formal decisions on regulatory matters. Moreover, after successive delays the authorities are expected to propose a plan with concrete measures to improve the economic regulatory function attached to the Hellenic Civil Aviation Authority.

33. **More progress is however needed in the area of real estate privatisation.** Preparatory work is advanced to secure the pipeline for the transfer of full and direct ownership of 1,000 commercially-viable real estate assets to the HRADF. The authorities are in the process of identifying and transferring to the privatisation fund the remaining 250 real estate assets of the fourth quarterly batch of transfers. Additional steps will be taken to improve the real estate preparatory process, through reviewing the mission, objectives, and staffing of ETAD and to strengthen its effectiveness in professionally managing and preparing real estate assets ahead of transferring them to HRADF. Given the progress and completion of a certain number of corporate assets privatisations, the sale of the real estate assets will have a crucial importance for the overall attainment of the revenue targets from a medium and long term perspective. A specific roadmap for the implementation of these measures has been agreed with the authorities. More broadly, it is important that all elements for successful privatisation of real estate assets are in place now that market sentiment is expected to gradually improve.
34. **The authorities have defined a roadmap for alternative sale methods of real estate assets, such as asset securitisation and monetisation in order to raise additional revenues beyond what is currently foreseen in the privatisation plan.** Such efforts will be targeted at the private sector, in particular international investors and will complement the direct sale of assets currently on-going. This project, combined with improving investor interest in Greece, can help raise additional proceeds in the medium terms. The Authorities will assess the progress in this field in the coming months and will, if needed, revise upwards the proceeds estimates from privatisation. The authorities will submit the first progress report by end-June 2014 and should complete the first transaction by end-November 2014.
35. **The authorities have committed to comprehensive governance reforms for the privatisation institutions.** The Government has adopted legislation requiring HRADF to exercise its shareholder powers where it has a majority shareholding, according to a co-operation framework with objectives and criteria in line with the privatization process. In line with this new legislation, HRADF will have the possibility to take action towards board members and management in relevant companies and to appoint at least one member to the Board of the companies under its portfolio where it is not represented. The authorities also amended the HRADF law to allow the CEO to be able to act as chairman in case of the latter's vacancy and reduce the number of board members required to be present to hold a board meeting from 5 to 4, so as to ensure uninterrupted operations, and to clarify the grounds for dismissal of the board.
36. **The expected cumulative privatisation proceeds have been revised downward somewhat to EUR 22.3 billion by 2020** (from EUR 24.2 billion in the July 2013 review). The cumulated amount of expected proceeds has been updated based on current transaction trends and based on policy measures and commitments. These targets remain under review, mindful of both upside (from heightened investor interest) and downside (from continuing significant hurdles to privatization) risks. Improved governance and transparency of the privatisation process are essential to build confidence among the general public that the privatisation process will maximise value for the tax payer. Additional steps are needed to expedite approvals from the Court of Auditors, Council of State, and the Competition Committee to reduce the overall time for the sale of assets. The final sale of assets is of crucial importance for financing purposes but also for ensuring additional investment, greater managerial expertise, increased efficiency and better governance for the enterprises involved. The timing of some corporate sales has been revised in order to allow the strengthening of the regulatory environment prior to privatisation.

Table 5. Expected Privatisation Receipts

By the end of:	Yearly proceeds	Cumulative receipts since 2011 (EUR billion)	
2011	1.6		
2012	0	1.6	Outcome
2013	1.0	2.6	
2014	1.5	4.1	
2015	2.2	6.3	Forecast
2016	3.4	9.6	
2017	2.9	12.4	
2018	3.0	15.4	
2019	3.4	18.7	
2020	3.6	22.3	

Source: European Commission services.

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

Table 6. Privatisation Plan

Timing of Privatization (Launch of Tender)	Binding offers (submission)	Project	Comments
I. State-owned enterprise/share sale & concessions			
2011	Q3	n/a	OTE – exercise of put option 2
			Sale of 10% of OTE share capital to Deutsche Telekom for a consideration of €392 mil.
	Q4	n/a	Hellenic Football Prognostics Organization (OPAP) – extension of concession
			Extension of the existing concession agreement for 10 more years for a consideration of €375 mil
	Q4	n/a	Hellenic Football Prognostics Organization (OPAP) – VLTs license
			Granting of license for 35.000 VLTs for a consideration of €560 mil
	Q4	n/a	Mobile Telephony Licenses
			Granting of mobile telephone licenses for a consideration of €317 mil
	Q4	n/a	2 Airplanes
			Sale of 2 Airbus A340-300 for a consideration of €16 mil
	Q4	Q4/12	State Lotteries
			<ul style="list-style-type: none"> - SPA signed Q1 2013 - Financial Closing Q4 2013 - Total transaction value €770 mil., €190 mil. upfront payment
2012	Q1	Q2/13	Public Gas (DESFA)
			<ul style="list-style-type: none"> - Financial Closing expected in Q4 2014 following EU and Greek regulators approvals - Total consideration €188 mil.
	Q3	Q2/13	Hellenic Football Prognostics Organization (OPAP)
			<ul style="list-style-type: none"> - SPA signed Q2 2013 - Financial Closing Q4 2013 - Total consideration €652 mil., €622 mil. upfront payment
2013	Q1	Q2/14	Horse Betting License
			<ul style="list-style-type: none"> - Second phase of the tender - Two prequalified parties are expected to submit binding offers by Q2 2014
	Q1	Q2/14	Thessaloniki Water (EYATH)
			<ul style="list-style-type: none"> - Second phase of the tender - Two prequalified parties are expected to submit binding offers by Q2 2014
	Q1	Q2/14	Small ports and marinas
			<ul style="list-style-type: none"> - 3 tenders in progress for the privatization of six marinas - Second phase of the tenders - Seven to eight prequalified parties for each tender are expected to submit binding offers by Q2 2014
	Q1	Q3/14	Regional airports
			<ul style="list-style-type: none"> - Second phase of the tender - Seven prequalified parties are expected to submit binding offers in early Q3 2014
	Q2	Q3/14	Train Operator (TRAINOSE)
			<ul style="list-style-type: none"> - Second phase of the tender - Three prequalified parties are expected to submit binding offers in early Q3 2014
	Q2	Q3/14	Railway Maintenance Company (ROSCO)
			<ul style="list-style-type: none"> - Second phase of the tender - Three prequalified parties are expected to submit binding offers in early Q3 2014
2014	Q1	Q3/14	Piraeus Port (OLP)
			<ul style="list-style-type: none"> - The tender for the sale of shares was launched in February 2014 - Prequalification of interested parties in Q2 2014 - Binding offers expected in Q3 2014
	Q2	Q1/15	Thessaloniki Port (OLTH)
			<ul style="list-style-type: none"> - Launch of tender is expected in April 2014
	Q2	Q1/15	Athens Airport (AIA)
			<ul style="list-style-type: none"> - Agree on the sale process with the strategic partner in AIA, PSP Investments (Q2 2014) - Launch of tender in Q2 2014
	Q2	Q4/14	IPTO (PPC transmission network)
			<ul style="list-style-type: none"> - Process led by Ministry of Energy and PPC - Launch of tender in Q2 2014
	Q2	Q4/14	2 Airplanes Airbus A340-300
			Launch of tender is expected in Q2 2014
	Q2	Q1/15	Digital Dividend
			<ul style="list-style-type: none"> - Entire process led by Ministry of Development & EETT. - Conclusion of the tender for the TV network providers (November 2014)
	Q2	Q2/15	Egnatia Motorway
			Launch of tender is expected in Q2 2014
	Q3	Q2/15	Large regional ports - Lavrio
			Launch of tender for a mega yacht marina
	n/a	n/a	Athens Water (EYDAP)
			Launch of tender dependent on the decision by the Council of State regarding the legality of the transfer of shares to HRADF
	n/a	n/a	Hellenic Petroleum (HELPE)
			Currently assessing privatisation options
	n/a	n/a	South Kavala Gas Storage
			Assessment on the viability of the project (Q2 2014), and if viable, launch of tender
	n/a	n/a	Hellenic Post (ELTA)
			<ul style="list-style-type: none"> - Appoint external experts to advise on a restructuring plan (June 2014) - Depending on their advice, launch of sale process
II. Real Estate			
2011	Q4	Q1/14	Hellenikon
			<ul style="list-style-type: none"> - Final offer submitted in March 2014 for a total transaction value of €915 mil. - Announcement of preferred bidder (March 2014). - Launch of ESCHADA by Q2 2014.
2012	Q1	Q1/13	Cassiopi
			<ul style="list-style-type: none"> - Launch of tender (March 2013) - Preferred bidder announced (October 2013) - Financial closing depending on the approvals, total consideration of €23 mil.
	Q4/12	Q1/13	Buildings abroad
			<ul style="list-style-type: none"> - Launch of tender (May 2013) - Preferred bidder announced (October 2013) - Financial closing depending on the approvals, total consideration of €41 mil.
2013	Q1	Q2/13	Sale and leaseback of 28 buildings
			<ul style="list-style-type: none"> - Launch of tender (March 2013) - Preferred bidders announced (November 2013), offered consideration of €260 mil. - Financial closing is expected in April 2014
	Q1	Q4/13	Astir Vouliagmenis
			<ul style="list-style-type: none"> - Launch of tender (April 2013) - Preferred bidder announced (December 2013), offered consideration of €400 mil. (€96 mil. HRADFs' stake) - Financial closing depending on the approvals
	Q1	Q2/13	Paliouri
			<ul style="list-style-type: none"> - Launch of tender (February 2013) - Preferred bidder announced (July 2013) - Financial closing depending on the approvals, total consideration of €14 mil.
	Q1	Q4/13	Agios Ioannis
			<ul style="list-style-type: none"> - Launch of tender (March 2013) - Preferred bidder announced (October 2013) - Financial closing depending on the approvals, total consideration of €10 mil.
	Q1	Q2/14	Afantou
			<ul style="list-style-type: none"> - The tender has been re-launched for the third time
	n/a	n/a	Real Estate
			<ul style="list-style-type: none"> - At least 1,000 real estate properties in total to be transferred to HRADF (June 2014). - The first 900 real estate assets have been transferred to HRADF by December 2013.
	n/a	n/a	Real Estate Monetisation
			<ul style="list-style-type: none"> - Delivery of a report on the possible options and a 12-month action plan (June 2014) - Launch of the first tranche (November 2014)

Source: HRADF update on projects under development.

3.2.2. Tax policy reform

- 37. A major reform of the tax system has been undertaken in the second half of 2013 and continued into 2014 to broaden the tax base, simplify and codify tax legislation, and to improve tax collection rates.** Complementing the Income Tax reform adopted in early 2013, a new Income Tax Code and Tax Procedures Code were adopted in July 2013 and finalised in December 2013. A new unified Property Tax, ENFIA, was adopted in December 2013 to replace both the PPC tax and the FAP wealth tax. The Accounting Rules will be modernised in the first months of 2014 to be implemented from 1 January 2015. Finally a review of the VAT system is planned for June 2014 (see Box 6). These reforms represent a major simplification and modernisation of the tax system and are expected to bring in considerably higher revenues from the widening of the tax base. The success of these reforms will allow a period of stability in the tax system for many years to come that will favour new investment and address the concerns of foreign investors about the instability of the tax system.
- 38. The new Income Tax Code consolidates the income tax reform adopted in January 2013, widens the tax base, and simplifies the tax system to make it more accessible to ordinary tax payers.** Numerous tax loopholes have been closed to consolidate the tax base and reduce the potential for erosion. Key innovations in the new tax code are tighter and more transparent rules concerning eligible business expenditures and benefits in kind, new rules to avoid tax evasion e.g. through controlled-foreign companies, and modern rules concerning business capitalisation and transfer pricing. Capital gains taxes for real estate and financial securities have been introduced for the first time. A first set of amendments to the income tax code passed in December 2013 clarified a number of key elements of the law adopted in July 2013 and set up rules for investment tax incentives for R&D, renewable energies, business parks, and developments in small islands.
- 39. Implementation of the new Tax Procedures Code started on 1 January 2014.** The new Code adopted in July 2013 (with additional clarifying amendments in December 2013) modernises the rules of tax administration, improve their transparency for tax payers, and simplifies the system of enforcement. It marks a major step forward in combating tax evasion. The Code updates and streamlines the provisions in current legislation, fills gaps in the enforcement of collection methods, ensures timely mandatory data provision to the tax authorities, and sets out a clear and simplified system of fines and penalties. Rapid progress has been made in preparing the required secondary legislation and tax circulars. The new Code also clarifies and reforms the system of tax certificates, an innovative system that uses private sector auditors to ensure the probity of tax accounts. This system will assist businesses in the transition to the new Income Tax Code and will be phased out in 2016.
- 40. A major modernisation of the Accounting Rules, including tax accounting rules, is taking place, with effect from January 2015.** For the first time, Greece will have a modern and consistent set of accounting rules that will apply to all enterprises with proportionally higher requirements on larger and/or more complex businesses. In particular, micro enterprises with turnovers under EUR 700,000 will benefit from simple and clear requirements. The same requirements will apply to the self-employed and professionals. The new rules will thus help overcome the tax biases against incorporation and the growth of businesses. A new set of tax accounting rules will entirely replace the Code of Tax Recording (the former Code of Books and Records), greatly simplify burdens on businesses, and ensure the availability of standard accounts for tax auditing purposes. The new Accounting Rules will apply from 1 January 2015, allowing businesses to adjust to the new requirements.
- 41. The legislation for a new Unified Property Tax (ENFIA) was adopted in December 2013 and entered in force from January 2014.** The new tax replaces both the existing real estate tax collected by the electricity company PPC (PPC levy) and the wealth tax on property (FAP) and has allowed for a major reduction in Transactions Tax from 9.6% to 3%. The new tax has two parts: a main real estate tax on individual properties and a relatively small progressive tax that is levied on real estate holdings as a whole. The tax covers both properties and land, broadening the tax base to include urban and non-urban land as well as residential, commercial, and industrial buildings. Previously, land was lightly taxed in urban areas and untaxed in non-urban zones. The broadening of the tax base to include land should increase fairness and economic efficiency of land use. Base-broadening also allows for lower average tax rates on buildings, thus encouraging real estate investment. Moreover, the new property tax will be levied on both individuals and legal entities such as companies. In the medium term, the property tax could replace the existing financing of local government, along with an appropriate equalization system.

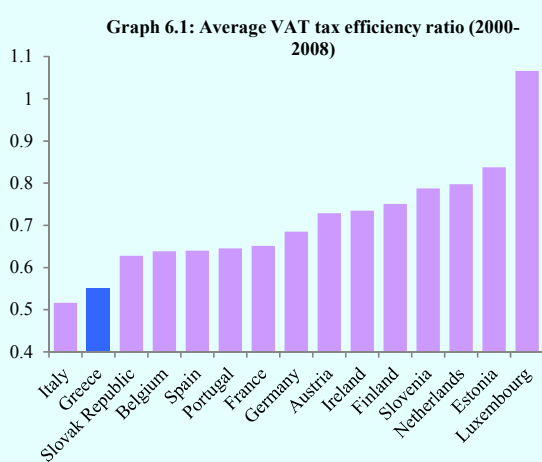
Financing local governments through a real estate tax would have the advantage of strengthening incentives for municipalities to facilitate and attract real estate and commercial development.

42. **Efforts are also taking place to provide the data for the eventual updating of property values.** The new Unified Property Tax will be based on the real estate objective values dating from 2007. The work to enable the updating the objective values of real estates in Greece has already started and it is carried out by a team chaired by the Secretary General for Public Properties. The process will require some months, but is expected to be completed before the end of 2014. Starting from 5,500 price areas of 2007, the Working Group has already collected information from Local Committees in a central database which now contains 11,000 price areas all over Greece. However the work delivered so far produced an indexation to update the 2007 prices. The second part of the project foresees a fully-fledged database which will be fed with information from transaction tax payments and rent contracts. Additionally, the aim is to align all property assessment values with market prices by January 2017. To this end, by July 2014, the authorities will develop a medium-term reform plan that outlines actions, including setting up a project team which will steer the process.

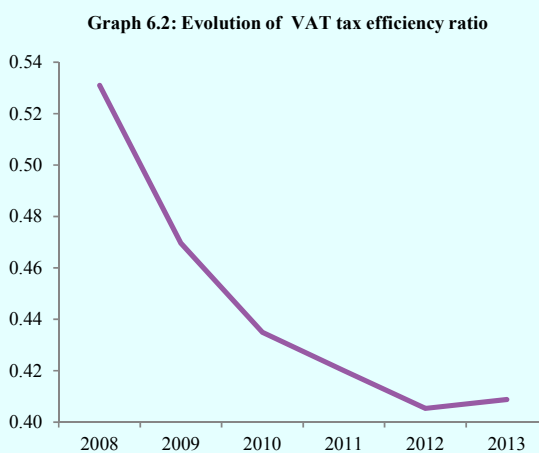
Box 6. Closing the VAT Gap: the need for VAT reform in Greece

Historically, the performance of the VAT system in Greece has been weak. According to a recent European Commission study*, the overall VAT tax-efficiency ratio, the ratio between VAT tax revenue collected against what would be collected if all consumption was taxed at the standard VAT rate, is among the lowest in the EU (see graph 6.1). This reflects in part a multitude of VAT reduced rates and exemptions for certain product categories and regions. However, it also reflects widespread non-compliance with the current system (both under-declaration and under-collection). The VAT collection ratio is some 40% of total potential revenues, worth up to some EUR 10 billion a year in non-collected revenues.

The problem of non-compliance has become especially acute during the crisis. Tax efficiency has dropped visibly until 2012 (see graph 6.2), likely reflecting the tight liquidity situation which has forced many companies and households to circumvent the taxation system. Whilst some improvement in VAT compliance is expected as the macroeconomic situation recovers, the experience in other recent crisis countries suggests that this is far from automatic and may take time.



Source: OECD, European Commission



Source: OECD, European Commission

Urgently improving the VAT system is necessary for several reasons:

- **The VAT administration is burdened by the volume of registered companies.** The VAT registry system needs to be cleaned up of inactive companies. The introduction of a VAT threshold would also simplify tax administration and reduce administrative burdens for small firms that would have the option to operate outside of the VAT system.
- **Fraud detection systems must be strengthened.** A dedicated unit for VAT fraud would help to combat VAT fraud.
- **Tax refund procedures should be accelerated:** a risk-based audit system should allow companies with a fully compliant filing and payment history to receive refunds immediately without prior audit. This would substantially speed up the processing of VAT refund claims by the Authorities.
- **The current policy system of the VAT needs to be examined.** Appropriate reforms need to be undertaken to make it more effective and consistent with broader policy objectives.

The Authorities have committed to review the VAT system by June 2014 in order to make comprehensive reforms that can be implemented by January 2015.

* Reference: European Commission (TAXUD) "Study to quantify and analyse the VAT Gap in the EU-27 Member States", July 2013.

Box 7. The new ENFIA Property Tax

Property taxes have been notoriously unstable in Greece. A succession of central government property-based taxes have been introduced and subsequently modified or re-modified. Up to 2013, there were three central government property-based taxes:

- A transactions tax levied at 9.6% of the objective value of a transferred property.
- The FAP wealth tax introduced in 2010 and levied on the total value of all real estate assets of individual tax payers with a progressive tax rate. The 2010 tax however was not actually billed until 2012. The 2011, 2012 and 2013 taxes were billed and collected sequentially in 2013.
- The PPC tax introduced on an emergency basis in 2010 and levied on properties connected to the electricity grid. Initially collected through the electricity bill. Following legal challenges, from 2013 onwards, enforcement on the tax had to be done separately through the tax service.

Each of the taxes had different bases and quite different collection rates. The collection rate on the transactions tax was around 100%, that for the PPC tax was between 80-85%, whilst the initial collection rate for FAP 2010 was only around 67%. Subsequent enforcement efforts in the summer of 2013 raised the average collection rate for the FAP taxes to around 75%.

The objective of the ENFIA unified property tax was originally to replace all three of the existing taxes with a single real estate tax on both properties and land. The new tax applies equally to real estate owned by individuals or by legal entities. This represents a major widening of the tax base and removed the incentive to hold real estate through a company in order to avoid taxation. The inclusion of land in the tax base also represented an important widening of the tax base. Land was previously only lightly taxed in urban areas and was entirely untaxed in non-urban areas. The broadening of the base to include land is both fairer and should improve the efficiency of land-use. The new tax will be applied to the surface areas of buildings and land according to a set of official zonal values with limited differentiation on the basis of size, location and age. The simplified tax will be collected directly by the tax administration. At a late stage of the reform plan, political pressures led to some reductions in the tax rates applied to land and the introduction of a supplementary tax based on overall holdings of real estate. This tax however was based on a simplified formula and was also applied to legal entities. Owing to revenue concerns, the Transactions tax was also retained on a temporary basis at the lower rate of 3%.

The new tax is expected to raise EUR 2.4 billion in revenues in 2014 (see table below). This is based on conservative assumptions about collection rates: the assumed collection rate for persons was taken as 72%; that for legal entities at 90%. The distribution of the estimated revenues raised by the tax gives an indication of the widening of the tax base. Out of the total revenues, some 20% (EUR 450 million) will be raised from legal entities. The revenues from land are expected to make up some 15% of overall revenues (EUR 340 million). The widening of the base is therefore some 30% of overall revenues, once account is taken of the overlap between the two categories.

Table: Expected revenues for the ENFIA Property Tax (million EUR)

	<i>Persons</i>	<i>Legal entities</i>	<i>Total</i>
Buildings	1,449	159	1,607
Residences	1,250	22	1,272
Commercial uses	178	63	241
Special uses	20	74	94
Land	255	88	343
Urban plan	155	88	243
Non-urban	100	-	100
Total direct tax	1,704	247	1,951
Additional tax	273	200	473
Total	1,977	447	2,424

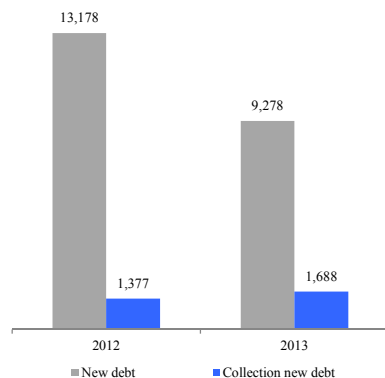
Considerable efforts have been made to prepare for a timely and smooth introduction of the new tax. A Task Force was set up in the tax administration to deliver the tax. The legislation was drafted early, but only adopted on 21 December 2013. In parallel, the IT specifications for the new tax were prepared. The required property filing started in February 2014 and was accompanied by a publicity campaign. Preparations have now been made for the billing of the property tax in June 2014, allowing tax payers six monthly instalments.

3.2.3. Revenue administration reforms

43. **The revenue administration reform continues, showing mixed results so far.** While the bulk of the reform actions since the previous review has been completed and results are relatively encouraging, some key actions are delayed.
44. **The organization of the Secretariat general for public revenue is improving.** The advisory board and the strategic planning and financial control directorate of the semi-autonomous public revenue administration are in place. The final structure of the Secretariat General has been adopted in April and will be progressively implemented with staff transfers throughout 2014 and beginning 2015. The new grading and promotion system was approved and will be implemented in the second half of 2014. The authorities have lifted the remaining constraints to the delegation of powers to the Secretary General of the public revenue administration. The Secretary General has approved the business plan for the public revenue administration. Other key organizational reforms have also been implemented. The merger of tax offices reduced the number of tax office to 120, while debt collection is consolidated in large tax offices. The internal review unit was put in place and staffed, and it has started to review the tax decisions as is now compulsory for the taxpayers before they can go to court.
45. **Capacity has been increased.** The Secretariat general for public revenue is to receive more than 1700 new staff in the course of 2014 and 2015. This, in addition to the re-certification of 2000 auditors and the basic training plans in place, should allow limiting staff shortages, especially in the specialised unit for high wealth individuals and large taxpayers. An adequate number of supervisors are now assigned in these units. Staff has been assigned in the large debtor unit to deal with fresh debt. The replacement of managers who did not meet performance targets or who have been in place for three years has started to take place on a regular basis.
46. **New methods and tools are being put in place.** The indirect account register has been adopted, and the authorities enhanced targeted auditing based on risk assessment techniques. Payments in tax offices have been reduced and replaced by checks and transfers. Revised instalment schemes have been introduced as of July 2013 (see Box 8).
47. **The main focus must remain on improving tax collection, as this is the most cost-effective way to increase public revenue.** Tax debt collection is progressing although still falling short of Key Performance Indicator targets. The collection of "new" tax debt increased by 23% compared to 2012 and the collection of "old" debt increased by 38% (see Graphs 17 and 18). The total amount of debt collected increased from EUR 2.5 billion to EUR 3.2 billion. This was still below the – ambitious - Key Performance Indicator target for tax debt collection for 2013. This increase in collection is confirmed by the budget numbers where debt collection over-performed compared to targets. Furthermore, the tax administration managed to collect on time an unprecedented amount of property taxes (totalling more than 1% of GDP) over the past 6 months. This required a large number of tax bills to be sent out as well as careful follow-up with non-compliant tax payers. However, even though revised rules for writing off debt have been put in place, the stock of debt is still increasing.
48. **Efforts must also be made to increase compliance, and this goes through a more determined fight against tax evasion and increased efforts on audit. But this cannot bring fast increase of public revenue. Efforts to tackle tax evasion need to be stepped up.** The implementation of indirect audit methods is delayed until May 2014. The legal powers necessary to the much needed strong investigation unit have been transferred from the Corps for prosecution of the financial crime (SDOE) to the Secretariat General for public administration. However the investigation unit will not be fully operational before it receives the full staffing. Only 200 SDOE of the 1,000 or so SDOE staff have been transferred to the revenue administration, which was just enough to deal with the "temporary audit" function. Until the arrival of new staff in the course of 2014 and 2015 the tax administration will not be able to effectively fight major tax evasion.
49. **The social-security debt collection-centre KEAO started operations on 1 October 2013.** IKA and OAEE transferred in late 2013 more than EUR 7 billion of debt to KEAO for collection. It immediately began collecting debt from the first 5,335 debtors in the database. However, the amount of collectable debt is uncertain, because most debt dates back to 2009 or before. The staffing of KEAO proceeded with delays and will not be achieved before end of the first semester 2014. This is translating into delays in social security debt collection. The authorities will need completing a comprehensive review of the weaknesses in SSC collection, including enforcement. They will take steps to reinforce the functioning of KEAO by establishing an advisory board, while the IKA and OAEE funds developed an IT system for social security instalment schemes. Furthermore, the authorities will improve collection tools by creating a single social security contribution database. To increase compliance on contribution

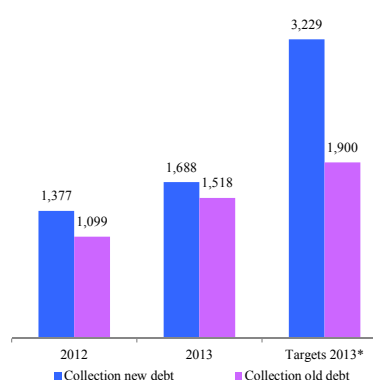
payments, the authorities are issuing decisions to match data from various sources and automate offsetting of VAT and income tax refunds against debts towards the Social Security Funds (see also Box 5).

Graph 17. Tax administration new debt in 2013 and collection of 2013 debt (million EURs)



Source: Public revenue administration.

Graph 18. Tax administration collection of debt (million EURs)



Note: Target new debt was 24.5 % of new debt. EUR 13.178 billion of debt was added to the books in 2013 | Source: Public revenue administration.

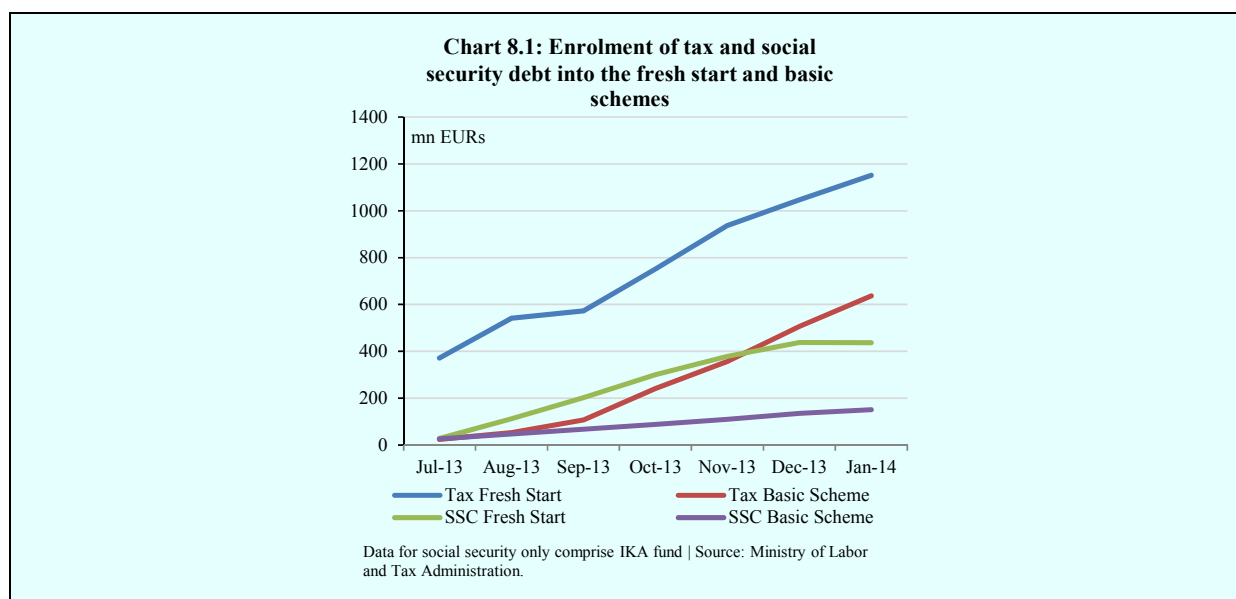
Box 8. The 2013 instalment schemes for tax and social security debt

The authorities introduced in July 2013 new instalment schemes to help payment of tax and social security debt. A "basic scheme" with a 12-month duration was designed to become the normal way of repaying tax or social security debt. Furthermore, in light of the difficult liquidity conditions and significant debt burden of tax payers, a special last-chance scheme, called the "Fresh start" scheme, was put in place to allow debtors to repay their "old" debt (2012 debt and before) in instalments until June 2017. The creation of similar schemes in tax- and social security administration should prevent debtors from "shopping" around for the most generous schemes. In order to avoid undermining payment of current taxes and contribution, debtors had to be current on their tax- or social security payments from the beginning of 2013 to enter the "Fresh start" scheme. Furthermore, the "Fresh start" scheme offered incentives when debtors paid their debt upfront.

Participation in the new schemes has fallen far short of initial expectations. After 6 months, the results appear better for the tax administration than for the social security main funds. As of January 2014, EUR 1.2 billion of tax debt had been enrolled in the "Fresh start" scheme, while only EUR 0.5 billion of SSC debt is included in the new scheme. However, this is significantly lower than EUR 5 billion and EUR 4 billion for tax and SSC debt, which were assumed to be enrolled at the start of the instalment programme, respectively. Total payments of tax and social security debt under the "Fresh start" scheme amounted to respectively EUR 130 million and EUR 77 million in 2013, while they amounted to EUR 104 and 58 million for the "basic" scheme, respectively.

In light of the weak enrolment, the authorities proposed to revise the terms of the schemes. They pointed to difficulties for debtors to stay current on their 2013 tax and social security payments and hence failed to qualify for the "Fresh start" scheme. The authorities also claimed that the new schemes were not attractive enough, either in terms of duration or in the reduction of past surcharges. The authorities put forward several proposals designed to make the revised schemes more attractive, either by lengthening the schemes, or by allowing fresh debt from 2013 onwards to enter the "Fresh start" (long) scheme rather than the "basic scheme". The proposal also included bigger reduction of past surcharges.

The mission argued against changing the terms of the schemes. First, the eligible debt was probably overestimated in the first place given that a large part of the debt is uncollectable in the absence of effective write-off procedures. Second, making the terms better for those who had not yet enrolled would be unfair to debtors already in the schemes. Third, prolonging repayment period would reduce collection in the short-term and increase repayment risks in the medium-term. Fourth, the real issue was not attractiveness of the schemes but the limited credibility of the threat of enforced collection. Finally, and most importantly, changing the terms of the schemes after less than one year would undermine credibility and hence the efforts to change the payment culture away from relying on generous debt settlement schemes. The mission also pointed out that a key issue was to make sure that debtors, who enter the schemes, keep up their commitment and do not drop out, as was very common in former schemes.



3.2.4. Anti-Corruption Strategy

- 50. With the support of the newly appointed national anti-corruption coordinator, the authorities progressed well on anti-corruption actions in 2013 but are facing delays recently.** During the second half of 2013, due to the impulse given by the newly appointed national coordinator, the authorities recovered previously incurred delays on the implementation of the National Plan against corruption, with key foreseen actions initiated or achieved. The draft law on improvement of the anti-corruption framework, to bring it in line with international standards, was finalized by the end of 2013 but only voted in April 2014 after becoming a prior action for the Review. Finally, while the National coordinator has contributed to the progress achieved, there is need of support from government and relevant stakeholders in order to move the agenda forward effectively. Against this background, the authorities committed to submit legislation to parliament for adoption, by end-June 2014, on the funding of political parties, and providing for an enhanced system of published declaration of assets, interests, and incompatibilities by public and elected officials, as well as members of government, with independent risk-based audits.

3.2.5. Public Financial Management Reform

- 51. Since the inception of the adjustment programme Greece has made significant progress in Public Financial Management (PFM) reforms** (see Box 9). Commitment registries have now been established in all general government sub-sectors covering 93 per cent of entities⁴ and reporting on the e-portal. Line ministries have now completed the reorganization of their General Directorates of Financial Services (GDFS) embedded in each line ministries, which are responsible for sound fiscal management. This setting allows provision of timely and accurate budgetary information, assures strict compliance with the ceilings of the entity's budget, and ensures the management and optimal utilisation of each entity's resources. This organization has been intentionally designed to distribute responsibility diffusely. In this setting GAO Budget Directorate plays a role in supporting the GDFS through training and by providing mandatory manuals, instructions and circulars to improve the quality of reporting. Experience over the last three years has shown that an effective working relationship between the GDFS units and GAO Budget Directorate has been established.
- 52. Despite these significant achievements, GAO's support to GDFS units could be further strengthened.** GDFS training and staffing are still insufficient. GAO budget directorate could strengthen its support to line ministries' GDFS through training. Further sectorial expertise could also be built up in GAO in order to underpin the achievement of fiscal targets in all sub-sectors. Moreover, problems of overlaps in competencies and lack of coordination need to be resolved in line Ministries,

⁴ Where overall expenses in 2011 exceeded EUR 1 million.

particularly where GDFS were created through transferring existing financial units from various secretariats to the accounting officer or where changes to the competences of Ministries have occurred.

- 53. Improvements in the area of budget preparation should be a priority for 2014.** Since November 2012, Greece has introduced corrective mechanisms to control the budget execution for annual targets in three subsectors: State Owned Enterprises (SOEs), Extra Budgetary Funds (EBFs) and Local Governments (LGs). However, such mechanisms can be useful to the full extent only if ceilings are used in the budgetary process over time. Following a first attempt to introduce multi-annual binding ceilings for SOEs and LGs in the updated MTFS in February 2013, the 2014 MTFS should respect the previously set binding ceilings projected for next year. In 2013, LG budgets were not fully consistent with the MTFS projections for the sector as a whole. The budget preparation for LGs has improved, following the reform introduced last year which became fully operational in the context of the preparation of their 2014 budgets. Consistency between the MTFS projections and the LGs' budgets has now become effective and it is fully reflected in the budget approved in 2014 for the revenue and for all expenditures (with the exception of expenditures financed through structural funds). This goal has been achieved through a newly established cooperation between the Observatory for Local Governments from one side and municipalities and Regional Authorities from the other side. To improve budget preparation, competences must be built up both in GAO and in GDFS, paving the way for the upcoming overhaul of the organic budget law.
- 54. Two out of three end-December 2013 Key Performance Indicators (KPIs) targets were met.** 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 resulted to be 2% against a target of 1%. Despite this shortfall, improvements in public finance management continue to ensure tighter control on state expenditures, as demonstrated by the fact that in 2013 the State budget was under-executed. The control on expenses helped accommodate shortfalls in other sectors, notably social security contributions.

Box 9. Achievements in Public Finance Management and in the fiscal institutional framework since the beginning of the programme

PFM has proven to be one of the area where reforms were successfully implemented. The list below shows actions implemented and results achieved:

- 97% of public entities have commitment registries in place and functional and are reporting on the e-portal.
- Improvements in monitoring budget execution allowed the government to under-execute expenses to secure the achievement of the fiscal targets according to the evolution of spending in other sub-sectors.
- Two-years binding ceilings for SOEs, LGs and some larger EBFs were introduced for the first time for the budget 2013 empowering the Ministry of Finance to impose corrections to each sub-sector for any slippage projected in 2014 according to no policy scenario. This resulted in an increased ownership of line ministries in controlling their own budgets.
- Corrective mechanisms for SOEs, LGs and some larger EBFs were introduced in 2013. Ex-post results show that for the first time since the inception of the programme no slippages in 2013 stemmed from these sub-sectors and current projections for 2014 are on track.
- An Observatory for LGs was created to coordinate the oversight role of Ministry of Interior over LGs and agree on targets and secure budget execution accordingly.
- A new budget process was designed to integrate LGs within the framework of the MTFS: budgets of LGs were assessed and adjusted before their adoptions in order to be realistic and consistent with MTFS projections.
- The upcoming overhaul of the organic budget law will introduce a budget balance rule for the first time in Greece according to the Fiscal Compact. The budget process will be fully harmonized among different levels of government (EBFs, SOEs, LGs).
- Overrun of expenses in health sector were timely detected due to the introduction of e-prescription and addressed through claw backs.

- 55. One important area where significant progress must be made is ensuring timely payments and in preventing the build-up of arrears, both on the tax and expenditure sides.** Full compliance with the Late Payment Directive (LPD) remains very challenging and a priority for 2014. The transposition of LPD has been formally completed, only after two further legislative changes made in April 2014. Moreover its implementation requires proceeding urgently towards streamlining the payment process,

within the scope of a wider reform of PFM already planned. Implementation of this Directive requires the payment of invoices within 30 days in principle, or 60 days in exceptional cases. Existing payment processes are still encumbered by excessive layers of control, hampered by a lack of automation and are extremely slow. The structural solution (so called ERP project) is likely to take a number of years to be completed whereas there is a need for an interim solution to meet the 30-day target in the short run. A circular has been issued to all Fiscal Audit Offices (FAOs) by GAO instructing them that all payment requests must be processed within 20 days. Another crucial measure to shorten the payment process was the shift of responsibility for payment execution from the tax offices (DOYs) to the FAOs. This action eliminated one of the four pre-existing steps from the release of the budget appropriations to the cash payment through electronic transactions. Changes to existing IT systems and work processes are still needed to ensure that the deadlines provided in the LPD are feasible or achievable. Further short term actions are going to be taken to streamline the internal processes from the moment the invoice is sent to a public administration until the payment is made. The government committed to reduce the threshold for pre-contractual audit carried out by the Hellenic Court of Audit (HCA). At the same time, the Plenary of the HCA is expected to give the consent for increasing the threshold of ex ante audit from the current EUR 15,000 up to EUR 45,000. This would reduce significantly the volume of invoices which are currently required to be audited ex ante by the HCA and will eliminate in many cases another step in the payment operations. GAO will also extend the use of the Fiscal Management Information System now available for GAO only (FMIS) to the General Directorates for Financial Services (GDFS) of the line ministries and the HCA, so that the payment process and transfer of documents could be started in an electronic manner by GDFS and the HCA as of 1 January 2015. This improvement should reduce the flow of papers allowing for HCA to carry out ex-ante audit in parallel rather than sequentially. Finally, it is urgent to enhance and adapt the current reporting framework of arrears (outstanding obligation after 90 days) to monitor the compliance with the LPD and the formation of arrears after 30 days (60 days for healthcare spending), setting up statistical reports to enable follow-up on progress. For this purpose, information available in the e-portal will be used to monitor areas of delays in all sub-sectors.

- 56. While steps are already being taken, it has become urgent for Greece to transpose the Fiscal Compact and have its Fiscal Council fully operational, following the entry into force of the Two Pack⁵, and to reform the Organic Budget Law.** A working group has been established in 2013 to prepare the planned amendments to the organic budget law (OBL) and technical assistance has been provided to explore the scope for further strengthening the budget process. Given the delay accumulated so far to transpose the fiscal compact and the other MoU requirements to safeguard fiscal commitments, a two-stage approach has been agreed to reforming the OBL. In the first stage, to be completed by April, the OBL will be amended to transpose the Fiscal Compact. This will include the requirement that the MTFs set binding multi-year expenditure ceilings for line ministries and the health sector, introduce a binding balanced-budget target for local governments and performance targets for SOEs, adopt provisions to freeze 10 percent of discretionary appropriations in the first half of the year, and impose penalties for government entities that fail to provide timely reporting. The Parliamentary Budget Office (PBO) is cooperating with this working group in order to ensure the participation of the Parliament in the upcoming legislative changes of the organic budget law. In the second stage, following an upcoming Technical Assistance mission, the Government will complete a full review of the budget process legislation including ensuring budgetary independence of regulatory and other independent bodies. Moreover the second stage will be focussed on reviewing budget execution and Treasury management. The OBL will be subsequently amended to ensure that it is fully in line with the ongoing PFM reform programme and good international practice. Concerning the establishment of an independent authority acting as monitoring institutions which support the credibility and transparency of the correction mechanism provided in the fiscal Compact, the original plan to strengthen the reputation of the existing Parliamentary Budget Office has been changed to move towards a standalone Fiscal Council. Changes to the OBL will also include the legal provisions to establish the new entity ensuring that its Board is independent. It is crucial that the new entity will be soon fully operational in order to catch up the delay accumulated so far.
- 57. Progress has been made in the field of public procurement, but implementation is now crucial.** Comprehensive new legislation on public procurement is expected to be presented to Parliament in May

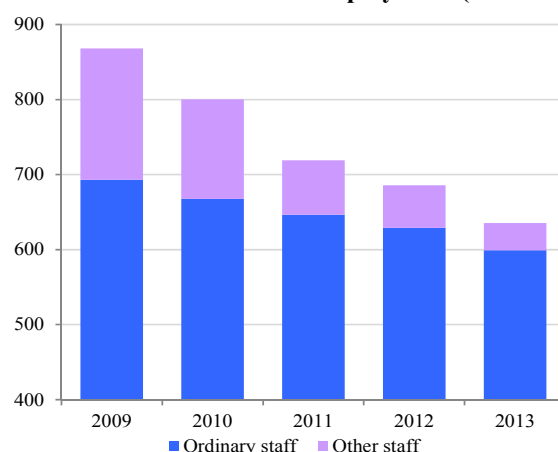
⁵ The Two-Pack comprises two Regulations designed to further enhance economic integration and convergence amongst euro area Member States. The Regulations were adopted on 13th May 2013.

2014, following an extensive consultation with the Commission services, aimed at taking into account the principles contained in new EU directives on the subject. E-procurement platforms have been established, both for information and for tendering purposes, but a set of key recommendations coming from an independent assessment needs to be implemented, in order to improve their effectiveness. Finally, work on central purchasing bodies is progressing, with framework contracts being drawn up and a set of categories to be commonly purchased identified.

3.2.6. Making the public administration more efficient and effective

- 58. The authorities are advancing on public administration reform**, delivering on the 2013 quantitative targets, even if with delays, and increasingly focusing on qualitative aspects.
- 59. The Government is on track to deliver the decrease in general government employment by 150,000, ahead of the deadline set at the end of 2015.** The reduction in ordinary staff has been already strong at the end of 2013, as shown in graph 19 below. This target is being pursued by a rigorous application of an 1:5 attrition rule (only 1 employee can be hired for every 5 retirements). While the horizontal application of this rule has contributed to reducing the size of the civil service, it is now essential, in order for it to deliver the necessary quality of services, to hire new employees in a timely fashion, and following a rigorous, skill-based selection process and to set up a rigorous system of performance assessment. Moreover, it does not address the general need for improving the skills and motivation of staff.

Graph 19. Greek General Government employment (thousands of persons)



Note: Data for Chapter A enterprises is not included (see also Note 1 of Table 7) | Source: MAREG, Census database and MOF Special Secretariat for State Owned Enterprises.

Table 7. Greece - employment in public sector (number of persons)

	2009	2010	2011	2012	2013	2014	2015	2016
General Government				707,609	653,746	635,227	623,219	606,170
Ordinary staff	692,907	667,374	646,657	629,114	599,207	581,886	570,271	553,619
Other staff	175,550	132,877	72,333	56,588	36,372	36,037	36,037	36,037
Chapter A entities	n.a	n.a	n.a	20,446	16,587	15,723	15,330	14,933
Chapter A fixed term contracts	n.a	n.a	n.a	1,461	1,580	1,580	1,580	1,580
<i>Memorandum items</i>								
Chapter A entities not classified as GG	n.a	n.a	n.a	18,603	17,365	16,491	16,093	15,691
Chapter A entities in the public sector (all contracts)	38,894	34,254	28,366	40,510	35,532	33,794	33,003	32,204
Total public sector (excluding ESPA and self-financed other staff)	907,351	834,505	747,356	726,212	671,111	651,717	639,311	621,860
ESPA and self-financed other staff				15,343	47,570	44,946	44,946	44,946

Source: MAREG.

Public sector is defined as the general government as well as legal entities of private law supervised by local governments or the state, and excluding Chapter B companies.

Note 1. Data on Chapter A companies between 2009 and 2011 does not differentiate between companies in the General Government and outside the General Government. From 2012 onwards the data has been updated to take into account this distinction and widen the Census coverage to make it more accurate. Therefore data on Chapter A companies between 2009-2011 and 2012- is not comparable.

Note 2. The above data are based on GAO projections and reflect the measures of the latest MTFS as well as other assumptions that may be updated in cooperation with the EC/ECB/IMF.

- 60. The transfer of 25,000 employees to the mandatory mobility ("availability") scheme has been completed, even if with three months of delay compared to the initial deadline.** The Greek authorities proceeded with a well-defined strategy, adopting relevant legal instruments to abolish redundant positions and to provide for the transfer, immediate or after assessment, of personnel to the scheme. The employees placed in the mobility scheme will be assessed within a centrally-defined evaluation framework and have the opportunity to find another job, in line with their competences and the needs of the administration, within eight months. Those who are not reallocated before this date will exit, as it has been the case at the end of March 2014 for over 300 staff who entered the scheme in July 2013. A total of around 15,000 employees is expected to find a new job, after transiting through the scheme, in departments suffering from understaffing.
- 61. The target of 5,000 cumulative mandatory exits until March 2014 has been achieved.** To reach the end-2014 target of 15,000 exits, in addition to the exits coming from the mobility scheme, the authorities are concentrating on disciplinary cases, illegal hirings, downsizing of private law legal entities, and the identification of redundant positions as a result of further organizational restructuring. Subsequently, the authorities estimate as an indicative number that there would be 2,000 such exits by Q1 2015. These would free up additional space for new hiring of staff on top of what generated by the 1:5 attrition rule.
- 62. Staffing plans have been almost completed across the administration.** The Government Council of Reform has approved staffing plans for 577,106 employees, leaving to be completed the assessment of 30,648 employees, i.e. about 5% of the permanent workforce. Presidential Decrees and other legal instruments to implement the new organisational structures for the line Ministries have been submitted to the State Council and are expected to be adopted within June.
- 63. A two-year administrative reform action plan, also encompassing a comprehensive human resources strategy, has been adopted.** The plan deals with mobility and deployment, performance of management, disciplinary cases, training, selection of top management, roles and assessment of management and HR managers' network. Legislation to improve the current evaluation system is expected to be adopted in April, and a comprehensive reform of the system will be introduced from 2015. A new system for the recruitment of managers, currently being legislated, should bring a complete renewal of the management staff by June 2015. A more careful assessment of new entrants needs to be made, through a stronger screening of the staff under probation period.
- 64. The authorities intend to introduce a new "mobility" scheme as a permanent mechanism for voluntary and mandatory transfers.** This scheme aims at better allocating personnel within the public administration without being connected to exits nor requiring placing employees under the availability scheme and reducing their remuneration. The authorities also intend to establish by March 2015 an internal job market within the public administration, while implementing mandatory rotation within the public sector beyond the ongoing restructuring exercise to facilitate continuous renewal of skills. They will amend the legislation of mandatory mobility, so that in case of refusal to take up the new position, the employee would be moved to the availability scheme.
- 65. A comprehensive review of employment levels and of the remuneration structure is needed** and will be completed in parallel with the preparation of the 2014 budget, with a view to replace the existing wage grid in 2015. It should ensure they are consistent with high-quality provision of public services and are fiscally sustainable. The authorities plan to address implementation issues related to the wage grid reform and introduce a rationalization of the public sector wage structure in a fiscally neutral way, including the comprehensive application of the wage grid reform across the public sector and decompressing the wage distribution in both directions in connection with the skills, performance and responsibility of staff. Non-wage benefits will also be reviewed and aligned with EU best practices.

3.2.7. Modernising the healthcare system

- 66. A period of deepening and fine-tuning of health care reforms has now started, with important challenges lying ahead.** Ensuring a better financial situation for EOPYY (the National Organisation for the Provision of Health Services) and improving financing mechanisms and financial flows across the

system, between EOPYY and hospitals and between EOPYY and social security funds remain important challenges. In addition, the much needed hospital reform must continue to achieve economies of scale and scope in order to improve efficiency and quality of care and to generate savings. The development of a primary care system based on registration with a family doctor and a referral system is a crucial important step towards improving access while reducing the use of unnecessary costly specialist and emergency care. Further savings must also be generated in terms of pharmaceutical spending to achieve the 2014 target. Pharmaceuticals policy must be made fully coherent: pricing, reimbursement, prescription, and consumption policies must work together to attain key policy targets for generic prescription and dispensing.

67. The financial situation of EOPYY, remains difficult though significant positive developments can be observed. This follows the implementation of a number of reforms and a closer monitoring of specific budget categories in EOPYY (see Box 10).

- Delays in the transfer of contribution revenues to EOPYY from SSFs remain and the full application of the two clawback systems, which ensure a payback by pharmaceutical companies and private providers of all the expenditure in excess of the legal expenditure ceiling set for specific EOPYY spending categories, is needed to bring EOPYY closer to a balanced situation. The stock of unpaid arrears remains large, though a significant stock of old arrears has been settled. EOPYY continues to pay ESY (NHS) hospitals with a very long delay, while ESY hospitals continue to submit invoices with a significant delay of 3 to 5 months.
- To control consumption and spending, the authorities have adopted closer monitoring and price and quantity control measures. They have introduced a rebate and a clawback mechanism on the spending with private clinics and hospitals for three categories: diagnostic tests, physiotherapy and the use of private clinics and hospitals. Unfortunately, the process of checking claims has due to start in autumn 2013 has faced substantial delays and has only just started. Lack of control, lack of prescription/ clinical guidelines and proper referrals may result in a clawback amount which is non-negligible.
- Stronger monitoring and control mechanisms and the auditing of claims can help control consumption of health care services reduce the effective clawback amount and ensure that spending stays within budget targets. Nevertheless, improving invoicing and payment mechanisms is needed together with a more comprehensive change to the current resource allocation, budgeting and costing procedures and financial flows across the system. The existing business intelligence and monitoring unit at EOPYY needs to be further reinforced. This process should be intensified in coming months as part of the improvement in the organisational structure of EOPYY.

68. Regarding the pharmaceutical sector, the implementation of the previous policies continues. Further steps have been taken to ensure the necessary savings to achieve the target for 2014.

- Pricing has changed with the new 2013 legislation. Pricing now takes place twice a year and a new pricing formula is applied to off-patent (the lowest price between the average of the 3 lowest prices or 50% of the price just before patent expiration) and generic medicines (65% of the reference medicine just before patent expiration) that entered the market since 2012 (to the others a horizontal price reduction was applied). Dynamic pricing for generics has also been introduced. These changes may render generics more attractive than before: generics were considered relatively expensive in Greece compared to other EU countries and relative to off-patent medicines. Moreover, while a large backlog of generic medicines has already been priced, the legal monthly pricing process for new generics needs to be effectively in place as a new backlog of 2013 requests appears to have developed.
- The positive list has been updated following the price list. Changes to the reference price for reimbursement were introduced in autumn 2013 effectively reducing the reimbursement rate of more expensive medicines in the same ATC5 (same active substance) and ATC4 (same therapeutic) group when generics are available. This reinforces the new pricing of generics, making these more attractive to patients. The OTC list is to be further aligned with other EU countries and the fixed mark-up of 35% has been transformed into a maximum mark-up to increase competition in the OTC sector. If no significant price decreases materialise, the government will undertake a full liberalisation of distribution channels.
- E-prescription and prescription by active substance (INN) are compulsory. E-prescription covers more than 90% of all outpatient pharmaceutical prescriptions under EOPYY. The API system, which e-registers manual prescriptions, covers about 80% of all manual prescriptions. The system of

international classification of diseases – ICD10 classification – and some prescription guidelines have been introduced in the e-prescription system. The automatic blockage mechanism which activates when branded prescription reaches 15% is in place and appears effective. Nevertheless, the dispensing and use of generic medicines remains puzzlingly low at about 18%-20% in both volume and value. As a result, the authorities have introduced an average target of 60% generic prescription for doctors. But more should also be done to inform and encourage patients and pharmacies to dispense the cheapest pharmaceuticals within each active substance. More focus should be put on introducing additional compulsory prescription protocols into the system – a process that has so far been very slow to implement.

- The authorities have also introduced a spending cap and an effective prescription budget for each doctor which is equal to 80% of last year's prescription value. This system is in place since January 2014 and is effectively binding on a monthly basis. As the expected reduction of spending, in case the 60% target of generic uptake is fulfilled, is more than 20%, this cap on doctor budget has to be seen as safety net to guarantee planned savings if other mechanisms fail.
- Despite the observed progress, pharmaceutical expenditure was above the monthly target for 2013 by about EUR 150 million. The excess spending will be clawed back from companies or offset with existing debts. While the claw back mechanism will ensure that the spending on pharmaceuticals remains in line with the budget, efforts must be pursued to strengthen the structural measures just outlined in view of the 2014 target. The outcome of these measures needs to be carefully monitored in the coming months. Indeed, from 2013 to 2014 about EUR 500-600 million in savings will need to be generated to achieve the target set in the MoU. For this, also EOF and EOPY capacity must be reinforced to ensure pricing and reimbursement is timely and effective in delivering a cost-effective use of pharmaceuticals and the necessary savings.

69. Important steps have been taken on the hospital sector to improve the monitoring of financial and activity data and ensure that financial execution is in line with the budget. Hospital reorganisation is also continuing. Data for 2013 indicates that financial execution will be within the budget in accrual terms. Most hospitals have now been allocated internal controllers and analytical cost accounting has been progressively introduced on the basis of an action plan. The implementation of diagnostic-related groups (DRGs) is going according to plan, although proper DRGs will not be ready for testing prior to 2015. Additional steps are planned in terms of hospital network rationalisation. This may be conducive to a better distribution of staff and heavy equipment across hospitals with the transformation of some inpatient facilities into outpatient and long-term care facilities. Steps taken so far show that reorganisation, if implemented, can lead to important and additional savings in the sector.

70. Nevertheless more could be done regarding ESY facilities and hospital spending in a number of areas.

- Centralised procurement has produced substantial savings, but still covers a minor share of pharmaceutical expenditure and the process appears somewhat stalled. The share of generics, while seeing an important increase, remains below the target set for many hospitals. It needs to be extended to cover a wider share of hospital purchasing. A substantial number of tenders are in the pipeline but have suffered substantial delays. These should be launched as a matter of urgency.
- Data suggests important variation across hospitals for a wide set of indicators (such as staff and beds, operating costs, average length of stay discharges and surgeries, bed occupancy rates, and use of generics). This suggests that there is considerable room to realise savings. The benchmarking exercise of October 2013 could be used to identify the reform potential in each hospital vis-à-vis its peers and serve as the basis for streamlining the current hospital network. Hospital reorganisation should also consider reforming emergency and on-call structures to increase efficiency and the quality of care and to reduce overtime. Staff mobility is still limited and further steps should be taken to ensure that staff is allocated to areas of need, most notably to less-urban areas.
- **Last but not least, considerable concerns remain that a large albeit still unclear number of people may not have adequate access to healthcare services and goods, although access to health centres and emergency care is available to all.** As a result of the rise in long-term unemployment, there may be a large number of people who do not officially have access to the full range of health services. The authorities have been unable to provide a clear estimate of the number of uncovered people so far. While access to health centres, emergency care and care for chronic disease is still provided, uninsured people may have limited access to medicines, diagnostics and elective hospital care, though authorities report anecdotal evidence that hospitals provide the treatment and simply do not charge any payment. An important step taken by the authorities was the distribution of health vouchers to the long-term

unemployed, children and families, and persons living below the poverty line. A poverty booklet ensures full health care access for those living below a EUR 6000 threshold a year. The new primary care law refers to universal access to services provided in ESY health centres across the country. The authorities are currently conducting a detailed analysis of the situation together with the WHO, trying to identify the number of individuals and services not covered. Following calls for guaranteeing universal access to care in Greece, it is crucial that the authorities now identify short term solutions and funding to ensure a sufficient package of services and goods for the uninsured, while working towards a long-term more structural solution. Several policies could be considered and as a first step the authorities are setting aside EUR 20 million to increase coverage of the uninsured. Clarifying and simplifying the administrative processes to obtain poverty booklets and to qualify for existing EOPYY coverage schemes is an obvious policy. Assessing the plethora of existing coverage mechanisms (booklets, vouchers, special authorisation for urgent treatment), their rules (thresholds, duration, etc) and their connection would also be appropriate. Another policy, which the authorities appear to be considering according to media reports, is to allow and/or help individuals pay for current health insurance contributions if they are long-term unemployed, uninsured senior citizens, professionals who are not working and are not covered by their fund, and professionals who are active and suffer from chronic health problems and/or owe money to their fund. In this context, other countries' experiences can provide examples of how in a social insurance system coverage of the uninsured can be improved.

Box 10. Rationalising the social health insurance system and ensuring the financial stability of EOPYY

Prior to 2010, individual social health insurance funds provided health care coverage with each fund providing its own health benefits package with different contribution rules. The health branches of the four main social security funds (IKA, OGA, OAEE and OPAD) covered 95% of the country's population. Under the economic adjustment programme, Laws 3863/2010 and 3918/2011 separated the social health insurance function from pension administration and merged the four largest social health insurance branches into a single healthcare insurance fund, EOPYY - the National Organisation for the Provision of Health Services. Subsequent legislation brought the remaining social health insurance branches (the House of Sailor, ETAA, ETAP – MME and TAYTEKO) into the organisation.

EOPYY formally began operation in June 2011 as a single buyer of health care for the insured. The goal was to simplify the fragmented system, reduce administrative costs, increase bargaining power over providers and increase the equity of access to healthcare by pooling risks and income levels and harmonising rules and benefit packages. More recent legislation converted EOPYY in a single purchaser of health services and transferred the remaining primary health care units to the National Health Service (ESY) under the responsibility of Regional Health Authorities. The population covered by EOPYY are direct insurees and their family members. However, insurees still acquire insurance rights (and the health insurance booklet) from their respective social security fund. Despite progress, insurance status still depends on occupation and the contribution rules have not yet been fully harmonised.

EOPYY has worked hard to build administrative capacity and improve its financial situation through the implementation of a number of reforms and by close monitoring of spending and revenues but challenges remain. On the spending side, the full application of the two clawback systems – setting an expenditure ceiling and a payback from suppliers of all excess expenditure – for pharmaceuticals and for diagnostic tests, physiotherapy and the use of private clinics and hospitals is crucial to bring the financial situation of EOPYY closer to a balanced budget. On the revenue side, the direct transfer of health-related contributions to EOPYY from the individual social security collection funds remains imperfect. Social security contributions for 2013 were some EUR 450 million lower than originally expected and budgeted. While the situation has improved significantly, the effective cash transfer may still takes time to materialise and currently about EUR 100-200 million in contributions remain to be transferred to EOPYY.

EOPYY initially inherited a large stock of arrears from the previous system and delays in payment to suppliers, notably public hospitals, remain. The stock of unpaid arrears remains large though a significant stock of old arrears has been settled. Following a significant clearance process in 2013 (a total of EUR 1.9 billion in arrears in 2012), there are still some EUR 737 million of arrears generated prior to 2012 to be paid. EOPYY continues to pay ESY (NHS) hospitals with a very long delay, although the amount budgeted for paying ESY hospitals in 2013 was more realistic than that budgeted in 2012. For 2013, only about 7% of the accrued spending with public hospitals has been actually paid. This delay affects the ability of ESY hospitals to pay suppliers, potentially leading to further arrears accumulation by hospitals. As a consequence, government transfers are made to ESY hospitals as a compensatory mechanism. On the other hand, ESY hospitals also continue to submit invoices with a significant delay of 3 to 5 months.

A substantial increase in the consumption of private interventions and diagnostics was observed in 2013. For example, the consumption of diagnostics doubled compared to 2012, despite the price reductions enacted in November 2012. Providers seem to have increased volumes to attempt to compensate their overall reduction in turnover. A substantial reduction occurred in public sector diagnostics with the public sector now representing only a very small 3-6% share of overall diagnostic work. Such increase in demand for private services, coupled with the inability to conduct proper auditing of claims, led to potential budget overruns in some categories of EOPYY spending including diagnostic tests, physiotherapy and the use of private clinics and hospitals. Spending on such categories appeared out of control: if spending with private hospitals in the first half of 2013 had been continued at the same rate for the rest of the year, EOPYY would have spent

almost twice as much as the initial budget of EUR 540 million by the end of 2013. On a similar basis, EOPYY would have spent, about EUR 600 million in diagnostic tests by the end of 2013, greatly above the budgeted EUR 370 million.

Following a review of the developments in the first half of 2013, the authorities have taken action to address the lack of control over consumption and spending of specific budget categories. In July 2013, the authorities adopted closer monitoring with both price and quantity control measures for diagnostic tests, physiotherapy and the use of private clinics and hospitals. For example, e-prescription-type monitoring mechanisms have been extended to diagnostics and will subsequently be extended to consultations and interventions by private facilities. Another measure refers to changes to the use of diagnostic prescriptions (KENS) to pay private providers, with only one KEN per patient now being eligible. Authorities also plan to introduce guidelines for prescription of diagnostic tests, pre-authorisation of interventions and changes in the way EOPYY contracts with private clinics and hospitals (e.g. considering closed/prospective budgets).

The authorities have introduced a rebate on the spending with private clinics and hospitals coupled with a legal spending ceiling and a clawback mechanism on private providers for spending on three categories: diagnostic tests, physiotherapy and the use of private clinics and hospitals. So far the authorities have calculated the amount of rebate and clawback on the basis of all the claims received for 2013 and have sent the letters for the collection of the rebate and clawback for the first half of 2013. In addition, the authorities had planned to conduct extensive and detailed audit of all the claims submitted since January 2013 with a view to identify and exclude unnecessary claims, eliminate fraud and recalculate spending. The process has faced substantial delays, and the checking of the claims has only recently started in March 2014. The aim is to finalise the auditing of all 2013 claims by June/July 2014. Lack of control, lack of guidelines and proper referrals may result in a non-negligible clawback amount. It is expected that the new measures and stricter control and auditing can help ensuring that spending stays within budget targets and reduce the effective clawback amount.

In this context a number of policy priorities lay ahead. These include:

- Paying off the remaining arrears not only to improve the financial position of health sector suppliers but also to improve the negotiation power of EOPYY. Therefore, authorities need to explore options for a swifter checking and clearance of existing commitments.
- Improving invoicing, auditing and payment mechanisms in the sector between providers, including public hospitals, and EOPYY.
- Implementing a comprehensive change to the current resource allocation, budgeting and costing procedures to improve and clarify financial flows across the system.
- Implementing the proposed stronger prescribing, monitoring and control mechanisms to help control consumption. More broadly, the existing business intelligence and monitoring unit at EOPYY needs to be further reinforced. This process should be intensified in coming months as part of the improvement in the organisational structure of EOPYY.

3.2.8. Reforming the pensions system

71. Since 2010 substantial progress has been achieved in the reform of the pension system but important challenges remain. The reforms of the main pension system have revised the main parameters, added much needed transparency to the system and put the system on a more sustainable path. However, the main pension system remains highly fragmented, with four main funds and three smaller funds, relies on increasing financing from state transfer to cover for existing deficits, and pension rules still differ greatly across different categories of population with some elements of unfairness in the accrued benefit remaining. There is a clear need for further rationalisation of the system.

72. The 2012 reform of supplementary pensions has still to be implemented in full. Important steps have been taken with the adoption of the 4052/2012 Law and respective Ministerial Decree. The new legislation revised the parameters and calculation of supplementary pensions, introducing a new formula based on an actuarially-neutral calculation of pension benefits (a "notional defined contribution" system), topped up by a sustainability factor to guarantee the future sustainability of the system. Moreover, under the same Law, several funds under the Ministry of Labour have been merged into a new single fund (ETEA). This simplified the overly fragmented system and introduced a better link between contributions and benefits. However, not all funds that fall under the ESA95 definition of general government have yet been merged into ETEA. Moreover, the authorities have failed to rebuild contribution histories since 2001 for the calculation of the pro-rata as envisaged in the Law. As a result, the pro-rata calculation will now be done only as of 1 January 2014 and only for those funds that have been merged into ETEA. This will have implications for ETEA supplementary pensions as of 2015 and for the overall spending for supplementary pensions. Existing legislation needs to be adjusted in the coming months to ensure the application of the new "notional defined contribution" formula, topped up by a sustainability factor, to all funds outside ETEA that are part of general government and to merge all these funds into ETEA. The authorities have committed to ensure that the fiscal sustainability factor

will be applied to all supplementary funds integrated into ETEA from 1 July 2014 to eliminate any deficit. For a very limited number of funds that technically cannot be merged into ETEA at this stage, the same rules would be applied from 1 January 2015, when all supplementary pension funds would only be financed by own contributions.

73. **The reform of lump-sum pensions also needs to be completed.** The implementation of this reform has started, effective since 1 January 2014, in order to eliminate the deficits in these funds. Nevertheless, a number of lump sum schemes have been left out of this reform process. All funds that fall under the ESA95 definition of general government should now also join the ongoing reform process, effective from 1 January 2015, when all lump-sum funds would only be financed by own contributions.
74. **The authorities have committed to enhance the pension system to ensure its viability and support labour supply.** To address remaining short- and long-term concerns, the authorities intend to consolidate pension fund administration and enhancing efficiency; ensure that the consolidated system (excluding budgetary transfers related to social assistance functions) is actuarially balanced through the next decades; contain pension spending to ensure short- to medium-term compatibility with the MTF5 targets, by recalibrating pension system parameters and containing the state subsidy to the pension system; and establish close links between contributions and benefits in all pension funds to ensure actuarial fairness. A draft comprehensive proposal on the main elements of SSF consolidation, harmonizing contribution and benefit payment procedures, is expected by June 2014, to be subsequently complemented by an actuarial study of the whole pension system, supporting specific design and parametric improvements to be legislated with a view to take effect from 1 January 2015.

3.2.9. Upgrading the education system

75. **Reforms to upgrade the Greek education system have already produced significant efficiency gains, but more efforts are needed to improve the quality of education.** The authorities have taken measures to increase the effectiveness and improve the quality of all levels of education, but more needs to be done, including further rationalisation steps.
76. **In primary and secondary education, the system has been significantly rationalised.** The system was highly inefficient, and Greece had one of the lowest numbers of teaching hours of all OECD countries. Numerous organisational rigidities impeded a rational allocation of staff. The rationalisation of the school network and the increase in the number of students per classroom and in teaching hours have brought Greece closer to the OECD average. As a result of these steps and other measures, such as the new electronic database of schools and the legal changes to allow the possibility of mandatory transfers of staff, in the school year 2013-2014 only around 2,000 temporary teachers are required to meet demand, compared to around 15,000 in 2011-2012, thereby reducing significantly the wage bill as agreed in the MTF5. Operational expenditures have also been reduced. However, substantial additional measures are required to increase the quality of education. In particular, the initiatives included in the Education Action Plan need to be fully implemented. The authorities should take the necessary additional steps to implement effectively the new policy of evaluation of schools and of educational staff. Further steps to increase financial and organisational autonomy of primary and secondary schools should also be considered.
77. **In Higher Education, the authorities have completed a first wave of consolidation of HEIs and departments under the Athina project to increase efficiency and eliminate duplications.** The Athina project is a step in the right direction, although many overlaps persist and the system could benefit from further rationalisation. The reform does not seem to have had a significant impact on new intake. Entries in 2013-2014, taking place under the new structure, have showed only a 1.4% drop with respect to 2012-2013. A comprehensive impact assessment including budgetary impact, participation and future attainment rates, adequacy of staff allocation, R&D activities and quality of education is now urgent as a basis for possible additional rationalisation steps. The provisions of laws 4009/2011 and 4076/2012 need to be fully implemented. The Quality Assurance Authority should complete soon an external evaluation of the Higher Education Institutions. In addition, the authorities are completing the new organisation charts and internal regulations of the Higher Education Institutions.

3.2.10. Research, development and innovation

- 78. Closer linkages between R&D and businesses are needed to boost the productivity and competitiveness of the economy.** One priority is to translate better the scientific research strengths into marketable goods and services. Efforts are also needed to foster technology transfer and address bureaucratic obstacles. The authorities should foster the development of entrepreneurship within the research community by removing unnecessary restrictions to the commercial exploitation of innovative ideas, by providing incentives to members of the research community to engage in commercial ventures, and by facilitating the flow of people and ideas between the research and business communities. The authorities should fully implement the revised legal framework for R&D once formally adopted, and a comprehensive national research and innovation strategy for smart specialisation (RIS3) needs to be developed. The Greek RIS3 should have a strong thematic focus and provide a national framework for R&D and innovation policies. The strategy must include governance mechanisms to integrate and coordinate the regional RIS3 strategies, a better collaboration of academia-research centres and the business community, and measures to leverage private investment and foster systemic innovation. The development of industry-driven competence centres could work as a catalyst in that direction.

3.3. STABILISING THE FINANCIAL SYSTEM

- 79. The 2013 stress test exercise of the Greek banking sector has been completed.** In March 2014, the Bank of Greece (BoG) published the final report containing the results of the stress test exercise and a detailed description of the methodology used. In line with the approach taken in the upcoming ECB/SSM Comprehensive Assessment, the baseline capital needs are binding and have to be covered in a nearer term. Estimated capital needs of the six Greek commercial banks amount to EUR 6.4 billion under the baseline and EUR 9.4 billion under the adverse scenario with 3.5-year horizon, starting in June 2013. The stress test was based on credit loss projections (CLPs) on total loans granted in Greece and abroad where BlackRock provided a key input: (i) the asset quality review (AQR); (ii) the credit loss projections (CLPs) of the Greek commercial banks; and (iii) the reasonability assessment of the credit risk parameters in the selected foreign subsidiaries. The evolution of balance sheet and P&L items (e.g. pre-provisioning profitability) was based on a conservative adjustment of banks' restructuring plans under the baseline and the adverse scenario by the BoG supported by international consultants – Rothschild and Ernst&Young. As regards the mitigating actions (e.g. divestments), those already included as a commitment in the restructuring plan were taken into account in the capital needs estimation. Additional mitigating actions not yet included in the restructuring plans could be used by banks in their capital raising plans to offset part of their capital needs.

Table 8. Capital needs (billion EURs)

	<i>Baseline</i>	<i>Adverse</i>
Alpha	0.262	0.560
Eurobank	2.945	4.980
NBG	2.183	2.502
Piraeus	0.425	0.757
Attica	0.397	0.434
Panellinia	0.169	0.186
Total	6.381	9.419

Source: Bank of Greece

- 80. The capital needs under the baseline scenario will be primarily covered by capital raisings from the private sector and to a lesser extent by banks' supplementary mitigating actions.** The additional mitigating actions could include the potential sale of assets such as foreign and domestic subsidiaries and other possible measures included in their restructuring plans. The BoG asked banks to submit by mid-April 2014, their capital raising plans to address the additional capital needs under the Baseline Scenario. Banks have until end-May 2014 the obligation to submit capital-raising plans addressing the Adverse Scenario, for approval by the Bank of Greece by end-June 2014. The successful completion of the share capital increases launched by two banks in March 2014 fully funded through private investment is a significant step toward returning to the private sector, after their

recapitalizations last year brought them under very large HFSF ownership. These banks have now broadened their capital bases considerably and are also expected to proceed to the repayment of the Greek state's preferred shares. The bank controlled by the HFSF **has initiated** the capital increase exercise, following the adoption by Parliament of the amended recapitalisation framework. The fourth core bank announced the intention of covering the full amount of capital needs completely via internal actions like divestments, pending the approval of the BoG.

- 81. The recapitalisation framework for Greek banks has been amended.** With the amendments to Law 3864/2010, the Hellenic Financial Stability Fund (HFSF) would be able to provide support if needed in case banks do not find in the market all the required capital following the announcement of the BoG stress test results. The recapitalisation framework has been redesigned in light of the improved banking sector capitalisation and market circumstances. As such, incentives provided by the HFSF to the private sector in the first recapitalisation exercise concluded in June 2013, such as the issuance of warrants, are no longer foreseen under the revised framework and any injection of capital by the HFSF into viable banks shall be effected through subscription of ordinary equity carrying full voting rights, regardless of the private sector participation. The injection of public resources by the HFSF, which can be up to the amount of the capital shortfall determined by the BoG, is subject to the prior implementation of measures in line with the new State Aid rules stipulated in the Communication of the European Commission (2013/C 216/01). Banks have been given sufficient time to raise the required amount of capital via private sources or via internal capital generating means, such as divestments.
- 82. The governance of the HFSF has been further strengthened.** In addition to modifying the recapitalisation framework for State capital support of Greek banks, the law on the HFSF has been amended **and adopted by Parliament on 31 March 2014** in order to further improve and strengthen the governance and internal procedures of the Fund. The amended law provides for an increase of the members of the General Council to nine and of the members with international experience to seven and defines more clearly the competencies of the Executive Board and the General Council. Based on the experience gained, the HFSF has started to review the Relationship Framework Agreements (RFAs) that regulate the rights and obligations of the Fund and the banks.
- 83. The cooperative banking sector has been strengthened.** Key steps include the successful resolution of three non-viable institutions, with the transfer of their deposits to one of the core banks and the corresponding funding gap (of around EUR 430 million) covered by the HFSF, and the introduction of legislative amendments improving corporate governance and the ability of raising capital for the remaining cooperative banks. Going forward, the BoG will develop a comprehensive strategy for the cooperative sector, with a view to ensure the sector as a whole has achieved stability and standards that are considered best practices internationally.
- 84. Management of non-performing loans remains a major focus.** Consultant (BlackRock) has delivered the final report on the management of troubled assets (TAR) at the end of September 2013. By end-November 2013, banks submitted to the BoG operational plans that will address the bottlenecks identified in the TAR. As a next step, KPIs to monitor banks' progress in reducing their large NPL portfolios will be introduced, and banks will report their progress under these KPIs. Furthermore, the authorities will improve the regulatory, legal and judicial environment to support banks' NPL management. The BoG will issue a time-bound framework for banks to facilitate the settlement of borrower arrears using international best practices. Regulations have also been amended to improve the liquidation process of resolved banks. As a result, liquidators can now restructure loans that remained in the bad banks with the aim of improving recovery rates. In addition, legal persons as well as private persons can now be appointed as liquidators to one or more liquidations. This can achieve synergies from multiple liquidation procedures.
- 85. Further amendments to the household insolvency framework were adopted in the second half of 2013 and the moratoria on auctions expired in December 2013.** The necessary regulations for the new "Facilitation Program" to be operational were adopted by the Parliament in July 2013. With the Law 4224/2013 adopted on 31 December 2013, a temporary scheme regarding auctions of debtors' primary residence was introduced in order to protect the low income households. The temporary scheme, that is in operation until end-December 2014, is targeted at the debtors who fulfil certain specific criteria related to the income and the property value and obliges debtors falling within this temporary scheme to pay 10-20% of their net monthly income to service their debt. The new temporary arrangement was introduced following the expiration of the moratorium on the auction of the debtors'

primary residence on December 2013. This was one of major impediments for improving the payment culture among Greek citizens. The effectiveness of the new temporary arrangement and its impact on strategic default behaviour will be assessed by end-June 2014, and additional measures will be proposed in case of shortcomings in order to ensure effective implementation.

- 86. A road map to be implemented in 2014 was set to deal with the outstanding private debt and ensure a smooth transition to a permanent debt resolution mechanism.** To this end, a Government Council for the Management of Private Debt ("Council") was established by an Act of the Council of Ministers to oversee and foster the process for the establishment of the debt resolution mechanism. The main task of the Council (involving the Ministry of Finance, the Ministry of Development and Competitiveness, the Ministry of Labour, Social Security and Welfare and the Ministry of Justice, Transparency and Human Rights) is to introduce and monitor the necessary actions in order to promote the creation of permanent mechanisms for the resolution of non-performing debt of individuals, legal entities and businesses. The first meeting of the Council took place on 14 February 2014. The working plan for the Council is ambitious, but it is starting to deliver. Definitions on 'Acceptable Living Expenses' and 'Cooperative Borrower' have been developed in order to guide the judiciary authorities and the banks when dealing with the management of non-performing loans and improve the payment culture, thereby reducing moral hazard. The definition of 'Cooperative Borrower' was published in February 2014, while the finalisation of the definition of 'Acceptable Living Expenses' is still pending. The Code of Conduct, which the BoG will issue in order to provide guidance to banks on the management of non-performing private debt and to be fully implemented by end 2014, shall utilize the above mentioned definitions. To have a unified approach to debt resolution, the Code of Conduct will include, inter alia, provisions for the assessment of risk, procedures for the assessment of repayment capabilities of the debtors and binding rules of conduct for the banks with clear time schedules for the assessment of the borrowers' capacity to repay the loan and the restructuring of the non-performing private debt.

3.4. STRENGTHENING LABOUR MARKET INSTITUTIONS, PROMOTING EMPLOYMENT AND DEVELOPPING SOCIAL SAFETY NETS

3.4.1. Labour market reforms

- 87. The comprehensive range of labour market reforms adopted over recent years (see Box 11) is delivering clear results.** Labour costs have been falling steeply on the back of augmented wage flexibility, leading to a significant recovery of the cost competitiveness lost in the earlier decade. At the same time, the diversity of work arrangements now available creates more room for adjustment to the changes in activity and has likely avoided even higher job destruction. In the course of 2013, hiring became more dynamic, despite shrinking economic activity. Further support will come from the ongoing reduction in administrative burdens through streamlining labour reporting requirements and by a reduction in social security contribution rates entering in force in mid-2014.
- 88. New job creation depends upon reforms and adjustment in other areas of the economy and on continued improvement in labour market institutions.** Labour market reforms have fostered a swifter adjustment of labour conditions and this should allow fast job creation once the economy recovers. Sustained higher employment depends on labour demand by actual and potential employers, which calls for determined reform and adjustment efforts in other policy areas to favour business creation and investment. Improvements in the business environment, opening product (goods and service) markets to new players and investors, removing undue restrictions for certain professions and fixing the financial sector are all key to delivering labour market improvements, reaping in full the benefits of labour market reforms. The latter now focus on increasing the employability of the long-term unemployed, eliminating disincentives to investment given rigidities in corporate restructuring and collective dismissals rules, and on facilitating temporary work. The framework for industrial relations, industrial action and trade union operations will also be reviewed against best practices.
- 89. The employability of the long-term unemployed will be helped by changes in the minimum wage structure.** Minimum wages in Greece evolve according to the work experience of each worker, with additional so-called maturity allowances adding up to a maximum of 30% over the minimum wage. These allowances have already been reduced in early 2012 and have been frozen for the medium term. However, the allowances are maintained through unemployment and can create difficulties for long-

term unemployed people who find themselves priced out of the labour market as the decline in their skills due to inactivity is not matched by a reduction in allowances. The authorities agreed in halving the allowances for white-collar workers over the age of 25 that have been unemployed for more than one year. This approach is designed to tackle the specific issue of long-term unemployment – currently almost 1 million persons in Greece – and leaves the allowances in place for the employed and for those unemployed on a transitory basis.

90. **The authorities are enhancing the framework for collective dismissals.** The government has introduced administrative changes to the current framework in order to reduce uncertainty on the conditions and the process which apply in cases of requests by companies in distress. In particular, the previous framework gave important discretion to the Minister of Labour or the Prefect, when the parties to a collective dismissal do not agree on the dismissal plans. The changes remove that involvement for decisions and strengthen the objectivity of the evaluation process, facilitating the decisions on collective dismissals based on the fulfilment of clear appropriate conditions. An assessment of whether the revised system replicates best practices in an effective, credible and durable way will be undertaken by September 2014, and, in case of doubt changes would be made to the legislation.
91. **Legislation on temporary work and temporary work agencies is being reformed.** Revisions to the framework for employment through temporary work agencies have been agreed to broaden the types of work, positions and contracts for which hiring through temporary work agencies is possible and reduce restrictions on hiring via agencies e.g. following redundancies for economic reasons. This is expected to improve the flexibility for businesses to adjust to the upswing in economic activity and changes in their hiring needs. The principle of equal treatment between direct employees of the user firm and workers hired under agencies remains in place as before, thereby ensuring a level playing field. There were also some discussions with the authorities on fixed-term contracts that concluded that the current framework, previously revised in 2010, is broadly sufficient, since it strikes a good balance between flexibility needs and prevention of abuse of fixed-term contracts.
92. **The authorities agreed to assess the framework for industrial relations, industrial action and trade union operations,** with a view to safeguard the right to work, promote constructive relations among parties, and avoid undue disruption of the operations of firms, thus creating a stronger framework conducive to more jobs and investment in Greece. The first step is a review of the existing framework in Greece against best practices, by June 2014. That is expected to include an overview of the settings in other countries based on solid and up-to-date information, and of the relevant international labour law (including ILO labour conventions) which applies to Greece. Second, building on the review, any changes deemed necessary would be discussed with Greek social partners, and adopted by October 2014.
93. **At the same time, a significant reduction of social contribution rates is taking place (see section 3.1.2).** Contribution rates in the main social security fund (IKA) will be reduced by 3.9 percentage points as of July 2014. The reduction will be mainly in employer-paid contributions with a 1 percentage point reduction in employee-paid contributions: the former will directly reduce labour costs, the second will increase net wages and encourage labour supply. The impact of these changes will be assessed by mid-2015 and a possible further cut by 1 p.p. in a budgetary-neutral way will also be discussed at that time. The Greek authorities also agreed to prepare a comprehensive plan to streamline social contribution rates, structures and pension portability. Together with other reforms in the area of pensions as described in section 3.2.8, these ambitious steps have inter alia the potential of increasing incentives for labour market participation and helping mobility across sectors and occupations.
94. **The upgrading and expansion of vocational education and apprenticeships is crucial for fostering sustainable employment and make efficient use of human capital.** An outline roadmap has already been adopted and the legal framework revised, but collaboration between the Government departments concerned (Ministry of Labour, Ministry of Education, and OAED) has so far been insufficient and substantial additional work is needed for implementation. In order to sustainably increase the level of skills and the employability of entrants to the labour market, to facilitate mobility of workers and to attract new investment, the Government, supported by technical assistance, must adopt in April a more detailed implementation plan for the modernisation and expansion of vocational education and training, including the increase in the provision of apprenticeships. The plan has to include proposals to establish a quality framework, a monitoring mechanism to develop local partnerships, detailed proposals to ensure progressively closer employer engagement and private-sector funding in VET, clear estimates of the budgetary costs and proposals to identify future skills needs and to match vocational education and training with the needs of the labour market.

Box 11. Measuring labour market reform intensity in Greece

Major labour market reforms have been passed in Greece in recent years. Faced with high unemployment and the need to correct large external imbalances, Greece had to take up the unprecedented challenge of quickly improving its labour market adjustment capacity along many dimensions. Reforms were also needed to address bottlenecks to potential economic growth coming from excessive labour regulations.

Four years after the beginning of the programme allows checking how Greece has done in terms of reform action. The focus here is on action taken and on the expected or intended impact, not on the actual effects, some of which will pay in full only over the medium term. That measurement of reform efforts is based on enacted legislation and other public policy actions as included in the LABREF database, a database managed by the services of the European Commission that records factual information on policy actions affecting the labour market institutions and thus likely to have an impact on labour market performance. This database records information on key aspects of individual measures per EU country, organised in nine policy areas. Such information allows cross-country comparisons on the strength of and priorities for reform in each one of them.

On the basis of that information, the graphs below indicate the number of reforms taken per EU country, split by policy domain and by whether its expected effect was to reduce or increase the stringency of labour market regulations in the concerned policy area: for instance, lower severance pay can decrease the stringency of job protection, whereas higher taxes can increase the stringency of labour income taxation. Figures are annual averages of the number of reforms over the period 2010-2013.

Whereas, as with any categorisation, details are lost, notably on the 'strength' of the reforms, a number of remarks are warranted:

- Greece was at the top of the countries in adopting reforms that decreased the stringency of labour market regulations.
- In the area of wage setting, Greece has been by and large the country most active in making wage formation more adaptable.
- In the areas of job protection (EPL) and working time, Greece has also been a very active reformer even if other countries have been changing their institutions too.
- When it comes to benefits, Greece has been less active than others, which may also reflect the relatively low levels of these benefits at the onset of the crisis.
- Labour income taxation was made more restrictive, which is a consequence of the very sizeable fiscal consolidation needs of Greece.

Examples of major labour reform measures since 2010 include:

Wage setting

- Suspension of the extension of occupational and sector collective agreements (2011).
- Suspension of the favourability clause (2011).
- Allowing for workers' representatives other than trade unions to negotiate firm-level collective agreements, as far they represent at least three-fifths of the undertaking workforce (2011).
- Setting the maximum duration of collective agreements at 3 years (2012).
- Revising the regime of 'after effects' of expired collective agreements to a maximum period of 3 months after expiration (2012).
- Reducing and subsequently freezing minimum wages (2012).
- Creating apprenticeships contracts sub-minima wages for the youth (2010, 2011 and 2012).
- Reforming the minimum wage framework to make it statutory and set by the government after consultation with social partners (2013).
- Allowing recourse to arbitration to set negotiation disputes only if by mutual agreement (2010 and 2012).

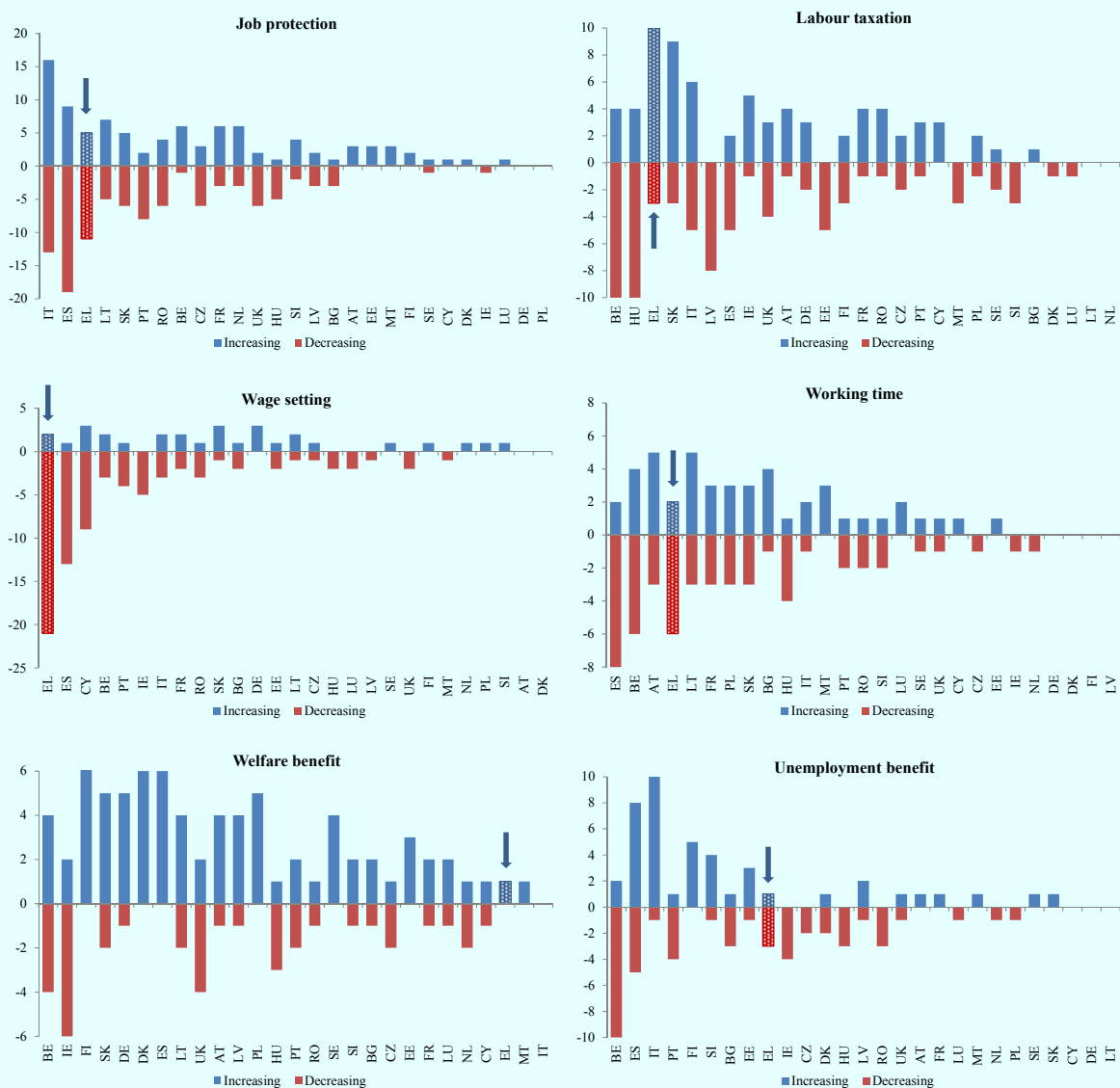
Job protection

- Extending the probation period for new hires to 12 months (2010).
- Reducing the period for dismissal notice (2010 and 2012).
- Reducing the levels of severance pay (2012).
- Relaxing the thresholds for collective dismissal (2010).
- Aligning labour conditions in former state-owned enterprises with those in the rest of the private sector (2012).
- Expanding the possibilities for the use of fixed-term contracts (2011).
- Raising the maximum work period under temporary working agencies to 3 years (2010).

Working time

- Reducing overtime premia (2010).
- Increasing opportunities for working time arrangements by increasing the possible maximum duration of their application within a reference period of 12 consecutive months; and, eliminating the wage top-up for work in excess of the reduced hours over the period of reduced hours (2010 and 2011).
- Allowing for workers' representatives other than trade unions to negotiate firm-level collective agreements, as far they represent at least three-fifths of the undertaking workforce (2011).
- Extending part-time shift work (or partial lay-off) to nine months (2010).

Graph 11.1: Labour reform intensity and direction of reforms in EU countries since 2010



Note: Member States are sorted by total number of reforms (both increasing and decreasing stringency; most reforms on the left, least reforms on the right) | Source: LABREF database, Commission services

3.4.2. Social safety nets

95. **Improving social safety nets is an urgent policy priority.** Greece has been historically a country with a welfare system quite limited in scope. Faced with the current major challenges, there is now growing awareness in the country that the current welfare system urgently needs a major overhaul to better support both transitions across jobs and the needy. Indeed, strengthening the welfare system and improving social safety nets within the current budgetary envelopes by increasing effectiveness and efficiency of welfare spending are urgently needed to create a fiscally sustainable, integrated and cost-effective welfare system in Greece.
96. **Dealing with the very high unemployment rate is a major challenge.** In late 2013, the authorities expanded the criteria for providing unemployment assistance to the long-term unemployed, yet a large share of them remain ineligible for this extended assistance. The authorities have been implementing their employment action plan to address the social emergency on the basis of some key active labour market policies. There was an expansion of short-term and temporary public work programmes with 50,000 positions mainly for the long-term unemployed, and subsidised internships of 45,000 young jobseekers with private sector employers. A new round of temporary public work programme with at least an additional 50,000 places and further youth internships, under a stricter monitoring and

controlling legal and institutional framework to ensure avoidance of fraudulent behaviour, will be considered for 2014. The authorities are also implementing the reform of the Greek public employment service, which can be key to help many unemployed in finding their way back to the labour market. A good roll-out of the Youth Guarantee scheme by December 2014 is of the greatest importance to reduce youth unemployment and facilitate the much needed transition from school to work.

- 97. A comprehensive review of social welfare and social protection spending is to be carried out by June 2014.** The purpose is to take stock of the full set of the various existing benefits gathering detailed information on a consistent and comparable way. Reviewing the effectiveness of the various benefits in reaching their target population and addressing their objective as well as identifying gaps in the coverage of the current social protection system are other key objectives. Parts of this exercise are expected to be carried out in conjunction with the social security review outlined in section 3.2.8.
- 98. Profiting from the insight of that review, a strategy on social welfare and inclusion should be prepared in the second half of the year.** The overarching objective is to increase the effectiveness of social welfare spending. Existing benefits can be consolidated and streamlined with the intention of creating the fiscal space, within the programme fiscal targets and consistent with fiscal sustainability, to provide targeted support for vulnerable groups with the strongest needs of income support and with currently no and very weak entitlement to social transfers. In the meantime, the government announced interventions in 2014 for income support for vulnerable at risk of extreme poverty, where households with annual taxable income below EUR 6,000 will benefit from the proposal.
- 99. A guaranteed minimum income scheme is being created.** It will start on a pilot basis in two areas of the country and a phased-in national roll-out should start in the course of 2015, depending on the availability of financing. This sequential approach is justified by the need to develop and test the scheme on its various dimensions, ranging from eligibility criteria and selection beneficiaries, to determination of benefits and the activation of the beneficiaries, to setting the administrative infrastructure, including an effective monitoring and controlling mechanism. An integration of the guaranteed minimum income scheme with other social benefits and services is envisaged. Before advancing to the national roll-out, the pilot experiences will be evaluated by March 2015, to fine-tune the design of the scheme. The World Bank is assisting the Greek authorities in the implementation of the pilots.

3.5. CREATING FAVOURABLE CONDITIONS FOR ECONOMIC ACTIVITY

- 100. Structural reforms are essential for a return to sustained growth and job creation.** Substantial progress has been made in key areas, including business environment, energy, transport, retail trade and regulated professions. These far-reaching reforms will support the economic recovery in the coming years. As a result of this effort, the product market reform gaps to peer economies have narrowed in many areas. At the same time, while Greece has advanced in product market reforms since the last Compliance Report of July 2013, more needs to be done. This is the message from Greece's performance in two widely quoted country ratings: the OECD indicators on product market regulation and related dimensions and the World Bank Doing Business indicators (see Box 12). Further efforts are needed to remove unnecessary restrictions and barriers to entry and competition and to cut red tape. Strong ownership and implementation of the reform agenda by the Government remains crucial to improve economic prospects.

Box 12. Product Market Reforms – A heatmap

This heatmap compares Greece's scores relative to other EU, OECD and emerging economies. Two findings stand out:

- Greece has made headway in product market reforms. Most indicators have improved since the crisis.
- However, in many dimensions, Greece's score remains below the average performance of the comparison group. Furthermore, the crisis has led to back-sliding in some areas, such as on resolving insolvencies.

	2008	Change	2013
OECD			
Reform Responsiveness	2	↑	1
Reform Responsiveness Adjusted for Reform Difficulty	1	↑	1
OECD FDI Restrictiveness	2	↑	2
Product Market Regulation	4	↑	3
State Control	4	↑	4
Barriers to Entrepreneurship	4	↑	3
Barriers to Trade and Investment	3	↑	3
Retail distribution	4	↑	3
Energy	4	↑	3
Transport	4	↑	3
Communication	2	↑	2
Accounting	1	→	1
Architecture	3	↑	3
Engineering	4	↑	3
Legal	4	↑	4
Doing Business			
Overall	4	↑	4
Starting a business	4	↑	2
Dealing with construction permits	2	↑	2
Getting electricity	2	↓	3
Registering property	4	↓	4
Getting credit	4	↑	3
Protecting investors	4	↑	3
Paying taxes	2	↑	2
Trading across borders	3	↑	3
Enforcing contracts	4	↓	4
Resolving insolvency	3	↓	4

Source: OECD and World Bank. Notes: Lower values and lighter colour are better.

Colours and numbers are assigned as follows: red (4) refers to a value more than one standard deviation below the mean; orange (3) to a value between the mean and one standard deviation below the mean; dark blue (2) to a value between the mean and one standard deviation above the mean; and light blue (1) to a value above one standard deviation above the mean. An arrow pointing upwards (downwards) means that Greece's score improved (worsened) since the crisis. A horizontal arrow means no change. The number of countries varies depending on data availability between 28 and 46.

For the reform responsiveness indicators, 2008 refers to 2009-10, and 2013 to 2011-12. For FDI restrictiveness, 2008 refers to 2006. For getting electricity, 2008 refers to 2009.

3.5.1. Promoting an efficient and competitive business environment

101. Product market reforms have advanced in key areas in support of the business environment since July 2013:

- **Barriers to competition have been removed in the sectors of building material, food processing, retail trade and tourism.** With support of the OECD and the Hellenic Competition Commission, the Government uncovered over 300 provisions harmful to competition in these sectors. They include, among others, restrictions on asphalt and quarries and mines for building materials; on bakeries and milk production for food processing; on Sunday trade, sales and discounts, the establishment of pharmacies and the trading and pricing of over-the-counter products for retail trade; and on car rentals, cruises, marinas and tourist buses for tourism. The study also identified restrictions on land use, logistics and truck licenses as well as third-party levies on advertisement, cement and flour. Abolishing such provisions is expected to lead to lower

prices, better products and higher productivity. The bulk of these reforms was legislated in March 2014. Additional recommendations will be adopted as part of the sectoral legislation, including by the Ministries of Development, Environment, Maritime, Health, Tourism and Transport by June 2014, as well as the phased reform of nuisance charges by the end of the year. Along with technical specifications and two codes of conducts, the authorities also intend to bring in line with EU best practices other pending provisions, including on bakeries, sales periods, truck licenses, and Sunday trade, during the second half of 2014 and the first quarter of 2015. A follow-on competition project in the sectors of manufacturing, wholesale trade, telecommunication and e-commerce is planned for later this year.

- **Licensing procedures are being overhauled.** With support of the World Bank, the Government intends to adopt a framework law for investment licensing related to, among others, construction, installations, operations, public infrastructure and business parks. The goal is to unify and streamline the system by establishing a single licensing framework, shifting from ex-ante permits to ex-post compliance, and involving the private sector in controls. By the end of the year, the authorities plan to adopt all secondary legislation. In addition, the Government is on track to adopt by autumn the pending secondary legislation on environmental licensing. Furthermore, with support of the World Bank, the authorities presented a national logistics strategy and intend to adopt a logistics law by May 2014.
- **The ease of doing business continues to improve** (see Box 13). The Government has lowered substantially the property transfer tax and eliminated the capital concentration tax for start-ups. In addition, the authorities eliminated, or transferred to the state budget, nuisance charges in March 2014. In addition, the Government will conduct a survey for identifying additional charges and review comprehensively reciprocal charges in the coming months. The authorities will eliminate additional nuisance charges by the end of the year. Finally, with the objective of reducing administrative burden on business by 25%, the Government adopted a first package of simplifications in March 2014 and intends to adopt recommendations in thirteen sectors, developed with support of the OECD, by June 2014.

102. The authorities have taken measures to improve land use for economic development. The Government intends to adopt legislation to define coastal zones, and will adopt a law for spatial planning to streamline the national planning process in May 2014. This law reduces the number of hierarchical plans that have to be in place for a development to occur, facilitates strategic investment and privatisation, and devolves powers to local levels to modify existing plans in line with economic needs. The authorities will also adopt by June a new forestry law to clarify the definition of forests and forest lands and streamline forestry administration. In addition, the Government has made progress in tendering projects for the cadastre and forestry maps in order to ensure their completion by 2020.

103. Reforms of trade facilitation have been stepped up. Following the advice of the World Customs Organization, the authorities have adopted simplified procedures in pilot customs offices and expanded e-customs functions since July 2013. For exports, the Government expects to implement automatic clearance for low risk declarations in pilot offices and align risk assessment systems in line with EU best practices across all customs offices by April 2014. For exports and imports across all customs offices, the authorities intend to enable electronic payment by September 2014 and implement optimised procedures by December 2014.

Box 13. Reforms of Business Registration

Structural reforms in support of investment, productivity and competitiveness have been a priority for Greece's crisis response in the late 2000s. Restrictions to entry and on fees or prices led to high rents, low innovation, and low productivity. In particular, Greece had one of the most restrictive systems of product market regulations, as measured by OECD indicators. Along with reforming labour markets, improving Greece's competitiveness required freeing up product markets and entrepreneurship. A key aspect of the reform of business regulations is the simplification of procedures for business start-ups.

In order to overcome the fragmentation in business registration procedures and databases, the Government launched on April 4, 2011 the General Electronic Commercial Registry (GEMI). Serving 2,200 notaries and the 59 Chambers of Commerce, this system provides a unified registry of companies. GEMI has registered all companies created since April 4, 2011 and re-registered companies created previously. Through the so-called one-stop shop, GEMI allows the electronic processing of scanned copies of documents for business creation and the profiling of company details via the business database (www.businessportal.gr). GEMI is also connected to TAXIS, the tax authority's electronic database for the provision of the company's tax identification number and the entrepreneur's tax certificates.

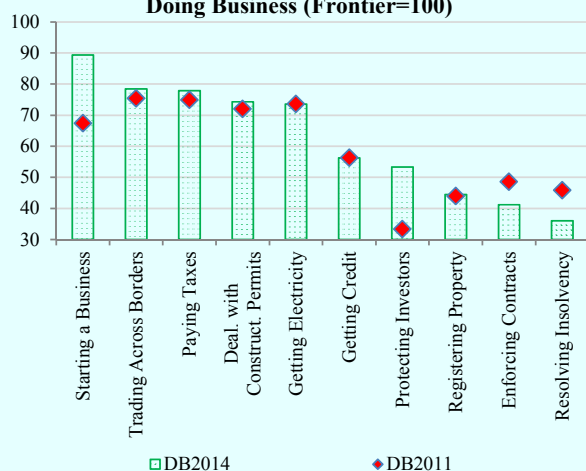
Apart from simplifying the procedures for business registration, Greece also established a new company type. As part of the Business Friendly Greece law of 2012, Greece introduced a new form of limited liability company ("IKE") with no minimum capital requirement. Such companies also benefit from additional simplifications, such as no social security certificate, no documentation of the official company seat and no mandatory drafting of articles of association by a notary.

Three indicators confirm that business regulations have indeed been simplified:

- The World Bank's Doing Business report highlighted Greece's reforms to simplify starting a business through the creation of GEMI and the introduction of a new limited liability company with no capital requirement. Thanks to these measures, Greece closed the gap towards global best practices more than any other country during July 2012 to June 2013, and jumped 110 ranks to 36th position among 189 countries. This is Greece's best ranking among the 10 dimensions of ease of doing business (Graph 13.1). Greece closed the distance to the frontier, defined as the best performance across all economies across time, from 33 percent in the Doing Business Report 2011 to 11 percent in the Doing Business Report 2014.
- The simplification of business registration has reduced the time needed to set up a company since early 2013, with the exception of the Societe Anonyme which saw little change (Graph 13.2). In addition, the reforms have made setting up companies less costly (Graph 13.3).
- Since early 2013, IKE has become the most popular company type for setting up a limited liability company (Graph 13.4). Apart from the absence of a minimum capital requirement, this is explained by the short start up time and the low costs. The estimated administrative burden and charges for setting up a company as IKE are EUR116, compared to close to EUR300 for a regular limited liability company.

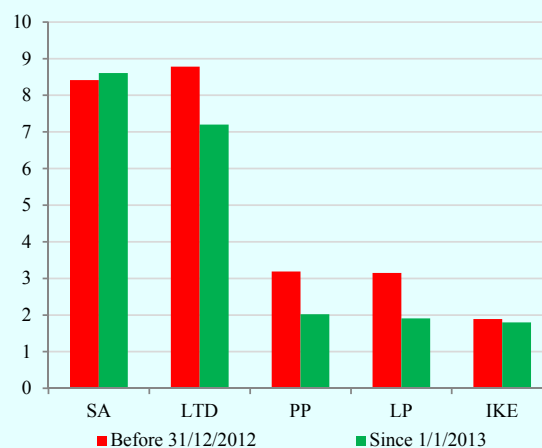
For further simplifications of business registration, better coordination of key agencies will be important. This would involve the coordination of system development, upgrades and new services, as well as the integration of data management and sharing across key agencies.

Graph 13.1: Distance to Frontier of Ease of Doing Business (Frontier=100)

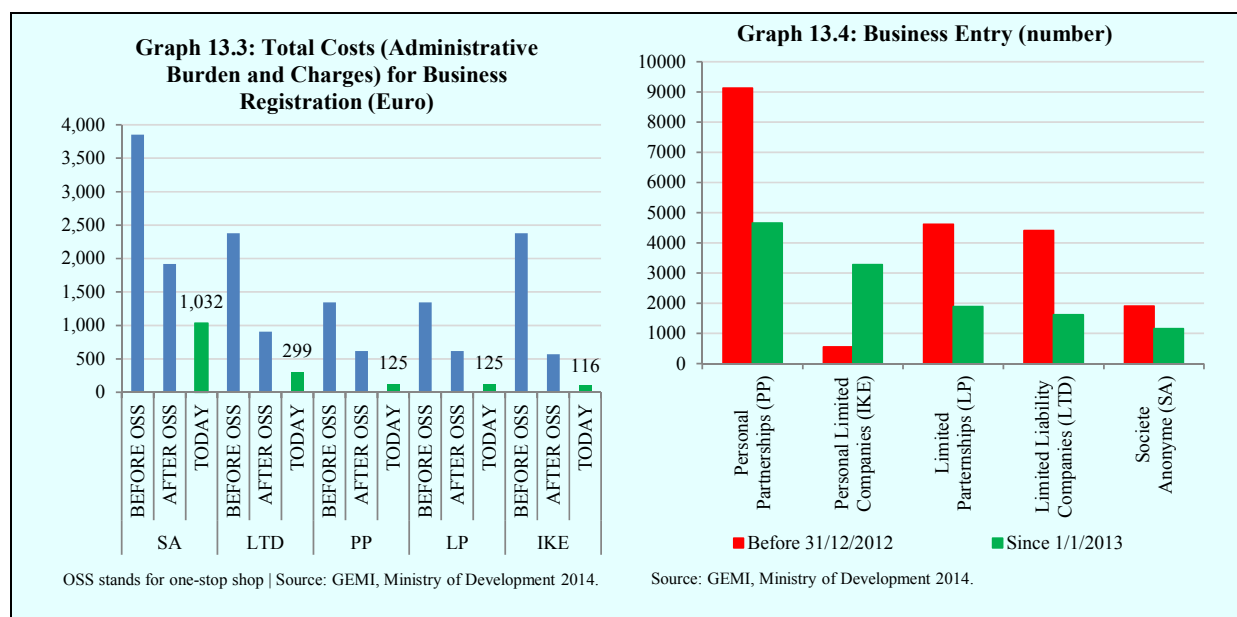


Source: World Bank Doing Business 2014

Graph 13.2: Average time for Business Registration (days)



Source: GEMI, Ministry of Development 2014.



3.5.2. The Retail Sector

104. The Government has taken additional steps to improve the regulatory framework since July 2013. The authorities simplified licensing procedures of retail outlets, including reducing the time for approvals related to public health standards. As part of the investment licensing reform, the Government also intends to abolish pre-licensing requirements for retail shops. In addition, the authorities expect to remove additional restrictions on outdoor trade by May, including recommendations from the OECD competition assessment. For pharmacies, the authorities allowed the sales of over-the-counter products with the exception of drugs outside of pharmacies and replaced the fixed mark-up by maximum mark-up, removed minimum distance requirements, and eased establishment restrictions. The Government also reduced the minimum duration period for commercial rentals from 12 to 16 years to 3 years in February 2014. The authorities liberalised tourist rentals in March 2014 by reducing the threshold under which a lease is considered tourist rental from three months to one month.

3.5.3. Regulated professions and professional qualifications

105. The liberalisation of key professions is proceeding. The Government adopted in September 2013 a new Code of Lawyers to replace the original Code from 1954. They have also taken steps to liberalise other professions, including actuaries, chartered valuers, electricians, geo-technicians, one-day clinics, the sales of plant-protecting material, fertilisers and pesticides, and TV technicians (see Box 14 for an overview of the reforms in recent years). Following the opinion of the Hellenic Competition Commission, the Government adopted legal amendments to remove unjustified or disproportionate reserve activities of engineers, architects, geologists and land surveyors in March 2014, and intends to adopt the implementing provisions by the end of the year. It has set up a monitoring system of high-frequency indicators such as new entrants and price changes for the main professions. The authorities will commission a survey to identify any remaining excessive restrictions across regulated professions and remove any such identified restrictions later in the year.

106. The necessary measures to ensure effective implementation of EU rules on the recognition of professional qualifications are being adopted. After long delays, the authorities have taken the necessary steps to ensure that the online submission of applications for the recognition of professional qualifications is fully operational through the Greek Point of Single Contact.

Box 14. Reforms of Regulated Professions

In the late 2000s, closed professions in Greece were a major source of large rents and economic inefficiencies. The regulations on professional services were among the strictest among EU and OECD countries. This curbed competition, kept firm size small and held back innovation. Strict regulations also translated into high mark-ups and high prices of professional services for accountants, architects, customs brokers, dockworkers, engineers, lawyers, notaries and others. While professional services represented only around 2½ percent of output and 7 percent of employment (OECD 2011), they had important spill-over effects across the whole economy. This increased the transaction costs of firms and lowered the purchasing power of consumers.

The strict regulations provided vast scope for lifting requirements without jeopardising consumer protection. The Greek research institute IOBE calculated that the deregulation of a number of services in Greece could yield GDP gains of over 10 percent in the long-term (IOBE 2010). Such reforms could also help in burden sharing of the costs of adjustment by reducing rents of well-off vested interests and lowering prices.

The authorities phased the reforms of regulated professions. The initial step was the adoption of framework legislation (Law 3919/2011) in February 2011 to establish the principle of professional freedom. The legislative changes abolished in principle, among others, fixed prices or compulsory minimum fees and the requirement for an administrative license to practice a profession, substituting instead a simple notification accompanied by the necessary supporting credentials. In spite of these sweeping changes, the impact of the reform was delayed for a number of reasons.

Initially, the scope of the law was not specified, so it was unclear to which professions the provisions of the law would apply. This scope of the law was established in early 2013, and the Government published a list of the professions falling under the scope of the law in July 2013, covering over 150 professions.

In addition, while the law established a general principle of professional freedom, it did not directly abolish each of the unnecessary restrictions in force. As a result, the legal situation was uncertain until such restrictions were explicitly revoked on the basis of a thorough screening of the existing legislation.

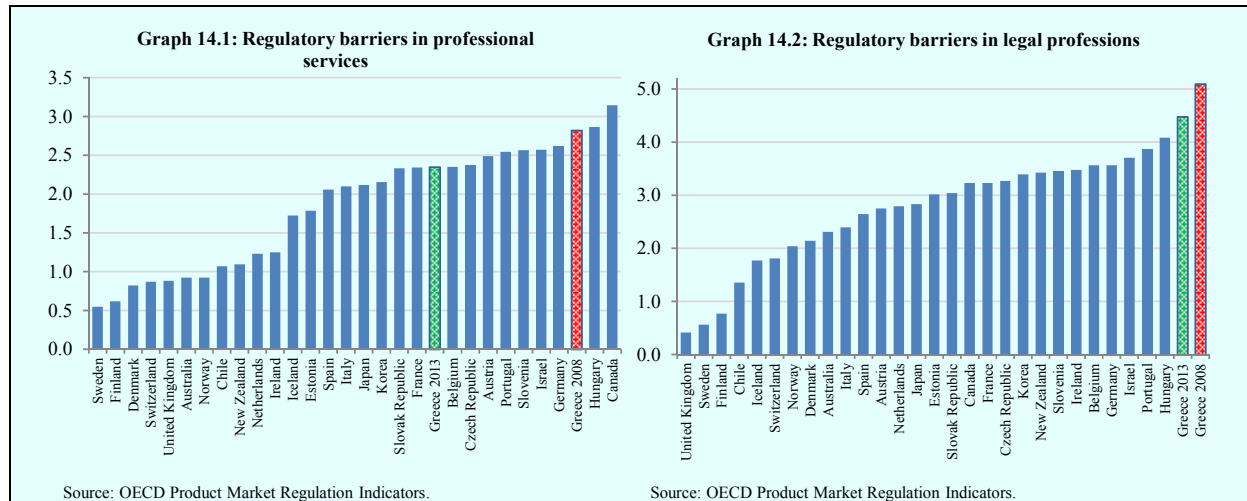
The 2011 law also provided for a 4-month period during which restrictions that are justified on public policy grounds, either by addressing market failures, or pursuing non-economic objectives, may be reinstated by decree. Professional associations responded with requests for derogations, although often with delays. The Government submitted these requests to the Hellenic Competition Commission for opinion in order to ensure that the reinstatement of restrictions was limited to public interest cases only, as envisaged by the legislation. Based on the opinion of the Hellenic Competition Commission, the Government then revised the relevant regulations. While this process ran its course as foreseen, the timeline proved to be too ambitious. The Hellenic Competition Commission provided opinions on requests of derogation throughout 2012, and by end 2013, some regulations still needed to be adjusted in line with these opinions.

In addition to the general part, the law also had a specific part. This part focused on high economic impact professions, namely notaries, lawyers and law firms, engineers and auditors. In addition, separate laws dealt with pharmacists, technical professions and trucks and transportation companies. The liberalisation of these professions in the 2011 laws was partial, and additional reforms were needed to open up these professions further, such as through the adoption of the code of lawyers in September 2013.

There are four main sources for tracking the progress of the reforms: the OECD regulation index for professional services; prices for professional services; an assessment of a Greek research institute; and monitoring indicators assembled by the Ministry of Finance.

The professional services regulation index of the OECD provides quantitative evidence on the impact of reforms. It focuses on legal changes for four professions without evaluating the degree of implementation. According to OECD indicators, the regulations of professional services were significantly loosened from 2008 to 2013 (Graph 14.1), although legal professions remain highly regulated (Graph 14.2). In 2014, the Government has adopted legislation to open mediation to non-lawyers and intends to assess notaries' fees to align them with best practices in the EU.

Building on work in 2012, the Centre of Planning and Economic Research (KEPE), a research institute linked to the Ministry of Development, provided in July 2013 an assessment of the liberalisation of 20 professions through the 2011 law (KEPE 2013). A key contribution of this report was to apply the OECD methodology in order to measure regulations for these 20 professions. The main finding was that the reforms liberalised professions substantially. The regulation index, which ranges from zero (no restriction) to 12 (maximum restrictions) declined on average from 5.8 before the reform to 2.3 after the reforms (Chart 14.3). As a result, 74 percent of the restrictions of the 20 professions were abolished. For non-scientific professions, the share went up to 83 percent. While regulations remained high for some professions, especially legal professions, the report argues that the remaining restrictions were broadly justified in view of the special nature of the services offered.

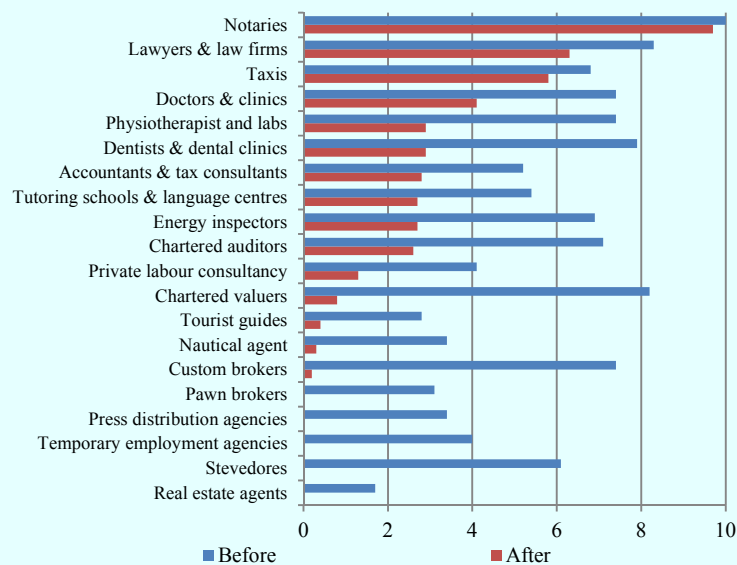


However, this assessment has to be qualified in three points. First, the report focused on changes in primary legislation. The report did not evaluate whether these laws were effectively implemented through secondary legislation. Strengthening competition in many professions often depends on very specific measures. For example, the elimination of minimum fees for chartered accountants is likely to have a limited effect on the price of their services until provisions imposing a minimum number of audit work hours are phased out. Second, the study focused on legal changes and did not assess whether the legal changes were effectively applied in practice. Third, with regard to the remaining restrictions identified, the study did not assess systematically whether they are justified and proportional for safeguarding the public interest.

The KEPE report also looked at prices for professional services. The evidence was inconclusive: there was no clear indication that more open professions performed better on price changes; or that these 20 professions performed better than other professions. Price changes for certain professional services confirm the mixed picture (Chart 14.4). While producer prices for warehousing or freight transport declined since 2010, they increased for cargo handling and architecture and engineering.

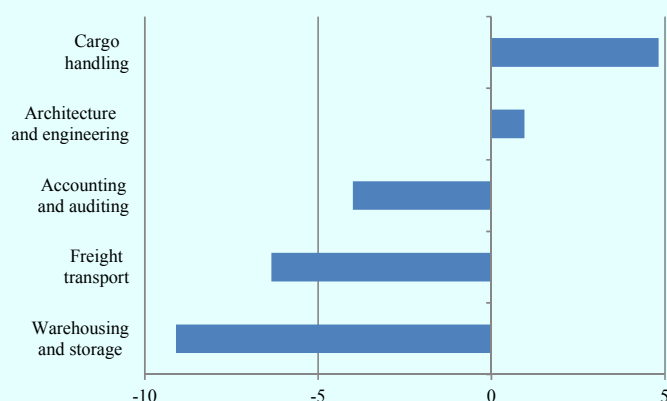
This could be due to various factors. The regulation index might not capture well changes in de facto liberalisation in view of the problems mentioned above, and the liberalisation efforts to date remain sometimes inadequate. The data on prices might also be inadequate – for example, price changes were measured by components of the consumer price index which might have been too aggregated to trace the change in prices for particular professional services. The impact of liberalisation could also be dominated by the severe contraction of the economy, or it might simply still be too early for the reforms to show results.

Graph 14.3: Regulation index before and after liberalisation (zero - full liberalisation; 12 - full regulation)



For pawn brokers, press distribution, agencies, temporary employment agencies, stevedores and real estate agents, the index value after the reforms is zero| Source: KEPE 2013

**Graph 14.4: Changes in producer price index of selected business services
(change from 2008 to Q3-2013)**



Source: Eurostat

Finally, the Ministry of Finance has compiled a list of monitoring indicators for the liberalisation of some 20 professions, including changes in the number of professionals since 2011 (see table below). The number increased for most professions, such as accountants, tax consultants or travel agents, in spite of the economic crisis, indicating that reforms helped to open access for new professionals.

Greece has advanced in the liberalisation of profession in recent years, as confirmed by the improvement of professional services indicators and the increase in the number of professionals for some key professions. However, the liberalisation was uneven across professions. Further progress will depend on tackling remaining rigidities, ensuring a swift implementation of legislation and monitoring the effectiveness of reforms to identify needs for further adjustments.

Table: Number of Professionals

Professions	2011	2012				2013			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Auditors	983	1,049	1,050	1,050	1,050	1,012	1,037	1,037	1,037
Audit firms	28	39				42			
Accountants and tax consultants	66,072	68,212				68,849	69,507	70,293	
Energy inspectors of buildings	5,453	5,466	7,763	8,250	8,412	8,479	8,505	9,292	
Energy inspectors of heating systems	3,598	3,598	5,339	5,708	5,822	5,872	5,892	6,033	
Energy inspectors of air conditioning systems	3,370	3,371	5,071	5,439	5,552	5,600	5,620	5,735	
Travel agents	4,105	4,094	4,128	4,124	4,079	4,107	4,235	4,279	4,328
Tourist guides	1,904	1,909	1,913	1,915	1,915	1,916	1,920	1,990	1,997
Private labour consultancy offices	93	95	88	89	89	89	86	86	85
Custom brokers	2,369	2,211				2,108			
Real estate agents	5,050	5,066	5,047	5,039	4,986	5,001	5,015	5,029	5,053
Actuaries	74	74	77	77	77	77	81	81	81
Chartered valuers		11	11	11	11	9	81	158	201
Geo-technicians (agronomists)	19,597	19,518	19,705	19,844	19,952	20,089	20,198	20,296	

Source: Ministry of Finance

References

IOBE (2010). The Greek Economy, Vol. 1/10, IOBE, Athens.

KEPE (2013). Impact Evaluation of Deregulation of Professions with Significant Contribution to the Greek Economy. Centre of Planning and Economic Research, Athens.

OECD (2011). OECD Economic Surveys: Greece 2011. OECD Publishing.

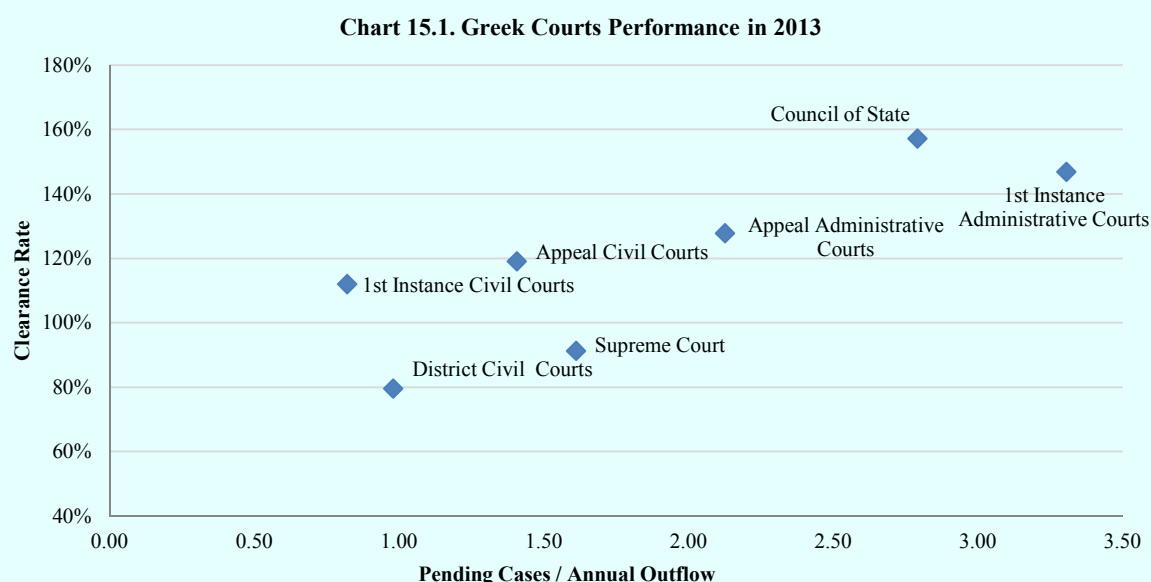
3.5.4. Reforming the judicial system to support economic activity

- 107. The work on the improvements of the functioning of the courts progressed well.** The data collection on court activity continues to improve allowing a better assessment of the situation of the courts.
- 108. In administrative justice, past measures have restored the structural balance between inflows and outflows of cases.** Analyses of the data confirm that this holds for all courts. However, the new improved clearance rates will not be sufficient to reduce significantly the stock of outstanding cases within a reasonable timescale. New measures have therefore to be designed to address this problem, as a report from the Ministry on the effect of past measures points out. Over time, the effect of the administrative review of cases the Ministry is proposing to put in place should help reducing the inflow of cases.
- 109. For civil justice, the authorities are preparing the reform of civil procedure.** A report of the Ministry of Justice presents the existing strategy and proposes some new ways forward. Reforms are needed since, contrary to the administrative courts, the civil justice courts are still not able to balance the number of cases registered with sufficient closure of cases. The main new action will take place through a fundamental reform of civil procedure. The draft of the code of civil procedure has been submitted to public consultation in March and is expected for adoption by May 2014. The strategy also includes the development of out of court settlement mechanism, and the full opening of the mediator activity to all professions, voted in April. This should help over time to reduce the number of cases going to court.

Box 15. Greek courts performance

Administrative justice has restored its structural balance with outflows more than matching inflows. The trends are reliable, even though some courts did not submit complete data, including Piraeus (which accounts for 12% of cases), and thus, the numbers are not complete per se. The issue now is to take care of the backlog of pending cases. The authorities committed to provide a proposal to this effect in April.

On the contrary, civil justice still has structural problems, mainly in districts courts. The Code of civil procedure (CCP), to be voted in May, should address the structural balance. After the CCP is voted, it will be possible to tackle the stock of pending cases. This may be done in parallel with insolvency cases, since part of the problems of the magistrate's courts come from these cases.



Note: Tripoli (ΤΡΙΠΟΛΗ) Appeal Administrative Court, Plomari-Lesvos (ΠΛΩΜΑΡΙ-ΛΕΣΒΟΣ) District Civil Court as well as Piraeus (ΠΕΙΡΑΙΑ), Livadeia (ΛΙΒΑΔΕΙΑ), Mesonloghi (ΜΕΣΟΛΟΓΓΙ) and Kavala (ΚΑΒΑΛΑ) 1st Instance Administrative Courts did not provide complete data and therefore, were removed from the calculations for all the quarters | Source: Ministry of Justice Quarterly Data

3.6. EFFICIENT NETWORK INDUSTRIES

3.6.1. Energy policy

- 110. Greece is finally moving to a more modern market model for energy through a fundamental transformation of its energy sector.** This is urgently needed as the high cost of energy is affecting the competitiveness of the economy and the welfare of households. This is due to high import costs of primary energy (both oil and gas), but also to important distortions in the markets, which amplify the effects of high import costs. To deal with both immediate and long-term challenges in a coherent approach, the government has decided to adopt a package of reforms, designed to address in a structural manner the many distortions in the energy markets rather than simply compensating them, and create opportunities for the energy market to become a driver of growth for the Greek economy (see Box 16 for further details).
- 111. In the electricity market, the authorities are consistently following an ambitious medium-term roadmap.** They intend to implement key actions as a matter of priority in the next few months to remove significant distortions in the market. This includes the removal of full cost recovery for gas-powered power plants, the introduction of NOME⁶-type auctions of part of the incumbent PPC (Public Power Corporation) baseload capacity (PPC owns at the moment almost 100% of the supply market), the adoption of the legislation for the privatisation of part of the PPC capacity ("Small PPC") and a revision of capacity markets to make them more cost-efficient. The cross-subsidisation across Medium-Voltage and Low-Voltage consumer categories, as well as a truly cost-based pricing of electricity by PPC, remain significant issues which the Government has committed to address by June.
- 112. The gas market, on the other hand, has seen no progress in recent times, but the Government has now decided to introduce a fundamental reform.** Greece enjoys a unique derogation from the Third Energy Package, applying to gas distribution and supply. The effect of this derogation has been the removal of the right for customers to choose their own supplier (eligibility), unless they are above an extremely high consumption threshold; and the segmentation of the distribution market in several regional companies (EPAs) that are granted the exclusive right to develop and exploit the gas distribution network in their area. As a result, there is no competition in the Greek gas market. The government has now decided to introduce key reforms already in the next few months, including by broadening the eligibility to all business gas consumers and with the separation of the network activities of the EPAs from their supply activities, to move to a regulated model for gas distribution networks. A detailed action plan has been published ahead of the completion of the review.
- 113. The acceleration of reforms in the energy sector should benefit Greek energy-intensive companies.** The removal of significant distortions in the electricity market, more competition on the supply side, and the reforms in the gas market should have a significant effect on the cost of energy. High energy costs undermine efforts to improve export price-competitiveness through investments in the efficiency of manufacturing plants and the reduction in labour costs, and this is obviously most damaging for energy-intensive industries
- 114. In spite of the efforts by the Government and energy regulator RAE, the liquidity shortages in the energy markets remain largely unsolved.** However, the amortisation of the emergency loans granted in June 2012 by the Government to PPC and DEPA was completed in August 2013, and the Government is now committed to pay back all its significant arrears to PPC by June 2014.
- 115. Financing problems in the renewable energy sources (RES) account designed to fund incentives for renewable energies are finally being addressed in a structural way.** Following a substantial lowering of feed-in tariffs for new installations, the Parliament has approved legislation to revise the existing power purchasing contracts and achieve long-term sustainability of the RES account. The law includes a cap on new PV installation receiving incentives. A comprehensive cap is also expected to be introduced.

⁶ "Nouvelle Organisation du Marché de l'Electricité". It is a transitional reform of the electricity market, in view of small PPC's privatisation. Part of PPC's generation capacity will be auctioned, to create new suppliers. NOME will be phased out when Small PPC is privatised.

- 116. In parallel with the reforms of the market, the privatisation processes related to the energy sector are moving forward.** Following an agreement on the assets of PPC that will form a new generation company to be spun off in 2015, the government has submitted legislation to Parliament to facilitate the spin-off. Legislation to allow the full ownership unbundling of ADMIE has been approved, and the expression of interest has been published. The regulatory clearance of the sale of 66% of DESFA to SOCAR is currently ongoing, including the negotiation of an inter-governmental agreement between the EU and Azerbaijan, based on the third-country clause of the Third energy package. In view of the upcoming reforms of the gas market, the privatisation of DEPA has been postponed to allow for a clarification of the future regulatory framework.
- 117. Further progress has been made in the fuel sector.** Following the liberalization in the retail sector and the elimination of restrictions on transportation and import of oil, minimum capital requirements for firms trading petroleum have been replaced by the option to use a guarantee scheme, while the installation of inflow-outflow system will be completed across the country by August 2014, and a regulated, non-profit independent organisation for the storage of fuel reserves will be established by September 2014 and start operating in January 2015.

Box 16. Reforms in the energy sector and the case for their acceleration

Far-reaching measures have already been taken or designed to address some of key concerns in the energy market in the context of the Economic Adjustment Programme for Greece. However, significant steps still need to be taken, both in the electricity and the gas sector.

In the electricity sector, as reported in the text, the privatisation of PPC is progressing, and other reforms in the pipeline will make the electricity market more modern and in line with the EU target model, where better interconnections, a multitude of actors and the removal of restrictions will ensure stronger competition. However, significant distortions remain, creating high overhead costs. As examples, capacity payments, introduced to preserve some spare capacity in the system to deal with fluctuations in renewable energy supply and in demand, have an extremely high cost in Greece, while lack of interconnections with islands creates the need for significant public service obligations, which cost EUR 800 million per year. Finally, interconnections with other countries need to be reinforced and better exploited, to strengthen the integration of Greece in the EU electricity market and give more access to alternative (and possibly cheaper) sources of electricity to consumers.

The **gas sector**, on the other hand, remains completely closed to liberalisation, thus negatively affecting the Greek competitiveness through lack of consumer choice, insufficient distribution infrastructure, and higher prices. DEPA, the gas incumbent, is, de facto, the sole wholesale supplier of gas in Greece, with a locked-in demand base. The very few eligible customers (around ten) are generation companies and very large industrial companies, which have in any case serious difficulties in procuring gas through sources other than DEPA. The very rigid market structure and significant rents have created no incentives for investment in a broader distribution network to seek for the marginal customer, implying that currently gas is significantly underused in Greece compared to other EU countries, especially for heating, leaving the country with a significantly more polluting and inefficient oil-based structure. At the moment the dominant fuels for heating are oil (65%) and wood (20%), with gas at 8%. Together, power generation and industry absorb 85% of the gas demand.

In 2013, Greece reportedly paid \$467 per thousand cubic meters, against an EU average of \$393. A new agreement between DEPA and Gazprom was reached in February 2014, providing for a 15% price cut, retroactive from July last year, and extending the current contracts by another 10 years (to 2026), while providing Greece with more flexibility on the amount of gas it is obliged to purchase from Russia. The retroactive adjustment will produce a rebate estimated at around EUR 80 million. While this agreement is definitely important to reduce costs for the Greek economy, the structure of the Greek gas market remains fundamentally flawed, and serious concerns remain on the ability of customers to reap the benefits of lower import prices.

Three important new elements in this context are becoming **catalysts of reform** of the gas market: the decision in December 2013 to build the Trans-Adriatic-Pipeline (TAP), part of a new gas pipeline from Azerbaijan to Italy transiting Greece; the unsuccessful attempt to privatise DEPA in summer 2013; and the mounting crisis in energy-intensive industries which are no longer able to face high electricity costs.

1. TAP is part of the so-called Southern Corridor, i.e. a pipeline that will bring gas from Azerbaijan to the EU. TAP will go from the Greek-Turkish border to Italy, and has at the moment a foreseen yearly capacity of 10 billion cubic meters (bcm) of gas, of which 1 bcm destined to the Greek market. Further, it should provide reverse flows, meaning that Greece will be able to actually import gas from Italy through TAP. At around 80 bcm per year, the Italian market is several orders of magnitude larger than the Greek, currently at around 4-5 bcm. TAP will thus, from 2019, bring a significant increase of the actual and potential gas supply in Greece.

2. The privatisation process of DEPA was launched in 2013, but failed to attract investors, due among others to the problems of liquidity in the sector. While this was disappointing for the overall privatisation process, the privatisation of DEPA without improving the functioning of the gas market would have amounted to the privatisation of a near legal monopoly, which could have prolonged the burden of the existing dysfunction of the Greek gas market on businesses and households. This situation now represents an opportunity to launch a far-reaching reform the gas market, ahead of completing the privatisation process.

3. A further development is represented by the recent difficulties of several energy-intensive companies, which have reported to be close to shutting down because of the high energy costs. The reaction of the Government was a direct intervention in PPC's general assembly to propose and approve a significant discount to electricity prices for energy intensive companies. While this solution provides an obvious immediate relief for companies, it is clear that it creates further problems on other sides. In essence, it does not tackle the distortions but rather compensates them, at the expense of PPC's profits.

Against this background, and taking account of discussions during the review missions, the government has decided to adopt **a package of reforms**, including ambitious actions on both the gas and electricity markets.

In the gas market:

The Government has committed to a package that would change the landscape of the gas market, allowing Greece to reap the benefits of an increased and more diversified gas supply and of the recent renegotiations of existing supply contracts with Russia. The positive effects (some already in the short term) on the competitiveness of the manufacturing (especially energy-intensive) sector, and on the welfare of households, are expected to have a measurable impact on growth, possibly significantly larger than the one foreseen by other product market reforms in the pipeline, given the pervasive relevance of energy in the economy.

- To increase choice among consumers, restrictions are to be eliminated, starting with business consumers, and later for all consumers. The government committed to adopt legislation by June so that from 1 October all gas industrial consumers will be fully eligible to choose their supplier. This would also have the implication to remove restrictions to cross-selling electricity and gas. All other costumers would be free ("eligible") to choose their supplier later, based on an action plan adopted by the Government before the completion of the review.
- To improve market operations, the unbundling of network development and maintenance from supply will also be introduced with new legislation adopted by end September 2014. From 1 July 2015 the network activities of the EPAs would be separated from their supply activities and would be regulated, thus stimulating the growth of the distribution network, and, through this, of gas demand.
- To spell out the further reforms and actions needed to further improve the functioning of this market, increase choice and access to other sources, and stimulate demand and move towards a more efficient use of gas, a comprehensive action plan for the reform of the gas market has been approved by the Government before the completion of the review. This includes the creation of a wholesale market, easier access to LNG, scope for the growth of the distribution network, and the promotion of the use of gas as heating fuel.

In the electricity market:

- To make the management of capacity more cost-effective, capacity payments would be reduced, progressively but starting immediately, taking into account the need for capacity adequacy and a sufficient response to peak demand. This implies a reduction in the quantity of capacity remunerated, but possibly also a reduction in the unit level of remuneration.
- To improve the management of electricity demand from energy intensive companies, state-aid- and third-package-compatible interruptible contracts would be introduced, providing to them compensation for this service.
- The costs of energy-intensive companies could be reduced further through the state-aid-compatible and fiscally-neutral compensation of CO2 costs incorporated in electricity costs.
- To bring competition in the supply side of the electricity market, the auctioning of PPC capacity (NOME) would be brought ahead and started on 1 September 2014.
- To further reduce distortions in the structure of electricity prices, on 1 July 2014, PPC would take the decision to revise its tariff structure, including discounts, to take into account the measures taken by the government.

The benefits of the package, if properly implemented, are manifold. Many restrictions would be lifted and markets would be made more competitive. Consumers would benefit from greater choice. Households would have access to a cheaper and less polluting energy source for heating. The benefits of lower gas prices, and future increased supply, would be fully reaped. Energy-intensive industries would see an improvement in their competitiveness. Gas companies would be exposed to competition, but on the other hand would have access to a wider market. Last, but not least, a significant intervention in PPC's tariff structure, which could endanger its profitability, would be neutralised.

The rapid and cumulative implementation of this package would be a powerful signal that a key product market reform is being undertaken in Greece, an important message both for consumers, businesses and investors. Strong commitment to and implementation of such reforms by the Greek authorities appears crucial for supporting a sustained economic recovery.

3.6.2. Electronic communications

- 118. The authorities have committed to 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 by April 2014, and launch the tender procedure itself by June 2014, so as to respect the October 2014 deadline for the assignment of the frequencies of the digital dividend.**

3.6.3. Transport

- 119. Major strategic changes are underway in the transport sector, while challenges remain.** In the airport and maritime sectors, the authorities are pursuing reforms needed to facilitate a proper functioning of markets and a strengthening of the regulatory framework.
- 120. The privatisation of airports is proceeding.** The second phase of the tendering process is progressing with seven investment entities being qualified to participate for the concession of the management, operation and maintenance of the regional airports, tendered in two clusters. The other airports will be grouped in a company benefitting of a ring-fenced and transparent financing mechanism creating in this way the conditions for a separation of the operation activities from regulatory aspects. This privatisation strategy will provide concession agreements to cap airport charges at an average regional benchmark level with the aim of preserving the competitiveness of the tourism sector. The privatization of the regional airports is expected to lead to investments that will increase the capacity of the airports, increase their service level standards and facilitate tourism and economic development.
- 121. Important reforms are underway in the maritime sector.** The authorities intend to introduce measures with the aim to further improve the competitiveness of the sector. This includes allowing optionally firm labour agreements in the domestic ferry sector, irrespective of whether there is or not a sectoral collective labour agreement in place, allowing companies to distribute freely across their fleet the days they stop operations during the winter season and increasing the flexibility of the manning requirements. The authorities have already launched key assets for privatisation with the aim to ensure sustainable and self-financing port authorities, to attract additional capital and managerial expertise and improve the competitiveness of the sector from a regional and international perspective. Setting up a strong regulator for ports is a key priority in view of the privatisation of ports, in particular those of Piraeus and Thessaloniki. The authorities intend to strengthen the port regulator by appointing the Board of Directors and implementing secondary legislation by the end of the tender process for the ports.
- 122. Additional policies are in the pipeline to ensure a better intermodal connectivity between different means of transport.** This includes prioritising public spending (including EU funds) by creating a transportation and logistics hub and better exploiting Greece's regional competitive advantage.

3.7. INCREASING THE IMPACT OF STRUCTURAL AND COHESION FUNDS

- 123. The authorities continue to improve significantly their absorption of EU funds.** As a country under financial assistance, Greece has benefited from higher co-financing rate (10% top-up) since May 2010. In 2013, a key achievement has been the re-launch of the major motorway projects which constitute a significant part of the co-financed activities. These projects that had stalled since the onset of the crisis because of the strong fall in traffic and in related (prospective) revenues and of the financial difficulties faced by the involved entities. Accordingly, by the end of the 2013, the authorities have submitted payment claims of EUR 4.56 billion, including EUR 1.5 billion for the motorway projects, which is significantly higher than the annual target of EUR 3.89 billion. The absorption rate (79.2 %) for 2007-2013 is now clearly above the EU average (65.2%), in part due to the higher co-financing rate and the EU allocations to the Financial Instruments (EUR 1.3 billion). The authorities have delivered the earmarked amount in the national budget for the completion of the unfinished projects of ERDF and ESF from the previous programming period.
- 124. The authorities continue to implement the priority projects.** A monitoring mechanism provides regular information and an early warning system that lead to rapid actions to tackle problems. 51 projects have been completed, but considerable effort still has to be deployed in order to complete all priority projects by end 2015. There has been progress on the simplification of the procedures, particularly on the establishment of an alternative mechanism for the approval of payments and for the establishment of the electronic payment. In addition, for the main categories of projects co-financed by the Structural Funds, it is necessary to review the current legal and administrative framework governing their implementation in view of its simplification which includes the lifting of unnecessary steps and the clarification of competences. These are key requirements that will simplify and accelerate project

implementation and the Greek authorities have to finalise these promptly. While preparations of the anti-fraud strategy have proceeded, the implementation has been delayed.

- 125. The Financial Engineering Instruments (FEI) designed to facilitate access to funding for SMEs continue to under-perform with the exception of the Energy Efficiency Fund.** This reflects a difficult market for loans, low appetite for risk taking and low quality of offered collaterals. Following the recapitalisation of the banking system, the financial instruments for the new financing period will be restructured in order to play an important role in financing the economic recovery. To this end, a Steering Committee (GR-COM) is in place to enhance monitoring of FEIs implementation and to gather concrete experience in order to bring forward policy suggestions on support to SMEs for the current and the new programming periods and, where necessary, suggest a rationalisation of the current allocations and instruments.
- 126. The establishment of the Institution for Growth (IfG) has progressed.** The Government has passed legislation in December 2013 to set up an Investment and Growth Fund under the name “Institution for Growth in Greece” to be registered under Luxembourg law. It is an innovative financing mechanism combining public and private funds, aiming at channelling resources to Greek SMEs and financing infrastructure projects.
- 127. The Institution for Growth aims to support profitable investments in Greece while supporting the country’s growth policy.** The fund will have an initial capital of 500 million EUR. It will finance SMEs and infrastructure projects using equity, loans, guarantees and other financial instruments, and participate in equity funds and hedge funds. Three studies by international consultants for the three sub-funds (SME lending, SME equity and infrastructure lending) have been completed. A Memorandum of Understanding was signed in July 2013 with KfW who pledged to invest up to 100 million EUR in the IfG. The EIB has also expressed interest to contribute and negotiations with other investors are under way. The debt sub-fund is expected to be operational in June 2014.
- 128. The updated draft Partnership Agreement for Structural and Investment Funds for the next programming period 2014-2020 was submitted to the Commission in March 2014.** It is expected to deliver a strategy for sustainable growth complementing and reinforcing the structural reforms that are taking place through the economic adjustment programme. Front-loading of interventions needs to address in the short run the severe consequences of the crisis for the unemployed and those at risk of poverty. It will be important to ensure that the transition between the current and the new period is smooth, achieving a full absorption of EU funds without significantly burdening the national budget and considering that no project will be transferred to 2014-20 period until the adoption of the Partnership Agreement and the submission of the new Operational programmes.

3.8. AGRICULTURE AND RURAL DEVELOPMENT

- 129. Agriculture provides the main income to more than 1.2 million people and is the recipient of large EU contributions through the Common Agricultural Policy (CAP).** This support comes in three forms: direct payments, market interventions and structural measures. In 2012 around EUR 3.05 billion were injected into the Greek economy from CAP funding out of which 76% was direct payment to farmers. The number of beneficiaries for direct payments in 2012 was about 727,000. The total amount of EU funds that will be allocated to the agriculture sector in 2014-2020 will reach about EUR 20 billion. A concrete strategy that includes all three forms of support in a complementary way is necessary in order to maximise the impact of the EU intervention. The Ministry of Rural Development and Food is preparing measures aimed at improving the effective absorption of the EU funds. This includes measures to reduce the substantial amounts of financial corrections related to direct aid, such as addressing structural weaknesses within the land parcel identification system and the creation of a network for advisory and technical services to farmers.

3.9. TECHNICAL ASSISTANCE

130. **Greece is receiving technical assistance coordinated by the European Commission's Taskforce for Greece and provided by the Commission, Member States, the IMF, the OECD, the World Bank and other technical assistance providers.** Technical assistance (TA) concerns several areas which are crucial for the success of the programme. Major contributions include work in fields such as tax policies, the reform of the revenue administration and the fight against tax evasion, social welfare, public financial management, public administration reform, the acceleration of cohesion policy projects and a wide range of projects to improve the business environment in Greece. By providing advice based on best practice, TA contributes to enhancing the government's capacity to implement policies. It also helps to increase programme ownership, via the exchange of views and policy options between the government and the TA providers⁷. The Commission has significantly strengthened its presence on the ground in Greece, thereby bolstering its capacity to provide and coordinate technical assistance.

⁷ For more details on the several TA projects, the reader is referred to the quarterly reports by the Commission's Task Force for Greece.

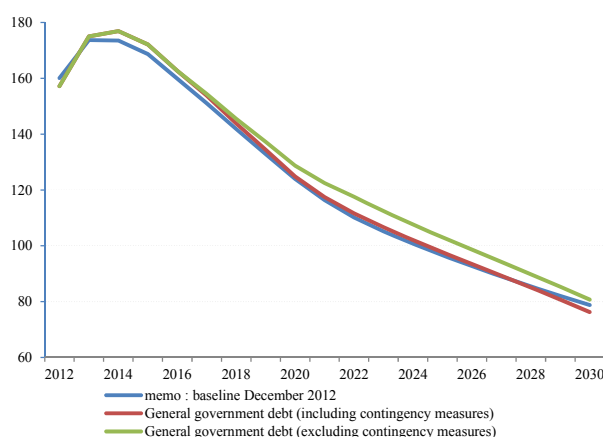
4. DEBT SUSTAINABILITY ANALYSIS AND PROGRAM FINANCING

4.1. DEBT SUSTAINABILITY ANALYSIS

4.1.1. Baseline and stress scenarios

131. **The debt sustainability analysis points to a slight deterioration in the debt-to-GDP ratio by the end of the decade in the current review compared to the previous one.** After peaking at around 177% of GDP in 2014, Greece's debt-to-GDP is expected to gradually decline to around 125 % of GDP in 2020 and around 112 % of GDP in 2022⁸ (graph 20). Using the same assumptions, this represents a deterioration compared to the December 2012 targets of a debt-to-GDP of 124% in 2020 and substantially below 110% in 2022⁹. This deterioration is due to several factors: a lower forecast for nominal GDP, mainly reflecting a deeper adjustment in prices, a somewhat lower forecast for privatisation revenue following delays in privatising government assets and higher arrears clearance compared to the previous review, which may however support economic growth in the shorter term representing an upside risk to the projection. In addition to the clearance of EUR 8 billion in arrears originally foreseen in the programme, the current DSA assumes the clearance of an extra EUR 2.5 billion in newly discovered tax refund arrears in the course of 2015. In contrast, the debt-to-GDP ratio for 2013 at 175% is estimated to have been better than projected due to a better than anticipated fiscal outcome.

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



Source: Commission services.

132. **A number of stress test scenarios were made¹⁰, to examine the impact of various risks on the evolution of the debt-to-GDP ratio compared to the baseline (Graph 21).** The main assumptions made in these scenarios¹¹ are the following:

- **Economic growth:** The real GDP growth rate was assumed to be higher or lower by 1 p.p. each year from 2014 onwards. Only the effects of a partial analysis are analysed, i.e. no repercussions on the fiscal developments are taken into account.
- **Interest rates:** The impact of a downward revision by 50bps (positive shock with a zero interest floor) or an upward revision of 150bps of the interest rate applying to Greek debt.

⁸ The debt-to-GDP ratio includes the contingency measures decided, but not identified, by the Eurogroup in December 2012.

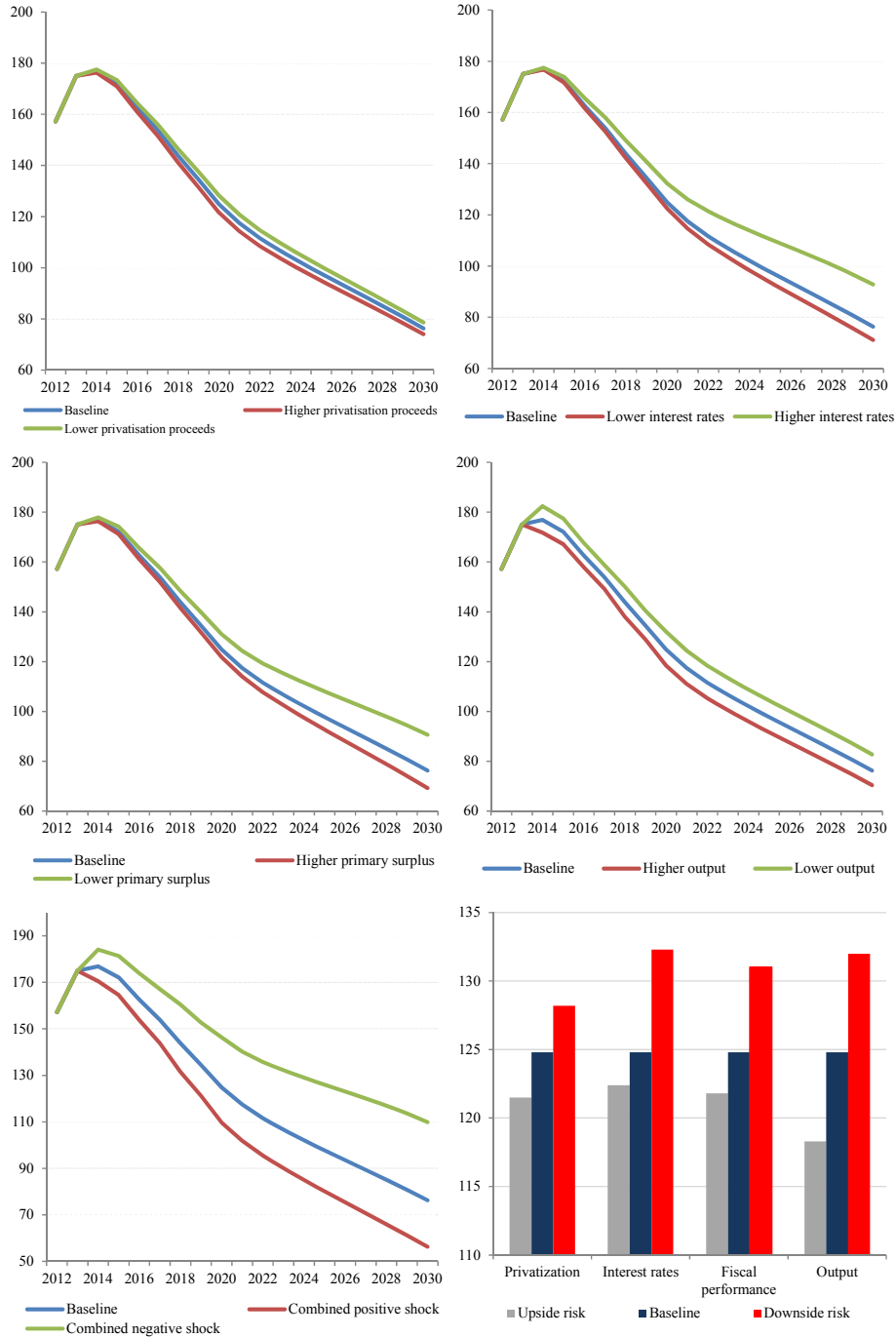
⁹ However, these projections could be revised slightly down in case some market operations concerning the banking sector turn out more favourably than currently assumed.

¹⁰ The stress test scenarios were applied to the debt-to-GDP path including the contingency measures.

¹¹ For full details, see section 4.1.2 of the "The Second Economic Adjustment Programme for Greece: First Review – December 2012" European Economy Occasional Papers 123, December 2012.

- **Privatisation proceeds:** The stress scenarios assume that privatisation proceeds through end-2020 are EUR 8 billion higher or lower than in the baseline.
- **Fiscal performance:** In the shock scenarios the primary balance is either 0.5 percentage points of GDP higher than assumed in the baseline, or 1 percentage point worse than in the negative scenario.
- **Combined shock:** In such a scenario it is assumed that (i) GDP growth is 1 p.p. below the baseline; (ii) privatisation proceeds would be EUR 8 billion below the baseline; and (iii) the primary surplus would be 1 p.p. below the baseline. Conversely, the positive scenario is a little more conservative, with (i) privatisation proceeds being EUR 8 billion higher than the baseline; (ii) GDP growth being 1 p.p. above the baseline; and (iii) the primary surplus being 0.5 p.p. above the baseline.

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



Source: European Commission services calculations.

4.2. PROGRAMME FINANCING

133. Until December 2013, disbursements under the programme amounted to EUR 214.9 billion. This amount includes the disbursement on 18 December 2013 of the second tranche of the fourth disbursement under the third review which completed the disbursements under the third review. The disbursement was subject to the implementation by the Greek authorities of the following milestones: (i) adoption of irreversible decisions on the restructuring, involving substantial downsizing, ahead of privatisation or on the resolution of ELVO, HDS and LARCO; (ii) validation of general government entities of outstanding water and drainage bills to EYDAP and EYATH, confirmation of the level of outstanding debt and agreed claims and direct payment of all undisputed claims; (iii) placement of 12,500 ordinary employees in the mobility scheme; and (iv) adoption of a code of lawyers revising legislative decree 3026/1954.

Table 9. Disbursements under the Greek adjustment programmes (EUR billion)

		Past disbursements				
1 st programme		Euro-area Member States		IMF	Total	
1 st disbursement		18 May 2010	14.5	12 May 2010	5.5	20.0
2 nd disbursement		13 September 2010	6.5	14 September 2010	2.5	9.0
3 rd disbursement		19 January 2011	6.5	21 December 2010	2.5	9.0
4 th disbursement		16 March 2011	10.9	16 March 2011	4.1	15.0
5 th disbursement		15 July 2011	8.7	13 July 2011	3.3	12.0
6 th disbursement		14 December 2011	5.8	7 December 2011	2.2	8.0
1 st programme - Total disbursements			52.9		20.1	73.0
2 nd programme		EFSF ¹		IMF	Total	
1 st disbursement	1 st tranche ²	12 March, 10 April and 25 April 2012	29.7	19 March 2012	1.6	
	2 nd tranche ³	12 March, 10 April and 25 April 2012	4.9			
	3 rd tranche	19 March 2012	5.9			
	4 th tranche	10 April 2012	3.3			
	5 th tranche ⁴	19 April 2012	25.0			
	6 th tranche	10 May 2012	4.2			
	7 th tranche	28 June 2012	1.0			
	Total		74.0			
2 nd disbursement	1 st tranche ⁵	17 and 19 December 2012	34.3	16 January 2013	3.24	
	2 nd tranche	31 January 2013	2			
	3 rd tranche	28 February 2013	2.8			
	4 th tranche	3 May 2013	2.8			
	5 th tranche ⁶	31 May 2013	7.2			
	Total		49.1			
3 rd disbursement	1 st tranche	17 May 2013	4.2	6 June 2013	1.73	
	2 nd tranche	25 June 2013	3.3			
	Total		7.5			
4 th disbursement	1 st tranche	31 July 2013	2.5	2 August 2013	1.71	
	2 nd tranche	18 December 2013	0.5			
	Total		3.0			
2 nd programme - Total disbursements till December 2013			133.6		8.33	141.9
1 st programme and 2 nd programme - Total disbursements till December 2013			186.5		28.4	214.9

Notes:

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

² Sweetener PSI, EFSF notes

³ Accrued interest PSI, EFSF notes

⁴ Bank recapitalisation, EFSF notes

⁵ Includes bank recapitalisation

⁶ Bank recapitalisation, EFSF notes

Source: European Commission and EFSF

- 134. The disbursement related to the fourth review would amount to EUR 8.3 billion.** Given the delay in completing the review, Greece missed two disbursements compared to the schedule of the July 2013 compliance report: one of EUR 2.6 billion originally due to take place in Q4 2013 and a second one of EUR 5.7 billion initially scheduled for Q1 2014. The current disbursement would therefore regroup the two and would be divided in three tranches, subject to the fulfilment of a number of conditions (see below). The first tranche of EUR 6.3 billion would be released to Greece mid-April following the completion by the country of a number of prior actions. The second tranche of EUR 1 billion would be released in June after the completion of milestones by end-May. The third and final tranche of EUR 1 billion is expected to be disbursed in July after Greece completes milestones by end-June. The milestones are indicated in Table 12. All tranches will be disbursed directly to the segregated account. The disbursement of the first tranche of EUR 6.3 billion will ensure that the debt redemption obligations of May will be covered. In parallel to the EFSF disbursement, the IMF is expected to release funds to Greece of around EUR 3.5 billion following the approval of the review by its board.
- 135. On top of EFSF-IMF disbursements associated to the 4th review, Greece would have needed some additional EUR 5 billion to cover its financing needs until end-August.** However, the needs have been lowered by EUR 3 billion with the government 5-year bond issuance in April (see section 2.2) and could be reduced further if the State's preference shares in Greek banks are cancelled - as banks find private investors, or part of the ETEAN bonds are cancelled.
- **Cancellation of state preference shares by Greek banks.** In 2009 Greece issued the so-called pillar I bonds worth EUR 5.2 billion to capitalize Greek banks in kind. In exchange for these bonds, the Greek State was given preference shares in the banks that required the recapitalisation. In the course of the on-going recapitalization, some banks have indicated their intention to raise higher amounts from the markets in order to buy back the state preference shares. This would reduce the government financing needs for May, when the pillar I bonds are due to mature.
 - **Cancellation of part of the ETEAN bonds.** ETEAN is an extra-budgetary fund whose main objective is to give guarantees to SMEs so that the latter can have access to financing. In 2009 bonds worth EUR 1.2 billion were issued as capital for ETEAN and are set to mature in August. When guarantees given to SMEs were called, ETEAN gave banks the equivalent in bonds. The authorities estimate that of the total bonds still held by ETEAN, part will not be needed and can be cancelled when they mature, thereby reducing financing needs for August.
- 136. To cover remaining needs, if any, additional funds could come from a number of measures including repo operations and the use of idle resources available in parts of general government.**
- **Intra-general government borrowing through repo operations.** While the State cash reserves run relatively low, other general government entities dispose of sizable cash reserves. As part of the programme, mechanism will be put in place to enable the State to use idle resources available in other parts of general government to cover part of its financing needs. As a first step, the authorities are setting up a repo framework using state government assets as collateral to draw on excess liquidity in general government subsectors for up to EUR 3 billion. This framework will be implemented as part of a prior action and although the repos will be short-term, they can be rolled over as needed.
 - **Use of idle resources available in other parts of general government for liquidity purposes.** The authorities have agreed to develop a plan for cash management reform to be implemented as of 1 January 2015 aimed at reducing the currently high segmentation of the management of the various general government accounts. A first step in this reform will be to analyse the accounts held by State/central government entities in commercial banks and to close down all the unnecessary accounts, bringing the money back into the Treasury Single Account (TSA). The closure of the unnecessary accounts would take place by end-June and would bring added liquidity back to the TSA.
- 137. Implementation of these above measures, as well as disbursements according to the programme schedule would help to cover the financing gap until May 2015, estimated at EUR 5.5 billion** (which takes into account the government bond issuance in April 2014, but not the likely redemption of a part of the pillar I bonds, nor the use of idle resources in parts of the general government). The Eurogroup commitment to provide adequate support to Greece during the life of the programme and beyond until it has regained market access provides necessary reassurances that the programme remains sufficiently financed.

Table 10. Financing programme: quarterly financing needs and disbursements of official assistance

in bn EUR, unless otherwise noted	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Financing needs												
A. Government cash deficit	2.5	4.8	0.3	2.6	1.5	3.6	-0.8	3.2	0.5	3.0	-1.2	1.0
Primary deficit ("-" is surplus) 1/	0.4	3.2	-1.8	1.3	-0.2	1.9	-2.5	2.5	-1.4	1.7	-3.0	0.2
Interest payments	2.1	1.6	2.1	1.3	1.8	1.7	1.8	0.7	2.0	1.3	1.8	0.8
B. Other government cash needs	1.3	-1.2	-0.1	2.9	1.1	2.7	1.2	1.5	0.0	1.1	0.7	0.7
Estimated cash adjustments 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	0.5	1.1	2.2	1.2	1.0	0.0	0.7	0.7	0.7
Cash buffer	1.3	-1.2	-0.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ESM capital	0.0	0.0	0.0	0.9	0.0	0.5	0.0	0.5	0.0	0.5	0.0	0.0
C. Maturing debt	5.0	4.1	0.0	0.3	4.2	7.2	3.7	1.1	3.4	11.9	7.6	2.4
Bonds & loans after exchange	5.0	4.1	3.5	0.3	0.8	7.2	3.0	0.1	2.0	10.1	5.7	0.1
Bonds after PSI and DBB 3/	4.7	3.8	3.1	0.0	0.7	6.5	2.8	0.0	1.9	9.3	5.4	0.0
other, incl. loans	0.4	0.3	0.3	0.3	0.1	0.6	0.2	0.1	0.2	0.7	0.2	0.1
EU repayment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF repayment	0.0	0.0	0.0	0.0	0.0	0.0	0.7	1.0	1.3	1.9	1.9	2.3
Short-term debt	0.0	0.0	-3.4	0.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D. Cost of PSI	34.6	25.0	0.0	27.3	0.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0
Cash upfront for PSI (sweetener and accrued interest)	34.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank recapitalisation	0.0	25.0	0.0	16.0	0.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0
Cash upfront for Buyback	0.0	0.0	0.0	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Gross financing needs (A.+B.+C.+D.)	43.4	32.7	0.2	33.1	6.9	20.6	4.1	5.8	3.9	16.0	7.0	4.0
Financing sources												
F. Private financing sources	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.7	1.9	4.8	0.4	-1.9
Market financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0
Privatisation	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.7	0.0	0.7	0.4	0.4
Use of subsector deposits through repo operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	1.1	0.0	-2.3
G. Additional financing sources												
ANFA & SMP profits	0.0	0.0	0.2	0.1	0.3	0.2	1.6	0.5	0.3	0.0	2.1	0.0
Contingency measures												
H. Financing needs per quarter	43.4	32.7	0.0	32.9	6.5	20.3	2.3	4.5	1.7	11.2	4.5	5.9
I. Official assistance disbursements	38.8	36.8	0.0	34.3	8.1	19.3	4.3	0.5	0.0	10.8	6.4	3.5
- EU 4/	37.1	36.8	0.0	34.3	4.8	17.5	2.5	0.5	0.0	7.3	2.9	0.0
- IMF	1.6	0.0	0.0	0.0	3.3	1.8	1.8	0.0	0.0	3.5	3.5	3.5

1/The State primary balance is used to calculate financing needs due to the limitations of the inter-government borrowing framework.

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

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

4/ Of the total committed amount for the EU program of EUR 144.7 bn, EUR 1 bn represents savings from the PSI facility which can not be used for normal programme financing as the availability of the sum expired and was legally cancelled.

Source: Commission services

Table 11. Greece Financing Needs 2012-2016

	2012	2013	2014	2015	2016
in bn EUR, unless otherwise noted					
Financing needs					
A. Government cash deficit	10.1	7.5	3.3	2.0	1.0
Primary deficit ("-" is surplus) 1/	3.1	1.5	-2.6	-3.3	-4.3
Interest payments	7.0	6.0	5.9	5.3	5.4
B. Other government cash needs	2.9	6.4	2.5	2.5	0.0
Estimated cash adjustments	0.0	0.0	0.0	0.0	0.0
Arrears	0.5	5.5	2.0	2.5	0.0
Cash buffer	1.5	0.0	0.0	0.0	0.0
ESM capital	0.9	0.9	0.5	0.0	0.0
C. Maturing debt	9.4	16.2	25.3	16.6	7.5
Bonds & loans after exchange	12.8	11.0	17.9	8.0	4.4
Bonds after PSI and DBB	11.6	10.0	16.7	6.8	3.0
EU repayment	0.0	0.0	0.0	0.0	0.0
IMF repayment	0.0	1.7	7.4	8.6	3.1
Short-term debt	-3.4	3.4	0.0	0.0	0.0
D. Cost of PSI	86.8	7.2	0.0	0.0	0.0
Cash upfront for PSI (sweetener and accrued interest)	34.6	0.0	0.0	0.0	0.0
Bank recapitalisation	41.0	7.2	0.0	0.0	0.0
Cash upfront for Buyback	11.3	0.0	0.0	0.0	0.0
E. Gross financing needs (A.+B.+C.+D.)	109.3	37.3	31.1	21.1	8.5
Financing sources					
F. Private financing sources	0.0	1.0	5.2	1.5	3.4
Market financing			3.0 / TBD	TBD	TBD
Privatisation	0.0	1.0	1.5	2.2	3.4
Use of subsector deposits through repo operations	0.0	0.0	0.7	-0.7	0.0
G. Additional financing sources					
ANFA & SMP profits	0.3	2.7	2.5	2.0	1.7
Contingency measures	0.0	0.0	0.0	0.0	0.0
H. Net financing needs	108.9	33.6	23.4	17.5	3.4
I. EU/IMF disbursements (E.-F.)	109.9	32.1	20.7	7.2	1.8
- EU	108.2	25.3	10.2	0.0	0.0
- IMF	1.6	6.8	10.5	7.2	1.8
additional financing requirements 2/			2.6	12.3	0.0
use of deposits			0.1	-2.0	1.6
Debt indicators					
GDP (bn euro)	193.3	182.1	181.9	187.9	197.1
Debt (including contingency measures, bn euro)	303.9	318.6	322.3	324.1	321.1
Gross debt (% of GDP)	157.2	175.0	177.2	172.5	162.9

1/ The State primary balance is used to calculate financing needs due to the limitations of the inter-government borrowing framework.

2/ The financing requirements for 2015-16 also assume the build-up of a Treasury cash buffer. The March 2012 programme had foreseen a build-up of the Treasury cash buffer by EUR 5 bn to provide some flexibility to the Greek Treasury. In December 2012 it was decided to partially postpone the build-up of the cash buffer in the following way: until end of 2014 a EUR 1.5 bn build-up of the cash buffer was foreseen. The cash buffer would then be increased by an additional amount of EUR 2 bn over the 2015-16 period. The calculations of the financing requirements incorporate this decision.

Source: Commission services

Table 12. List of Milestones to be achieved by end-May and end-June 2014

A) Milestones to be completed by **end-May 2014**

Milestone	Area	MoU Section
1. Adoption of outdoor trade law.	Competition and regulation	7.1
2. Adoption of investment licensing law and spatial planning law.	Procedural and administrative burden, and spatial management and planning	5.1.2 & 5.1.3
3. Update the list of nuisance charges.	Nuisance charges	5.1.1
4. Adoption of the code of conduct for members of Government (due for April).	Anti-corruption	2.6.2
5. Adoption of a joint ministerial MoF-MoL action plan for integration of debt collection to tax administration (May).	Social security collection	2.8.2
6. Adoption of legislation (1) to ensure access to medicines and diagnostics for the non-insured and (2) to change the current mark-ups and profit margins of pharmacies into a regressive mark-up system and reducing the overall profit margin of pharmacies.	Health care	2.9.3.1 & 2.9.1.2

A) Milestones to be completed by **end-June 2014**

Milestone	Area	MoU Section
1. Adoption of the necessary legislation (1) to merge into ETEA all the supplementary pension funds under the public sector and (2) to apply the NDC and sustainability factor formulas to all the funds not currently in ETEA from 1 January 2015.	Pensions	2.8.1
2. Adoption of forestry law.	Spatial management and planning	5.1.3
3. Adoption of administrative burden legislation.	Procedural and administrative burden	5.1.2
4. Abolish effective 1 January 2015 all charges that finance auxiliary pensions under the Ministry of Labour.	Nuisance charges	5.1.1
5. Adoption of Small PPC law and clearance of all general government arrears with PPC.	Energy	2.1.1 & 6.1.4
6. Adoption of legislation on funding of political parties and legislation on declaration and monitoring of assets.	Anti-corruption	2.6.2

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

I. Assessment of actions taken prior to the disbursement, included in the 10th updated Memorandum of Understanding – as of 16th April 2014

	Prior Action	Status
	Public finances	
1	Strengthen the collection of social security contributions (SSC) to yield about EUR 500 million by imposing penalties on employers who do not declare accurately their SSC obligations in the Periodical Analytical Statement (APD), which are equivalent to the penalties for failing to register employees.	Observed
2	Strengthen the collection of social security contributions (SSC) to yield about EUR 500 million by introducing mandatory declaration of contributions for supplementary and lump-sum pensions to ETEA and TAPIT in the APD.	Observed
3	Strengthen the collection of social security contributions (SSC) to yield about EUR 500 million by expanding the automatic reminders to all employers who have not paid their SSC obligations in the previous month, including employers declaring contribution obligations for supplementary and lump-sum pensions through a SGPR Decision for matching of PAYE and APD data.	Observed
4	Strengthen the collection of social security contributions (SSC) to yield about EUR 500 million by automate the off-setting of OGA and OAEE contributions against EU subsidies.	Observed
5	Undertake corrective actions to ensure implementation of the unified public sector wage grid in extra-budgetary funds (EBFs) that will contribute (among other savings mainly in operational expenditures) to the realization of the reduction in expenditure ceilings of EBFs by around 100 mn EUR to be provided in the MTFS 2015-2018.	Observed
6	Reduce military procurement spending in order to yield EUR 50 million from 2014 onward.	Observed
7	Legislate the automatic off-setting of VAT and income tax refunds against SSF debts, eliminate OAED family benefits, reduce OAED training programs, rationalize OAEE exemptions in order to offset the reduction of IKA contribution rates by 3.9 percentage points by EUR 230 million in 2014 and additional EUR 115 million in 2015.	Observed
8	Eliminate the TEADY dividend as part of the supplementary pensions.	Observed
	Privatisation	
9	Amend the law to improve governance of HRADF and allow HRADF to control directly companies in its portfolio. The Authorities will adopt, in consultation with the EC/ECB/IMF, legislation to allow the CEO to act as chairman and reduce the number of Board members required to be present to hold a board meeting from 5 to 4, to ensure uninterrupted operations in the event that the chair is vacant; provide personal contracts to the executive members of the BoD and narrow the grounds for dismissal of the board; introduce greater flexibility in tools and procedures for asset sales; amend the requirements of prior valuation of assets, by providing alternative mechanisms that include a fairness opinion, while preserving strong ex-post safeguards; to establish that super/extraordinary dividends (i.e., in excess of profits of the previous year) or reductions in share capital from entities under privatization are paid to the HRADF (and within 10 days to the segregated account); and to ensure that Public Accounting Rules do not apply to the Fund which provides financial data as stipulated in Law 3986/2011 only	Observed
10	Amend the law to improve governance of HRADF and allow HRADF to control directly companies in its portfolio. The Authorities will adopt, in consultation with the EC/ECB/IMF, legislation requiring the HRADF to exercise its shareholders' powers in the companies in which the HRADF is a majority shareholding, according to a framework of cooperation which sets out	Observed

	objectives and criteria in line with the privatization process. Under such legislation, the HRADF shall ensure ongoing adherence of such framework of cooperation, including through taking appropriate action towards Board members and management in the relevant companies.	
11	The HRADF appoints at least one member to the Board of the companies under its portfolio where it is not represented.	Observed
12	In line with the Ports Policy Paper, HRADF launches the Expression of Interest for selling majority shares in the master-concessionaires for Thessaloniki port.	Observed
13	The Authorities transfer 17% of the shares of PPC held by the government to HRADF to start preparing the privatisation of the company.	Observed
14	PPC launches the expression of interest for selling ADMIE.	Observed
15	The Authorities submit to Parliament legislation for the privatisation of Small PPC.	Observed
16	Measures to strengthen the regulator for water. The Authorities strengthen the independence and operational capacity of the Special Secretariat of Water by revising legislation enabling the Special Secretary to issue formal decisions on all regulatory matters, by providing him with a fixed-term contract that will ensure continuity and independence.	Observed
17	EYATH - Pass amendment to article 21 of Law 2937/2001, in order to align the process of the pricing policy of EYATH SA with that of the other water and sewerage services providers as provided for by Law 4117/2013 and the complementary Ministerial Decisions.	Observed
18	Transfer staff to Special Secretariat for Water (Regulating authority).	Observed
19	ODIE - Pass legislation on the issues raised by investors as prerequisites to continue in the process: GGR harmonisation; lease agreement exemption from art. 618 of civil code.	Observed
20	OLP, OLTH & Ports - Pass law related to establishment and staffing of port regulatory authority.	Observed
21	Egnatia Odos - Issue Ministerial Decision for the toll stations that have been specified by the technical advisers at main and vertical axes.	Observed
22	TRAINOSE/ROSCO - Pass legislation to specify licenses and permits for railway properties and all real estate assets that will be included in the privatization perimeter of TRAINOSE, ROSCO.	Observed
23	TRAINOSE/ROSCO - Issue joint Ministerial Decision for the transfer of rolling stock ownership from OSE to HR.	Observed
24	TRAINOSE/ROSCO - Launch tender for valuation of rolling stock not in use owned by OSE or HR.	Observed
	Revenue administration	
25	To ensure the complete transfer of selected resources from SDOE to Secretariat general of Public revenue: Revoke the provisions of Article 6 of Law 3943/2011 on the origin of SDOE personnel being ex-tax and customs officer.	Observed
26	Institutional reforms of Secretariat of Public Revenue. Adopt legislation to consolidate the revenue administration functions and competencies of the General Directorate of Taxation and the General Directorate of Tax Audits and Collection into a new General Directorate of Tax Administration under the SGPR; and abolish the General Directorate of Financial Inspection within SGPR and replace it with the Internal Affairs Department of SGPR, effective end-June 2014.	Observed
27	The Secretary General for Public Revenue issues a Decision to establish the new structure of the Secretariat general of the Public revenue administration.	Observed
	Public Finance Management	
28	Adopt legislation permitting the Debt management office to conduct various market operations. Adopt legislation to amend Law n. 2469/1997 on the Common Capital Fund to allow the Bank of Greece, in its capacity as the administrator of funds belonging to public sector entities, and PDMA entering into repo transactions with respect to general government securities held by the latter, in compliance with the monetary financing prohibition.	Observed

29	Adopt legislation permitting the Debt management office to conduct various market operations. Adopt legislation allowing PDMA acting on behalf of the Hellenic Republic to issue, manage, settle and then “hold in treasury” securities which can solely be sold in repo transactions with all SSFs and EBFs or be pledged as collateral with financial institutions for risk management transactions falling with the PDMA’s hedging mandate. The contracts related to these operations should clearly specify that the securities cannot be further traded by the counterpart for the duration of the contracts and that settlement and payments should be done by the PDMA.	Observed
30	Amend article G10 of law 4152/2013 to make it fully compliant with Article 10 of the Late Payments Directive.	Observed
31	Submit to the Parliament an amendment to article 1 of Law 3068/2002 regarding the provision which was added with article 20 of Law 3301/2004 to remove the prohibition provided therein of obtaining an enforceable title against Greek State-bodies and bodies governed by public law in Courts.	Observed
	Public Administration Reform	
32	Submit to the Council of State the Presidential Decrees needed to finalize the restructuring process of line ministries (excluding Ministries of Foreign Affairs, Public Order and Citizens’ Protection and National Defense).	Observed
33	Complete the transfer of a cumulative 25.000 employees to the mandatory mobility scheme. Mandatory transfers of employees of tax authorities will be counted against the target.	Observed
34	Meet the end-March 2014 target for cumulative 5000 exits.	Observed
35	Adopt, through the Government Council of Reform, the two-year Administrative Reform Action Plan, including the Human Resources Strategy.	Observed
36	In order to step up the fight against corruption, adopt the agreed 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.	Observed
	Social security reform	
37	Lower Social Security Contribution rate by 3.9 percentage points. In order to improve competitiveness, foster employment creation, and to safeguard the long-term sustainability of the social security system, the Government will adopt legislation to reduce IKA contribution rates by 3.9 percentage points in a revenue-neutral way, inter alia by eliminating unnecessary non-pension and non-health contributions/expenditures and increasing efficiencies, to be implemented by 1 July 2014. This rate cut is achieved by mostly reducing employer-paid non-pension contributions.	Observed
	Financial sector	
38	Adopt legislation governing the injection of public sector resources into the banks through the HFSF, under which the HFSF will provide capital to viable banks that – after having exhausted the possibility to generate capital through internal measures and through private capital raising - fail to meet the capital needs determined by the stress tests.	Observed
	Labour Market Reform	
39	To increase incentives for hiring long-term unemployed workers, and as part of a broader package to support long-term unemployed, the government will adopt legislation that adjusts the statutory minimum wage for long-term unemployed (defined as being unemployed for more than one year) aligning the maturity allowances of white collar workers with the blue-collar ones, in percentage terms, for workers over 25.	Observed
	Business Environment and Competition	
40	Following the competition assessment in the sectors of food processing, retail trade, building materials and tourism, the Government adopts legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit.	Observed

41	The Authorities adopt legislation for the opening of the mediator profession to non-lawyers.	Observed
Network Industries		
42	The Government will introduce a permanent adjustment to existing power purchasing contracts for renewable energy sources, with a view to align rates of return to sustainable EU average levels, considering Greek-specific conditions and to eliminate the debt of the RES account by December 2014. The adjustment will have to provide the financial sustainability of the RES account without putting an excessive burden on consumers.	Observed
43	The Government will publish, as detailed in paragraph 6.1.5.2, and in agreement with the Commission services, a timeline and list of actions, to be taken in order to facilitate the transition to a more mature gas market model, increasing the degree of competition at all levels, and transferring the advantages to the broadest possible set of consumers.	Observed
44	Adopt law to make the port regulator operational as of 1 st May 2014. The Authorities revise law 4150/2013 in order to put in place a regulator with the necessary independence to issue regulatory decisions based on applicable legal frameworks. The law will spell out all the steps needed, operational details, and details about its precise tasks and responsibilities of the regulator in line with EU guidelines and laws and international best practices. This will include description of the competences and rules of operation of the BoD, the rules pertaining to operational decision making on regulatory matters, general provisions on the structure of the entity, details on hiring staff, disciplinary issues, procurement, budgeting. These are essential in order to make the Regulator operational as of 1 st May 2014, and its Board of Directors functional. In addition, the revision will include in the responsibilities of the regulator the supervision of the concession agreement.	Observed
45	Appoint the Board of Directors to prepare the full functioning of the ports regulator by the time of completion of the tender of OLP/OLTH. While this structure is being developed, a transitional structure (within the Ministry of Mercantile Marine) undertakes the responsibility of engaging in the revisiting of the existing concession agreement.	Observed
46	Issue a joint MD specifying funding and staffing requirements for the port regulator's operation	Observed
47	Prepare a draft Presidential Decree setting out the precise structure of the regulator, to function fully with all staff as of 1 st January 2015.	Observed
Statistics		
48	The Government completes the transfer of 28 employees to Elstat from other General Government entities.	Observed
49	Take all necessary actions to allow the provision of administrative data by Government departments to ELSTAT. The arrangements for full access by ELSTAT to all tax information necessary for the development, production and dissemination of statistics shall be formalised by mutual agreement between the Minister of Finance and the President of ELSTAT, respecting the principles of professional independence of ELSTAT and of statistical confidentiality. ELSTAT will take all necessary internal measures to preserve the confidentiality of tax information to which it has access. Amendment to the Greek legal framework, i.e., the relevant provisions in tax legislation and the law on statistics, shall be taken as appropriate in that respect including repeal of the amendment of Art. 93 para. 1 and 2 of law no. 4182/2013. The aforementioned arrangements shall be based on the law as appropriately amended and on the Regulations issued by ELSTAT (Regulation on Statistical Obligations of the Agencies of the EL.S.S. and Regulation on the Operation and Administration of ELSTAT). Memoranda of understanding between the Ministry of Finance and ELSTAT will be agreed.	Observed

II. Assessment of compliance with the Memorandum of Understanding (9th update, July 2013)

Par / Page	Action	Deadline	Comments	Status
1 Achieving sound public finance				
MoU 1a MEFP (5)	The Government 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 final instalment to March 2014;	Prior to disbursement	It was signed by the SGPR on July 11th (GG 1170/B/22-7-13).	Observed.
MoU 1b MEFP (5)	The Government will 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.	Prior to disbursement	The MoU was signed on July 18th, 2013.	Observed.
MoU 1c MEFP (5)	The Government will bring forward to August 1, 2013 through legislation the luxury tax on cars, boats, swimming pools and airplanes.	Prior to disbursement	It is included in art. 74 of the Omnibus bill voted on 17/7/2013 (GG 167/A/23-7-13).	Observed.
MoU 1d MEFP (5)	The Government will 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.	Prior to disbursement	It is included in art. 72 of the Omnibus voted on 17/7/2013 (GG 167/A/23-7-13).	Observed.
MoU 1.1 MEFP (5)	Additional measure: The Authorities will introduce a docking fee on leisure boats effective October 1, 2013.	August 2013	The provisions are included in article 13 of Law 4211 (GG 256/A/28-11-2013).	Observed.
MoU 1.2	Additional measure: The Authorities will carry out a comprehensive review of social security contribution of OAEI with the aim at identifying all the current exemptions and initiatives to enhance the collection rates introducing more effective payment procedures.	September 2013	Ministry of Labour submitted to EC/ECB/IMF concrete proposals that target the increase of collectability of OAEI. An Agreement was reached and it is included in the Omnibus Law (article 1 , paragraph IA, subparagraph IA1).	Observed.
2 Structural reforms with budgetary relevance				
2.1 Privatising to boost efficiency in the economy and reduce public debt				
MoU 2.1.a MEFP (39)	Authorities adopt legislative acts permitting the payment of arrears owed to EYDAP and EYATH directly from the arrears clearance program.	Prior to disbursement	Completed - MD 2/65795, GG 1669/B/5-7-2013.	Observed.
MoU 2.1.b MEFP (39)	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.	Prior to disbursement	Up to July 19th, 73% of the arrears to EYDAP has been confirmed.	Observed.
MoU 2.1.c Annex 9.1	In order to facilitate the privatisation of ODIE adopt in parliament the law for clarifying responsibilities between Jockey Club and the New Concessionaire.	Prior to disbursement	Omnibus Law 4172, ΦΕΚ Α 167 - 23.07.2013. (articles: 83-87).	Observed.
MoU 2.1.1	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.	Continuous	See Annex 9.1.	N/A
MoU 2.1.2 MEFP (39)	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	The relevant JMDs for validation of arrears to EYDAP (GG B /3065/3-12-2013) and to EYATH were published. The amounts were deposited to EYDAP's account on 31/12/2013	Observed.
MoU 2.1.3 MEFP (39)	Pay the outstanding water, drainage debt EYDAP and EYATH.	August 2013	Payment of debts has been completed.	Observed.
MoU 2.1.4 MEFP (39)	Pay all the outstanding other debts EYDAP and EYATH.	September 2013	The relevant JMDs for validation of arrears to EYDAP (GG B /3065/3-12-2013) and to EYATH were published. The amounts were deposited to EYDAP's account on 31/12/2013	Observed.
MoU 2.1.5	Adopts irreversible decisions on the restructuring, involving substantial downsizing, ahead of privatization 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.	August 2013	Decisions were adopted at the highest governmental level and announced.	Observed.
MoU 2.1.5	Implement the decisions on the restructuring or on the resolution of ELVO, HDS and LARCO.	December 2013	It follows the previous action.	Pending.
MoU 2.1.6 MEFP (38, 39)	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.	September 2013	Three JMDs including about 700 assets were signed and published (FEK B 1020/25-4-2013, FEK B2883/14-11-2013, FEK 3025/28-11-2013).	Observed.
MoU 2.1.6 MEFP (38, 39)	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.	December 2013	Four JMDs transferring to the HRADF about 870 assets were signed and published (FEK B 1020/25-4-2013, FEK B2883/14-11-2013, FEK 3025/28-11-2013, FEK B 571/7-3-2014).	Not Observed. Pending.

Par / Page	Action	Deadline	Comments	Status
MoU 2.1.7.i	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	The final action plan, that includes EC/ECB/IMF's comments, was approved by ETAD's Board.	Observed.
MoU 2.1.7.ii	Contextually and based on this plan, ETAD will 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.	November 2013	The final action plan, that includes EC/ECB/IMF's comments, was approved by ETAD's Board.2	Observed.
MoU2. 1.7.iii	The Authorities will bring all remaining (non-operational) properties (e.g., those under the Ministry of Defence, Agriculture) under the management of ETAD.	December 2013	About 2.000 non-operational assets out of 16.000 properties that were identified were brought under the management of ETAD. The remaining 14.000 operational real estate assets consist of 2.500 archaeological areas/sites, 4.000 of train infrastructure (GAIOSE), 1.800 offices of social welfare, 1.000 of defence and security services (army sites & police stations), 2.000 of MoH (hospitals) and 2.500 of Ministry of Education (Schools, Universities).	Observed.
MoU 2.1.7.i v	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;	June 2013	Relevant progress report was delivered to EC/ECB/IMF at end-June which did not have a complete directory with all Ministries' properties which are barely or not at all exploitable so as to be transferred to ETAD for exploitation.	N/A
MoU 2.1.7.i v	The Authorities will prepare a second progress report with the number of properties already transferred to ETAD.	August 2013	A list was submitted to EC/ECB/IMF in November, with the assets per ministry that had been identified until then.	Observed.
MoU 2.1.7.i v	The Authorities will prepare a third progress report with the number of properties already transferred to ETAD.	October 2013	A list was submitted to EC/ECB/IMF in November, with the assets per ministry that had been identified until then.	Observed.
MoU 2.1.7.i v	The Authorities will prepare a final progress report with the number of properties transferred to ETAD.	January 2014	Final report was submitted on January 23rd, 2014	Observed.
MoU 2.1.8	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	Ongoing procedure.	Observed. Ongoing.
MoU 2.1.9	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	Ongoing procedure.	Observed. Ongoing.
MoU 2.1.10	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	Ongoing procedure.	Observed. Ongoing.
MoU 2.1.11	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	Q3 2013 report was published in December 2013. Report for Q4/2013 was published on 12-3-2014.	Observed. Ongoing.
MoU 2.1.12	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.	Continuous		
2.2 Tax policy reform				
MoU 2.2.a MEFP (6)	The Government will 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.	Prior to disbursement	It is included in art. 1-72 of the Omnibus bill voted on 17/7/2013 (GG 167/A/23-7-13). A provision was also included (art. 46) exempting HRADF from income tax.	Observed.

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MoU 2.2.b	The Government will 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).	Prior to disbursement	The provisions are included in articles 1-67 of Law 4174 (GG 170/A/26-7-2013).	Observed.
MEFP (6)	Adopt a new tax procedures code (TPC).	July 2013	The provisions are included in articles 1-67 of Law 4174 (GG 170/A/26-7-2013).	Observed.
MEFP (7)	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.	July 2013	The relevant MD was published (ΑΔΑ ΒΑ 4ΥΗ-ΛΞ4).	Observed.
MEFP (6)	Establish a working group to implement the TPC.	July 2013	The working group has been established.	Observed.
MEFP (6)	Develop a project plan for TPC implementation.	August 2013	The project plan has been approved by EC/ECB/IMF.	Observed.
MEFP (6)	We will amend legislation to consolidate domestic merger and reorganization provisions into the income tax code.	September 2013	Relevant provisions are included in Law 4223 (GG 287/A/31-12-2013).	Observed.
MEFP (6)	We 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.	September 2013	Relevant provisions are included in Law 4223 (GG 287/A/31-12-2013).	Observed.
MEFP (6)	Adopt all necessary secondary legislation to support timely implementation of the Income Tax Code.	October 2013	Issuance of another 2 MDs is pending. The action completion was rephased.	Pending.
MoU 2.2.c MEFP (7)	The Government will open a E9 filing period for submitting updated information on land and real estate assets.	Prior to disbursement	The relevant application opened on 18/7/2013.	Observed.
MEFP (7)	Complete the collection of updated comprehensive information on tax payers' land and real estate assets (form E9).	September 2013	The collection of information has been completed.	Observed.
MEFP (7)	We will issue by end-August a time-bound action plan that identifies immediate steps and resources needed to improve property tax collection rates.	August 2013	The action plan was submitted to EC/ECB/IMF on 20/8/2013 and approved.	Observed.
MEFP (7)	We will fully align property assessment values with market values. To this end, by end December 2013 we will develop 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.	December 2013	The medium-term reform plan was sent to IMF. The action completion was rephased in the new MEFP text.	Pending.
MoU 2.2.1	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	The action wording changed and according to the updated MoU text it should be complete by end-April 2014.	N/A
MoU 2.2.2 MEFP (6, 8)	Amendments needed to the ITC in covering investment tax incentives will be completed. 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.	September 2013	Relevant ITC amendments are included in Law 4223 (GG 287/A/31-12-2013). New amendments are included in Law 4254 (GG 85/A/7-4-2014)	Observed.
MoU 2.2.3 MEFP (6) (Table 4)	To ensure that the TPC will be fully implemented by January 2014, the Government will adopt all secondary legislation necessary to support implementation (structural benchmark).	October 2013	Changes to TPC are included in Law 4223 (GG 287/A/31-12-2013). More changes to TPC are included in Law 4254 (GG 85/A/7-4-2014)	Observed.

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MoU 2.2.3 MEFP (6)	To ensure that the TPC will be fully implemented by January 2014, the Government will legislate the necessary changes to modernize the Code of Public Revenue Collection to ensure full compatibility with the TPC reform.	October 2013	Provisions of the Code of Public Revenue Collection are included in Law 4224 (GG 288/A/31-12-2013). In the updated version of the MoU text the review of KEDE conflicts with TPC is to be completed by end-June 2014.	Observed.
MoU 2.2.4 MEFP (7) (Table 4)	The Government will pass legislation on the property tax regime to take effect in 2014 (structural benchmark).	September 2013	Relevant provisions are included in Law 4223 (GG 287/A/31-12-2013)	Observed.
MoU 2.2.5	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	Action wording has changed and action completion rephased.	N/A
MoU 2.2.6	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	The establishment of the tax policy unit is provided for in Law 4254 (GG 85/A/7-4-2014).	Not Observed.
MoU 2.2.7 MEFP (15)	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	The tax schedule for 2014 has been published. Ministry of Labour has also submitted its schedule.	Not Observed. Pending.
MoU 2.2.8	The Authorities will abstain from extending deadlines for filing and payment of all taxes and levies for the state Government and social budgets.	Continuous	Ongoing	Observed. Ongoing.
MoU 2.2.9	Extend through 2016 (tax reporting for 2017) the special solidarity surcharge, with 1-4 percent rate.	November 2013	The issue will be revisited in the context of the preparation of the 2015 budget.	Not Observed.
2.3 Revenue administrations reforms				
MoU 2.3.a MEFP (13)	The Government issues the ministerial decision for the transfer to the revenue administration of the Ministry of Finance internal affairs department.	Prior to disbursement	The relevant law was voted (L. 4152, GG 107/A/9-5-2013). The relevant MD was also published with GG 1748/B/15-07-2013).	Observed.
MoU 2.3.b MEFP (13)	The Government 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).	Prior to disbursement	The relevant law was voted (L. 4152, GG 107/A/9-5-2013). The relevant MD was also published with GG 1779/B/23-07-2013).	Observed.
MEFP (13)	Transfer GSIS staff and resources.	July 2013	The relevant law was voted (L. 4152, GG 107/A/9-5-2013). The relevant MD was also published with GG 1779/B/23-07-2013).	Observed.
2.3.1 Organisation				
MoU 2.3.1.1 .i MEFP (13)	The Authorities 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	In the updated MoU the action wording has changed.	Not Observed. Pending.
MoU 2.3.1.1 .ii MEFP (13)	The Authorities 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	In the updated version of MoU the action wording as well as the completion date were changed.	N/A Pending.
MoU 2.3.1.1 .iii MEFP (13)	The Authorities 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	The relevant GG was published (GG 1250/B/22-5-2013).	Observed.
MoU 2.3.1.1 .iv MEFP (13)	The Authorities staff the Strategic Planning and Financial Control Directorate to make it fully functional.	September 2013	In the updated version of MoU the action completion date was set to end-April 2014.	Not Observed. Pending.
MEFP (13)	We are screening the legislation relevant for identifying the remaining constraints to the delegation of powers to SGPR.	July 2013	The competent committee submitted a findings report to the SGPR and he sent it to EC/ECB/IMF on August 24th to review it.	Observed.
MoU 2.3.1.1 .v MEFP (13)	The Authorities issue a report proposing solutions to lift the remaining constraints to the delegation of powers to the SGPR.	August 2013	The report was submitted to EC/ECB/IMF on the 24th of August.	Observed.
MoU2.3.1.1.v IMEFP (13)	The Authorities adopt amending legislation to lift the remaining constraints to the delegation of powers to the SGPR.	September 2013	The MD has been issued (GG 3317/B/27-12-2013).	Observed.
MoU 2.3.1.1 .vii MEFP (13)	The Authorities 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	July 2013	The relevant MD was published (GG 1749/B/15-07-2013).	Observed.

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	meetings for the first year.			
MEFP (13)	The first meeting of the Advisory Council will be held before the end of July.	July 2013	It took place on September the 5th, 2013.	Observed.
MEFP (13) (Table 4)	Approval of the new organizational structure, staffing numbers, grading system, and qualification and appointment processes of the revenue administration (structural benchmark).	October 2013	The new organizational structure plan of SGPR is ready and the relevant PD is being prepared. All the relevant material was submitted to EC/ECB/IMF. It considers the issuance of official decisions on grading and promotion as pending.	Pending.
MoU 2.3.1.1 .viii MEFP (13)	The Authorities prepare a 2014-15 business plan for the revenue administration.	October 2013	Rephased for April 2014	Not Observed. Pending.
MoU 2.3.1.2	The Authorities continue to centralise and merge local tax offices leaving 120 open at the time when payment through banks will be operational all over the territory.	September 2013	Since 01.09.2013 the operation of additional 14 local tax offices was suspended so that 119 local tax offices remain operational.	Observed.
MoU 2.3.1.3 .i MEFP (15)	To increase the autonomy of the revenue administration the authorities establish an internal review unit by appointing a project manager and provide initial staffing of a new Internal Review Unit.	July 2013	Mr. Planis has been appointed as Head of the Service. The SGPR's decision defining the starting day of operation (1/8/2013) has been published (GG 1893/B/1-8-2013).	Observed.
MoU 2.3.1.3 .ii MEFP (15)	To increase the autonomy of the revenue administration the authorities establish an internal review unit by making the Internal Review Unit operational.	August 2013	On March 6th, 92 employees work in the unit	Observed.
2.3.2 Fight against tax evasion, money laundering and corruption				
MoU 2.3.2.1 .i MEFP (15)	The SGPR completes the certification of 2000 tax auditors.	July 2013	The SGPR' S decision of appointment has been issued (Protocol number: D2A 1123716/6-8-2013)	Observed.
MoU 2.3.2.1 .ii MEFP (15)	The SGPR completes the external hiring of the additional 186 auditors.	July 2013	In the updated version of MoU text the action was rephased for March 2014 and its wording has been changed.	Not Observed. Pending.
MEFP (15)	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.	October 2013	It has already been done.	Observed.
MEFP (15)	Meet the target of 200 hired external auditors	October 2013	According to troika evaluation on 27/2/2014 the action is still considered as not observed.	Pending.
MoU 2.3.2.1 .iii MEFP (15)	The SGPR 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		N/A
MoU 2.3.2.1 .iv MEFP (15)	The SGPR provides a plan, including training, for the integration of new staff in the revenue administration.	July 2013	The plan has been submitted and approved by EC/ECB/IMF.	Observed.
MoU 2.3.2.1 .v MEFP (15)	The SGPR appoints 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.	September 2013	The SGPR decision (prot. number ΓΔ ΦΟΡΕΑ/ΔΗΜΕΣ 1147432/27-9-2013) for their official appointment has been issued.	Observed.
MoU 2.3.2.1 .vi	The SGPR ensures an adequate number of supervisors in the High Wealth Individual (HWI) and Large Tax Payers Unit (LTU).	Continuous		Observed. Ongoing.
MoU 2.3.2.1 .vi	The SGPR ensures an adequate number of supervisors in the High Wealth Individual (HWI) and Large Tax Payers Unit (LTU).	Continuous		Observed. Ongoing.
MoU 2.3.2.1 .vii	The SGPR ensures that all staff are assessed for their performance on a bi-annual basis under the new assessment system.	Continuous		Observed. Ongoing.
MoU 2.3.2.1 .vii	The SGPR ensures that all staff are assessed for their performance on a bi-annual basis under the new assessment system.	Continuous		Observed. Ongoing.
MoU 2.3.2.2 .i MEFP (15)	The SGPR takes all appropriate measures to secure effective audits by using audit reports on more than 15 cases based on indirect audit methods in the high-wealth individuals (HWI) unit.	September 2013	In the updated version of MoU text the action was rephased and its wording has been changed.	Not Observed. Pending.
MoU 2.3.2.2 .ii MEFP (15)	The SGPR takes all appropriate measures to secure effective audits by using orders for more than 250 capital remittance cases in the high-wealth individuals (HWI) unit.	July 2013	Until now, 392 audit orders have been issued. Provisions allowing the issuance of temporary audit orders so that these cases are completed at a higher pace were included in article 22 of Law 4203/2013.	Observed.
MoU 2.3.2.3	The SGPR takes all appropriate measures to secure effective audits by issuing a decision to enhance targeted auditing based on risk assessment techniques.	July 2013	The decision concerning the "old cases" (close to statute of limitation) has been issued in GG 1136/B/10-5-2013. The second decision concerning the rest of the cases was signed on the 9th of July.	Observed.

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MoU 2.3.2.4	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	The approved amendments to provisions in the Code of Ethics have been notified to SGPR's personnel in a document with protocol number Δ2Α 1188911 ΕΞ 2013/9-12-2013	Observed.
MoU2. 3.2.5.i	The Authorities revise legislation to enable prosecution for major tax evasion regardless of the tax payer paying the tax assessment in cases of settlement.	September 2013	The action will not be reviewed at this stage	N/A
MEFP (14)	To take full advantage of the existing Anti Money Laundering (AML) legislation, we will amend it 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.	July 2013	The provisions are included in article 68 of Law 4174 (GG 170/A/26-7-2013).	Observed.
MoU 2.3.2.5 .ii MEFP (15)	The Authorities 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	It is included in art. 75 of Law 4172 (GG 167/A/23-7-13).	Observed.
MoU 2.3.2.6 .i MEFP (15)	To reinforce transparency in financial transactions, the Authorities 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	Art. 62 of L. 4170 (GG 163/A/12-7-13).	Observed.
MoU 2.3.2.6 .ii MEFP (15)	To reinforce transparency in financial transactions, the Authorities complete the development of the IT system necessary for the indirect bank account register, which will be implemented on a pilot basis.	August 2013	The IT system is established. The relevant MD has already been signed.	Observed.
MoU 2.3.2.6 .iii	To reinforce transparency in financial transactions, the Authorities complete a full implementation of the indirect bank account register.	September 2013	Relevant supplementary provisions are incorporated in Law 4211 (GG 256/A/28-11-2013)	Observed.
MEFP (18)	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.	July 2013	By-end August 41 cases had been completed by IAD.	Observed.
MoU 2.3.2.6 .iv	To reinforce transparency in financial transactions, the Authorities 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	The provisions are included in article 11 of Law 4174 (GG 170/A/26-7-2013).	Observed.
MoU 2.3.2.6 .v	To reinforce transparency in financial transactions, the Authorities make compulsory the use of tax identification numbers for all official transaction with the whole public administration.	December 2013	The action was rephased for March 2014.	Not Observed.
MoU 2.3.2.6 .vi	To reinforce transparency in financial transactions, the Authorities introduce a system to consolidate and link all of the different identification numbers now used across various Government agencies.	June 2014		N/A
2.3.3 Revenue and debt collection				
MEFP (16)	We are introducing an electronic application system for tax installments, and will start collection.	July 2013	System operation has started.	Observed.
MoU 2.3.3.1 .i	To reinforce the tax and related debt collection capacity, the SGPR presents a plan for providing a compulsory professional training programme for debt management staff.	July 2013	The plan was submitted to EC/ECB/IMF and approved	Observed.
MoU 2.3.3.1 .ii	To reinforce the tax and related debt collection capacity, the SGPR issues a circular specifying the criteria to determine fresh debt.	July 2013	Protocol number GSPR 0005145/4-7-2013	Observed.
MoU 2.3.3.1 .iii MEFP (15)	To reinforce the tax and related debt collection capacity, the SGPR assigns 30 staff of the Large Debtor Unit to the collection of fresh debt.	July 2013	Protocol number ΓΔ ΦΟΡΕΛ/ΔΗΜΕΣ 11108540 ΕΞ 2013	Observed.
MoU 2.3.3.1 .iv	To reinforce the tax and related debt collection capacity, the SGPR completes the consolidation of debt collection in the largest tax offices (DOYs).	September 2013	SGPR decisions with protocol numbers: 1) Δ6Α 1126601 ΕΞ 2013/8-8-2013, 2) Δ6Α 1131769 ΕΞ 2013/28-8-2013, 3) Δ6Α 1137252 ΕΞ 2013/9-9-2013, 4) 1147236 ΕΞ 2013/26-9-2013	Observed.
MoU 2.3.3.2 .i	To secure a swift tax collection, the Authorities introduce the possibility of direct debiting of bank accounts for taxpayers in arrears.	September 2013	The system is fully operational since 16th of December 2013. Relevant MD has been published (GG 3099/B/6-12-2013)	Observed.

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MoU 2.3.3.2 .ii	To secure a swift tax collection, the Authorities present a plan to replace payments in cash and cheque in tax offices with bank transfers.	July 2013	The plan has been approved	Observed.
MoU 2.3.3.2 .iii MEFP (15)	To secure a swift tax collection, the Authorities 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	It is included in art. 75 of the Omnibus bill voted on 17/7 (GG 167/A/23-7-13).	Observed.
MoU 2.3.3.3 .i	To preserve appropriate incentives towards a sound payment culture, the Authorities commit not to adopt new tax amnesties, or extend existing amnesties for the collection of taxes and social contributions during the years covered by the economic adjustment programme.	Continuous	Ongoing	Observed. Ongoing.
MEFP (15)	To speed up the processing of tax refund claims we will adopt legislation introducing a 90-day deadline for VAT refund payments and a 90-day deadline for income tax refund payments.	September 2013	Implementation started as of 1/1/2014 as stipulated by the Tax Procedure Code.	Observed.
MEFP (15)	We will: (i) optimize the VAT refund risk analysis system	September 2013	The procedure is being materialized on a permanent basis and necessary improvements are made.	Observed.
MEFP (15)	We will (ii) issue a circular guiding VAT refund audits by local tax offices.	September 2013	The relevant circular was issued (protocol number ΔΕΑ Α 1197280 ΕΞ/27-12-2013).	Observed.
MEFP (15)	We will introduce a risk analysis system for processing income tax refunds, including by prioritizing the largest refund claims.	September 2013	The SGPR decision-circular has been issued in GG 3366/B/31-12-2013 as well as the Conclusion of the Working Group on the definition and evaluation of criteria-rules for selecting income tax returns to audit.	Observed.
MoU 2.3.3.3 .ii	To preserve appropriate incentives towards a sound payment culture, the Authorities abstain from extending the deadlines for the filing and payment of taxes.	Continuous	Ongoing.	Observed. Ongoing.
MoU 2.3.3.3 .iii	To preserve appropriate incentives towards a sound payment culture, the Authorities 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 & Continuous	The tax schedule for 2014 was published.	N/A
MEFP (15)	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.	July 2013	It is assessed that no law amendment is needed.	Observed.
MoU 2.3.3.4	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	Awaiting for Ministries' cooperation. New deadline for modernization of KEDE till June 2014.	
MoU 2.3.3.5 MEFP (15)	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	Published in Government Gazette Issue No 1816 B/25-7-2013	Observed.
MoU 2.3.3.6	The Authorities publish monthly indicators to monitor performance of the fresh start and basic instalment schemes.	Continuous, starting July 2013	Relevant report is created on a monthly basis	Observed. Ongoing.
MoU 2.3.3.6	The Authorities publish monthly indicators to monitor performance of the fresh start and basic instalment schemes.	Continuous	All data have been published.	Not Observed.
TMU	The Authorities publish tax and SSC indicators.	July 2013	Relevant report is created on a monthly basis.	Pending.
MEFP (16)	The Authorities publish monthly indicators to monitor performance of the fresh start and basic instalment schemes.	December 2013	All data have been published.	Pending.
2.3.4 Social Security Contribution				
MoU 2.3.4.1	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	A M.D. will be published in the following month which will give access to GSIS data base to KEAO in order to target debtors' assets. GSPR & M.o.L. composed a note that has been submitted to EC/ECB/IMF and points out that the two ministries either already have a cooperation or will cooperate in the near future. There is a tight program with certain milestones for the integration of tax and SSC arrears collection at the new MoU.	N/A
MoU 2.3.4.2 .i MEFP (17)	To strengthen the collection of social security contributions and related debt, the Authorities adopt legislation to establish the organization of a new joint collection centre for social security contributions debt (KEAO).	July 2013	The establishment of K.E.A.O. has been made with article 101 of law 4172.2013 (FEK 167-23/07/2013). A relevant M.D. has also been published with no.Φ80000/οικ.23795/791 - 05/08/2013 concerning SSC late payments. Moreover, the manager of	Observed.

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			KEAO has also been placed after Minister's decision.	
MoU 2.3.4.2 ii.(i) MEFP (17)	To strengthen the collection of social security contributions and related debt, the Authorities assign and recruit 200 staff for the single collection centre.	August 2013	The remaining 36 employees coming from OAEE have been found and appointed to KEAO with no. 1691107/07-11-2013 Decision. For the time being, 164 persons work for KEAO (Head Office + Regional Branches) + 36 employees from OAEE = 200 in total .	Observed.
MoU 2.3.4.2 ii.(ii) MEFP (17)	To strengthen the collection of social security contributions and related debt, the Authorities assign and recruit 400 additional staff for the single collection centre.	December 2013	The additional staff will come from the re-hiring of 400 employees of 8K/2008 & 9K/2008 ASEP tenders that had been fired. According to Law 4210/2013 they will all be hired to IKA and work for KEAO. The tender is for 353 people, so there is a deficit of 47 employees. M.o.L. found a solution and 47 people (21+26) already have been appointed to KEAO coming from ETEA.-EC/ECB/IMF expect the employees to start working in order to assess the action as 'observed'. Re-phased at the new MoU.	Not Observed. Pending.
MoU 2.3.4.2 iii	To strengthen the collection of social security contributions and related debt, the Authorities create a single social security contributions debt database.	August 2013	The debt database has been constructed.	Observed.
MoU 2.3.4.2 iv	To strengthen the collection of social security contributions and related debt, the Authorities transfer 4.2 billion of social security contributions collectable debt to the single collection centre.	August 2013	The total amount of 4,2 bn euro has been transferred at 19 of December but there is disagreement with EC/ECB/IMF whether the amount is fully collectable.	Not Observed.
MoU 2.3.4.2 v	To strengthen the collection of social security contributions and related debt, the Authorities establish a procedure to quarantine uncollectable debt.	August 2013	The M.D. about the uncollectable debt has been signed with no Φ80000/32195/364 08-11-2013.	Observed.
MEFP (17)	The Authorities 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.	August 2013	The quarantine procedure has been established, the data base has been constructed and the 4,2 bn have been transferred, though troika doesn't agree if the amount is fully collectable.	Pending.
MoU 2.3.4.3 i MEFP (16)	The Authorities develop an electronic application system for social security contributions instalment schemes to be introduced for IKA and OAEE.	July 2013	Available on the sites of I.K.A. (www.ika.gr) and O.A.E.E. (www.oaee.gr.) Meanwhile it will be preferable if the I.T. system of these funds goes to the next level, making it possible for citizens to get all necessary information and complete any type of transaction electronically. Steps towards this direction will be made during the next months.	Observed.
MoU 2.3.4.3 ii MEFP (16)	The Authorities develop an electronic application system for social security contributions instalment schemes and in other funds.	December 2013	Available on sites www.oga.gr (http://www.oga.gr/index.php?pg=new_ry8misi) and www.etaa.gr	Observed. Pending.
2.3.5 Management of the State Revenue Service				
MoU 2.3.5.1	The SGPR replaces managers who do not meet performance targets.	Continuous	New data were submitted to EC/ECB/IMF and were evaluated as adequate.	Observed.
MoU 2.3.5.1	The SGPR replaces managers who do not meet performance targets.	Continuous	Data were submitted to EC/ECB/IMF and were evaluated as adequate.	Observed. Ongoing.
MoU 2.3.5.2	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	The relevant data have been published.	Observed. Ongoing.
MoU 2.3.5.2	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	The relevant data have been published.	Observed. Ongoing.
MoU 2.3.5.3 i	The SGPR makes full application of the paragraph 21 of 55 of l. 4002/2011 to rotate the managers mentioned in the law for those managers in place for more than three years.	September 2013	A call for tender was issued concerning Directorate level organizational units of 27 local tax offices where priority is given to those applicants who have completed a three year good service as Directors of a different service.	Observed.
MoU 2.3.5.3 ii	The SGPR makes full application of the paragraph 21 of 55 of l. 4002/2011 to rotate the managers mentioned in the law continuously after September 2013;	Continuous	Action will not be evaluated by EC/ECB/IMF at this phase.	N/A
2.3.6 Tools				
MoU2. 3.6.1	The new ELENXIS system will be operational in major tax offices and audit centres. The National Centre for Public Administration and Local Government (EKDAA) will provide the necessary support.	December 2013	The installation of the system was completed in all services. Relevant document was issued on 24/12/2013. Personnel training has been completed for 2013.	Observed.
MoU 2.3.6.2	The new TAXIS system is operational in all tax offices.	October 2013	The new TAXIS is functional in all local tax offices. Relevant document was submitted to EC/ECB/IMF on November 21st, 2013.	Observed.
2.4 Public Financial Management Reforms				
2.4.1 Monitoring and reporting				

Par / Page	Action	Deadline	Comments	Status
MEFP (10)	We are identifying necessary measures to close projected gaps in 2015-2016. This will include a review of social security contributions, with a view to eliminating exemptions, starting 2014.	July 2013	Will be addressed with the submission of the MTFS in May 2014.	Pending.
MEFP (19)	We will send an interpretive circular responding to these queries with a view to eliminating discrepancies in reporting between commitment registers and surveys.	September 2013	The draft of the circular has been sent for signatures. Amendments of specific provisions of PD 113/2010 are included in article 46, L. 4238/2014 (GG 38/A/17-2-2014)	Pending.
MEFP (19)	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.	July 2013	The circular has been issued with protocol number 2/68899/15-7-2013/ΜΠΔΣ	Observed.
MEFP (19)	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.	July 2013	It is incorporated in the reform of the Organic Budget Law.	Pending.
MEFP (20)	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.	July 2013	The circular of the MTFS was sent on June 17th - ADA: ΒΑ4ΨΗ-ΤΨΖ	Observed.
MEFP (20)	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.	July 2013	It is operational and convenes on a weekly basis from 25th of June and onwards - ADA: ΒΕΖΧΗ-Γ3Ρ.	Observed.
MEFP (20)	We will adopt the amendments of the organic budget law.	October 2013	Comments were received from troika for draft provisions.	Pending.
MEFP (20)	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.	July 2013	They have been published	Observed.
MEFP (Table 4)	Meet KPIs for PFM (structural benchmark).	December 2013	Relevant data were published. 2 out of 3 targets were met.	Pending.
MoU 2.4.1.1	The Government will identify other areas of operational expenditure where real time monitoring mechanisms could be introduced or strengthened.	Continuous	A document was submitted to troika regarding the progress of the action by the competent division of GAO.	Observed. Ongoing.
MoU 2.4.1.2	The Government will 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	Rephased for May 2014	Not Observed.
MoU 2.4.1.3	The Government will 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.	October 2013	The reports are regularly sent based on the agreed templates.	Observed.
MoU 2.4.1.3	The Government will 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.	December 2013	EC/ECB/IMF expect recent data to evaluate the action	
MEFP (22)	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.	October 2013	The reports are regularly sent based on the agreed templates.	Observed.
MoU 2.4.2.1 MEFP (21)	The Government will submit to the Council of State a Presidential Decree outlining the new administrative processes needed for fiscal audit offices to execute payments.	September 2013	It was approved by the Council of the State and it has already been signed by the President of the Hellenic Republic (GG 245/A/7-11-2013).	Observed.
MoU 2.4.2.2	The Government will 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	Necessary changes have been made and since 1/1/2014 electronic payments are made through fiscal audit offices.	Observed.
MoU 2.4.2.3	The Government will put in place statistical reports to enable follow-up on progress.	October 2013	Statistical reports of November and December 2013 as well as an explanatory note were submitted to EC/ECB/IMF.	Observed.
MEFP (21)	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	November 2013	The necessary changes have been made and since 1/1/2014 electronic payments are made through fiscal audit offices. Statistical reports of November and December 2013 as well as an explanatory note were submitted to EC/ECB/IMF.	Observed.

Par / Page	Action	Deadline	Comments	Status
	progress.			
MoU 2.4.2.4 MEFP (21)	The Government 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 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.	October 2013	The action plan was submitted to EC/ECB/IMF. IMF remarks that it needs to be revised and reprioritized based on the February 2014 relevant TA report.	Observed.
MoU 2.4.2.5 MEFP (21)	The Government will 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	In the updated version of MoU, the action was rephased for April 2014 and its wording has been changed.	Not Observed. Pending.
MEFP (21)	We will conduct focused audits of the commitment registers of SSFs comprising EOPYY, starting with IKA, OPAD, OAEE, TAYTEKO, and ETAA.	August 2013	Audit groups have been appointed with no. 2/63044/TTΔE - 01/07/2013 decision (ΑΔΑ: ΒΛ4ΩΗ-ΩΤΩ).	Observed.
MoU 2.4.2.6 .i	The Government will ensure that commitment registers are in operation in 94% of general government entities based on 2013 entity coverage.	September 2013	For September 2013, 95% of the entities sent data.	Observed.
MoU 2.4.2.6 .ii	The Government will monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system.	Continuous	25 audits were carried out.	Observed.
MoU 2.4.2.6 .ii i	The Government will 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	As to the second part of the action, a relevant department in the General Government Budget Division is incorporated in the new organizational chart of GAO.	Observed.
MoU 2.4.2.6 .iv	The Government will take actions as soon as significant deviations from yearly targets of EOPYY become evident.	Continuous		Observed.
MEFP (19)	The Government will pass legislation to establish permanent procedures for the appointment of accounting officers. In the meantime, vacant accounting officers' positions will be filled with temporary acting appointments.	July 2013	Provisions will be included in the bill "Organization for Public Administration and other provisions" of MAREG for general managers, SGs etc (top management Law). It is expected to be voted in May 2014.	Pending.
MEFP (19)	Reorganization of the ministries (including accounting officers).	September 2013	Expecting from the troika to define the deliverable of the obligation.	Pending.
MoU 2.4.2.7 .i	The Government will complete procedures for identifying fully qualified senior financial managers for the Accounting Office positions in all line ministries.	September 2013	Procedures for the selection of GDFS are already in place and placements have occurred.	Observed.
MoU 2.4.2.7 .ii	The Government will appoint the Accounting Officers based on these new procedures.	September 2013	Further provisions will be included in the bill "Organization for Public Administration and other provisions" of MAREG for general managers, SGs etc (top management Law). Expected to be voted in May 2014.	Observed.
MoU 2.4.2.7 .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	The action is ongoing and connected to the Ministries approved staffing plans. The staffing of the General Directorates of Financial Services is an obligation of each Ministry. A JMD was published (competent Ministry MAREG) regarding the establishment of General Directorates of Financial Services in every Ministry.	Not Observed.
MoU 2.4.2.8 .i	The Government will ensure the administrative capacity to make the clearance of arrears effective by staffing the necessary units	September 2013	Four more employees were allocated to TPDY. Moreover, leave requests have been suspended until 31/12/2013 and staff is required to work two Saturdays a month. In this way, 1.1 billion Euro of 2011 outstanding arrears will be cleared within 2013. MoHealth submitted a list with the actions taken in order to strengthen the arrears payment procedure.	Observed.
MoU 2.4.2.8 .ii	The Government will 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	MD FEK GG 1669/B/5-7-2013 provides for the priority payment of arrears to companies of Water Supply and Sewage, Gas etc. All the General Government entities were funded for the payment of arrears to Water companies. Legislation (Article 52 of Law. 4186, GG 193/A/17-9-2013) provided for the payment of LGs' arrears to the two water and sewage companies from the state budget through transfer of funds to the Ministry of the Interior, which paid all arrears.	Observed.
MoU 2.4.2.8 .iii	The Government will identify and implement actions to ensure clearance of all outstanding lump-sum pensions (accounted for as arrears until Dec-2011) by December 2013.	September 2013	Until 2/12, € 1,139 billion Euros have been absorbed by the Public Employees Welfare Fund, which is the whole amount expected to be absorbed until end December 2013.	Observed.

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MoU 2.4.2.9	Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated.	Continuous	There was a significant increase in the arrears of hospitals and EOPYY in 2013 amounting to 2 billion Euro.	Not Observed.
MoU 2.4.2.9	Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated.	Continuous	There was a significant increase in the arrears of hospitals and EOPYY in 2013 amounting to 2 billion Euro.	Not Observed.
MEFP (23) (Table 4)	We have also set targets for indicators for end-September 2013 (structural benchmark), 94% percent of general government entities will have reported their arrears through the e-portal and 78% will have reported a comprehensive set of information from their commitment registers with a discrepancy of less than 2%.	September 2013	September data were published. Two out of three targets were accomplished. With the interpretive circular this target will also be achieved.	Pending.
MoU 2.5.1.1	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	Rephased for April 2014	Not Observed.
MoU 2.5.2.1 MEFP (10)	(MEFP) Have a preliminary draft MTFS in early September. (MoU) The Government will submit to the Parliament the 2014 medium-term fiscal strategy (MTFS).	September 2013	The MTFS is expected to be voted in May 2014.	Not Observed. Pending.
MoU 2.5.2.2	The Government will adopt the organic budget law 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.	October 2013	To be submitted to the Parliament in April 2014	Not Observed.
MoU 2.5.3.1	The Government will 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	The legislative work had been done with articles 39,40,41,42 of Law 4052/2012. The Ministry of Labour confirmed to EC/ECB/IMF its intention to use the date 01/01/2014 as base of a prorata calculation of pensions. A new law must be adopted for the earlier implementation. L. 4254/2014 FEK 85/7.4.2014 (subparagraph IA2/3).	Not Observed.
MoU2. 5.3.2	The Government will 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: 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	Continuous	Continuous effort to strengthen HRADF functioning and independence.	N/A
MoU 2.5.3.3	The Government will 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:			

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MoU 2.5.3.3 .i	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	The amounts of the grants have been identified between GAO and the Ministry of Interior and will appear in budget and medium-term program.	Observed.
MoU 2.5.3.3 .ii MEFP (20)	ii. the issuance of a Joint Ministerial Decision for the preparation of 2014 LGs' budgets 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.	July 2013	A JMD was published for the 2014 budgets of municipalities (GG 1896/B/1-8-2013) and prefectures (GG 1897/B/1-8-2013).	Observed.
MoU 2.5.3.3 .iii	iii. Municipalities prepare budgets for 2014 consistent with the balance budget rule.	September 2013	99,6% of the budgets has been submitted	Observed.
MoU 2.5.3.3 .iv	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	The Observatory has submitted its (mandatory) opinion to all entities (893 in total) - containing instructions for the review of draft budgets where necessary - during the preparation of the LGs' budgets of 2014.	Observed.
MoU 2.5.3.3 .v	v. Submission and approval of the LGs' budgets by the decentralized administration	December 2013	99,2% of the budgets has been submitted and approved by the decentralized administration. On March 6, data from MoI were forwarded to EC/ECB/IMF showing that the submitted budget part of revenue and expenditure that does not concern investments is almost consistent with the projections of MoI-GAO.	Observed.
MoU 2.5.4.1	The Government will increase transparency and accountability to the public/parliament, by e.g. releasing status reports on the implementation of the legislated fiscal measures, publication of hiring numbers, proper fiscal impact assessment of legislation, statement of the main sources of fiscal risks related to 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		Observed.
MoU 2.5.4.2	The Government will 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	An independent fiscal council will be established with the Organic Budget law by end-April 2014	N/A
MoU 2.5.5.1	The Government will ensure an effective implementation of the debt servicing account to monitor cash flows, avoid diversion of official financing and secure a timely debt servicing. Law 4063/2012 established a segregated account in the Bank of Greece. By law, disbursements to this account cannot be used for any other purposes than debt servicing. Via this account the amortization and interest payment costs of all HR's loans, debt management transactions and derivatives, as well as any parallel cost (fees and other expenses) related to debt servicing and in general to Public Debt Management are paid. The proceeds of this account are the disbursement of EFSF's loans, subject to an EFSF acceptance notice, as well as the Hellenic Republic's contributions to debt servicing, including all revenues from the privatisation of State assets and at least 30% of windfall revenues. All payments from this account will be subject to prior detailed reporting to the EFSF/ESM and ex-post confirmation by the account holder	Continuous	It operates smoothly; there is a regular information flow to EFSF.	Observed. Ongoing.
MoU 2.6.a	The Government 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.	Prior to disbursement	MD was published determining the responsibilities of the Unit (GG 1695/B/10-7-13).	Observed.
MoU 2.6.b	The Government 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.	Prior to disbursement	The MD for the call of interest for the position of the Head of the Unit and the one for the rest of the employees have been published (ADA: BA43H-E8II and BA43H-ΩT9, respectively)	Observed.
MoU 2.6.c	The Government amends the law concerning recovery of illegal State aid with a view to clearly excluding any possibility of recovery in instalments. Indeed, Article 22.1.b of the law 4002/2011 currently states that recovery may take place in instalments and refers to the Code of Collection of Public Revenues, which also foresees this possibility. The updated law should exclude the possibility of recovery in instalments while, possibly, maintaining	Prior to disbursement	Art. 75 of the Omnibus bill GG 167/A/23-7-2013.	Observed.

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	reference to the above-mentioned Code for other procedural aspects.			
MoU 2.6.1	The Government completes the staffing of the CSAU so that this is fully operational within its new framework.	August 2013	The head of the unit and other 3 people were appointed.	Observed.
MoU 2.6.2	All actions attributable to public Authorities should be in compliance with the rules on free movement of capital (TFEU, Article 63).	Continuous		Observed. Ongoing.
MoU 2.7.1.a MEFP (11)	The Authorities will issue all necessary legal acts in order to place 4,200 employees in the labour mobility scheme.	Prior to disbursement	L. 4172/13. Amendment regarding restriction of exceptions in l. 4174/2013.	Observed.
MoU 2.7.1.b	The Authorities through the Governmental Council of Reform adopt staffing plans for 361,000 employees.	Prior to disbursement	The GCR took place on 22.7.2013, staffing plans are approved and sent to troika.	Observed.
MoU 2.7.1.c MEFP (11)	The Authorities will 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.	Prior to disbursement	Art. 90 law 4172/13 (FEK 167).	Observed.
MoU 2.7.1.1 MEFP (11)	The Authorities will complete shifting at least 12,500 ordinary employees to the scheme. 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.	September 2013	12.799 employees are included in the availability scheme. The availability tables were approved by the GCR on 26/11/13. The employees placed in the mobility scheme are already flagged in the Census Database. E.C. consider the target met. IMF are given data by the SPA regarding the salary cut on 5/3/14. According to IMF the target is not met.	Observed. Pending.
MoU 2.7.1.1 MEFP (11)	The Authorities will complete shifting at least another 12,500 ordinary employees to the scheme. 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.	December 2013	The cumulative target of 25.000 employees will come as following: -20.458 employees are already placed in the availability scheme (7.659 employees from EOPPY). -1.600 employees will be placed in the mobility scheme In addition: -3.395 teachers from the Ministry of Education transferred mandatorily -3.572 employees from the tax administration of the Ministry of Finance under mandatory transfer (without prior placement in the availability scheme). Authorities take into account these 6.967 reallocations in the total mobility target. Total employees in the mobility 28.967 up to now. More over 3.000 employees from the Ministry of Interior (OTA A' B' and decentralised administrations) will be placed in the mobility scheme under the competency of Ministry of Interior	Not Observed. Pending.
MoU 2.7.1.2 MEFP (11)	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).	September 2013	Further provisions will be included in the bill "Organization for Public Administration and other provisions" of MAREG for general managers, SGs etc (top management Law). Expected to be voted in May 2014.	Observed.
MoU 2.7.1.3 MEFP (11)	The Authorities will 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	Targets are finalised.	Observed.
MEFP (11)	We will begin with a significant upfront transfer of 2,000 ordinary employees into the mobility scheme destined for eventual exit.	Continuous	This concerns an observed prior action (after 8 months in the mobility scheme, eventual exits).	N/A
MEFP (11)	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.	Continuous	Clarification regarding the implementation of the program.	N/A
MoU 2.7.1.4 MEFP (11)	The Authorities will establish quarterly minimum targets for the mobility scheme for 2014.	September 2013	A proposal has been submitted by the ministry to EC/ECB/IMF. Under discussion with the principals.	Not Observed. Pending.
MoU 2.7.1.5 MEFP (11)	The Authorities will 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.	Continuous	Clarification regarding the implementation of the program.	N/A
MoU 2.7.1.6 MEFP (11)	The Authorities will complete assessments of 400,000 positions, and accelerate completion to maintain the year-end deadline for general government.	September 2013	Final decisions are taken by the GCR on 26.8.2013, during which the assessment of 40.000 positions is approved (assessments and staffing plans of the social security funds, IKA, OAED, OAEE, OGA). Assessment of the rest 360.000 positions is approved as PA June 2013.	Observed.
MEFP (11)	We are also working on developing a staff assessment system.	July 2013	(i) Assessment within mobility scheme: in progress. (ii) System of individual evaluations: first round to be completed by Dec. 2014.	Observed.

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			(iii) Draft PD on performance appraisal agreed with troika.	
MEFP (II)	we estimate that we have met our end-September targets on mandatory exits.	September 2013	ERT: 2.662 terminations of contract. 2.000 more to be terminated in the rest public sector.	Observed.
MEFP (II)	2.000 more exits of ordinary employees.	December 2013	The cumulative number of exits by 28/02/2014 was 5.392 employees (2.500 employees from ERT, 1.235 employees from disciplinary and incompetency cases, 1.657 employees from temporary injunctions). Expecting around 3.000 mandatory exits from EOPYY and the 140 mandatory exits after the voting the latest Mareg Law.	Pending.
MEFP (II)	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.	August 2013	Law 4172/2013 regulates mobility issues. Regarding the MinEdu, the following transfers have taken place: 450 teachers from secondary education were transferred to the administration, 950 teachers were transferred from secondary education to primary. Furthermore, 850 teachers are about to be transferred to the administration and 3.600 to primary education.	Observed.
MEFP (II)	We will also address the problem of contractual staff in judicial litigation to obtain permanent positions. These were not part of the program before.	Continuous	In progress. A report is sent to the troika.	N/A
MoU 2.7.1.7 .i	The Authorities will seek a strategic planning and management of the reform process. To this end, they will: 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	Final draft is approved by the EC/ECB/IMF.	Observed.
MoU 2.7.1.7 .ii	The Authorities will seek a strategic planning and management of the reform process. To this end, they will: prepare a communication plan for this reform strategy addressed to the administration, main stakeholders and to citizens	September 2013	The Strategy is part of the 2-year-action plan which is approved by EC/ECB/IMF.	Observed.
MoU 2.7.1.8 .i	The Authorities will 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	July 2013	The Action Plan which is approved by the assembly of the GCR (took place on 26/08/2013) contains timeline for the assessment of the public entities of private law as well as the public entities. The assessment of the above mentioned bodies will be implemented by the competent Ministries.	Observed.
MoU2.7.1.8.ii MEFP (II)	The Authorities will complete staffing plans for all general Government entities, to be adopted by the GCR progressively and at the latest by December 2013.	December 2013	The evaluation of the rest entities of public sector is in progress. There are delays with regions and municipalities. New deadline to submit the staffing plans: end March 2014	Not Observed. Pending.
MoU 2.7.1.8 .ii MEFP (II)	Staffing plans are to be implemented with their respective legal acts for each entity within three months after their adoption by the GCR	March 2014		
MEFP TMU	Meet target of 5,000 exits from other eligible sources.	March 2014		
MoU 2.7.1.8 .iii	The Authorities will 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		Observed. Ongoing.
MoU 2.7.1.8 .iv	The Authorities will 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	August 2013	Mobility targets of each ministry were approved by GCR 23/7/2013. A meeting between MAREG and the Heads of the Administration Directorates of all ministries took place on 26.8.2013. Targets and guidelines specified. Manual for the mobility scheme in the form of circular ΔΠΠΙΔΔ/Β2/Δ10/οικ. 22738/19.8.13 ΑΔΑ: ΒΛΩΦΧ-ΖΘΣ.	Observed.
MoU 2.7.1.8 .v	The Authorities will develop the necessary tools for the functioning of the mobility scheme. 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.	September 2013	Tools already exist and applied. Manual for the mobility scheme in the form of circular ΔΠΠΙΔΔ/Β2/Δ10/οικ. 22738/19.8.13 ΑΔΑ: ΒΛΩΦΧ-ΖΘΣ.	Observed.
MoU 2.7.1.8 .vi	The Authorities will complete the assessment of individual employees for the purpose the mobility scheme	December 2013	In progress and in cooperation with ASEP.	Not Observed.
MoU 2.7.1.9 MEFP (II)	Introduce a permanent, continuous, system of individual evaluations. The first round to be completed by December 2014	December 2014		
MoU 2.7.1.1 0.i	The Greek Authorities will provide a full and updated picture of public employment. Accordingly, they will	Monthly	The monthly requested data are on the ministry's site.	Observed. Ongoing.

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	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.			
MEFP (11)	Publish 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.	July 2013	The monthly requested data are on the ministry's site.	Observed.
MoU 2.7.1.1 0.ii MEFP (11)	The Authorities will record all employees into the census database and will bring all employees into the Single Payment Authority, to complete our monitoring framework for government employment and the wage bill.	September 2013	JMD FEK 3091/B/5.12.2013 provides for the registration of public legal entities of private sector in the Census Database. So far employees of 772 entities have been registered. The vast majority of entities is included in the Census Database and following certain procedures (such as bank accounts, Board decision etc) the payroll will be implemented through the SPA. It is estimated that the exercise will be fully implemented by end April.	Not Observed. Pending.
MoU 2.7.1.1 1.i MEFP (11)	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	Due to the mandatory exits of 15.000 employees which will take place within 2013 & 2014, MAREG, by applying the rule of 1:1 and taking into consideration the need for quantitative improvement of the staff, has estimated that 15.000 hirings, in addition to those allowed by the rule 1:5, will gradually take place within 2013, 2014 & 2015.	N/A
MoU 2.7.1.1 1.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.)	Monthly	Data are submitted to EC/ECB/IMF on a monthly basis and are uploaded also to the Census Data Basis. EC/ECB/IMF and MAREG exchange comments. Data are provided per Ministry and cumulatively. Employment is in accordance with the estimations.	N/A
MoU 2.7.1.1 1.iii	For all other exits than those mentioned under (i.), the hiring ratio will remain 1:5, as envisaged in the program	Continuous	The ratios apply.	Observed. Ongoing.
MoU 2.7.1.1 1.iv	The Authorities will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF	July 2013	EC/ECB/IMF approved the revised version on hiring plans.	Observed.
MEFP (11)	We will define detailed hiring plans for 2013 that reflect government priorities and prepare staffing and hiring plan to be included in the budget for 2014.	August 2013	Troika approved the revised version on hiring plans.	Observed.
MoU 2.7.1.1 1.v	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	September 2013	The revised hiring plans are approved by EC/ECB/IMF. MAREG is in cooperation with GAO, so that the plans are included in the draft budget. Approved by the GCR.	Observed.
MoU 2.7.1.1 1.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	Hiring plans will be adopted in cooperation with ASEP, according to law.	N/A
MoU 2.7.1.1 2.i	The Authorities will define 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	July 2013	The 2-year action plan, including the H.R. strategy, was delivered to EC/ECB/IMF on 1.11.2013. In addition, the revised draft of the HR Strategy was delivered on 08/11/2013.	Observed.
MoU 2.7.1.1 2.ii	The Authorities will reflect this strategy in legislation. 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	September 2013	Draft law under preparation.	Not Observed.
MoU2. 7.1.13	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	It is included in in the HR Strategy and relevant legal provisions will be prepared if needed.	Observed.

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MoU 2.7.2.1.i MEFP (37)	The Authorities will 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;	July 2013	Revised draft legislation has been submitted to EC/ECB/IMF.	Observed.
MoU 2.7.2.1.ji MEFP (37)	The Authorities will initiate the implementation of all the outstanding actions in the action plan, initially scheduled for the period March-July 2013.	July 2013	The actions scheduled for March-September 2013 have been initiated.	Observed.
MoU 2.7.2.2	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	Premises have been located and funding has been secured. The National Coordinator is supported in its mission by the Coordination Committee and the Advisory Body.	Observed.
MoU 2.7.3.1	The Authorities 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	The e-Gov Strategy completed and adopted by the GCR on 27/03/2014.	Not Observed.
MoU 2.7.3.2	The Authorities 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	The first round of staffing is almost completed and as for the second round the process is progressing. Two seminars are scheduled within November (the first round of seminars already took place).	Observed.
MoU 2.7.3.3	The Authorities 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	All procedures are designed and included in a manual, which is submitted to EC/ECB/IMF.	Observed.
MoU 2.7.3.3	Complete the implementation of these procedures (regarding planning, coordination, control and monitoring, and preparation of arbitrages).	December 2013	Procedures are implemented according to the above manual.	Observed.
2.8 Avoiding waste and increasing quality through sound public procurement				
2.8.1.1 To make the Single Public Procurement Authority (SPPA) operational				
MoU 2.8.1.1.i	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	SPPA is the coordinator for the overall public procurement strategy of the Government. The implementation of the e-procurement framework as well as the legislative framework in general are under the competency of SPPA.	Observed. Ongoing.
2.8.1.2 To increase the efficiency of procurement processes:				
MoU 2.8.1.2	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				
MoU 2.8.1.2.i	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	Improvements based on the evaluation take place on a regular basis.	Observed. Ongoing.
MoU 2.8.1.2.2	The Government publishes a set of standard forms for contract notices based on those used to publish notices on EU Tenders Electronic Daily.	October 2013	The system covers the ted guidelines. E-sending system applies.	Observed.
MoU 2.8.1.2.3	publishes all contract award notices and contracts.	October 2013	According to EU and national regulatory framework, all contract award notices and contracts are published.	Observed.
MoU 2.8.1.2.4	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	Information are uploaded in portal www.promitheus.gov.gr.	Observed.
MoU 2.8.1.2.5	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	The ministry proceeds with improvements based on the evaluation.	Observed.
Central Purchasing Bodies (CPB)				

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MoU 2.8.1.2 .6.i	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 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	MD Π1/1732/23.7.13/ΦEK 1869/31.7.13 contains a detailed list. The circular (Π1/1714/12.8.2013) regarding request of these 28 CPVs for the next year was sent to the central government.	Observed.
MoU 2.8.1.2 .6.ii	The CPB confirms at least 3 promising categories for procurement via framework contracts, finalises design of the call for tender and prepares tender specifications	October 2013	Categories have been specified. Drafts of three new framework agreements (paper, screen and toner) are submitted to EC/ECB/IMF and public consultation was completed on 07.01.2014.	Observed.
MoU 2.8.1.2 .6.iii	The CPB 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	Categories have been specified. Drafts of three new framework agreements (paper, screen and toner) were submitted to EC/ECB/IMF and public consultation was completed on 07.01.2014. Contract notices are published (link: http://www.eprocurement.gov.gr/webcenter/faces/oracle/webcenter/page/scopedMD/sd0cb90ef_26cf_4703_99d5_1561ceff660f/Page119.jspx?_afLoop=6836627606693733&_adf.ctrl-state=ag8pr5rdg_4#%40%3F_afLoop%3D6836627606693733%26_adf.ctrl-state%3Dunjqvs5tk_4)	Not Observed.
MoU 2.8.1.2 .6.iii	The CPB publishes contract notices for at least 3 framework contracts used in frequently purchased supplies or services at central government level through the CPB and award contracts by mid-2014;	mid-2014		
MoU 2.8.1.2 .6.iv	The CPB mandates the relevant administrations to source via the framework contracts submitted to the Commission services.	October 2013	The obligation will be rephrased and rephrased.	Not Observed.
MoU 2.8.1.2 .6.v	The CPB draws framework contracts for the procurement of the abovementioned standardised supplies and services through the CPB.	Continuous	Framework contracts drawn by the CPBs in order to procure supplies and services according to the standardised list.	Observed. Ongoing.
MoU 2.8.1.2 .6.vi	The CPB 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	MD Π1/1732/23.7.13/ΦEK 1869/31.7.13 contains a detailed list. The circular (Π1/1714/12.8.2013) regarding request of these 28 CPVs for the next year was sent to the central government on 12.8.2013.	Not Observed.
MoU 2.8.1.2 .6.vii	The CPB tenders at least three framework contracts used in frequently purchased supplies or services at central Government level through the CPB.	December 2013	See under 2.8.1.2.6.iii.	Not Observed.
Reform of public procurement legislation				
MoU 2.8.1.2 .7	Undertakes to adopt a reform of the public procurement system including works, supplies and services under the coordination of the SPPA with a view to: simplifying, streamlining and consolidating the body of public procurement legislation, rationalising the administrative structures and processes in public procurement to desired procurement results in terms of efficiency and efficacy, 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).	December 2013	Under the competency of SPPA. Public consultation of the draft legislation is completed (31.1.2014) and it is prepared to be submitted to the Parliament (by 10.04.2014).	Not Observed.
MoU 2.8.1.2 .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.	September 2013	SPPA and TASK FORCE are in cooperation in order to prepare a Bill. The draft legal provisions are finalised and delivered.	Observed.
2.8.1.3 To run public procurement procedures by electronic means (i.e., E-procurement)				
MoU 2.8.1.3 .1	The Government 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 availability 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;	September 2013	The system is operational and other entities are in the process of adopting it. (http://www.eprocurement.gov.gr/webcenter/faces/oracle/webcenter/page/scopedMD/sd0cb90ef_26cf_4703_99d5_1561ceff660f/Page119.jspx?_afLoop=6836627606693733&_adf.ctrl-state=ag8pr5rdg_4#%40%3F_afLoop%3D6836627606693733%26_adf.ctrl-state%3Dunjqvs5tk_4)	Not Observed.

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	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.			
MoU 2.8.1.3 .2.i	The Government in the development of the e-procurement platform, commits to run supplies and services contracts for the Central Government through the e-procurement platform.	July 2013	The platform is operational.	Observed.
MoU 2.8.1.3 .2.ii	The Government in the development of the e-procurement platform, commits to 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	A team of experts is established, TASK FORCE is also involved. The platform is evaluated.	Observed.
MoU 2.8.1.3 .3.i	The Government ensures the use of the platform as follows: 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		N/A
MoU 2.8.1.3 .3.ii	The Government ensures the use of the platform as follows: the whole public sector in Greece uses the e-procurement platform for commonly bought supplies and services.	December 2015		N/A
MoU 2.8.1.3 .4	The Government submits to the Commission services the data of the monitoring activities covering year 2013 against the target user levels.	January 2014	The obligation will be rephased.	N/A
MoU 2.8.1.3 .4	In addition, the Government 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.	January 2014	The obligation will be rephased.	N/A
2.9 Completing the pension reform to secure sustainability				
MoU 2.9.1	The Government ensures that all social security contributions to ETEA will be recorded electronically.	December 2013	The whole procedure is under process. It has been legislated by law 4225/2014 that auxiliary pensions' contributions will be reported by A.P.D. of IKA from December 2013. IDIKA has started developing the project 'ATLAS' that will unify all social security data in Greece. IKA 's Information System has been upgraded towards this direction. Electronic cross checks have been already introduced. ETEA issues will be solved in the l. 4254/2014 (IA2/3).	Not Observed.
MoU 2.9.2	The Government ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts to be finalised	December 2013	The whole procedure is under process. It has been legislated by law 4225/2014 that auxiliary pensions' contributions will be reported by A.P.D. of IKA from December 2013. IDIKA has started developing the project 'ATLAS' that will unify all social security data in Greece. IKA 's Information System has been upgraded towards this direction. Electronic cross checks have been already introduced. ETEA issues will be solved in the upcoming Omnibus (IA2/3)	Not Observed.
MoU 2.9.3	The Government produces a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions.	September 2013	The technical report of Q3 2013 was delivered on time and all targets have been met.	Observed.
MoU 2.9.3	The Government produces a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions.	December 2013	The technical report of Q4 2013 is ready and sent to the Ministry of Finance and EC/ECB/IMF with ref. no 2293/181 – 24/01/2014. The target of 10% of disability pensions has been reached (7,7%). Next review of Q1 2014 will be issued April 2014.	Observed.
MoU2. 10.1.1	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).	January 2014	MoHealth sent an updated DRG action plan and has requested to replace this action with another that is included in the updated plan.	Not Observed.
MoU 2.10.1. 2	EOPYY ensures that the number of doctors is reduced in headcount by a further 10% in 2013 .	2013	In 2013, the number of doctors-employees of EOPYY was reduced by 19% and by 21% the number of contracted doctors. The relevant report was submitted to EC/ECB/IMF in January 2014.	Observed.
MEFP (12)	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	July 2013	The Health Voucher Program is implemented since 2-9-2013. (circular Y4a/81034/29-8-2013).	Observed.

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	European Social Fund, we plan to extend the program to more beneficiaries while expanding the coverage of healthcare services.			
MoU 2.10.2.1.1	The government applies an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets.	Continuous	MD for the claw-back was published (FEK 2045/22-8-2013). Letters about the amount of claw back were sent on 3/9/2013. The amounts were either offset or paid.	Observed. Ongoing.
MoU 2.10.2.1.1	The government applies an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets.	Continuous	MD for 2014 claw-back target pending. New deadline: March 2014	Not Observed.
MoU 2.10.2.1.1	A note on the collection of claw back for 2013 for the first half of 2013 is submitted.	September 2013	Progress report was submitted to EC/ECB/IMF on 6/9/2013.	Observed.
MoU 2.10.2.1.1	A note on the collection of claw back for 2013 for the first half of 2013 is submitted.	December 2013	An updated progress report was submitted to EC/ECB/IMF on 3/2/2014.	Observed.
MoU 2.10.2.1.2	Activates contingency measures (including e.g. a cross-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 equivalent amount of savings	October 2013	The pharmaceutical claw back process progressed smoothly, so there is no need for contingency measures.	Observed.
MoU 2.10.2.1.3	In addition and if necessary, EOPYY introduces additional incentives and mechanisms, including a prescription quota system for physicians, to ensure generic substitution	September 2013	The MD about incentives for insured citizens was published (FEK B 2219/9-9-2013). Measures regarding incentives to pharmacies and doctors are in L. 4213 FEK A261/9-12-2013. A MD regarding incentives for doctors was signed and published (113429/FEK B3117/9-12-2013)	Observed.
MoU 2.10.2.2.1	Revises downward the price of medicines, based on the three EU countries with the lowest prices of price list in line with the provisions of Council Directive 89/105/EEC.	Quarterly (Next lists to be published by end June 2013 and September 2013)	The price list was published on 6/8/2013 (MD 74725/6-8-2013). Corrective bulletin was published at 30/8/2013.	Observed. Ongoing.
MoU 2.10.2.2.1	Revises downward the price of medicines, based on the three EU countries with the lowest prices of price list in line with the provisions of Council Directive 89/105/EEC.	Quarterly	The new price list was published at 12/2/2014 (MD 14230/11-2-2014).	Observed.
MoU 2.10.2.2.2	On the basis of the report on the impact of the new profit margins of pharmacies, reduce the profit margins down to 15%.	January 2014	New deadline was agreed (June 2014)	Not Observed.
MoU 2.10.2.2.3	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	Ongoing procedure. Relevant MD was published (FEK B2219/9-9-2013) that provides for negotiations through price-volume or risk sharing agreements.	Observed. Ongoing.
MoU 2.10.2.3.1	Update the positive list of reimbursed medicines and the list of OTC medicines. These lists must be updated after every price bulletin or the corrective (deadlines should follow 2.10.2.2.1 with some offset)	Quarterly (Next lists to be published by end June 2013 and September 2013)	The positive list was published (FEK 2467/2-10-2013 & 2477/3-10-2013). The list of OTC medicines was published (FEK B 2840/7-11-2013).	Observed.
MoU 2.10.2.3.2	Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals).	September 2013	E-prescription coverage for medicines is 98% and for the other medical acts (compulsory from April 2013) is higher than 90%.	Observed.
MoU 2.10.2.3.2	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	E-prescription coverage for medicines is 98% and for the other medical acts (compulsory from April 2013) is higher than 90%.	Observed.
MoU 2.10.2.3.3	Finalise the implementation of the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA.	September 2013	Currently the coverage rate is 83% of prescriptions.	Observed.
MoU 2.10.2.3.4	Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory	Continuous	Ongoing. Protocols are published on EOF website and continue to be developed.	Observed. Ongoing.
MoU 2.10.2.3.5	Enforce the application of prescription guidelines through the e-prescription system starting with at least 5 therapeutic groups	September 2013	On 2 October, EOPYY announced the launch of the application of prescription guidelines through the e-prescription system for 5 therapeutic groups.	Observed. Ongoing.
MoU 2.10.2.3.6	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).	October 2013	The SPC filters are included in the e-prescription system by linking it with EOF database.	Observed.
MoU 2.10.2.3.7.i	Enhance monitoring and assessment through 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	December 2013 report was submitted in February.	Observed. Ongoing.

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MoU 2.10.2. 3.7.ii	Enhance monitoring and assessment through: regular assessment of the information obtained through the e-prescribing system.	Continuous	December 2013 report was submitted in February.	Observed. Ongoing.
MoU2. 10.2.3. 7.ii	Enhance monitoring and assessment through: regular assessment of the information obtained through the e-prescribing system.	Continuous	December 2013 & Q4 2013 reports were submitted in February.	Observed.
MoU 2.10.2. 3.7.iii	Enhance monitoring and assessment through:detailed quarterly reports on pharmaceutical prescription and expenditure which include information on the volume and value of medicines, on the use of generics and the use of off-patent medicines, and on the rebate received from pharmacies and from pharmaceutical companies. These reports are shared with the European Commission, ECB and IMF staff teams.	Quarterly updates; next report by July 2013	December 2013 report was submitted in February.	Observed. Ongoing.
MoU 2.10.2. 3.7.iv	Enhance monitoring and assessment through:detailed reporting on individual prescription behaviour to each physician relative to the average of comparable (specialty, patient workload) physicians (both in NHS facilities and contracted by EOPYY and other social security funds until they merge) and signals when they breach prescription guidelines. This feedback is provided at least every month and a yearly report is published covering: 1) the volume and value of the doctor's prescription in comparison to their peers and in comparison to prescription guidelines; 2) the doctor's prescription of generic medicines vis-à-vis branded and patent medicines and 3) the prescription of antibiotics.	Continuous	Ongoing. Reports are being sent to doctors who exceeded the average prescribing values of their specialty.	Observed. Ongoing.
MoU 2.10.2. 3.8	Enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines.	Continuous	Sanctions and penalties to doctors are enforced as a result of the above mentioned prescribing monitoring. Relevant report has been handed over to EC/ECB/IMF. Law provisions are included in Omnibus Law (art.95-99, FEK 167A/23-7-2013).	Observed. Ongoing.
MoU 2.10.2. 3.9	Electronic monitoring and the introduction of cancelation mechanisms to barcodes of pharmaceutical products should be finalized by collaboration of EOF and IDIKA.	September 2013	The electronic cancelation mechanism is completed.	Observed.
MoU 2.10.2. 4.a	Enforces compulsory ICD10 in the electronic prescription.	Prior to disbursement	It is completed.	Observed.
MoU 2.10.2. 4.1	Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent by December 2013 (in volume).	December 2013	New deadline December 2014	N/A
MoU 2.10.2. 4.1.i	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	Price of off-patent to is set to 50%. (MD ΔΥΓ3(α)/οικ.ΓΥ /151, article 6/FEK 545/1-3-2012). Pricing based on the three EU lowest prices requires new legislation. Legislation was voted by Parliament (L. 4213/fek A261/9-12-2013) and the relevant MD was signed and published (113429/FEK B3117/9-12-2013)	Observed.
MoU 2.10.2. 4.1.ii	This will be achieved by: 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 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	Price of generics is set to 40%. (MD ΔΥΓ3(α)/οικ.ΓΥ /151, article 7/FEK 545/1-3-2012). Setting the price to 80% of off-patent requires new legislation. Legislation that sets the price of generic at the 65% percent of the price of off patent was voted by Parliament (L. 4213/fek A261/9-12-2013) and the relevant MD was signed and published (113429/FEK B3117/9-12-2013).	Observed.
MoU 2.10.2. 4.1.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	The pricing of the backlog of generic medicines has been completed. Legislation on dynamic pricing was voted (L. 4213/FEK A261/9-12-2013). MD 113429/FEK B3117/9-12-2013.	Observed.
MoU 2.10.2. 4.1.iv	This will be achieved by: iv. deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC.	Continuous	The updated positive list was published early October.	Observed. Ongoing.
MoU 2.10.2. 4.1.v	This will be achieved by: v. excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria.	Continuous	Ongoing. It follows action MoU 2.10.2.4.1.iv.	Observed. Ongoing.
MoU 2.10.2. 4.1.vi	This will be achieved by: vi. in the frame of the Administrative Reform process of EOF, set up scientific capacity in order to include cost effectiveness criteria in the reimbursement and licensing process and to manage the positive and internal reference price mechanism.	October 2013	EOF expects to take in personnel through the mobility scheme.	N/A

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MoU 2.10.2. 4.2	Takes further measures to ensure that at least 50 percent of the volume of medicines used by public hospitals for inpatients is made up of generics with a price below that of similar branded products and off-patent medicines.	Continuous	Currently the volume consumption of 65 hospitals (until now) is consisted by generics at 33,45% and by off patent 60,76%.	Observed.
MoU 2.10.2. 4.3	Ensures that all public hospitals to procure at least 2/3 of pharmaceutical products by active substance, using the centralised tenders procedures developed by EPY and by enforcing compliance with therapeutic protocols and prescription guidelines.	Continuous	Tenders cover 25% of all hospital purchases. After completing the schedule for 2014 needs, EPY will initiate tenders that will cover 2/3 of hospital pharmaceutical products.	Observed.
MoU 2.10.3. a MEFP (5)	The Government 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.	Prior to disbursement	Law provisions are included in law FEK 167A/23-7-2013. MD FEK B1789/24-7-2013.	Observed.
MEFP (5)	The claw back of overspending the first 6 months of the year will be collected by September 2013.	September 2013	Letters for claw back in diagnostics were sent but the payment/offset of the respective amounts is still pending.	Pending.
MEFP (5)	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.	July 2013	Ministry of Health delivered to troika a report with detailed financial figures of the health sector. Health sector slippages could be identified from this report. Also, the report will be updated continuously.	Observed.
MoU 2.10.3. 1	The Government 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	The claw-back process for diagnostics and private clinics is progressing and the relevant letters were sent on November 8th.	Observed.
MEFP (5)	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.	November 2013	The claw back process for diagnostics and private clinics is progressing and the relevant letters were sent on November 8th but the payment/offset of the respective amounts is still pending.	Pending.
MoU 2.10.3. 2	The government monitors the implementation of the various policies introduced in late 2012 to improve the current financial situation of EOPYY and ensure that the budgetary execution is closer to a balanced budget in 2013. Measures to monitor include: changes in OGA contributions, in the benefit package, in cost-sharing for private care and in the fees for diagnostic and physiotherapy services, as well as the use of price-volume agreements and case-mix agreements with private providers and the use of a reference price system for reimbursement of medical devices.	Continuous	Measures are implemented and monitored.	Observed. Ongoing.
MoU2. 10.3.3	The Government 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	In January, a progress report was submitted regarding the actions included in EOPYY action plan.	Observed. Ongoing.
MoU 2.10.3. 4	The government publishes a monthly report on the prescription and expenditure of diagnostic tests.	Monthly	Report for December was submitted in early February.	Observed. Ongoing.
MoU 2.10.3. 5	Initiates tendering procedure for the introduction of in house financial and analytical cost accounting systems of EOPYY	January 2014	The tender will not be held by EOPYY, but will be part of the tender held for the general government.	Not Observed.
MoU 2.10.4. 1.1	The Government implements the plan for the reorganisation and restructuring, as set in Law 4052 / March 2012, with a view to reducing existing inefficiencies, utilising economies of scale and scope, and improving quality of care for patients, thus contributing to better aligning working organisation with Directive 2003/88/EC. This implies reducing hospital operating costs by an additional 5% in 2013 and reducing beds substantially, as legislated by MD OG1681/B (28-7-2011). This is to be achieved through: i. increasing the mobility of healthcare staff (including doctors) within and across health facilities and health regions; 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).	2013		N/A

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MoU 2.10.4.1.2	Produces an annual report comparing hospitals performance on the basis of the defined set of benchmarking indicators.	Next report 1 st April 2014		N/A
MoU 2.10.4.1.2	On the basis of the 2013 annual report produce a benchmarking study.	October 2013	Study was submitted in early November.	Observed. Ongoing.
MoU 2.10.4.1.3	The Government updates a report on human resources for the whole health care sector annually and uses it as a human resource planning instrument.	Next report 1 st April 2014		N/A
MoU 2.10.4.1.4	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	MoH presented and submitted a report on healthcare needs, describing the existing situation and the impact on hospital operating cost. Extended study in collaboration with WHO is expected in February 2014.	Observed. Ongoing.
MoU 2.10.4.1.4	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.	December 2013	The final report that is prepared with the collaboration of WHO is expected to be finalised in March, when the data for the number of uninsured citizens will be available by MoLabour. Draft analysis was submitted to EC/ECB/IMF at 6/2/2014. New deadline: March 2014	Not Observed.
MoU 2.10.4.2.1	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	Report for December was submitted in early February.	Observed. Ongoing.
MoU 2.10.4.2.2.i	the introduction of analytical cost accounting systems, with the implementation of the respective action plan, due to be finalised, with complete hospital coverage.	November 2013	The analytical cost accounting systems have been adopted by all hospitals, as per MoHealth note sent to troika.	Observed.
MoU 2.10.4.2.2.ii	the regular annual publication of balance sheets in all hospitals.	September 2013	All hospitals published their annual balance sheets.	Observed.
MoU 2.10.4.2.2.iii	the introduction of the uniform coding system for medical supplies developed by the Health Procurement Commission (EPY) and the National Centre for Medical Technology (EKEVYL) and the use of the observe.net system to monitor the procurement and use of tenders for medical supplies.	Continuous	Ongoing. Codification is under preparation.	Observed. Ongoing.
MoU 2.10.4.2.2.iv	the introduction of inbound hospital logistics and warehouse management systems using barcode scanning systems for pharmaceuticals and medical consumables.	December 2013	Pilot warehouse management system implementation project in one hospital (Konstantopoulio) and others are expected to follow. Progress report was submitted on 15.1.2014.	Observed.
MoU 2.10.4.2.2.v	implement necessary action to ensure timely invoicing of full treatment costs (including staff payroll costs) - i.e. no later than 2 months to other EU countries and private health insurers for the treatment of non-nationals/non-residents.	Continuous	JMD Y4a/ouk.105494, FEK B 3096/23-11-2012 was signed in order to include payroll costs.	Observed. Ongoing.
MoU 2.10.4.2.2.vi	enforcing the collection of co-payments and implementing mechanisms that fight corruption and eliminate informal payments in hospitals.	Continuous	Ongoing. Report for 2011 and 2012 was submitted to EC/ECB/IMF in January 2013.	Observed. Ongoing.
MoU 2.10.4.2.3	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		N/A
MoU 2.10.4.2.4	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	Ongoing.	Observed. Ongoing.
MoU 2.10.4.2.5	The Government starts to develop a system of patient electronic medical records.	Continuous	A Committee was established and prepared a relevant action plan, while IDIKA will develop the electronic system.	Observed. Ongoing.
MoU 2.10.4.2.6	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	Continuous	An action plan has been prepared by a special working group.	Observed. Ongoing.
MoU2.10.4.2.6.i	The KEN/DRG Management Institute is established.	October 2013	Draft law provisions were prepared in order to establish the institute and were sent to EC/ECB/IMF for comments (New moU deadline: June 2014)	Not Observed.

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MoU 2.10.4. 2.6.ii	DRGs will include a detailed item on costs of personnel.	Continuous	An action plan has been prepared by a special working group.	Observed. Ongoing.
MoU 2.10.4. 2.7	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.	September 2013	The status of the DRGs implementation was presented in September.	N/A
MoU 2.10.5. 1	The Government increases substantially the number of expenditure items and therefore the share of expenditure covered by centralised tender procedures through EPY up to 45% of all the expenditure in medicines and medical devices by 2014. This share goes up to 60% in 2015. The Government ensures the use of such tender procedures.	Continuous	Ongoing. Attempting even more tender procedures to be carried by EPY. Last report was submitted in February 2013	N/A
MoU 2.10.5. 2	EPY will undertake tender procedures for framework contracts for the most expensive medicines sold in EOPYY pharmacies.	Continuous	Ongoing. State Legal Council (NSK) provided the consent about the tendering procedure. At the end of the year and after completing the schedule for 2014 needs, EPY will initiate tenders that will cover EOPYY needs.	Observed.
MoU 2.10.5. 3	EPY will publish a detailed annual report on its activity	(2012 report published in September 2013)	EPY report was presented and sent for 2012 as well as for 2013.	Observed. Ongoing.
MoU 2.10.5. 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	Ongoing. Last progress report was submitted in February 2013.	Observed. Ongoing.
2.11 Upgrading the education system				
MoU 2.11.1	The Government implements the Action Plan for the improvement of the effectiveness and efficiency of the education system and regularly reports on the progress of its implementation including on the results of the external evaluation of high education institutions.	June 2013 December 2013	Education Action Plan updated was submitted to EC/ECB/IMF (January 2014).	Observed.
MoU 2.11.2	On higher education, the provisions of the laws 4009/2011 and 4076/2012 are fully and promptly implemented including:			
MoU 2.11.2. i	The external evaluation of the higher education institutions by the Quality Assurance Authority is completed.	December 2013	Number of Departments to be evaluated: 348. Evaluated: 326. Evaluation process is not applicable: 10 (due to Institutes with no permanent academic staff). Difficulty in setting up Evaluation Committees: 12, the process is expected to be completed by end-April.	Not Observed.
MoU 2.11.2. ii	The organisation charts and internal regulations of the Higher Education Institutions are completed.	March 2014	Some universities make charts as pilot operation. The Ministry doesn't have intervention because universities are autonomous. It is expected that action will be completed by June 2014.	
MoU 2.11.2. iii	Update on the progress of the on-going consolidation/merging of departments of universities and technological institutes (ATHINA Project).	September 2013	ATHINA project has been fully in operation. The student entries to HEIs for the academic year 2013-2014 were according to the new mapping.	Observed.
MoU 2.11.3	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	a) The self-assessment of schools has been extended to a national level since the school year 2013-2014 according to 30972/Γ1/05.03.2013 (Governmental Gazette B 614 - 15.03.2013) Ministerial Decision. b) As for the assessment of teachers, a first cycle of seminars concerning teacher training is being developed and will be funded by the National Strategic Reference Framework. c) An Independent Agency for the Quality Assurance of Primary and Secondary Education has been founded by Law 4142 / Governmental Gazette 83/09-04-2013. P.D. FEK 240/05.11.2013 on the evaluation of educational staff.	Observed.
MoU 2.11.3	The first cycle of evaluation of the educational staff, in particular School Directors, School Advisors and Regional Directors, is completed.	December 2013	The evaluation will begin in March and is expected to be completed by early June, by the end of school year. New deadline in updated MoU.	Not Observed.
3 Stabilising the Financial System				
MoU 3.1	The government ensures that no state aid will be granted to banks before it is approved by the EC under state aid rules.	Continuous	The rule is applied continuously.	Observed. Ongoing.
3.1 Framework for restructuring and strengthening of the banking system				
MoU 3.1.1 MEFP (24)	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.	Prior to disbursement	Eurobank acquired Proton Bank and Hellenic Post Bank	Observed.

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MoU 3.1.2 MEFP (25)	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.	Prior to disbursement	Sent.	Observed.
MEFP (24)	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.	July 2013	Attica bank achieved to raise capital from private sources in order to cover its capital needs. Probank was separated in two parts-the bad one and the health one-and the latter has been absorbed by ETE.	Observed.
MoU 3.1.1	The BoG commits to develop the implementation plan for rationalising the cooperative sector, including Panellinia Bank, as part of the comprehensive banking sector strategy.	Continuous	Ongoing	Observed.
MoU3.1.2 MEFP (24)	The BoG commits to take the legal and regulatory steps necessary to implement the strategy for the cooperative sector.	September 2013	BoG has withdrawn the operating license of three cooperative banks that did not meet the capital requirements ratio on 8/12/2013. New deadline: September 2014	Not Observed. Pending.
MoU 3.1.3 MEFP (24)	Undertake to place a substantial equity stake in Eurobank with a privately owned strategic international investor by end-March 2014 . 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.	March 2014		
MoU 3.1.3 MEFP (24)	Strategic investor Eurobank: consultants will be contracted.	August 2013	Contracts were signed with JPMorgan and Lazard.	Observed.
MoU 3.1.3 MEFP (24)	Strategic investor Eurobank: an evaluation metric for potential investors will be developed.	October 2013		Observed.
MoU 3.1.3 MEFP (24)	Strategic investor Eurobank: potential bidders will be allowed to start a due diligence process no later than end-November 2013 .	November 2013	Data room started on 27/11/2013 and a due diligence process for selected, potential investors is in progress.	Observed.
3.2 Funding				
MoU 3.2.1	Preserve sufficient banking system liquidity in line Eurosystem rules.	Continuous	Sufficient liquidity is continuously provided.	Observed.
MoU 3.2.2	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.	Quarterly	Funding Plans have been submitted.	Observed. Ongoing.
3.3 State-owned preference shares of the banks				
MoU 3.3.1	Not take any fiscal policy actions that would undermine the solvency of banks.	Continuous	This rule is continuously applied.	Observed. Ongoing.
MoU 3.3.2	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	This rule is continuously applied.	Observed. Ongoing.
3.4 Follow up stress testing				
MoU 3.4.1 MEFP (26)	The BoG 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. MEFP: 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.	December 2013	Procedure has been completed and the results have been submitted to EC/ECB/IMF. On 6/3/2014 Bank of Greece announced the results of stress test exercise: http://www.bankofgreece.gr/Pages/el/Bank/News/PressReleases/Displtem.aspx?Item_ID=4546&List_ID=1af869f3-57fb-4de6-b9ae-bdfd83c66c95&Filter_by=DT	Observed. Pending.
MoU 3.4.2 MEFP (26)	The BoG has engaged a consultant to conduct the asset quality review, with an interim deadline of completion.	October 2013	Procedure has been completed and the report has been submitted to EC/ECB/IMF.	Observed.
MoU 3.4.2 MEFP (26)	The distressed credit operations review is scheduled to be completed.	September 2013	It has been completed within the agreed deadline.	Observed.
3.5 Management of assets under liquidation				

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MoU 3.5.1	The BoG commits to continue improving the management of assets under liquidation.	Continuous	Evaluation of the strategies submitted by the liquidators has been completed.	Observed.
MoU 3.5.2 MEFP (29)	The BoG commits to develop an implementation plan outlining further steps to improve collections and establish targets, in order to ensure an effective utilization of the enhanced tools.	July 2013	BoG has submitted the "Progress Report and Implementation Plan on Liquidating Banks" on 2/8/2013 and its updated version on 4 November 2013. Also a Committee Committee of Special Liquidations is already operational, improving the efficiency of collections for banks under clearance	Not Observed. Pending.
3.6 Supervisory model and HFSF's liability				
MoU 3.6.1 MEFP (30)	The BoG commits to 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-2013.	December 2013	BoG has asked technical assistance by IMF and the procedure is in progress (in agreement with EC/ECB/IMF). Many aspects relating to the Single Supervisory Mechanism that have to be adopted by the Bank of Greece are not yet defined at European level, so the action could not be completed.	N/A Pending.
MoU 3.6.2 MEFP (30)	The Government commits to 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	Art. 74 law 4172/2013 FEK 167/23-7-2013.	Observed.
MEFP (30)	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.	July 2013	The RFAs have been signed and published on HFSF's web-site.	
MoU 3.6.3 MEFP (25)	The Government commits to 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.	September 2013	Amendment of the law for the recapitalization of banks and the law of the HFSF are underway. Legal provisions on the Law 4254/2014	Not Observed. Pending.
3.7 Review of the legal insolvency frameworks				
MoU 3.7.1 MEFP (31)	The Government commits to implement the necessary regulations to put in place the "Facilitation Program" that has been adopted by Parliament.	August 2013	MD signed FEK 1731/B/15-07-2013 (conditions and supporting documents for borrowers).	Observed.
MoU 3.7.2 MEFP (31)	The Government commits to: Adopt definitions for terms as "acceptable living expenses" and "cooperative borrowers", as guidance for the judiciary and banks, with a view to protect vulnerable households.	September 2013	Law 4224/2013 FEK 288. The Government Council for the Management of Private Debt shall design the monitoring framework for debt resolution. The Code of Ethics shall be developed by the BoG according to the Law 4224/2013 FEK 288. Pending the finalisation and adoption of the two definitions.	Not Observed. Pending.
MoU 3.7.3	Continue monitoring closely the resolution of distressed debts for households, SMEs, and corporates.	Continuous	The Government Council for the Management of Private Debt shall design monitoring framework for debt resolution. The Code of Ethics shall be developed by the BoG according to the Law 4224/2013 FEK 288. Note and proposal sent to the principals by the Minister. Comments are expected.	Not Observed.
MoU 3.7.4.i MEFP (32)	The Government commits to 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.	July 2013	The Working Group is established (members by MinDev, MinFin, MinJus, BoG, HBA).	Observed.
MoU 3.7.4.ii MEFP (32)	To this end, the Government will, by in consultation with EC/ECB/IMF staff, identify key bottlenecks and	July 2013	The review that identifies key-bottlenecks was delivered to EC/ECB/IMF on 3/8/2013. Law 4224/2013 FEK 288 is voted.	Not Observed. Pending.
MoU 3.7.4.ii MEFP (32)	The Government with technical assistance commits to propose concrete steps for the enhancements in this area.	October 2013	Two meetings of the Government Council for the Management of Private Debt (L. 4224/2013) took place and a third meeting is scheduled. Agreed timeline and concrete steps.	Not Observed. Pending.
MoU 3.7.5 MEFP (32)	The BoG will issue in consultation with banks and EC/ECB/IMF staff, a time-bound framework for banks to facilitate settlement of borrower arrears using standardized protocols, based on the review of banks' distressed credit operations. These (MEFP) include assessment procedures, engagement rules, defined timelines, and termination strategies.	December 2013	The issue of distressed borrowers is under consultation with EC/ECB/IMF. After the introduction of the Law N.4224/2013 the timetable for this action should be rearranged. On 02.14.2014 BoG submitted to EC/ECB/IMF a draft of Executive Committee Act for Supervisory framework for the management of loans in arrears and non-performing loans. The same draft was forwarded to credit institutions, cooperative banks, branches of credit institutions from third countries operating in Greece and the HBA and ESTE (Coop Bank Association). This message signalled the initiation of the consultation phase for the regulatory initiative.	Not Observed. Pending.
MoU 3.7.7 MEFP (32)	The BoG will require banks to present, by mid-September a strategy for improving their distressed credit operations (e.g., by strengthening internal arrears management units,	September 2013	Banks have submitted their strategic plans	Observed.

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	contracting external work-out specialists).			
MoU 3.7.8 MEFP (32)	The BoG will: Require banks to submit by end-November a comprehensive operational plan that will address the shortfalls identified in the review.	November 2013	Operational plans have been submitted and presented to EC/ECB/IMF.	Observed.
MEFP (Table 4)	Banks to update their restructuring plans and submit them for validation by DG-Competition (structural benchmark).	September 2013	Restructuring plans have been submitted	Observed.
MoU 3.7.9	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 .	January 2014	The evaluation of the program will take place 6 months after issuance of MD Z1-743/12.7.2013 (ΦΕΚ 1731/Β/15.7.2013).	Not Observed.
3.8 Establishment of the Institution for Growth (IFG)				
MoU 3.8.1 MEFP (33)	The Government intends to: Establish the IFG, a non-bank financial institution, to catalyze private sector financing, especially for SMEs, while minimizing fiscal risks.			
MoU 3.8.2 MEFP (33)	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.			
MoU 3.8.3 MEFP (33)	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, including HFSF; and (viii) limit any guarantees to a level not exceeding the Hellenic Republic's (HR's) capital subscription.			
MoU 3.8.4 MEFP (33)	The HR will seek to become a minority shareholder eventually, with its own capital contribution limited to € 350 million over the next three years.			
MoU 3.8.5 MEFP (33)	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.			
MoU 3.8.6 MEFP (33)	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				
MoU 3.9.1	The Government commits to: Ensure that the Loan and Consignment Fund is not crowding out competition in the financial sector.	Continuous	Ongoing	Observed. Ongoing.
MoU 3.9.2	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.	September 2013	The action has been transferred to the new MoU.	Not Observed.
MoU 3.9.3	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.	September 2013	The action has been transferred to the new MoU.	Not Observed.
4 Strengthening labour market institutions and promoting employment				
4.1 Reforms in the wage-setting system				
MoU 4.1.1 MEFP (36)	The Government adopts 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.	July 2013	The mechanism of the statutory minimum wage has been set with article 103 of law 4172/2013 FEK 167-23/07/2013). It will be implemented on 1/1/2017 when the current freezes cease.	Observed.
MoU 4.1.2	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.	March 2014		Not Observed.
4.2 Reducing non-wage labour costs				

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MoU 4.2.1 MEFP (35) (Table 4)	The Government adopts legislation 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 (structural benchmark).	November 2013	The Greek side submitted its final proposal about the reduction of SSC to EC/ECB/IMF at 22.1.2014. EC/ECB/IMF asked for more details and clarifications which were sent on 14.2.104. Discussion was made at GAO at 26/2, where EC/ECB/IMF asked for data in order to evaluate certain parts of the Greek proposals. The cut will be made effective July 1st 2014, L. 4254/2014 art. article 1, par. 1A3, GG A/85/7-4-2014.	Not Observed. Pending.
MEFP (35) (Table 4)	To reduce the costs of doing business, we will eliminate or transfer nuisance taxes and levies (and the associated spending) to the state budget (structural benchmark).	September 2013	Troika assessed GAO's revised proposal as unsatisfactory and asked for the broadening of those non reciprocating charges for immediate abolition as well as the submission of a strict and specific timeline for the action implementation (roadmap). Recent data were sent to troika on 28/2.	Pending.
MoU 4.2.2	As intermediate steps, studies of possible changes in the system of social contributions will be carried out and action plans proposed.	September 2013	The Greek side submitted its final proposal to EC/ECB/IMF at 22.1.2014. EC/ECB/IMF asked for more details and clarifications that were sent at 14 of February. Final assessment is pending. There will be a cut after all.	Not Observed.
MoU 4.2.3	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.	September 2013	The National Actuarial Authority has already completed the necessary studies and have submitted them to the Minister.	Observed.
MoU 4.2.4	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.	December 2013	In progress. Actuarial studies have been completed and have been submitted to the Minister. Under discussion.	Not Observed.

4.3 Lowering compliance costs, fighting undeclared work and informality

MoU 4.3.1	To help formality in labour arrangements by reforming the Labour Inspectorate and streamlining the administrative burden to foster compliance, the Government 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	There is constant effort to enhance the role of SEPE which includes among others the mandatory reporting through the IT system 'ERGANI' and the cooperation with Economic Police and the inspectors of IKA. In addition, an Action Plan has been composed by I.L.O. about the strengthening and overall improvement of SEPE. A framework agreement is about to be signed. There is also a request from Ministry's side for new hirings of auditors so that the fighting against undeclared work become more effective.	Observed. Ongoing.
MoU 4.3.2 MEFP (36)	Revises the sanctions for violations of the labour law.	July 2013	MD 27397/122/19.8.2013 provides for severe penalties for undeclared work and violations of the labour code.	Observed.
MEFP (36)	Complete a comprehensive review of labour reporting requirements.	July 2013	The review that includes labor requirements has been completed.	Pending.
MoU 4.3.3 MEFP (36)	Streamlines the reporting by employers and employees.	September 2013	The social dialogue has been completed. Ministry of Labour-submitted results to EC/ECB/IMF. It also sent its proposals and timelines about changing reporting standards and fighting bureaucracy. A draft MD that simplifies the procedure of reporting to IT system ERGANI has been submitted to EC/ECB/IMF. There are two subparagraphs (IA5 & IA6) at the L.4254/2014 (FEK 85) that will simplify procedures and reduce red tape.	N/A Pending.
MEFP (36)	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.	September 2013	M.o.L. sent drafts M.D. to troika and we await for final decisions. It is highly probable to reach an agreement. Collective dismissals issue is under discussion. Greek side has sent to troika the Decision of Supreme Labour Council as well as the FEK of competency change for signing collective dismissals from Minister to S.G. It has been agreed that there will be a new assessment for collective dismissals from troika at 6 months' time. For TEA there is agreement at the l. 4254/2014 (IA4).	Pending.
MEFP (36)	Drawing on this review (on temporary employment agencies), 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.	November 2013	Under discussion with troika. As far as temporary employment agencies are concerned, an agreement is underway. Collective dismissals issue is hoped to be solved with all the measures that have been taken so far from the Ministry. It has been agreed that there will be a new assessment for collective dismissals from EC/ECB/IMF at 6 months' time. For TEA there is agreement in l. 4254/2014 (IA4).	Pending.
MEFP (36)	Implement the set of reforms discussed with social partners.	December 2013	Under discussion with troika. We wait for final decisions. It has been agreed that there will be a new	Pending.

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			assessment for collective dismissals from EC/ECB/IMF at 6 months' time. For TEA there is agreement at the upcoming Omnibus (IA4).	
4.4 Further improving regulatory framework				
MoU 4.4	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:			
MoU 4.4.1	Identifies reforms and changes that appear necessary, in consultation with social partners;	November 2013	Administrative changes have been introduced; as assessment of the collective dismissals system is now due for September	Observed.
MoU 4.4.1	and implements them.	December 2013	Reassessment from EC/ECB/IMF in 6 months.	Not Observed.
4.5 More transparent and enforceable labour law				
MoU 4.5 MEFP (36)	To ease interpretation, reduce compliance costs with and increase the enforceability of labour law, the Government codifies all existing legislation relevant for labour and industrial relations into a single Labour Code.	December 2013	The relevant report by Group Koukiadis has been delivered. It is mutually agreed that more time is needed. A relevant tender must be launched. A smaller project of codifying a smaller scale of legislation is under examination. Re-phased for end year at the new MoU.	Not Observed. Pending.
4.6 Support to the unemployed				
MoU 4.6 MEFP (3)	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.			
MoU 4.6.1	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 focusing on:	July 2013	The Action Plan has been delivered and adopted by the Ministry of Labour.	Observed.
MoU 4.6.1.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);	July 2013	The J.M.D. 3.24641/Otk.3.1574 26/08/2013 on temporary employment program. It covers 50.000 beneficiaries. The final results for the programs of 10.000, 27.948, 7.400 & 4.413 beneficiaries have been uploaded at OAED site.	Observed.
MoU 4.6.1.ii	Promoting the implementation of the youth voucher scheme;	July 2013	The implementation of the programs is under way.	Observed.
MoU 4.6.1.ii i	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;	July 2013	All these actions cover the re-engineering of OAED. The Action Plan was presented at 30th of September and adopted by the Managerial Committee. The implementation has begun.	Observed.
MoU 4.6.1.v	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.	September 2013	Law 4186/2013 includes articles about the apprenticeship scheme. A revised road map (having incorporated comments of troika) has been submitted to PM's office and EC/ECB/IMF.	Observed.
MoU 4.6.1	The Action Plan should inform on the financing of the forthcoming initiatives.			
MEFP (12)	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	July 2013	JMD 3.24641/Otk.3.1574 26/08/2013 on temporary employment program for 50.000 unemployed beneficiaries and total budget of 216 m. euro financed by European structural funds. All four tenders and their final results have been already	Observed.

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	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.		launched for 10.000, 27.948, 7.400 & 4.413 beneficiaries respectively.	
MoU4. 6.2	The Government will produce a Green Paper on social protection and policy with a view to increase the effectiveness of income support programmes.	September 2013	The Green Paper has been presented and submitted to EC/ECB/IMF. A Steering Committee has been established under S.G. of M.o.L. EC/ECB/IMF are not satisfied with the result mainly because of lack of costing of the whole project. M.o.L. contacted prof. Amitsis in order to add quantitative data to the study and present it to EC/ECB/IMF.	N/A
MoU 4.6.3	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.	January 2014	In order for the pilot program to begin this year, a Ministerial Decree is necessary to define all the issues, like the selected areas, the selection criteria, the payment institutions etc. There is a delay in implementing the project and it will not start earlier than July 2014. There is programming at new MoU with analytical milestones.	Not Observed.
MoU 4.6.4	A specific position paper on the means-tested minimum guaranteed income scheme shall be prepared. 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.	July 2013	The Position Paper has been delivered by World Bank and adopted by the Ministry. The contract between the two sides has been signed.	Observed.
MoU 4.6.5	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	The action plan will be part of the final report that is prepared with the collaboration of WHO and is expected to be finalised in March, when the data for the number of uninsured citizens will be available by MoLabour. Draft analysis was sent to the EC/ECB/IMF at 6/2/2014. New deadline: March 2014	Not Observed.
MEFP (12)	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.	July 2013	First payments were made to the beneficiaries of the new child law at Wednesday 24th of July 2013. About the income-tested program, the World Bank prepared the relevant position paper with own resources. An agreement has been signed with Ministry of Labour.	Observed.
5 Creating favourable conditions for economic activity				

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MoU 5	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				
MoU 5.1.1.1	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	EC/ECB/IMF assessed GAO's revised proposal as unsatisfactory and asked for the broadening of those non reciprocating charges for immediate abolition as well as the submission of a strict and specific timeline for the action implementation (roadmap). Recent data were submitted to EC/ECB/IMF on 28/2. The action has been transferred to the new MoU.	Not Observed.
5.1.2 Reducing procedural and other administrative burden				
MoU 5.1.2.1	The Government takes additional measures to ease doing business, as measured by the World Bank's Doing Business indicator.	May 2014		
MoU 5.1.2.2	To implement law 3982/2011 on the fast track licensing procedure for technical professions, the Government issues secondary legislation on:			
MoU 5.1.2.2.i TMU	Defining the fees paid for obtaining a license for cooling technicians.	July 2013	FEK 1750/17.7.13	Observed.
MoU 5.1.2.2.ii TMU	The notification process of technical profession for electricians.	July 2013	FEK 1644/3.7.13	Observed.
MoU 5.1.2.2.iii TMU	The fees paid for notification of technical profession for electricians.	July 2013	FEK 1750/17.7.13	Observed.
MoU 5.1.2.2.iv TMU	Syllabus and process for obtaining a license for machine operators.	August 2013	FEK B'1983/14.8.2013	Observed.
MoU 5.1.2.2.v TMU	Defining the fees paid for obtaining a license for machine operators.	September 2013	JMD FEK 2287B/13.9.2013.	Observed.
MoU 5.1.2.2.vi TMU	The syllabus and process for obtaining a license for electricians.	September 2013	JMD FEK 2190/B/5-9-2013	Observed.
MoU 5.1.2.2.vii TMU	Defining the fees paid for obtaining a license for electricians.	October 2013	JMD FEK 2584/B/11-11-2013.	Observed.
MoU 5.1.2.2.viii TMU	Conditions of conducting exams for technical professions by private entities.	November 2013	JMD FEK 3133/B/10.12.2013.	Observed.
MoU 5.1.2.2.ix	Replacing of professional experience by seminars organized by approved bodies.	March 2014		
MoU 5.1.2.2.x	The fees for the seminars replacing professional experience.	March 2014		
MoU 5.1.2.3	To implement Law 4014/2011 on environmental licensing of projects and activities, the Government issues:			
MoU 5.1.2.3.i	The Ministerial Decisions (Art. 8.3) on laying down the standard environmental commitments of projects and activities in category B:			
MoU 5.1.2.3.i.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	The needed MD and JMDs have been signed by the competent Ministries and published.	Observed.
MoU 5.1.2.3.i.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	All the remaining MD/JMD's that had deadline September 2013 are prepared and published.	Observed.
MoU 5.1.2.3.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	MD FEK B 2436/27.09.2013.	Observed.

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MoU 5.1.2.3 .iii	The Ministerial Decision (Art. 19.9) on the specification of procedures for consultation and participation during the public consultation process.	October 2013	The existing legislation covers publication matters and public consultation processes in accordance with the law 4014/2011. Additionally, JMD FEK 45/15-1-2014 was signed.	Observed.
MoU 5.1.2.3 .iv	The Presidential Decree (Art. 14.5) on the establishment of the environmental licensing directorate.	October 2013	The draft P.D. is submitted to Council of State. New deadline: May 2014.	Not Observed.
MoU 5.1.2.3 .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	MD FEK B 135 - 27.01.2014.	Observed.
MoU 5.1.2.3 .vi	The Ministerial Decision (Art.18.5) Digital Environmental Registry.	February 2014	There is a draft JMD (with MAREG) which is expected to be signed by the end of March. New deadline: March 2014.	
MoU 5.1.2.3 .vii	The Ministerial Decision (Art. 17.8) on fixing compensatory fees and procedures.	April 2014	The JMD is expected by the end of May. New deadline: June 2014.	
MoU 5.1.2.3 .viii	The Presidential Decrees (Art. 16.6) on the establishment of the certified Environmental Impact Assessment assessors registry.	June 2014		
MoU 5.1.2.3 .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	The report on the implementation of Law 4014/2011, examining the degree to which licensing procedures have been simplified and shortened, has been submitted to EC/ECB/IMF. New deadline: March 2014.	Not Observed.
MoU 5.1.2.4	To improve waste management, the Government licenses at least two disposal sites for hazardous waste.	September 2013	At least two hazardous waste landfill (HWL) sites with an environmental license exist in Greece of which the one is in operation but only for asbestos waste. Given that this issue is directly linked to social and local acceptance, but also with individual initiative, it is extremely difficult to give a short timetable for completion. New deadline: June 2014.	Not Observed.
MoU 5.1.2.5	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	July 2013	Strategy is presented.	Observed.
MoU 5.1.2.5	(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) followed by a roadmap, 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.	September 2013	Roadmap presented and report submitted.	Observed.
MEFP (35)	To facilitate investment, 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.	December 2013	Public consultation of draft law is concluded. Will be submitted to Parliament by 10.04.2014.	Pending.
MEFP (35)	In parallel, we will also establish a tracking system to monitor implementation and ensure accountability (regarding investment licensing).	December 2013		Pending.
MoU 5.1.2.6	To simplify export and import procedures, the Government:			
MoU 5.1.2.6 .I.a	Appoints at least 20 exporters in the authorised trader scheme for fresh fruits and vegetables.	December 2013	The following link http://www.minagric.gr/index.php/el/for-farmer-2/crop-production/oporokipeytika/287-nopa-oporokipeytika#empor_nopon_opor includes all the relevant information • JMD 2533/63997/29-05-13 (ΦΕΚ 1380/Β/06-06-13) • Circular 4453/116157/27-09-13 (ΑΔΑ: ΒΑ9ΑΒ-Η32) • Authorised trader registrar for fresh fruit and vegetables. (2.1.2014). The authorised traders are already 21.	Observed.
MoU 5.1.2.6 .i.b	Fully implements risk based control system based on EU best practice for fresh fruits and vegetables.	January 2014	The following legal instruments have been issued: JMD 2069/54616/02-05-13 (ΦΕΚ 1132/Β/10-05-13) Circular 4451/116103/27-09-13 (ΑΔΑ: ΒΑ9ΑΒ-ΜΨ8).	Observed.

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			Moreover, seminars have taken place all over the country and the risk based system applies.	
MoU 5.1.2.6 .i.c	Following the example of fresh fruits and white cheese, reviews pre-customs and customs procedures for 5 more products (olive oil, cosmetics, aluminium profiles, canned peaches, dual use product).	December 2013	The study of 5 more products has been assigned to the Centre of Exporting Research and Studies of the Panhellenic Export Society.	Not Observed.
MoU 5.1.2.6 .i.d	Streamlines relevant procedures. (trade facilitation)	March 2014		
MoU 5.1.2.6 .ii MEFP (35)	Launches a pilot for imports enabling 24/7 customs operations in the customs offices of Athens airport and two shifts in Piraeus Port .	July 2013	MD Δ19Α 5026961 ΕΞ 2013/15-7-2013 and MD Δ19Α 5026988 ΕΞ 2013/15-7-2013.	Observed.
MoU 5.1.2.6 .iii	Adopts the following procedures in pilot customs offices: 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.	July 2013	The relevant decision has been signed with protocol number Δ19Α 5027112 ΕΞ 2013/15-7-2013.	N/A
MoU 5.1.2.6 .iv.a	Implements automatic clearance for low risk declarations in line with EU best practices in customs pilot offices.	November 2013	The relevant software is being tested and will be put in operational production by end February in all customs offices. The action has been transferred to the new MoU with deadline April 2014.	Not Observed.
MoU 5.1.2.6 .iv.b	Implements automatic clearance for low risk declarations in line with EU best practices across all customs offices.	December 2013	It depends on action 5.1.2.6.iv.a. It was proposed to transfer the action deadline for June 2014 in new MoU.	Not Observed.
MoU 5.1.2.6 .iv.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.	September 2013	The relevant MD was signed (Prot. Number Δ33Δ 5036742 ΕΞ 2013 14-10-2013) as well as the SGPR's decision (Δ33Δ 52559 ΕΞ 2013 ΕΜΠ 14-10-2013). A new circular has been issued. However, monthly exports statistical data up to January 2014 were not satisfactory. The action has been transferred to the new MoU.	Not Observed.
MoU 5.1.2.6 .iv.d	Makes similar alignments to the risk assessment system for imports.	March 2014	Time is needed to stabilize the operation of the new system of customs ICISNET, careful study of changes and creation of an action plan with a compilation deadline in April and implementation towards the end of 2014.	
MoU 5.1.2.6 .v.a	Ensures that the e-customs system supports the submission of declarations and supporting documents for exports in all customs offices.	July 2013	Prot. number: Δ19Α 5033014 ΕΞ 2013/16-9-2013 (ΑΔΑ: ΒΑ9ΓΗ-Δ5Υ) and Δ19Α 5012006 ΕΞ 2012/12-3-2012 (ΑΔΑ: Β44ΝΗ-ΘΔΝ)	Observed.
MoU 5.1.2.6 .v.b MEFP (35)	Ensures that the e-customs system supports the submission of declarations and supporting documents for imports in the pilot customs offices.	July 2013	The pilot stage (tests) was completed and the productive function of icisnet for electronic submission of import declaration and supporting documents in the pilot customs offices has started.	Observed.
MoU 5.1.2.6 .v.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.	November 2013	For imports the electronic submission of the declaration and supporting documents is implemented in all customs offices. The electronic payment's action has been transferred to the new MoU. The electronic payment will be applied to imports and exports by March 2014.	Not Observed.
MEFP (35)	We will introduce an electronic submission system for all import declarations.	November 2013	For imports the electronic submission of the declaration and supporting documents is implemented in all customs offices on 4.12.2013.	Observed.
MoU 5.1.2.6 .vi.a	With assistance by the World Customs Organization, assesses the results of the pilots.	November 2013	Based on the findings of the WCO report, EC/ECB/IMF assessed the activity as observed.	Observed.
MEFP (35)	We will assess the effectiveness of the risk-based system for the release of export consignments in pilot customs offices in Athens airport and Piraeus port.	December 2013	The action was evaluated as observed at a meeting with the technical team on March the 5th.	Observed.
MoU 5.1.2.6 .v.i.b	Presents a detailed plan with timetable on how optimised procedures will be rolled out across all other customs offices.	December 2013	It depends on the evaluation of WCO. The relevant report was forwarded to EC/ECB/IMF. The action is transferred to the revised MoU.	Not Observed.
MoU 5.1.2.6 .v.i.c MEFP (35)	Applies optimised procedures permanently in pilot customs offices of the Athens airport and Piraeus Port.	January 2014	It depends on the evaluation of WCO. The relevant report was forwarded to EC/ECB/IMF.	

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MoU 5.1.2.6 .vi.d MEFP (35)	Rolls-outs optimised procedures during 2014 and applies them permanently in all other customs offices.	December 2014		
MoU 5.1.2.6 .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.	September 2013	A letter was sent to EC/ECB/IMF mentioning that the staffing of the Committee was completed.	Observed.
MoU 5.1.2.7 MEFP (35)	To identify and eliminate unnecessary reporting requirements for businesses:			
MoU 5.1.2.7 .i	The Government concludes the preparatory analysis of the Standard Cost Model in 13 sectors to identify administrative burdens for businesses.	September 2013	The 20% of the heaviest burdens is delivered to MAREG.	Observed.
MoU 5.1.2.7 .ii	The Government presents the results of the Standard Cost Model in 13 sectors.	December 2013	All the reports (13) are submitted. Quick wins are included in Law 4250/2014 FEK 74. The rest of the suggestions will be included in draft omnibus bill which is estimated to be submitted to Parliament in June.	Observed.
MoU 5.1.2.7 .iii MEFP (35)	Following the identification of administrative burdens the Government completes the amendments to sector specific legislation.	March 2014	Quick wins are included in L. 4250/2014 FEK 74. The rest of the suggestions will be included in draft omnibus bill which is estimated to be submitted to Parliament in May.	
MoU 5.1.2.8	To facilitate spatial planning including through an effective land registry, the Government:			
MoU 5.1.2.8 .i	Adopts a revised framework legislation to simplify and reduce the time needed for town planning processes.	July 2013	Draft Law will be submitted to Parliament in April 2014. New deadline: April 2014.	N/A
MoU 5.1.2.8 .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:			
MoU 5.1.2.8 .ii.a	After the completion of the first phase, the second phase of modification is completed.	July 2013	The A2 (second) phase of modification of the regional spatial plans is completed for 11 out of 12 regions. (Region of South Aegean is reported separately, see MoU action 5.1.2.8.iii).	Observed.
MoU 5.1.2.8 .ii.b	The third phase for the formulation of proposals is completed.	November 2013	The third phase for 10 of 12 regions is expected to be completed in February 2014. The third phase for North Aegean is expected to be completed by the end of March 2014. New deadline: March 2014 and April 2014 respectively.	Not Observed.
MoU 5.1.2.8 .ii.c	The fourth phase for the legislation of the final proposal is completed.	February 2014	The fourth phase for 10 of 12 regions is expected to be completed by the end of April 2014. The fourth phase for North Aegean is expected to be completed by the end of June 2014. New deadline: May 2014 and June 2014 respectively.	
MoU 5.1.2.8 .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:			
MoU 5.1.2.8 .iii.a	The first phase of this revision is completed.	September 2013	Finalization of the first phase is expected by the end of March 2014. New deadline: March 2014.	Not Observed.
MoU 5.1.2.8 .iii.b	The second phase of modification is completed.	November 2013	This action is expected to be completed by the end of April 2014. New deadline: April 2014.	Not Observed.
MoU 5.1.2.8 .iii.c	The third phase for the formulation of proposals is completed.	March 2014	This action is expected to be completed by the end of July 2014. New deadline: July 2014.	
MoU 5.1.2.8 .iii.d	The fourth phase for the legislation of the final proposal is completed.	June 2014	This action is expected to be completed by the end of September 2014. New deadline: September 2014.	
MoU 5.1.2.8 .iv	Reforms the forestry legislation as follows:			
MoU 5.1.2.8 .iv.a	Updates legislation on forests and forest lands.	September 2013	Public consultation on draft law on forests and forest lands is completed and will soon be submitted to Parliament. New deadline: June 2014.	N/A
MoU 5.1.2.8 .iv.b	Codifies legislation on parks, forests and forest lands.	December 2014		

Par / Page	Action	Deadline	Comments	Status
MoU 5.1.2.9	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:			
MoU 5.1.2.9 .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	Done legislatively (GG A 156 / 09-07-2013). JMD has been signed and published (GG B 2657 - 18.10.2013).	Observed.
MoU 5.1.2.9 .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	The draft of the business plan was submitted to EC/ECB/IMF on 31/12/2013. The incorporation of comments and suggestions of EC/ECB/IMF in the plan is pending. There is collaboration with an expert group from Taskforce. New deadline: March 2014.	Not Observed.
MoU 5.1.2.9 .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	The draft P.Ds. will be ready by the first quarter of 2014 (March 2014). New deadline: March 2014.	Not Observed.
MoU 5.1.2.9 .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	Pilot use of the IT application currently. The full operation of the electronic system will be in place by December 2015. New deadline: April 2014.	N/A
MoU 5.1.2.9 .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	At this stage the competent Ministry is MoF (GSPR and GSIS). The operational action group has been instituted and it will have to deliver its work by April 28th, 2014. The decision for the setup of the law preparation committee is at signatures' stage. The action has been transferred to the revised MoU.	Not Observed.
MoU 5.1.2.9 .vi	Ensure that Urban Planning and Construction Permits to be built on maps provided by or in conformity with EKXA AE.	December 2013	Draft law on the spatial and planning legislation (action 5.1.2.8.i) under preparation. Draft P.D. on buildings' identity under preparation (ready to be submitted to Council of State). The electronic application that will support its implementation is being developed by the Technical Chamber of Greece and expected to be available by the end of October 2014. New deadline: March 2014.	Not Observed.
MoU 5.1.2.9 .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	A Joint Committee has been set up for the harmonization of the Special Cadastral efforts with the National Cadastre. This Committee will prepare a Road map for the databases by the end of March. New deadline: April 2014.	Not Observed.
MoU 5.1.2.9 .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	There is already in place a good cooperation framework between EKXA and OPEKEPE, the State agency responsible for the management of LPIS (Land Parcel Identification System). With respect to the first part of the clause, we note that currently there are no other comprehensive databases for urban planning, construction permits, or other information on real estate in Greece. The PD for "building identity" will ensure the interface between the database of EKXA SA and the electronic platform for the implementation of the Electronic Identity Building. This action has been deleted in the draft updated version of the Memorandum.	Not Observed.
MoU 5.1.2.9 .ix	Extend the cadastral database to include transaction prices, objective values of transactions.	December 2013	This project requires funding and at least two years in order to plan, write the terms of reference, tender it, implement it, audit quality and accept it. This action has been deleted in the draft updated version of the Memorandum.	Not Observed.
MoU 5.1.2.9 .ix	The scope of the cadastre should be widened to include buildings and other constructions on non-urban land.	December 2014		
MoU 5.1.2.1 0	In order to achieve a timely realisation of the cadastre, the government will:			
MoU 5.1.2.1 0.i	Based on existing surveys, provide maps of constructions on non-urban land.	June 2014		N/A
MoU 5.1.2.1 0.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. Milestones will be set for the completion of particular	December 2015		

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	areas.			
MoU 5.1.2.1 0.iii	Proceed with the awarding of the seven (7) million active property rights tendered since December 2011;	March 2014	The awarding of the first and more important four (4) million active property rights tendered since December 2011 will be proceeded by March 2014 and the remaining three (3) millions of them by December 2014.	
MoU 5.1.2.1 0.iii	Tender out all remaining rights (ca. 15 million).	September 2013	The tender is posted on the website of EKXA and the remaining rights will be awarded by mid-2014.	Observed.
MoU 5.1.2.1 0.iii	Complete the award of tenders for unfinished cadastral projects.	December 2014		
MoU 5.1.2.10 iv	The government will make it compulsory to include the single cadastral code number of each parcel in tax declarations (form E9) of real estate.	July 2013	MD for the type and content of the declaration of property (E9) has been signed and published. (GG 1850/B/29-7-2013).	Observed.
5.1.3 Enhancing competition and promoting better regulation				
MoU 5.1.3.1	Following the competition assessment in 4 key 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	Law 4254/2014 (FEK 85/7.4.2014) Paragraph ΣΤ 1' PHARMACIES, ΣΤ2' FUEL TRADE, ΣΤ3 KIOSKS, ΣΤ4 BOOKS, ΣΤ5 OPEN SUNDAYS, OUTLETS, ΣΤ6 BREAD, ΣΤ7 FOOD & BEVERAGE, ΣΤ8 MILK, ΣΤ9 FOOD PROCESING, ΣΤ' 10-12 CONSTRUCTION MATERIAS, ΣΤ' 13-17 TOURISM, ΣΤ 18 GENERAL, ΣΤ' 19 TRUCKS	Not Observed.
MoU 5.1.3.2	The new legislation will be enacted (Competition Assessment Toolkit).	November 2013	Law 4254/2014 (FEK 85/7.4.2014) Paragraph ΣΤ 1' PHARMACIES, ΣΤ2' FUEL TRADE, ΣΤ3 KIOSKS, ΣΤ4 BOOKS, ΣΤ5 OPEN SUNDAYS, OUTLETS, ΣΤ6 BREAD, ΣΤ7 FOOD & BEVERAGE, ΣΤ8 MILK, ΣΤ9 FOOD PROCESING, ΣΤ' 10-12 CONSTRUCTION MATERIAS, ΣΤ' 13-17 TOURISM, ΣΤ 18 GENERAL, ΣΤ' 19 TRUCKS	Not Observed.
MEFP (35)	The new legislation will be enacted (Competition Assessment Toolkit).	December 2013	Law 4254/2014 (FEK 85/7.4.2014) Paragraph ΣΤ 1' PHARMACIES, ΣΤ2' FUEL TRADE, ΣΤ3 KIOSKS, ΣΤ4 BOOKS, ΣΤ5 OPEN SUNDAYS, OUTLETS, ΣΤ6 BREAD, ΣΤ7 FOOD & BEVERAGE, ΣΤ8 MILK, ΣΤ9 FOOD PROCESING, ΣΤ' 10-12 CONSTRUCTION MATERIAS, ΣΤ' 13-17 TOURISM, ΣΤ 18 GENERAL, ΣΤ' 19 TRUCKS	Pending.
MoU 5.1.3.3	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	P.D. on Better Regulation Office: 149 ΦΕΚ 232/31.10.2013. The Legislative Initiative Offices are included in the staffing plans of the Ministries that are also under preparation.	Observed.
MoU 5.1.3.4	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	The relevant services of the ministries have not been set up yet, hence the annual planning cannot take place.	Not Observed.
5.2 Reforming the judicial system to support economic activity				
MoU 5.2	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				
MoU 5.2.1	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.	March 2014	The Legislative Committee submitted the final draft to the Minister and to troika on February and it is under public consultation from March 7th till 28th. It was agreed to be submitted to Parliament in April and to be voted in May 2014.	
5.2.2 Judicial statistics				
MoU 5.2.2	In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4.1 and 9.4.2 of this Memorandum .	Quarterly	3rd quarter data: uploaded December 31st, 2013. 4th quarter data: To be submitted at the end of Q1-2014.	Observed.
5.2.3 Tax case backlog reduction				

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MoU 5.2.3	Building on the 2012 Administrative Courts data reports and reports by the General Commission for the Administrative Courts, the Government:			
MoU 5.2.3.1	Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts.	July 2013	An assessment of the impact of all the past measures for the reduction of administrative courts backlog was submitted on August 1st, 2013.	Observed.
MoU 5.2.3.2	Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts.	July 2013	An assessment of the current situation in the administrative courts and an action plan with proposals for the reduction of tax cases backlog was submitted on August 1st, 2013.	Observed.
MEFP (37)	Reallocate judges to the administrative courts, having in mind the backlog reduction needs.	September 2013	Reallocation of judges has been implemented with Presidential Decree No 107/2013 (GG 140A).	Observed.
MEFP (37)	Adopt an action plan to reduce civil and commercial case backlogs.	September 2013	The action plan to reduce civil and commercial case backlogs was submitted on July 31st, 2013.	Observed.
5.2.4 Non-tax case backlog reduction				
MoU 5.2.4.1	Based on the study on the backlog of non-tax cases in courts conducted by an external body of experts, the Government prepares 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.	July 2013	A study for the Civil Justice in Greece was submitted on July 31st, 2013 and an Action Plan is included therein with specific measures for the reduction of cases backlog in Courts.	Observed.
MEFP (37)	To further improve the efficiency of our court system, we will present to the EC/IMF/ECB staff an assessment of the operation of magistrates' courts.	July 2013	An assessment of the operation of magistrate's courts is included in the study for the Civil Justice in Greece that was submitted on July 31st, 2013 (see 5.2.4.1)	Observed.
MoU 5.2.4.2	The Authorities prepare draft legislation on compulsory mediation for small claims.	July 2013	The MoJ submitted to EC/ECB/IMF, in July, draft legislation.	Observed.
5.2.5 Development of e-justice applications in courts				
MoU 5.2.5.1	The Government updates, further refines and operationalizes the e-justice Action Plan. Updated versions are to be submitted within 15 calendar days from the expiration of the relevant quarter.	Quarterly	Q3 plan submitted on December 6th, 2013 and Q4 on January 14th, 2014.	Observed.
MoU 5.2.5.2	The action plan will include additional actions as follows:			
MoU 5.2.5.2.i	An evaluation of the use of IT systems in courts.	March 2014	To be submitted early April 2014.	
MoU 5.2.5.2.ii	a timetable, including proposed deadlines, for the extension of case e-registration and e-tracking to all courts.	March 2014	To be submitted early April 2014.	
MoU 5.2.5.3	Short term actions within the framework of the E-Justice Action Plan:			
MoU 5.2.5.3.a	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.	September 2013	The system is operational.	Observed.
MoU 5.2.5.3.b	the Government completes the pilot implementation of e-filing in the Piraeus and Thessaloniki Courts of First Instance (provided that the respective Bar Associations cooperate with the MoJ to meet the above deadline).	December 2013	The system is fully operational in Salonica and in pilot operation in Piraeus.	Observed.
MoU 5.2.5.4	Implementation of integrated e-justice systems within the Framework of the E-justice Action Plan:			
MoU 5.2.5.4.c	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:			
MoU 5.2.5.4.c.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;	December 2015		
MoU 5.2.5.4.c.ii	all the Administrative Courts.	December 2015		
MoU 5.2.5.4.d	The Government completes the extension of the above applications to the other courts.	December 2017		
MoU 5.2.5.5	The Government ensures consistency of the e-Justice action plan with the national e-government strategy.	Continuous		Observed. Ongoing.

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5.2.6 Promotion of pre-trial conciliation and mediation				
MoU 5.2.6.1	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.	September 2013	A study assessing the results of the introduction of mediation and pre-trial conciliation in Greece, over the last couple of years, was submitted by the MoJ to EC/ECB/IMF on October 8th, 2013.	Observed.
MoU 5.2.6.2	The Government presents a legislative proposal for the effective opening of the mediator's profession to non-lawyers.	December 2013	It has been labelled Prior Action and included law 4254 of March 2014 (art. 1, par. IE.2 - GG 85A)	Not Observed.
MoU 5.2.6.3	The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website.	Continuous	On March 5th the list contains 366 (plus 15 interstate) mediators and 4 training centers.	Observed. Ongoing.
5.2.7 Other measures on judicial reform				
MoU 5.2.7.1	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, in order to assess the Law after a six-month regular operation of the courts.	July 2013	A study for the Civil Justice in Greece has been submitted on July 31st, 2013 and an assessment of the enactment of Law 4055/2012 is included therein.	Observed.
MoU 5.2.7.1	the final assessment is presented after a twelve month of regular operation of the courts.	January 2014	To be submitted in early April.	Not Observed.
MoU 5.2.7.2	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;	September 2013	Revised draft (excluding tax cases which are all to be handled by the Internal Review procedure of the MoF) and cost estimate was submitted to EC/ECB/IMF on December 31st, 2013.	Observed.
MoU 5.2.7.2	and submits it to the Greek Parliament.	September 2013	At this time the proposed plan is to pass legislation during May and start the implementation of pilot program January 2015.	N/A
MoU 5.2.7.3 MEFP (37)	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	Study submitted on November 6th, 2013 to EC/ECB/IMF.	Observed.
MoU 5.2.7.4 MEFP (37)	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 (MEFP: ...and commercial) decisions, including the powers, tools, fees, and organization of enforcement agents. The brief will include references to the legislation.	December 2013	A brief on enforcement measures was submitted to EC/ECB/IMF on December 31st, 2013.	Observed.
6 Efficient Network Industries and Services				
6.1 Energy Policy				
MoU 6.1	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				
MoU 6.1.1 MEFP (9)	Following the plan adopted by the Government in its cabinet meeting of 24 July 2013, and published in the Official Gazette (FEK 168 A/24.7.2013), the Government takes the following actions:			
MoU 6.1.1.1.a	The Government adopts legislation to provide full ownership unbundling of ADMIE from PPC within the second quarter of 2014.	September 2013	The provisions for ADMHE were voted from the Greek Parliament. FEK 36/12.02.2014.	Observed.
MoU 6.1.1.1.b	The Government adopts legislation 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	September 2013	The draft Law is expected to be submitted to Parliament in April and adopted by June 2014.	Not Observed.

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	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.			
MoU 6.1.1.1 -c	The Government adopts legislation to clear further possible legislative obstacles to the privatisation process while protecting the rights of minority shareholders.	September 2013	The draft Law is expected to be submitted to Parliament in April and adopted by June 2014.	Not Observed.
MoU6. 1.1.2	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.	September 2013	The provisions for ADMHE were voted from the Greek Parliament.FEK 36/12.02.2014.	N/A
MoU 6.1.1.3	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	The Cabinet Act FEK 168 A - 24.07.2013 for the plan of privatisation of PPC provides the timetable.	Observed. Ongoing.
6.1.2 Provisions regarding the privatisation of PPC and DESFA				
MoU 6.1.2.1	The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC.	Continuous	Law 4001/FEK 179 - 22.08.2011 incorporates the Directive 2009/73/EC and 2009/72/EC.	Observed. Ongoing.
6.1.3 Ensuring that electricity prices reflect costs				
MoU 6.1.3.1	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	A significant step in the direction of cost-reflective electricity prices is the recent (Aug. 2013) award by RAE, following an international tender, of an extensive consultancy/study contract (to ERNST & YOUNG) for the provision of consultancy services in relation to: a) Conducting a baseline study of the cost structure of the Public Power Corporation (PPC) and its network subsidiaries (ADMIE SA & DEDDIE SA), including mining, generation, transmission, distribution and supply. b) Benchmarking of the above cost structure and performance against international power utilities. c) Identifying and recommending forward-looking strategic measures on how to improve the cost base of PPC, ultimately with a positive impact on the end-customers, and providing a high-level roadmap for the application of the recommended measures. d) Providing to RAE the framework developed for the cost baseline analysis and benchmarking, so that RAE could use it to monitor the cost structure development of PPC and other major players, and to assess their performance going forward. The results of the above Project will lead to a more accurate and updated, quantitative determination of the cost improvement potential of PPC's entire productive chain, as well as to its optimal realisation path, and, in doing so, it will ensure that the final consumer pays electricity prices that fully reflect system marginal costs, per customer category, thus avoiding cross-subsidisation.	Observed. Ongoing.
MoU 6.1.3.2	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	As in 6.1.3.1.	Observed. Ongoing.
MoU 6.1.3.3	The Government assesses best practices with a view to charging royalties for the use of hydro and lignite and publishes its report.	July 2013	The report was published in Ministry's website.	Observed.
6.1.4 Providing for a financially sustainable development of renewable energy sources				
MoU 6.1.4 MEFP (9)	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 (MEFP: including the number of new producers in the renewable energy market) 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:			

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MoU 6.1.4.1 MEFP (9)	Adjust the RES levy every six months (July 2013, January and July 2014) to eliminate the projected RES account debt by end December 2014.	1st July 2013	For the 2nd semester of 2013, the level of the RES levy has been increased significantly, from 9,32 €/MWh (1st semester 2013) to 14,96 €/MWh according to RAE's decision No 323/2013/FEK 1784 / 24-07-2013.	Observed.
MoU 6.1.4.1 MEFP (9)	Adjust the RES levy every six months (July 2013, January and July 2014) to eliminate the projected RES account debt by end December 2014.	December 2013	The RES levy for January and February 2014 remains unchanged. RAE's decision No 663/2013. A RAE's decision for the first half 2014 is ready to be announced and implemented if: 1) no additional measures for RES account are taken or 2) in accordance with the additional measures depending on the new tariffs of RES. See next action (6.1.4.2).	Not Observed. Pending.
MoU 6.1.4.2	Complete 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.	September 2013	To be included in the Omnibus Law voted in March 2014.	Not Observed.
MoU 6.1.4.3	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	See action 6.1.4.2 above.	N/A
MoU 6.1.4.4	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. 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.	Monthly	LAGIE and RAE publish on their websites the continuously updated projections on the balance of the Special RES Account.	Observed. Ongoing.
MoU 6.1.4.5	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.	1st January 2014	It is only about companies receiving incentives, it is considered as high priority action and Task Force is also involved. YPEKA already has the detailed data. Further cooperation between Ministry and EC/ECB/IMF will be needed before final decisions. New deadline: March 2014.	
MoU 6.1.4.6	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	The electronic registry of RES installations is already in operation. The monthly report is also being published. The weblink is www.resoffice.gr .	Observed.
MoU 6.1.4.7	The Government modifies 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).	September 2013	The modification of the MD was not needed. The weblink is www.resoffice.gr .	Observed.
6.1.5 Liquidity and arrears in the energy sector				
MoU 6.1.5.1	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.	Monthly	The Ministry sends directly to EC/ECB/IMF the monthly data.	Observed.
MEFP (9)	The Government provides EC/ECB/IMF with monthly tables on the stock of arrears in the electricity market.	July 2013	The Ministry sends directly to EC/ECB/IMF the monthly data.	Observed.
MoU 6.1.5.2	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	Observed and ongoing.	Observed. Ongoing.
MoU 6.1.5.3	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.	Continuous	1a) LAGIE formulated a detailed methodology for the fair and equitable allocation of existing debts to all market participants, 1b) RAE adopted this methodology and issued the Decision 285/2013 (National Gazette B' 1792/25-07-2013), 2) RAE has been working on the development of a similar methodology regarding all payments taking place through the TSO, ADMIE SA, 3) RAE has issued decisions (461/2013, 462/2013) for minimising the credit risk and increasing the liquidity of LAGIE, which, consequently, can	Observed. Ongoing.

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			increase security in the entire domestic electricity market.	
6.1.6 Planning the development of the electricity market in the medium to long term				
MoU 6.1.6.1	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:			
MoU 6.1.6.1.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	30% rule is removed on 1st January 2014 (RAE's decision 338/2013).	Observed.
MoU 6.1.6.1.a	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	Expected to be ready by June 2014. New deadline: May 2014.	
MoU 6.1.6.1.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	RAE's Decision 338/2013 on the reserve requirements.	Observed.
MoU 6.1.6.1.c	Review capacity payment mechanisms with a view to incentivise the retirement of power plants that have reached the end of their economic life. The revised capacity mechanism(s) will be in line with EU law, including forthcoming revisions of guidelines in this field.	September 2013	By RAE's Decision 339/2013 some stations that were inefficient compared to similar (they had exhausted their technical and economic life) were closed.	Observed.
MoU 6.1.6.2	Finalize the structure and the parameters of the auctions of NOME-type products, limiting the participation in auctions to generators and suppliers.	September 2013	RAE has almost finalized the structure and the parameters of the auctions. Public consultation is expected in March. New deadlines in MoU: March 2014 for public consultation, June 2014 for legal provisions, September 1st 2014 for auctions.	Not Observed.
6.1.7 Fuel Market				
MoU 6.1.7.1	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	Art. 23 in "Regulation for Fuel Stock" (Gazette No: B 2956 - 21.11.2013) in combination with Art 12 par. 9 of l. 3054/2012, make it possible for third parties to access to existing facilities.	Observed.
MoU 6.1.7.1	Repeal minimum duration of one year for contracts on storage facilities' use by third parties.	September 2013	Repeal minimum duration of one year for contracts on storage facilities' use by third parties: Law 4203/2013, Art. 19, Par. 6, FEK 235/01.11.2013. The reform is completed by Article 17 of the "Regulation for Fuel Stock" (Gazette No: B 2956/21.11.2013).	Observed.
MoU 6.1.7.2	Introduces 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	The obligation is introduced through Article 23 of "Regulation for Fuel Stock" (Gazette No: B 2956 - 21.11.2013). In addition to the MoU requirement, obligation for data to be sent to the Hellenic Competition Committee (HCC) is also introduced.	Observed.
MoU 6.1.7.3	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:			
MoU 6.1.7.3.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	Law 4172/FEK 167/23.07.2013.	Observed.
MoU 6.1.7.3.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	Included in Market Policing Code. L. 4177/ Fek 173/8.8.2013	Observed.
MoU 6.1.7.3.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	L.4177/2013, art.31 (FEK 173/A/8-8-2013). The system is operational.	Observed.
MoU 6.1.7.3.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	Law 4172/ FEK A 167/23.07.2013.	Observed.
MoU 6.1.7.3.v	abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them.	July 2013	Law 4172/ΦEK A 167/23.07.2013.	Observed.
MoU 6.1.7.4	To enhance competition in the retail fuel sector, the Government, as per the same opinion of the Hellenic Competition Commission:			
MoU 6.1.7.4.i	mandates gas stations to state the price and quantity of liquid fuel on all receipts issued (Athens - Thessaloniki)	August 2013	FEK 72/B/4-1-2012 and FEK 3130/B/2-11-2012.	Observed.
MoU 6.1.7.4.i	mandates gas stations to state the price and quantity of liquid fuel on all receipts issued (other urban areas)	September 2013	FEK 72/B/4-1-2012 and FEK 3130/B/2-11-2012.	Observed.
MoU 6.1.7.4.i	mandates gas stations to state the price and quantity of liquid fuel on all receipts issued (remaining)	March 2014	FEK 72/B/4-1-2012 and FEK 3130/B/2-11-2012.	

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MoU 6.1.7.4 .ii	completes the installation of inflow-outflow systems (Athens - Thessaloniki)	August 2013	Installation of the system is completed in all gas stations.	Observed.
MoU 6.1.7.4 .ii	completes the installation of inflow-outflow systems (other urban areas)	September 2013	All contracts are signed and inspections by the Ministry are ongoing.	Observed.
MoU 6.1.7.4 .ii	completes the installation of inflow-outflow systems (remaining)	March 2014		
MoU 6.1.7.4 .iii	abolishes the possibility to impose a minimum price on the sale of fuels to consumers.	July 2013	Art. 104 par. 4 v. 4172/2013 (FEK 167)	Observed.

6.2 Electronic Communications

MoU 6.2	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.			
MoU 6.2.1	Regarding the release of Digital Dividend, the Government (and/or EETT) undertakes to:			
MoU 6.2.1.i	Adopt necessary secondary legislation for the establishment of licensing procedures for the DDT broadcasting network providers.	September 2013	1) JMD regarding the channels of NERIT, FEK 1956/12-08-2013 2) JMD about the dates of the mandatory switch-off of the analogue broadcasting, FEK 2064/B/23-8-2013 3) MD on the number of frequencies, FEK 2359/20-9-2013.	Observed.
MoU 6.2.1.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	Observed and ongoing.	Observed. Ongoing.
MoU 6.2.1.ii i	launch the tender for the assignment of rights of use for DTT broadcasting transmission.	September 2013	The tender is launched on 27.12.2013.	Observed.
MoU 6.2.1.i v	launch the public consultation and proceed to the tender procedure for the assignment of frequencies of the digital dividend, allocating and authorising the use of the digital dividend (800 MHz band) to Electronic Communications Services in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP (*).	March 2014		Not Observed.
MoU 6.2.1.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		Not Observed.
MoU 6.2.1.v	The obligation to ensure the 800 MHz band can actually be used for electronic communications other than broadcasting (*)	November 2014		Not Observed.
MoU 6.2	(*) 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

MoU 6.3	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.			
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6.3.1 Transport Strategy

MoU 6.3.1.1	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		
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6.3.2 Road

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MoU 6.3.2.1	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	Law F.E.K. 216A/11-10-2013	Observed.
MEFP (35)	We will liberalize long distance bus transportation services (adopt legislation to open lines for competition and streamline mandatory discounts)	August 2013	Law F.E.K. 216A/11-10-2013.	Observed.
6.3.3 Aviation				
MoU 6.3.3.1	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	The invitations for expression of interest for the 2 groups of regional airports were published at 1/4/2013. Seven investment vehicles were selected for the next phase of privatisation	Observed. Ongoing.
MoU 6.3.3.2	The Government ensures full implementation of EU Regulation (EU 691/2010) referring to the performance of air traffic management	Continuous	Observed and ongoing.	Observed. Ongoing.
MoU 6.3.3.2	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.	Continuous	The action should be removed since the relevant legislation applies and the country has won awards on air traffic management.	Observed. Ongoing.
MEFP (35)	We will streamline public service obligations (PSO) for regional flights to bring down costs (reduce frequency in the winter and remove PSO in the tourist season when existing contracts expire).	October 2013	There are contracts in force (26 contracts expire on 31.03.2016, 1 on 31.05.2014 and another on 31.08.2014) and possible amendment will lead to compensation payments (fiscal impact). Authorities suggest amendments, where applicable, should occur after the expiry of contracts.	Pending.
MoU 6.3.3.3	The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, and able to carry out its functions.	December 2013	Law 4233/2013 FEK 22/A/29-1-2014	Not Observed.
MoU 6.3.3.3	To this end the Government submits all necessary draft legislation.	June 2013	Draft legislation is submitted.	Observed.
MoU 6.3.3.3	Adopts legislation (HSCA).	September 2013	Law 4233/2013 FEK 22/A/29-1-2014.	Observed.
MoU 6.3.3.3	and fully implements legislation (HSCA).	December 2013	A JMD is under preparation defining the President and the members of the Board of HSCA. The President should be approved by the Parliament as well (Committee for Transparency). Furthermore the internal rules of operation are under preparation.	Not Observed.
6.3.4 Railways				
MoU 6.3.4.1	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	Action is completed. The updating of the TRAINOSE Business Plan is ongoing.	Observed.
MoU 6.3.4.2	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.			
MoU 6.3.4.2 i	The new legislation regarding the award authority for public service contracts for rail passenger transport is adopted.	July 2013	Provisions included in the KTEL Bill (voted). F.E.K. 216A/11-10-2013	Observed.
MoU 6.3.4.2 ii	The new legislation regarding the award authority for public service contracts for rail passenger transport is fully implemented.	December 2013	According to the law, the BoD of RAEM will be appointed by 31.3.2014 and afterwards the action plan will be edited.	Not Observed.
MoU 6.3.4.3	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.	Continuous	The contract is under preparation (final stage). HDRAFT and Ministry of Infrastructure are in cooperation. Direct award for five years, part of the privatization process.	Observed. Ongoing.
MoU 6.3.4.3	Public service contracts concluded in 2014 or later will be awarded by means of competitive tender.	Continuous	Provisions included in the KTEL Bill F.E.K. 216A/11-10-2013.	Observed. Ongoing.
MoU 6.3.4.3	The rent contracts concerning all rolling stock, employed in every public service contract are synchronized both in terms of their duration and to allow for any reallocation of rolling stock as it may become necessary when amending these public service contracts. 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	Continuous	The rent contracts of the rolling stock are to be synchronised. Agreement between the E.C. and the Authorities. It will be completed with the privatization.	N/A

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	maximum duration. Contracts will be awarded at market prices.			
MoU 6.3.4.4	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.			
MoU 6.3.4.4 .iii	To this end, the Government submits draft legislation	May 2013	Draft provisions sent to Troika and agreed.	
MoU 6.3.4.4 .iv	To this end, the Government adopts legislation to allow the rail regulatory authority (RAS) to exert its right of imposing fines.	July 2013	Provisions included in the KTEL Bill, F.E.K. 216A/11-10-2013 (art. 85)	Observed.
MoU 6.3.4.5	The function of safety authority is transferred to an independent authority.	July 2013	Provisions included in the KTEL Bill, F.E.K. 216A/11-10-2013 (art. 85)	Observed.
MoU 6.3.4.6 Annex 9.1	The HRADF launches tender procedure for Trainose	July 2013	The tender for TRAINOSE was launched at 12.07.2013. Three investors expressed their interest.	Observed.
6.3.5 Maritime activities and ports				
MoU 6.3.5.1 MEFP (36)	An assessment of the impact of recent reforms, in consultation with stakeholders, will be completed and additional measures will be introduced with the aim to further improve the competitiveness of the sector, including by increasing flexibility of labour arrangements.	October 2013	The assessment of the recent reforms and the proposals on additional steps were prepared and submitted to EC/ECB/IMF. MoMaritime submitted to EC/ECB/IMF the draft legislative provisions concerning the 3 proposed additional steps. The provisions are expected to be voted in March. New actions are expected in an updated MoU.	Not Observed. Pending.
MEFP (35)	We will further increase the flexibility for ferry transportation.	October 2013	There are ongoing discussions between Ministry of Maritime and troika. New actions are expected in an updated MEFP.	Pending.
MoU 6.3.5.2	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 invitation for expression of interest for OLP was published on 5/3/2014.	Not Observed.
MoU 6.3.5.2	The sustainability of the financing of the Port Authorities privatised by selling concessions in profitable activities should be ensured.	Continuous		N/A
6.4 The retail sector				
MoU 6.4	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.			
MoU 6.4.1	The Government adopts a Ministerial Decision repealing Market Regulation 7/2009, following the results of the notification procedure provided for in Directive 98/34 one month after the end of the standstill period	July 2013	MD A2-861/ΦΕΚ 2044/22.8.13	Observed.
MoU6.4.2MEFP (35)	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	Law 4177 FEK 173/A/8-8-2013	Observed.
MoU 6.4.3	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	July 2013	The study is delivered to the troika.	Observed.

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	declarations or notifications. The results and recommendations of the review are presented.			
MoU 6.4.3	adopt legislation regarding the simplification of the licensing procedure for the establishment and operation of retail outlets.	December 2013	1) Draft provisions regarding the use of land are expected to be voted in March (competent Ministry MinEnv). 2) 3 JMDs (FEK 3169/B/12-12-2013, FEK 3402/B/31-12-2013, FEK 3403/B/31-12-2013) on simplification of establishing 25 main types of operation. 3) JMD FEK 3106/B/9-12-2013 on simplification on establishing operations of sanitary interest. 4) Explanatory circular is sent to the Services. Provision by the Ministry of Culture regarding shops of sanitary interest close to archaeological sites included in the Omnibus Law Paragraph H1.	Observed.
MoU 6.4.4 MEFP (35)	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	JMD: FEK B/2855/11-11-2013	Observed.
MEFP (35)	In the rental sector, we have created a working group to complete a review of the current regime for commercial rentals.	August 2013	The working Group is established, 1.4242/FEK 50/28.2.2014.	Pending.
MEFP (35)	In the rental sector, we will adopt legislation to address existing rigidities.	September 2013	Law voted 4242, FEK 50/A/28-2-2014.	Pending.
6.5 Regulated professions, professional qualifications and provision of service				
MoU 6.5.1 MEFP (34)	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.	September 2013	N/A	N/A
MoU 6.5.2	A report on the implementation of Law 3919/2011 is published on the Government's website. 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.	July 2013	The report is uploaded on the ministry's site.	Observed.
MoU 6.5.3	To assess the proportionality and justification of activities reserved to specific regulated professions, the Government:			
MoU 6.5.3.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	The mutual evaluation document sent on 1.8.2013 is accepted by EC/ECB/IMF.	Observed.
MoU 6.5.3.ii MEFP (34)	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	Draft legislation approved by HCC is included in the omnibus law (l. 4254/2014).	Observed. Pending.
MoU 6.5.3.ii i MEFP (34)	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	Draft legislation approved by HCC is included in the omnibus law (l. 4254/2014).	Not Observed. Pending.
6.5.1 Additional measures				
MoU 6.5.1.1 MEFP (34)	A draft code revising Legislative Decree 3026/1954 is adopted. 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.	July 2013	The Code of Lawyers: L.4194/2013 (GG 208A). Amendments severance pay of salaried lawyers has been labelled Prior Action and incorporated in law 4254 of March 2014 (article 1, par. IE.1 - GG85A).	Observed.

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MoU 6.5.1.2 TMU	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	Included in the Code of Lawyers (Annex III).	Observed.
MoU 6.5.1.3	It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts.	July 2013	Included in the Code of Lawyers.	Observed.
MoU 6.5.1.4	To confirm progress in the area of regulated professions, the Government:			
MoU 6.5.1.4.i MEFP (34)	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	The study is sent to EC/ECB/IMF on 31/7.	Observed.
MEFP (34) TMU	Actuaries: Adopt secondary legislation to start examinations by October 2013	October 2013	Examination procedure: 23937/B/1303/3.6.2013/FEK 1424/12.6.2013 Matching of courses: 23938/B/1304/3.6.2013/FEK 1424/12.6.13 Examination committee: B 1349/11.6.2013/ΦEK 297/B/21.6.13. The p.d. of actuaries is amended by l. 4254/2014.	Pending.
MoU 6.5.1.4.ii MEFP (34)	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	The survey is completed by IOBE.	Not Observed. Pending.
MoU 6.5.1.4.iii MEFP (34)	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.	October 2013	MinFin has uploaded tables with information on professions.	Observed. Pending.
MoU 6.5.1.4.iii MEFP (34)	In consultation with the EC/ECB/IMF staff publish these indicators on a regular basis to strengthen public accountability.	October 2013	MinFin has uploaded tables with information on professions.	Observed. Pending.
MoU 6.5.1.5	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.	December 2013	M.o.L. submitted draft M.D. to EC/ECB/IMF. Comments pending. There is subparagraph in l. 4254/2014 (FEK 85) (IA4).	Not Observed.
6.5.2 Easing the recognition of professional qualifications				
MoU 6.5.2	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:			
MoU 6.5.2.1	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	Information has been submitted to the European Commission.	Observed. Ongoing.
MoU 6.5.2.2	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	Law voted. Art. 13 of law 4148/2013, FEK: 99/26-04-2013.	Observed. Ongoing.
6.5.3 Services Directive: exploiting the information benefits of the Point of Single Contact				
MoU 6.5.3.1	The Government amends the joint ministerial decision 25209/2011 in order to include also the submission of applications and documents by electronic signature.	July 2013	JMD for the submission of online applications for the recognition of professional qualifications: FEK B 2192/05.09.2013.	Observed.
MoU 6.5.3.2	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	JMD FEK B 2192/05.09.2013. The connection with PSC is completed.	Observed.
MoU 6.5.3.3	Ensures that the submission of on-line applications as regards the recognition of professional qualifications is fully operational.	December 2013	The JMD on submission online applications 117821/IA/27.08.2013/FEK 2192/05.09.2013. Staff training been conducted. The on-line functionality is evident and available to the public through the Point of Single Contact.	Observed.
7 Increasing the impact of structural and cohesion funds				
MoU 7.1	The Government meets targets for payment claims and major projects in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data. Targets for payment claims in the absorption of Structural and Cohesion Funds (programming period 2007-2013) to be submitted in 2013 (EUR million).			
MoU 7.1	Annual target for payment claims in the absorption of European Regional Development Fund (ERDF) and Cohesion Fund € 3000.	December 2013	The target is met.	Observed.

Par / Page	Action	Deadline	Comments	Status
MoU 7.1	Annual target for payment claims in the absorption of European Social Fund (ESF) € 890.	December 2013	The target is met.	Observed.
MoU 7.1	Target of first half of the year € 1,284. (payment claims in the absorption of the 3 funds)	June 2013	The target is met.	Observed.
MoU 7.1	Target of second half of the year € 2,606 (payment claims in the absorption of the 3 funds).	December 2013	The target is met.	Observed.
MoU 7.2	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	11 applications submitted in December 2013 and totally 24 applications throughout the year 2013.	Observed.
MoU 7.2	at least 4 applications are submitted.	September 2013	By 24/10/2013 the four applications were submitted.	Observed.
MoU 7.2	the remaining applications are submitted.	December 2013	The target is met.	Observed.
MoU 7.3	In deciding the "Public Investment Budget" allocation, the Government ensures that the necessary national contribution remains available in order to complete the unfinished ERDF, ESF and Cohesion Fund projects of the 2000-2006 programming period and to cover the required national contribution including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period.	Continuous	The national contribution for the unfinished projects is available through the PIB.	Observed. Ongoing.
MoU 7.4	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.	December 2013	Ongoing.	Observed.
MoU 7.4	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;	December 2013	The target is met.	Observed.
MoU 7.4	of 20 priority projects by end 2014;	End 2014		
MoU 7.4	of 70 priority projects by end 2015.	End 2015		
MoU 7.5	Within the review of the public procurement regulations (cfr. section 2.7.2.2.3), standardised tendering documents per category of works are set up in view to simplify procedures on contract awarding.	September 2013	Draft of standardised tendering documents on public works are updated.	Observed.
MoU 7.6	The monitoring tool for expropriations is completed and operational and the data are made accessible to the public.	July 2013	Completed and operational monitoring tool. Accessible at www.anaptyxi.gov.gr	Observed.
MoU 7.7	The Government consolidates the simplification initiative by reviewing the "implementation trail" and the mapping of competences of the involved entities, permits and deadlines needed for the implementation of the main categories of projects supported by the Structural Funds and the Cohesion fund (e.g. transport, waste management, social infrastructure, entrepreneurship, ICT). It lifts the unnecessary steps, simplifies the implementation processes and sets reasonable deadlines. In particular, the Government establishes an alternative to the function of "ypologos" procedure for the EU co-funded projects and establishes the electronic payment.	September 2013	JMD on electronic payments: FEK 2595/B/15-10-2013. Provisions on "ypologos" voted in law 4242 FEK 50/A/28-2-2014, art. 8.	Not Observed.
MoU 7.7	The "ypologos" should be abolished.	December 2013	Following the law 4242 FEK 50/A/28-2-2014, art. 8 a JMD will be prepared.	Not Observed.
MoU 7.7	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.	December 2013	Sleeping and un-activated projects and delegations are reviewed.	Observed.
MoU 7.8	The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund.	September 2013	Ministry worked on the objectives and measures of the anti-fraud strategy and sent a report to EC/ECB/IMF.	Observed.

Par / Page	Action	Deadline	Comments	Status
MoU 7.9	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	Ongoing. A report is delivered every month.	Observed.
MoU 7.10	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.	December 2013	The electronic platform (DIAVLOS) is operational and could be in use in case of consultation.	Observed.
8 Monitoring and Technical Assistance				
8.1 Statistics				
MoU 8.1.1	Government will fully honor the Commitment on Confidence in Statistics signed in February 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility.	Continuous	On 21/8/2013 an annual report on the implementation of the commitment on confidence (CoC) in statistics for year 2012 was submitted by the Minister of Finance to EC. The action wording has been transferred to the revised text of MoU.	Not Observed.
MoU 8.1.2	Legal amendment will be introduced to ensure that ELSTAT will have access to the tax information (including tax registration number), at individual level, of legal entities under private law, associations of individuals and natural persons, notwithstanding tax confidentiality, so that it can carry out its statistical work for the production of official statistics, as it is provided for in Law 3832/2010 as in force, and is specifically set out in the Regulation on Statistical Obligations, while at the same time ELSTAT safeguards the confidentiality of personal records.	July 2013	The action has been transferred as prior to the new draft of MoU.	Not Observed.
MoU 8.1.3	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	Most financial orders have been cleared, there is some unfinished work with orders that have not been approved by the Court of Auditors.	Observed.
MoU 8.1.4	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	Staffing of ELSTAT is almost completed. Pending: two persons to be appointed.	Not Observed.
9 Annexes				
9.1 Privatisation plan and intermediate steps				
State-owned enterprise/share sale				
MoU Annex 9.1	Public Gas (DESFA). State aid clearance.			
MoU Annex 9.1	Horsrace Betting Organization (ODIE) - Binding offers submission.	September 2013	HRADF Board approved the draft concession agreement, binding offers submission are expected in Q2 2014.	Not Observed.
MoU Annex 9.1	Thessaloniki Water (EYATH). Establish pricing policy and amend the license.	November 2013	Draft of amended licence is ready. The pricing policy is included as an Appendix in the licence.	Observed.
MEFP (39)	We will issue the five year pricing policy (for the period 2014-18) for EYATH (water tariffs).	Prior to disbursement	Formal Ministerial Announcement regarding pricing policy for 5 years from Ministries of Finance and Macedonia-Thrace.	Observed.
MoU Annex 9.1 MEFP (39)	Hellenic Vehicle Industry (ELVO). Government to announce a restructuring or resolution plan with a view to completion by end-2013.	Prior to disbursement	Completed.	Observed.
MoUA Annex 9.1	Railways (Trainose) - Binding offers submission.	June 2014		
MoU Annex 9.1 MEFP (39)	Mining and Metallurgical Company (LARCO) - Government to announce a restructuring or resolution plan with a view to completion by end-2013.	Prior to disbursement	Completed.	Observed.
MoU Annex 9.1	Athens Airport (AIA). Agreement on transaction process with Hochtief Airports new shareholder PSP Investments.			

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MoU Annex 9.1	Athens Airport (AIA) - Launch of tender.	September 2013	Launch of tender is expected.	Not Observed.
MoU Annex 9.1	Athens Airport (AIA) - Binding offers submission.	June 2014		
MoU Annex 9.1	Hellenic Post (ELTA). Ministerial decision for the compensation mechanism for USP drafted and prenotified to DGComp.			
MoU Annex 9.1	Hellenic Post (ELTA) - Launch of tender.	September 2013	The tender will be launched in Q2 2014.	Not Observed.
MoU Annex 9.1	Hellenic Post (ELTA) - Binding offers submission.	March 2014	The invitation for expression of interest has not yet been published.	Not Observed.
MoU Annex 9.1 MEFP (39)	Hellenic Defense Systems (EAS). Government to announce a restructuring or resolution plan with a view to completion by end-2013.	Prior to disbursement	Completed.	Observed.
MoU Annex 9.1	Public Power Corporation (PPC) - Launch of tender.	September 2013	The legislation for the separation of the ownership of ADMIE was voted by Parliament (ΦΕΚ Α 36 - 12.02.2014). The invitation for expression of interest is expected to be approved by the Board of PPC by end-March. New deadline: April 2014.	Not Observed.
MoU Annex 9.1	Public Power Corporation (PPC) - Binding offers submission	September 2014		Not Observed.
MoU Annex 9.1	Hellenic Petroleum (HELPE) - Launch of tender.	December 2013	Launch of process is expected after the amendment in HARDFs law to use alternative privatisation tools.	Not Observed.
MoU Annex 9.1	Hellenic Petroleum (HELPE) - Binding offers submission.	September 2014		Not Observed.
MoU Annex 9.1	Athens Water (EYDAP). Establish pricing policy and amend licence.	November 2014		
MoU Annex 9.1	Athens Water (EYDAP). Settlement of receivables from the State.	February 2014	The settlement of receivables is completed.	Observed.
MoU Annex 9.1 MEFP (39)	Athens Water (EYDAP) - Launch of tender.	December 2013	Launch of tender is expected before June 2014. Court of State decision on transfer of shares by State to HRADF pending.	Not Observed. Pending.
MoU Annex 9.1	Athens Water (EYDAP) - Binding offers submission.	September 2014		Not Observed.
MoU Annex 9.1	Casino Mont Parnes. Pending European Court Decision.			Not Observed.
Concessions				
MoU Annex 9.1	Hellenic Motorways. Ratification of reset agreement by Parliament, after consent by Lenders and EU granted.	July 2013	The agreements are ratified by Parliament. FEK 26/A/11-12-2013	Observed.
MoU Annex 9.1	Small ports and marinas - Resolve issues related to urban zoning.	July 2013	The JMD for the Spatial Plan of Tourism is published (FEK B3155/12-12-2013).	Observed.
MoU Annex 9.1	Small ports and marinas - Binding offers submission	December 2013	Binding offers for Alimos cluster, Pylos and Chios marinas are expected in Q2/2014.	Not Observed.
MoU Annex 9.1	Regional airports - State aid related issues.	July 2013	No state aid issues are pending.	Observed.
MoU Annex 9.1	Regional airports - Binding offers submission.	December 2013	Binding offers submission is expected before Q2/14.	Not Observed.
MoU Annex 9.1	Egnatia Odos - Launch of tender.	September 2013	It will follow after the settlement of toll stations issues and Piraeus Bank loan.	Not Observed.
MoU Annex 9.1	Egnatia Odos - Binding offers submission.	March 2014	The invitation for expression of interest has not yet been published.	Not Observed.

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MoU Annex 9.1	Thessaloniki Port (OLTH), Piraeus Port (OLP) & Large regional ports - Launch of tender.	September 2013	The invitation for expression of interest for OLP was published on 5/3/2014.	N/A
MoU Annex 9.1	Thessaloniki Port (OLTH), Piraeus Port (OLP) & Large regional ports - Binding offers submission.	September 2014		Not Observed.
MoU Annex 9.1	South Kavala Gas Storage - Launch of tender.	September 2013	The issue will be reassessed, since the asset value is affected by the TAP project. It will be probably launched in Q2 2014.	Not Observed.
MoU Annex 9.1	Digital Dividend - Launch tender for TV network providers.	September 2013	The tender is launched on 27.12.2013.	N/A
MoU Annex 9.1	Digital Dividend - Launch of tender	June 2014		
MoU Annex 9.1	Digital Dividend - Binding offers submission.	December 2014		
MEFP (38)	State Lottery - The required SPV will be set.	July 2013	The SPV is set up.	Observed.
MEFP (38)	State Lottery - Finalize the sale.	September 2013	The sale is finalised.	Observed.
MEFP (38)	OPAP - Finalize OPAP sale.	September 2013	Final agreement is signed.	Observed.
Real estate				
MoU Annex 9.1	Hellenikon - Binding offers submission.	December 2013	One binding offer is submitted on 27.2.2014.	Observed.
MoU Annex 9.1	Cassiopi - Right of surface establishment and creation of the SPV.	September 2013	Registration of the new company with the registrar is completed, FEK 6773/14-10-2013	Observed.
MoU Annex 9.1	Sale / repo 28 buildings - Binding offers submission.	December 2013	Three binding offers for the 28 State buildings were submitted in October and two bidders were selected by HRADF Board (press release 19-10-2013).	Observed.
MoU Annex 9.1	Astir Vouliagmenis - ESCHADA submission.	September 2013	ESCHADA was submitted to Central Council for the Administration of Public Property on 10.10.2013.	Observed.
MoU Annex 9.1	Astir Vouliagmenis - Binding offers submission.	December 2013	Binding offers were submitted at end November.	Observed.
MoU Annex 9.1	Paliouri - Binding offers submission.	September 2013	One binding offer was submitted and was accepted, after having been improved.	Observed.
MoU Annex 9.1	HEY - Binding offers submission.	September 2013	No binding offers were submitted. The tenders will be relaunched via the process of e-auction	Observed.
MoU Annex 9.1	Ag.Ioannis - ESCHADA submission.	January 2014	Draft PD for ESCHADA was submitted to Central Council of Public Property at 21/2 for approval; it will be signed by the Ministers and submitted to Court of State.	
MoU Annex 9.1	Ag.Ioannis - Binding offers submission.	December 2013	One binding offer was submitted and was accepted, after having been improved.	Observed.
MoU Annex 9.1	Afantou - Launch of tender	July 2013	Afantou was relaunched on 11/7/2013.	Observed.
MoU Annex 9.1	Afantou - Binding offers submission	December 2013	The tender failed to attract any binding offer. Alternative options are under assessment.	Observed.
MoU Annex 9.1	Afantou - ESCHADA submission.	July 2013	Submission to Court of State pending.	Not Observed.
MoU Annex 9.1	Real Estate lot 3 - At least 1,000 real estate properties to be transferred to HRADF.	December 2013	Four JMDs transferring to the HRADF about 870 assets were signed and published (FEK B 1020/25-4-2013, FEK B2883/14-11-2013, FEK 3025/28-11-2013, FEK B 571/7-3-2014). New deadline: April 2014	Not Observed.
MoU Annex 9.1	Real Estate lot 3 - Launch of tender.	December 2013	E-auction and tenders for small real estate assets (e.g. xenia hotels, thermal springs etc.) proceed as planned	Observed.
MoU 9.2.1 (TMU)	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	July 2013	Some issues are regulated by art. 44 par. 4 of law 4235/2014 (ΦΕΚ 32/11.2.2014).	Observed.

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	mandatory presence of scientists and (ii) define training standards (<i>cf.</i> HCC opinion no. 19/VI/2012).			
MoU9.2.2.iM EFP (34)	Chartered valuers: Amend Law 4152/2013 to (i) set up certification from the Ministry of Finance and establish procedures for state examination and	July 2013	MD on disciplinary committee 30094/469/8.7.13/1741/15.7.13MD on examination committee 31082/428/15.7.13/FEK 341/YOOD/15.7.13 MD on examination process: 33903/519/FEK 1892/B/1-8-2013L. 4152/2013 sub para. G2 par. 2 st gg regarding examination is amended by art. 73 par. 3 law 4170/2013.	Observed.
MoU 9.2.2.ii TMU	Chartered valuers: (ii) abolish the requirement for applicants to provide academic qualifications on top of certification for registration.	September 2013	Art. 38 παρ. 5 v. 4223/2013 FEK 287.	Observed.
MoU 9.2.3 MEFP (34)	Geo-technician: Issue secondary legislation to abolish administrative license and mandatory issuance of professional IDs (from the Geo-Technical Chamber).	August 2013	Abolished by virtue of art. 66 l. 4235/2014 (FEK 32/11.2.2014).	Observed.
MEFP TMU	Slimming / Dietary businesses: Issue circular to clarify that no restrictions for co-establishment of medical or paramedical professions apply.	July 2013	Legislation regarding slimming/dietary centers has been voted art. 1 1.4208/2013FEK 252/18.11.2013.	Observed.
MEFP TMU	Mediators: Adopt legislation to allow mediation to be done by non-lawyers.	December 2013	It has been labelled Prior Action and included in the omnibus bill of March 2014 (art. 1, par. IE.2)	Pending.
9.3.1 Code of civil procedure				
MoU 9.3.1.1	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.	September 2013	The legislative committee submitted draft legislation to the MoJ and EC/ECB/IMF on October 1st, 2013.	Observed.
MoU 9.3.1.1 MEFP (37)	Within 15 days, by end September 2013, the draft Code of Civil Procedure is presented to the EC/IMF/ECB for comments.	September 2013	See above.	Observed.
MoU 9.3.1.2	On the basis of the above cooperation, the Task Force presents to the Authorities 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.	November 2013	In public consultation 7-28/3/2014.	Not Observed.
MoU 9.3.1.3	The Authorities submit the final draft Code to the Hellenic Parliament.	March 2014	Draft will be submitted to Parliament early April for adoption by end May 2014.	
9.4 Statistics to be published by the Ministry of Justice or Ministry of Finance				
MoU 9.4.1	Every quarter, for civil and administrative first instance court, court of appeal as well as the Supreme Court and the Council of State) tables published will provide for: - the number of judges and administrative staff (at the end of the period), - 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 (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), - the stock of cases at the end of the period.	Quarterly		N/A
MoU 9.4.1.i	For the tax and customs cases, the data will also include the inflow of the new cases with a breakdown above and under 150,000 euros.	Quarterly		N/A
MoU 9.4.1.ii	For civil and commercial courts, the data for stock and flows of cases will also show the corporate insolvency cases.	Quarterly		N/A
MoU 9.4.1.ii i	For administrative Justice, specific data, provided in another table, will include a breakdown by year of registration of the stock of cases for which no hearing date has been fixed yet. This will be provided for beginning and for end period. The table will also show the total number of cases with a hearing date.	Quarterly		N/A
MoU 9.4.2	For some of the most relevant courts, defined in agreement with EC, IMF and ECB, the Ministry of Justice will also publish by quarter, or by semester or year if so agreed by EC-IMF/ECB:			
MoU 9.4.2.i	The stock of cases (both at beginning and at end period), with a breakdown by year of registration.	Quarterly		N/A
MoU 9.4.2.ii	For civil and commercial Justice, more detailed information on corporate insolvency cases including: - a more detailed breakdown by value, defined in agreement with EC, IMF and ECB, - a more detailed breakdown by sector (e.g., agriculture,	Quarterly		N/A

Par / Page	Action	Deadline	Comments	Status
	construction, manufacturing, and services), defined in agreement with EC, IMF and ECB.			
MoU 9.4.3.i	The General Secretariat for public revenue will conduct and publish one study based on small but random sample, in order to gather information on recovery rate for tax and customs cases.	September 2013	The study was submitted to EC/ECB/IMF.	Observed.
MoU 9.4.3.ii	The Ministry of Justice will try and propose a method to get relevant information on recovery rates for corporate insolvency cases.	February 2014	The MoJ, in cooperation with the insolvency judges submitted their proposal and relevant statistics on 25/2/2014. Pending EC/ECB/IMF comments. (No deadline in the MoU).	N/A
MoU 9.4.4	When the IT system will be fully in place, the Ministry of Justice will publish:			
MoU 9.4.4.i	Tables showing: - the number of judges and administrative staff (at the end of the period), - 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 (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), - the stock of cases at the end of the period.	Quarterly		
MoU 9.4.4.ii	The stock of cases at beginning and at end period will be broken down by year of registration,	Quarterly		
MoU 9.4.4.iii	The stock of cases at beginning and at end period and the flow of cases will be broken down by categories of litigations,	Quarterly		
MoU 9.4.4.iv	The average duration of the outflow cases during the period.	Quarterly		

9.5 Provision of data

To be provided by the Ministry of Finance

MoU 9.5	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).	Continuous		N/A
MoU 9.5	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)	Continuous		N/A
MoU 9.5	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.)	Continuous		N/A
MoU 9.5	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.)	Continuous		N/A
MoU 9.5	See 2 cells up			
MoU 9.5	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.)	Continuous		N/A
MoU 9.5	Data on below-the-line financing for the general government. (Data compiled by the Ministry of Finance). (Monthly, no later than 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision).	Continuous		N/A
MoU 9.5	Data on expenditure pending payment (including arrears) of the general government, including the State, local government, social security, hospitals and legal entities. (Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries).	Continuous		N/A

Par / Page	Action	Deadline	Comments	Status
	(Quarterly, within 30 days after the end of each quarter).			
MoU 9.5	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).	Continuous		N/A
MoU 9.5	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).	Continuous		N/A
MoU 9.5	Data on assets privatised and proceeds collected. (Data compiled by the Ministry of Finance). (Monthly).	Continuous		N/A
MoU 9.5	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).	Continuous		N/A
MoU 9.5	Monthly statement of the transactions through off-budget accounts. (Data compiled by the Ministries of Finance and Education). (Monthly, at the end of each month).	Continuous		N/A
MoU 9.5	Monthly statement of the operations on the special accounts. (Data compiled by the Ministry of Finance). (Monthly, at the end of each month).	Continuous		N/A
MoU 9.5	Report on progress with fulfilment of policy conditionality. (Report prepared by the Ministry of Finance). (Quarterly before the respective review starts).	Continuous		N/A
MoU 9.5	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).	Continuous		N/A
To be provided by the Bank of Greece				
MoU 9.7	Assets and liabilities of the Bank of Greece. (Weekly, next working day).	Continuous		N/A
MoU 9.7	Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions. (Monthly, 30 days after the end of each month).	Continuous		N/A
MoU 9.7	Evolution of the external funding provided by Greek banks to their subsidiaries abroad. (Monthly, 15 days after the end of each month).	Continuous		N/A
MoU 9.7	Report on banking sector liquidity situation. (Weekly, next working day).	Continuous		N/A
MoU 9.7	Report on the evolution of financial stability indicators. (Quarterly, 30 days after the publication data of each quarter).	Continuous		N/A
MoU 9.7	Report on results from the regular quarterly solvency assessment exercise. (Quarterly, 15 days after the end of each quarter depending on data availability).	Continuous		N/A
MoU9.7	Weighted average of Loan-to-value (LTV) ratio for new loans with real estate collateral. (Yearly)	Continuous		N/A
To be provided by the Hellenic Financial Stability Fund				
MoU 9.7	Detailed report on the balance sheet of the Financial Stability Fund with indication and explanation of changes in the accounts. (Weekly, next working day).	Continuous		N/A
MEFP (Table 4)	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	December 2013	There have been 26 so far targeted audits of public entities. EC/ECB/IMF assessed the action as not completed and requested an update on the payments	Pending.

Par / Page	Action	Deadline	Comments	Status
	conditions set for clearing arrears (structural benchmark).		of arrears until 2011 and proposals for their audits to be made to the bodies that create arrears.	
MEFP (18) (Table 4)	Government to meet quarterly performance indicators for revenue administration (structural benchmark).	September 2013	Results up to September 2013 were published. Almost all of the targets were not achieved, however the general picture is better than previously.	Pending.
MEFP (Table 4)	Government to meet quarterly performance indicators for revenue administration (structural benchmark).	December 2013	Relevant data were published. According to IMF review, targets were not met.	Pending.
MEFP (21)	Move responsibility for payment execution from tax offices to fiscal audit offices.	January 2014	A circular has been issued (ADA ВІПТІІІ-ΘΨΖ). The system has is fully operational for all, first orders have been issued and sent to BoG for execution.	Observed.
TMU Table 1	Issue secondary legislation on firms trading petroleum: (i) Adopt 2 JMDs stipulating the implementation of input/output systems to refineries and ships, (ii) Adopt MD on sanctions to petrol stations if they have not installed an input/output system.	July 2013	(i) The JMD concerning the refineries has been forwarded for signatures. Technical clarifications were sent from EC/ECB/IMF regarding the second JMD of ships, (ii) The second sub-action is observed.	Pending.

Annex 2: Macroeconomic forecast¹²

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

<i>Annual % change</i>	2012	2013	2014	2015	2016	2017	2018
1. Private consumption expenditure	-9.3	-6.0	-1.8	1.6	2.2	1.8	2.1
2. Government consumption expenditure	-6.9	-4.1	-1.8	-2.0	0.0	0.4	1.5
3. Gross fixed capital formation	-19.2	-12.8	5.3	11.7	14.5	9.5	6.6
3a. - of which, construction	-22.7	-17.9	2.4	10.5	12.1	7.8	5.0
3b. - of which, equipment	-17.6	-7.2	8.8	13.0	17.0	10.5	8.0
4. Final domestic demand	-10.3	-6.5	-0.9	2.3	3.6	2.8	2.7
5. Change in inventories + net acquisitions of valuables (as % of GDP)	0.5	1.4	1.4	1.0	1.0	1.0	0.9
6. Domestic demand	-10.2	-5.8	-0.9	2.0	3.5	2.7	2.7
7. Exports of goods and services	-1.7	1.8	4.0	5.2	4.6	5.2	4.4
7a. - of which goods	2.0	2.7	3.2	4.9	4.3	5.4	3.9
7b. - of which services	-5.5	0.8	5.0	5.5	4.9	5.0	4.9
8. Final demand	-8.6	-4.2	0.2	2.7	3.8	3.3	3.1
9. Imports of goods and services	-13.8	-5.3	-1.2	2.2	3.9	2.9	2.8
9a. - of which goods	-14.8	-4.0	-1.1	2.1	3.9	2.9	2.8
9b. - of which services	-9.6	-10.8	-1.4	2.8	3.8	2.9	2.8
10. Gross domestic product at market prices	-7.0	-3.9	0.6	2.9	3.7	3.5	3.2
<i>Contribution to change in GDP</i>							
11. Final domestic demand	-11.1	-6.8	-1.0	2.3	3.5	2.7	2.7
12. Change in inventories + net acq. of valuables	0.0	0.8	0.0	-0.3	0.0	0.0	0.0
13. External balance of goods and services	4.1	2.2	1.5	0.9	0.2	0.7	0.5

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

<i>Annual % change</i>	2012	2013	2014	2015	2016	2017	2018
<i>Expenditure approach</i>							
1. Private consumption expenditure	-8.5	-7.4	-2.6	1.9	3.3	3.1	3.6
2. Government consumption expenditure	-6.7	-7.5	-3.0	-1.4	0.6	1.4	2.8
3. Gross fixed capital formation	-19.4	-13.2	4.5	11.9	15.3	10.6	7.9
3a. - of which, construction	-23.1	-18.8	0.6	10.6	12.8	8.7	6.1
3b. - of which, equipment	-17.6	-7.0	8.8	13.2	17.9	11.7	9.5
4. Final domestic demand	-9.7	-8.1	-1.8	2.6	4.5	4.0	4.2
5. Change in inventories + net acquisition of valuables (as % of GDP)	0.5	0.9	1.2	0.9	0.8	0.8	0.8
6. Domestic demand	-10.1	-7.8	-1.5	2.3	4.5	4.0	4.2
7. Exports of goods and services	0.9	0.5	3.4	5.3	5.0	5.9	5.4
7a. - of which, goods	6.0	0.8	2.6	5.0	4.6	6.1	5.0
7a. - of which, services	-4.2	0.2	4.4	5.6	5.4	5.7	5.9
8. Final demand	-8.0	-6.1	-0.4	3.0	4.6	4.4	4.5
9. Imports of goods and services	-10.2	-6.8	-1.5	2.1	3.8	3.2	3.5
9a. - of which goods	-10.7	-5.7	-1.4	1.9	3.8	3.2	3.5
9a. - of which, services	-8.2	-11.1	-1.5	2.8	3.8	3.4	3.5
10. Gross domestic product at market prices	-7.3	-5.8	-0.1	3.3	4.9	4.8	4.8
<i>Income approach</i>							
11. Compensation of employees	-12.2	-11.3	-1.3	2.0	4.8	4.8	3.9
12. Gross operating surplus and mixed income	-3.2	-2.9	0.6	4.1	4.9	5.3	5.7
13. Taxes net of subsidies (13a-13b)	-11.2	-4.4	-0.3	3.1	5.1	2.0	2.0
13a. - taxes on production and imports	-9.6	-3.8	-0.2	2.7	4.4	2.0	2.0
13b. - subsidies on production	2.7	0.0	0.4	0.4	0.4	2.0	2.0
14. Gross domestic product at market prices (11+12+13)	-7.3	-5.8	-0.1	3.3	4.9	4.8	4.8
<i>Production approach</i>							
15. Gross value added at basic prices	-6.9	-6.0	0.0	3.4	5.0	5.2	5.2
15a. - of which, labour costs, including self-employed	-11.7	-11.2	-0.9	2.6	5.5	5.1	3.9
16. Taxes net of subsidies (16a-16b)	-9.8	-4.4	-0.4	2.8	4.4	2.1	1.8
16a. - taxes on products	-9.6	-4.3	-0.4	2.7	4.3	2.1	1.8
16b. - subsidies on products	3.1	0.1	0.4	0.4	0.4	2.0	2.0
17. Gross domestic product at market prices (15+16)	-7.3	-5.8	-0.1	3.3	4.9	4.8	4.8
18. Gross national income at market prices	-3.7	-6.8	-1.0	2.7	4.8	4.8	5.0

¹² The cut-off date for the macroeconomic forecast (tables A1, A2, A3, A4, B1, B2, B3) was 27/03/2014.

Table A3: COSTS AND PRICES

<i>% change in implicit price deflator</i>	2012	2013	2014	2015	2016	2017	2018
1. Private consumption expenditure	0.9	-1.5	-0.8	0.3	1.1	1.3	1.5
2. Government consumption expenditure	0.2	-3.4	-1.3	0.6	0.6	1.0	1.3
3. Gross fixed capital formation	-0.2	-0.5	-0.8	0.2	0.7	1.0	1.2
3a. - of which, construction	-0.6	-1.1	-1.7	0.1	0.5	0.9	1.0
3b. - of which, equipment	-0.1	0.2	0.0	0.2	0.8	1.1	1.4
4. Final domestic demand	0.7	-1.7	-0.9	0.3	1.0	1.2	1.4
5. Domestic demand	0.1	-2.1	-0.6	0.4	1.0	1.2	1.4
6. Exports of goods and services	2.7	-1.2	-0.6	0.1	0.4	0.7	1.0
6a. - of which, goods	3.9	-1.8	-0.5	0.1	0.3	0.7	1.0
6b. - of which, services	1.4	-0.5	-0.6	0.1	0.5	0.7	1.0
7. Final demand	0.6	-1.9	-0.6	0.3	0.8	1.1	1.3
8. Imports of goods and services	4.1	-1.6	-0.3	-0.1	-0.1	0.3	0.7
8a. - of which, goods	4.8	-1.8	-0.3	-0.1	-0.1	0.3	0.7
8b. - of which, services	1.5	-0.4	-0.1	0.0	0.0	0.5	0.7
9. Gross domestic product at market prices	-0.3	-2.1	-0.7	0.4	1.1	1.3	1.5
10. Terms of trade of goods and services	-1.4	0.3	-0.3	0.2	0.5	0.4	0.3
10a. - of which, terms of trade of goods	-0.8	0.0	-0.2	0.2	0.4	0.4	0.3
10b. - of which, terms of trade of services	-0.2	-0.1	-0.5	0.1	0.5	0.2	0.3
11. HICP	1.0	-0.9	-0.8	0.3	1.1	1.2	1.2
12. CPI	1.5	-0.9	-0.8	0.3	1.1	1.2	1.2

Table A4: LABOUR MARKET AND LABOUR COST

<i>Annual % change</i>	2012	2013	2014	2015	2016	2017	2018
1. Gross value added in volumes	-7.0	-3.7	0.6	2.9	3.8	3.8	3.6
2. Employment ('000)	-8.3	-3.7	0.6	2.6	4.0	2.9	1.5
3. GVA per occupied person	1.5	0.0	0.0	0.3	-0.2	0.9	2.1
4. Compensation of employees (per employee)	-4.3	-7.8	-1.5	0.0	1.5	2.1	2.3
4a. - of which, private sector employee per head	-5.6	-8.3	-2.2	0.1	2.5	3.7	3.7
4b. - of which, general government per head	-1.8	-5.0	1.2	1.8	2.0	0.0	0.0
5. Unit labour costs (1995=100)	-5.1	-7.8	-1.5	-0.3	1.6	1.2	0.3
6. Total population	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
7. Population of working age (15-64 years)	-0.9	-0.3	-0.2	-0.1	-0.1	-0.1	0.0
8. Total labour force	-0.8	0.2	-1.1	-0.1	0.1	0.0	0.0
9. Total employment	-8.3	-3.7	0.6	2.6	4.0	2.9	1.5
9a(i). - of which, employees	-8.9	-3.8	0.2	2.0	3.3	2.6	1.5
9a(ii). - of which, self-employed	-7.3	-3.5	1.4	3.7	5.3	3.4	1.5
9b(i). - of which, private sector employees	-10.3	-3.4	1.8	4.0	5.5	3.5	2.0
9b(ii). - of which, general government	-5.1	-4.8	-3.7	-3.2	-3.0	0.0	0.0
10. Unemployment	37.3	13.4	-6.0	-8.4	-13.3	-12.0	-7.3
10a. Calculated unemployment rate (%)	22.8	25.8	24.5	22.5	19.5	17.1	15.9

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

<i>Levels</i>	2012	2013	2014	2015	2016	2017	2018
<i>Expenditure approach</i>							
1. Private consumption expenditure	142.4	131.8	128.4	130.9	135.2	139.4	144.5
2. Government consumption expenditure	33.8	31.3	30.4	30.0	30.2	30.6	31.5
3. Gross fixed capital formation	25.5	22.1	23.1	25.8	29.8	32.9	35.5
4. Final domestic demand (1+2+3)	201.7	185.3	181.9	186.7	195.2	203.0	211.5
5. Change in inventories + net acquisition of valuables	1.0	1.6	2.1	1.7	1.7	1.7	1.7
6. Domestic demand (4+5)	202.7	186.9	184.0	188.3	196.8	204.6	213.2
7. Exports of goods and services	52.7	53.0	54.8	57.7	60.6	64.2	67.7
7a. - of which, goods	27.9	28.1	28.8	30.3	31.7	33.6	35.3
7b. - of which, services	24.9	24.9	26.0	27.5	29.0	30.6	32.4
8. Final demand (6+7)	255.4	239.9	238.9	246.1	257.5	268.9	280.9
9. Imports of goods and services	62.0	57.8	57.0	58.2	60.4	62.3	64.5
9a. - of which goods	49.6	46.7	46.1	47.0	48.7	50.3	52.0
9b. - of which, services	12.5	11.1	10.9	11.2	11.6	12.0	12.4
10. Gross domestic product at market prices (8-9)	193.3	182.1	181.9	187.9	197.1	206.6	216.4
10a. - of which, external balance of goods and services	-9.3	-4.8	-2.1	-0.4	0.3	1.9	3.2
<i>Income approach</i>							
11. Compensation of employees	64.3	57.1	56.3	57.5	60.2	63.1	65.6
12. Gross operating surplus and mixed income	107.9	104.8	105.4	109.7	115.1	121.2	128.1
13. Taxes net of subsidies (13a-13b)	21.2	20.2	20.2	20.8	21.8	22.3	22.7
13a. - taxes on production and imports	24.5	23.5	23.5	24.1	25.2	25.7	26.2
13b. - subsidies on production	3.3	3.3	3.3	3.3	3.4	3.4	3.5
14. Gross domestic product at market prices (11+12+13)	193.3	182.1	181.9	187.9	197.1	206.6	216.4
<i>Production approach</i>							
15. Gross value added at basic prices	170.4	160.2	160.1	165.5	173.7	182.7	192.1
15a. - of which, labour costs, including self-employed	98.4	87.4	86.6	88.9	93.7	98.5	102.3
16. Taxes net of subsidies (16a-16b)	22.9	21.9	21.8	22.4	23.4	23.9	24.3
16a. - taxes on products	23.3	22.3	22.2	22.8	23.8	24.3	24.8
16b. - subsidies on products	0.4	0.4	0.4	0.4	0.4	0.4	0.4
17. Gross domestic product at market prices (15+16)	193.3	182.1	181.9	187.9	197.1	206.6	216.4
18. Gross national income at market prices (10+18a)	194.9	181.7	179.8	184.6	193.4	202.8	212.8
18a. Balance of primary income with rest of the world	1.6	-0.4	-2.1	-3.3	-3.7	-3.8	-3.6

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

<i>Levels</i>	2012	2013	2014	2015	2016	2017	2018
1. Gross value added in volumes	149.0	143.5	144.4	148.7	154.3	160.2	166.0
2. Employment ('000)	4076.2	3925.4	3948.9	4051.6	4213.6	4335.8	4401.5
3. GVA per occupied person (1:2)	36.6	36.6	36.6	36.7	36.6	37.0	37.7
4. Compensation of employees (per employee)	24.1	22.3	21.9	21.9	22.2	22.7	23.2
4a. - of which, private sector employee per head	21.1	19.3	18.9	18.9	19.4	20.1	20.8
4b. - of which, general government per head	31.2	29.6	30.0	30.5	31.1	31.1	31.1
5. Unit labour costs (4:3) (1995=100)	66.0	60.9	60.0	59.8	60.7	61.5	61.6
6. Total population	11092.8	11092.8	11092.8	11092.8	11092.8	11092.8	11092.8
7. Population of working age (15-64 years)	7258.2	7236.5	7222.0	7214.8	7207.6	7200.4	7200.4
8. Total labour force	5280.0	5290.5	5232.3	5227.1	5232.3	5232.3	5232.3
8a. -calculated activity rate (%) (8:7)	72.7	73.1	72.5	72.5	72.6	72.7	72.7
9. Total employment	4076.2	3925.4	3948.9	4051.6	4213.6	4335.8	4401.5
9a(i). - of which, employees	2664.8	2563.3	2568.4	2619.7	2706.1	2777.7	2820.0
9a(ii). - of which, self-employed	1411.4	1362.0	1380.6	1431.9	1507.5	1558.2	1581.5
9b(i). - of which, private sector employees	1896.1	1831.6	1864.0	1937.8	2044.5	2116.1	2158.4
9b(ii). - of which, general government	768.6	731.7	704.4	681.9	661.6	661.6	661.6
9c. Calculated employment rate (9:7)	56.2	54.2	54.7	56.2	58.5	60.2	61.1
10. Unemployment	1203.8	1365.2	1283.4	1175.5	1018.7	896.5	830.8
10a. Calculated unemployment rate (%) (10:8)	22.8	25.8	24.5	22.5	19.5	17.1	15.9

Table B3: EXTERNAL BALANCE (in EUR billion unless otherwise stated)

<i>Levels</i>	2012	2013	2014	2015	2016	2017	2018
1. Exports of goods (fob)	27.9	28.1	28.8	30.3	31.7	33.6	35.3
2. Imports of goods (fob)	49.6	46.7	46.1	47.0	48.7	50.3	52.0
3. Trade balance (goods, fob/fob) (1-2)	-21.7	-18.6	-17.2	-16.7	-17.1	-16.7	-16.7
<i>3a. p.m. (3) as % of GDP</i>	<i>-11.2</i>	<i>-10.2</i>	<i>-9.5</i>	<i>-8.9</i>	<i>-8.7</i>	<i>-8.1</i>	<i>-7.7</i>
4. Exports of services (a)	24.9	24.9	26.0	27.5	29.0	30.6	32.4
5. Imports of services (a)	12.5	11.1	10.9	11.2	11.6	12.0	12.4
6. Services balance (a) (4-5)	12.4	13.8	15.1	16.3	17.3	18.6	20.0
<i>6a. p.m. 6 as % of GDP</i>	<i>6.4</i>	<i>7.6</i>	<i>8.3</i>	<i>8.7</i>	<i>8.8</i>	<i>9.0</i>	<i>9.2</i>
7. External balance of goods & services (3+6)	-9.3	-4.8	-2.1	-0.4	0.3	1.9	3.2
<i>7a. p.m. 7 as % of GDP</i>	<i>-4.8</i>	<i>-2.6</i>	<i>-1.2</i>	<i>-0.2</i>	<i>0.1</i>	<i>0.9</i>	<i>1.5</i>
8. Balance of primary incomes and current Transfers	0.4	-0.1	-2.4	-3.7	-4.5	-4.8	-4.6
<i>8a. - of which, balance of primary income</i>	<i>1.6</i>	<i>-0.4</i>	<i>-2.1</i>	<i>-3.3</i>	<i>-3.7</i>	<i>-3.8</i>	<i>-3.6</i>
<i>8b. - of which, net current Transfers</i>	<i>-1.2</i>	<i>0.3</i>	<i>-0.3</i>	<i>-0.4</i>	<i>-0.8</i>	<i>-1.0</i>	<i>-1.0</i>
<i>8c. p.m. 8 as % of GDP</i>	<i>0.2</i>	<i>-0.1</i>	<i>-1.3</i>	<i>-2.0</i>	<i>-2.3</i>	<i>-2.3</i>	<i>-2.1</i>
9. Current external balance (7+8)	-8.9	-4.9	-4.5	-4.1	-4.2	-2.9	-1.4
<i>9a. p.m. 9 as % of GDP</i>	<i>-4.6</i>	<i>-2.7</i>	<i>-2.5</i>	<i>-2.2</i>	<i>-2.1</i>	<i>-1.4</i>	<i>-0.6</i>
10. Net capital transactions	4.5	3.6	3.2	3.4	3.4	3.4	3.4
11. Net lending (+)/ net borrowing (-) (9+10)	-4.4	-1.3	-1.3	-0.7	-0.8	0.5	2.0
<i>11a. p.m. 11 as % of GDP</i>	<i>-2.3</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.4</i>	<i>-0.4</i>	<i>0.3</i>	<i>0.9</i>

Table C1: FISCAL ACCOUNTS AND FORECAST (1/)

	2012	2013	2014	2015	2016	2017
	<i>Levels (in EUR billion)</i>					
Total revenue	84.7	80.2	81.1	81.2	83.6	87.2
Indirect taxes	24.2	23.5	23.0	23.9	25.1	25.7
Direct taxes	19.2	18.5	20.3	20.5	20.3	21.0
Social contributions	26.4	24.4	24.9	25.0	25.9	26.6
Sales	5.2	4.7	5.1	5.0	5.0	5.7
Other current resources	4.6	4.4	3.5	3.4	3.5	3.7
Capital transfers received	5.0	4.7	4.2	3.4	3.8	4.6
Total expenditure	97.0	85.9	86.3	87.2	88.8	90.5
Intermediate consumption	9.6	8.2	8.1	7.7	7.9	8.4
Compensation of employees	23.9	21.8	21.2	20.8	20.7	20.8
Social transfers other than in kind	44.2	38.3	38.1	38.1	38.6	39.2
Interest	9.7	7.2	8.1	9.6	10.2	10.7
Subsidies	0.5	0.6	1.4	1.3	1.3	1.2
Other current expenditure	2.4	2.9	2.3	2.7	2.5	2.6
Gross fixed capital formation	3.5	3.8	4.8	4.7	5.0	4.8
Other capital expenditure	3.0	3.1	2.3	2.3	2.5	2.8
<i>Measures to be identified</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>2.0</i>	<i>3.8</i>	<i>1.9</i>
Primary balance (2/)	-2.6	1.5	2.8	5.6	8.9	9.3
General Government balance (2/)	-12.3	-5.8	-5.2	-3.9	-1.3	-1.4
	<i>% of GDP</i>					
Total revenue	43.8	44.0	44.6	43.2	42.4	42.2
Indirect taxes	12.5	12.9	12.6	12.7	12.7	12.4
Direct taxes	9.9	10.2	11.2	10.9	10.3	10.2
Social contributions	13.7	13.4	13.7	13.3	13.2	12.9
Sales	2.7	2.6	2.8	2.6	2.5	2.8
Other current resources	2.4	2.4	1.9	1.8	1.8	1.8
Capital transfers received	2.6	2.6	2.3	1.8	1.9	2.2
Total expenditure	50.2	47.2	47.4	46.4	45.0	43.8
Intermediate consumption	5.0	4.5	4.5	4.1	4.0	4.1
Compensation of employees	12.4	12.0	11.7	11.1	10.5	10.1
Social transfers other than in kind	22.9	21.0	20.9	20.3	19.6	19.0
Interest	5.0	4.0	4.5	5.1	5.2	5.2
Subsidies	0.3	0.3	0.8	0.7	0.7	0.6
Other current expenditure	1.3	1.6	1.2	1.5	1.3	1.3
Gross fixed capital formation	1.8	2.1	2.6	2.5	2.5	2.3
Other capital expenditure	1.6	1.7	1.3	1.2	1.3	1.3
<i>Measures to be identified</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>1.1</i>	<i>1.9</i>	<i>0.9</i>
Primary balance (2/)	-1.3	0.8	1.6	3.0	4.5	4.5
General Government balance (2/)	-6.4	-3.2	-2.9	-2.1	-0.7	-0.7
Memorandum item:						
GDP (bn EUR)	193.3	182.1	181.9	187.9	197.1	206.6
Primary balance target (% of GDP)	-1.5%	0.0%	1.5%	3.0%	4.5%	4.5%
General Government balance (ESA-95 definition; bn EUR)	-17.3	-23.1	...	...	...	...

Source: Ministry of Finance; EC staff projections

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

2/ Includes measures to be identified

C2: GOVERNMENT DEBT

	2012	2013	2014	2015	2016
	<i>levels (EUR billion)</i>				
Debt	303.9	318.6	322.3	324.1	321.1
Change in debt	-51.3	14.7	3.7	1.7	-2.9
Government deficit (+ is a deficit) 1/	12.3	5.8	5.2	3.9	1.3
Stock-flow adjustment	-63.6	8.9	-1.5	-2.2	-4.3
	<i>% GDP</i>				
Debt	157.2	175.0	177.2	172.4	162.9
Change in the ratio	-13.1	17.8	2.2	-4.8	-9.5
<i>Contributions:</i>					
Primary balance (+ is a deficit) 1/	1.3	-0.8	-1.6	-3.0	-4.5
“Snow-ball” effect	18.4	13.7	4.6	-0.6	-2.9
Stock-flow adjustment	-32.9	4.9	-0.8	-1.2	-2.2

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

Annex 3: Updated programme documents

Letter of Intent

Memorandum of Understanding

- a) Memorandum of Economic and Financial Policies
- b) Memorandum of Understanding on Specific Economic Policy conditionality
- c) Technical Memorandum of Understanding

HELLENIC REPUBLIC

Athens, 15 April 2014

Mr. Jeroen Dijsselbloem,
President,
Eurogroup,
Brussels.

Mr. Sim Kallas,
Vice President,
European Commission,
Brussels.

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

Dear Messrs Dijsselbloem, Kallas 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.

Recent developments suggest that the recession is bottoming out, and we project that the economy will return to growth in 2014. We expect to have registered a significant primary fiscal surplus in 2013 in program terms, well above target and ahead of schedule. The external position has also improved with the current account showing a surplus for the first time in decades. However, the economy continues to face significant challenges, including high rates of unemployment and public debt, high non-performing loan balances and structural current account deficits, despite reforms to the business environment improving the investment climate.

Against this backdrop, we are adopting key reforms and taking corrective steps, including as prior actions for this review.

Our priorities include:

- **Fiscal policy.** We are lowering expenditure ceilings to lock-in underspending in 2013 and implementing policies to ensure that we achieve a primary fiscal surplus of 1½ percent of GDP in 2014. We are committed to adopting policies consistent with a primary surplus of 3 percent of GDP in 2015. The draft 2015 budget will be agreed with the EC/ECB/IMF by end-September 2014. We are also taking steps to limit fiscal risks from the energy and health sectors.
- **Fiscal structural reforms.** We have approved legislation for a new property tax and further reformed the income tax and tax procedures codes. As a prior action, we have adopted legislation to strengthen the autonomy and improve the operations of the revenue administration. We are reforming the public administration and catching up on agreed exit and mobility targets. We have taken steps to streamline payment processes and minimise the risk of further accumulation of arrears.
- **Financial stability.** The asset quality review and stress test have revealed the need to further strengthen bank capital and accelerate the process of repairing bank and private sector balance sheets. To this end, the Bank of Greece is requiring banks to raise capital identified in the stress tests by end-

June 2014 and we are preserving the HFSF buffer as a backstop. We are also committed to urgently undertaking reforms of the corporate and household insolvency frameworks and to strengthening bank supervision.


- **Growth-enhancing structural reforms.** On our initiative and in agreement with the EC-ECB-IMF, we have adopted key OECD recommendations on eliminating regulatory restrictions to competition in four sectors. As prior actions we have also implemented several actions in support of the privatisation programme, and frontloaded the reduction of the labor tax wedge. Additional reforms include measures to open restricted professions, improve competition in the energy sector, ease administrative burdens on business, and improve the quality of public services.

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.

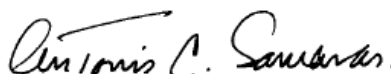
The implementation of our programme will be monitored through quantitative performance criteria and structural benchmarks as described in the attached programme documents. The quarterly reviews will assess progress in implementing the programme and reach understandings on any additional measures that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

On this basis, we request the disbursement of the amount of EUR 8.3 billion under the financing arrangements with the EFSF supporting the Second Adjustment Programme for Greece. We undertake to deliver the milestones due for end-May and end-June in order to qualify for the disbursement of all the sub-tranches.

This letter is being copied to Ms Lagarde.



Yannis Stournaras
Minister of Finance



Antonis Samaras
Prime Minister



George Provopoulos
Governor of the Bank of Greece

SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING

(Fourth addendum to the Memorandum of Understanding)

BETWEEN

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

AND

THE HELLENIC REPUBLIC

The present supplemental memorandum of understanding contains the following documents:

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

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

Done in Brussels on 24 April 2014 and in Athens on 15 April 2014 in 3 originals in the English language.

For the Republic of Greece,



Yannis Stournaras
Minister of Finance



George Provopoulos
Governor of the Bank of Greece

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



Siim Kallas
Vice President of the European Commission

Attachment I: Memorandum of Economic and Financial Policies

Developments, Outlook, and Strategy

- 1. Greece has made considerable progress toward restoring fiscal and external sustainability.** We achieved a significant primary fiscal surplus in 2013, well above target and ahead of schedule. The improvement since 2009 is estimated at about 19 percent of GDP in cyclically-adjusted terms, and we have the highest cyclically-adjusted primary surplus in the euro area. The external current account also continues to improve, boosted by tourism.
- 2. These efforts are bearing fruit, but significant challenges remain.** The pace of contraction is decelerating. Growth should turn positive in 2014, partly as a result of a lower fiscal drag. But growth is predicated on a revival of investment and exports, which in turn depend on the full and timely implementation of structural reforms and adequate external financing. At the same time, the economy faces major challenges, not least high unemployment, strained balance sheets, and a restrictive investment climate.
- 3. Our focus therefore remains on meeting fiscal targets, safeguarding financial stability, strengthening the basis for growth and job creation, and protecting the vulnerable.** We are committed to preserving the achievements to date and to continue implementing in full the measures agreed since the start of the program or taking fiscally equivalent measures, agreed with the EC/ECB/IMF, to ensure achievement of fiscal targets. Our policies are centered on: (i) restoring fiscal sustainability (¶14–13); (ii) modernizing fiscal institutions (Annex I); (iii) safeguarding financial stability (¶15–22); (iv) increasing productivity through structural reforms (¶23–30); and (v) protecting the vulnerable (¶18).

Fiscal Policy

- 4. To achieve the 2014 primary balance target of 1.5 percent of GDP, we are implementing in full the measures in the budget and are taking the following steps:**
 - *Locking in under-spending.* As a **prior action**, we locked in €320 million of lower spending from permanent savings in 2013 by revising binding expenditure ceilings in the 2015–18 medium-term fiscal strategy (MTFS).
 - *Potential court rulings.* A constitutional court ruling reversed the wage cuts of judges since August 2012, leading to an increase in gross spending of wages and pensions of €168 million in 2014, including a permanent annual increase in the wage and pension bill of €70 million that we have accommodated. We do not expect any more adverse rulings regarding special wage regimes or levies on property. Nevertheless, should such rulings occur, we are committed to taking off-setting actions.
 - *Debt reduction/spending.* In accordance with the Eurogroup statement of November 2012, we transferred over 30 percent of the over-performance in the 2013 general government primary balance in program terms, or €500 million, to the segregated account earmarked for debt reduction. We are also using the fiscal space projected with

the EC-ECB-IMF for 2014 to provide in gross terms up to €525 million of one-off income support to around 730,000 households and 75,000 security personnel with low earnings and assets. We will review and agree with the EC/ECB/IMF the scope for any further one-off increase in social or pro-growth spending in the context of the next review of the program, conditional on the fiscal targets being met.

5. We are committed to achieving the 2015 fiscal target. We project a gap for 2015. In the first instance, we intend to close the gap by extending expiring measures. Under current projections, we believe that it will be necessary to extend the solidarity surcharge in full. But we will re-visit this issue in the context of the preparation of the 2015 budget. If there is sustained over-performance of revenue, contingent on the fiscal targets being met, we will in consultation with the EC/ECB/IMF consider a reduction in the high statutory tax rates while aiming to broaden the tax bases. In line with the existing legal framework, the 2015–18 MTFS was voted on by Parliament on May 9, 2014, and the draft 2015 budget will be agreed with the EC/ECB/IMF by end-September 2014.

6. We are reducing social security contribution (SSC) rates to lower the cost of business and strengthen labor demand, and enhancing the pension system to ensure its viability and support labor supply.

- *SSC rate cuts.* As a **prior action**, we legislated a reduction in SSC rates of IKA by 3.9 p.p. effective July 1, 2014. The rate cut is achieved by mostly reducing employer-paid non-pension contributions (by 2.9 p.p.). We will review, by end-June 2015, the impact on wages, employment and public finances, and assess the case, in consultation with the EC/ECB/IMF, for a further cut in employer contributions of 1 p.p. in a budget neutral way. Offsetting measures include eliminating OAED family benefits, reducing OAED training programs, rationalizing OAEE exemptions, and enhancing collectability rates by offsetting VAT and income tax refunds against SSFs' debts, yielding about €230 million in fiscal savings in 2014. We will prepare by September 2014, in consultation with the EC/ECB/IMF, a comprehensive plan to (i) unify and streamline SSC policies to eliminate loopholes, and (ii) better target lower-end contributions to improve employment incentives, including by enhancing schemes for young people and long-term unemployed financed by the EU funds. We will implement the plan by end-2014.
- *Pensions.* While the 2010 reform was a major step forward, at about 17 percent of GDP, pension spending remains one of the highest in the EU. To address remaining short- and long-term concerns, we commit to (i) consolidating pension fund administration and enhancing efficiency; (ii) ensuring that the consolidated system (excluding budgetary transfers related to social assistance functions) is actuarially balanced through the next decades; (iii) containing pension spending to ensure compatibility with the short- and medium-term fiscal program targets that underpin the agreed debt sustainability analysis by recalibrating pension system parameters and containing the state subsidy to the pension system; and (iv) establishing close links between contributions and benefits in all pension funds to ensure actuarial fairness.
 - To achieve these objectives and in consultation with the EC/ECB/IMF, we will:
 - (i) prepare a draft comprehensive proposal on the main elements of SSF consolidation, and harmonize contribution and benefit payment procedures, by June

2014, (ii) complete an actuarial study of the whole pension system, including supplementary and lump-sum funds, by September 2014, including simulations of actuarial balances and calculations of internal rate of return by funds and by income groups, (iii) on this basis, agree on specific design and parametric improvements with the EC/ECB/IMF by October 2014, and (iv) legislate changes by November to take effect from January 1, 2015 (**structural benchmark**).

- On supplementary pensions, we will by June 2014 integrate all funds in ETEA that fall under the ESA95 definition of General Government and will adjust benefits to contributions in an actuarially neutral way with pro-rata calculations starting January 1, 2014. The fiscal sustainability factor will be applied to all supplementary funds integrated into ETEA from July 1, 2014 to eliminate any deficit. Starting January 1, 2015, all supplementary pension funds will only be financed by own contributions. For a very limited number of funds that technically cannot be merged into ETEA at this stage, the same rules as outlined in this paragraph will be legislated by end-June 2014 and applied from January 1, 2015.
- On lump-sum pensions, the reform implementation has already started (effective since January 1, 2014), eliminating the deficits in these funds. All remaining funds that fall under the ESA95 definition of General Government will be incorporated under law 4052/2012 by June 2014, effective from January 1, 2015. Starting January 1, 2015, all lump-sum funds will only be financed by own contributions.

7. We are further optimizing the tax structure to improve the business climate.

- On nuisance taxes:
 - As a **prior action**, we have: (i) abolished 40 charges at an annualized cost of €245 million, of which: 9 are abolished effective July 1, 2014, at the latest; 27 that finance social security funds are abolished effective January 1, 2015; and 4 charges amounting to about €60 million accrue to entities outside the general government and do not impact the budget effective immediately; (ii) removed revenue earmarking of 12 taxes amounting to €1.4 billion effective January 1, 2015.
 - As there are still more nuisance charges to be assessed, we will: by end-May 2014 update the list of nuisance charges that accrue to the general government and to entities outside the general government (including, e.g., by making public service announcements and inviting anonymous reporting of these charges). We will abolish as many as possible, in consultation with the EC/ECB/IMF, by end-June 2014, effective January 1, 2015. We will also by end-June 2014 abolish all charges that finance auxiliary pensions (that fall under the Ministry of Labor), effective January 1, 2015, financed by adjusting pension spending in these funds or contributions consistent with the 2012 pension reform.
 - We will review by September 2014 and legislate by November 2014 the phasing out of nuisance charges that finance main pensions, congruent with the pension timeline above, and the mode of financing (whether SSCs should be increased or spending reduced). This will include addressing advertising nuisance taxes that finance

pensions, such as those identified in the OECD competition assessment. It will also include the abolishment of all charges that finance auxiliary pensions (that fall under the ESA95 definition of General Government, but are outside the Ministry of Labor), effective January 1, 2015, and adjust spending or contributions consistent with the 2012 pension reform. We will also comprehensively review all reciprocal charges by September 2014 and legislate their phasing out by November 2014.

- Finally, we will review, as part of the study of regulated professions (¶127), by end-August 2014 transaction-related charges, including stamp duties, with a view to replacing the most distortionary ones with more efficient taxes. We will decide by end-September 2014, in consultation with the EC/ECB/IMF, which of these charges should be reduced, abolished, have their revenue earmarking removed, or replaced. We will take the corresponding legislative actions by November 2014.
- Moreover, we commit to a comprehensive VAT reform and will, in consultation with the EC/ECB/IMF: review VAT policy and administration by June 2014; reduce administrative burdens and streamline the VAT refund system by July 2014, including by allowing companies with a fully compliant filing and payment history and absence of past tax evasion for the past two years to receive refunds without audit; and legislate the comprehensive reform of VAT policy and administration through primary legislation and other instruments by October 2014 to take effect from January 1, 2015 (**structural benchmark**).

8. We are taking further steps to support employment programs and improve targeting of the social safety net to vulnerable groups. Hiring under two employment programs introduced in the second half of 2013 and financed through EU structural funds—the youth internship and employment voucher program and the social community work program—is progressing. We will extend the latter by offering at least a further 50,000 places in 2014, and launch the youth guarantee scheme (inspired in the EU scheme) by December 2014. On social protection, we embarked on the preparatory work and will launch by September 2014 a pilot means-tested income support program (guaranteed minimum income) in two municipalities, and roll it out nationally in 2015, if financing is available. We will conduct by end-June 2014 a review of social protection and assistance systems. On that basis, we will streamline tax- and expenditure-related benefits in the context of the 2015 budget to create the fiscal space to provide increased, targeted support to vulnerable groups within the overall fiscal targets.

9. We have amended the Income Tax and Tax Procedures Codes and other relevant legislation to further strengthen the tax system and ensure uniformity and consistency across all relevant legislation. However, some high-priority actions remain pending:

- *On the income tax code (ITC)*, we will in consultation with the EC/ECB/IMF: (i) if the surcharge is to be extended (¶15), assess the case for re-designing the solidarity surcharge for individuals in a revenue neutral manner, and take the appropriate action, reducing significantly reconciliatory tax returns, rationalizing exemptions introduced in 2014, and integrating it into the ITC by September 2014; (ii) by end-July 2014, conduct a comprehensive review of collective investment vehicles that are not affected by the provisions of the ITC (Article 72, ¶18), identify the best practice for taxing these vehicles

and their participants, and prepare draft legislation to integrate these taxation principles fully in the ITC; (iii) by end-July 2014, identify all income tax incentives across different legislative documents, including those introduced in the ITC in 2014, and quantify them as tax expenditures; (iv) as a **structural benchmark**, by end-September 2014, adopt legislation to be implemented by January 2015 at the latest to: (a) integrate the taxation principles on collective investment vehicles fully into ITC, (b) map and fold the identified tax exemptions into the newly adopted ITC, eliminating the incentives that are deemed inefficient or inequitable, (c) following a review of implementation, improve the capital gains tax on real estate, including taking a comprehensive approach to valuation of acquisitions and broadening the tax base, and (d) limit the withholding tax on technical services (ITC Article 64, ¶1.d) to profit shifting situations, in line with best practice in the EU; (v) by end-September 2014, bring the capital gains tax on portfolio shareholders in line with best practice in the EU; and (vi) by end-September 2014, conduct a comprehensive review of all remaining legislation that are in conflict with or in any other way related to the new ITC and map these legislative acts to the ITC.

- *On the tax procedures code (TPC)*, we will: (i) by end-June 2014, ensure the revenue administration's capabilities to conduct timely audits at taxpayer's premises by developing fast-track procedures for authorization of entry and search requests by the administration, particularly in fraud cases, and in consultation with the EC/ECB/IMF change administrative procedures or amend legislation as necessary to achieve this; (ii) by end-September 2014, following a review of the rights of designated tax collection officials to enter tax debtors' business premises to verify the tax debtors asset and liquidity position and to identify assets that can be subject to enforcement measures, amend as necessary the TPC to ensure that these rights are sufficient for enforcement purposes; (iii) by June 2014, undertake a comprehensive review of tax fraud and evasion provisions in the legislation to amend by September 2014 the Special Penal Law 2523/1997 and any other relevant legislation, with a view, inter alia, to (a) broaden the definition of tax fraud and evasion to all taxes, and (b) ensure that this review does not reduce the scope of tax crimes that are currently predicate offenses to money laundering. Following these amendments, we will repeal Article 55, ¶s 1 and 2, of the TPC by September 2014 (**structural benchmark**) (see also ¶33, first bullet); (iv) take the necessary preparations by July 2014 to bring the inheritance and gift taxes under the scope of TPC (Article 66, ¶29); (v) by end-June 2014, in consultation with EC/ECB/IMF, modernize the revenue administration's procedure for enforced sale of assets at public auctions to ensure that, inter alia, the auction is announced well in advance in public media and that bids exceeding the cost of the auction will be accepted irrespective of the amount of debt owed by the owner of the asset and are set at a level that allows for effective and timely disposal by the revenue administration. Debt amounts that have not been covered by the proceeds from the auction shall remain enforceable; and (vi) by end-June 2014, review existing legislation for the procedures for withholding agents and, by September 2014, fold these into the TPC as general procedural rules for all withholding agents. By end-June 2014, we will conduct a comprehensive review of all remaining legislation that are in conflict with or in any other way related to the new TPC and map these legislative acts to the TPC. We have ensured that until end-2014 the current practice of levying multiple penalties will be limited to a fixed cap. We will further ensure by end-September 2014 that, effective January 1, 2015, violations

involving non-issuance or incorrect issuance of retail receipts will be treated as a single but serious procedural violation for VAT, whereas not having a reliable accounting system will remain a single violation for direct taxes. In this regard, we will—in cooperation with technical assistance—prepare our tax administration to apply modern auditing techniques to counter tax evasion. We will also ensure that the application of fines on the offences committed or detected before the entry into force of the new TPC are in line with best practices in the EU and legislate any changes by end-September 2014.

- *Code of Public Revenue Collection (KEDE)*. We will undertake a mapping of the KEDE to identify conflicts with the ITC and TPC, and will amend by June 2014 any conflicting provisions to ensure compatibility. We will conduct in consultation with EC/ECB/IMF a comprehensive review of KEDE by June 2014 to align it with the international best practice, with an initial draft bill available by September 2014, to be legislated in October 2014.
- *Modernizing accounting standards*. To complement the ITC and TPC, we will adopt by end-May 2014 a new act on Greek Accounting Standards and Tax Accounting Rules to replace the existing Tax Recording Code and, for the first time, provide a modern and consistent set of accounting and tax accounting rules covering all enterprises. By May 2014, we will establish a working group within SGPR to develop a roadmap and timetable for the implementation of new accounting standards. These should, inter alia, (i) provide the necessary secondary legislation, (ii) tax compliance documents and forms, and (iii) ensure appropriate preparations by businesses, especially SMEs.
- *Enhancing transparency*. By June 2014, we will produce and publish an electronic consolidated version of primary tax legislation, including ITC and TPC, and will update the publication regularly as appropriate.

10. We have issued key secondary legislation to ensure prompt implementation of the ITC and TPC. As a **prior action**, we have issued the secondary legislation to: (i) define taxpayers who are professionally engaged in trading securities in regulated markets (Law 4172/2013, Article 21, ¶3); (ii) clarify rates and procedures for the implementation of tax withholding (Law 4172/2013, Article 60, ¶4); (iii) clarify the base for the solidarity surcharge either by issuing an MD (Law 3896/2011, Article 29, ¶6) or a clarification circular; (iv) determine the content of transfer pricing documentation (Law 4174/2013, Article 21, ¶6), and (v) determine the requirements for electronic notification of documents (Law 4174/2013, Article 5, ¶6).

11. Preparations for the new unified property tax are advancing. We commit to take all necessary actions to compensate for implementation slippages, if any, that might lead to revenue shortfalls, and will keep the assessment of estimated revenues under review.

- *Preparations*. We created a property tax implementation team to refocus the organizational structure toward the collection of main taxes, including the property tax, have trained the personnel in the tax offices and specified the staffing requirements at 15 (excluding DOYs) to implement effectively the new ENFIA. We have completed the filing software testing and final changes to the E9 forms that form the basis of the new

tax database. By end-May 2014, we will finalize filing of the E9 forms, so that billing of the new property tax can commence in June 2014. We have launched a communication campaign that will significantly enhance understanding of the filing requirements and the specificities of the new tax. By September 2014, we will review the exemptions from ENFIA introduced in 2014 and eliminate starting January 2015 those that are deemed inefficient or inequitable.

- *Valuation.* Over time, we will align property assessment values with market values. To this end, by July 2014, we will develop a medium-term reform plan that outlines actions, including setting up a project team, needed to: (i) by January 2015, set up an experienced real property valuation unit, collect data on real estate market conditions with an aim to adjust the zone prices to reflect more accurately real estate market conditions, and determine the nature of the value based and the valuation methodologies relevant to individual categories of properties; (ii) by September 2015, review the valuation of commercial properties, and adjust the zone prices to reflect more accurately real estate market conditions; (iii) by January 2016, issue a real estate market value index and ensure full identification of ownership with properties through a cadastre of properties and cross-checking of all ownership interests with all individual properties; and (iv) by January 2017, align all property assessment values with market prices.

12. To improve transparency and limit fiscal risks, we are taking further actions on government guarantees and quasi-fiscal transfers, state-owned enterprises, the energy sector, and the health sector.

- *Guarantees and contingent liabilities.* Starting from Q1 2014, we are publishing on the Ministry of Finance website on a quarterly basis the stock and flows of all general government guarantees, including the ones provided by ETEAN, but excluding the ones to the financial sector (that will continue to be published in aggregate form in the monthly general government bulletin). We will publish by Q3 2014 a comprehensive list of all outstanding public-private partnership contracts.
- *State-owned enterprises.* To stop the drain on public resources from loss-making firms, maximize the recovery value and make the public sector more efficient, in addition to implementing the agreed plans on ELVO, HDS, and LARCO, we have: (i) passed legislation to close or merge the toll company together with 21 other companies, (ii) commenced restructuring of the public law entities, including under the supervision of the Ministries of Infrastructure, Culture, and Agriculture with an objective of downsizing employment by 1000 by end-2014; (iii) for the Hellenic Aerospace Industry (HAI), launched a process for the restructuring and possible introduction of external investment into HAI and will adopt and initiate a strategy for its restructuring by end-September 2014 based on the advice of external experts; and (iv) for Hellenic Post, appointed reputable external advisors to identify options and make recommendations for the best path to privatization to be prepared by June 2014 and implemented immediately, in accordance with the agreed privatization schedule. In consultation with the EC/ECB/IMF, we will identify by end-May 2014 a set of state-owned enterprises that need to be restructured, taking into consideration their financial position (e.g., deficit,

state guarantees, subsidies) and policy purpose, and will develop concrete restructuring proposals for implementation by end-September 2014.

- *Energy sector*
 - Renewable energy account (RES). To restore long-term sustainability and eliminate the debt of the account by end-2014, we have, as a **prior action**, aligned the terms of power purchasing agreements for existing contracts to a reasonable rate of return—reducing tariffs paid to solar producers by about 28 percent on average and to other renewable producers by 5.4 percent on average, imposed a one-time contribution on renewable producers by writing down net arrears owed to them by €310 million (a 28.7 percent reduction for solar producers and 10 percent for others), and increased the RES levy by €4.8 per MWh, and introduced a 200 MW annual cap on new solar installations receiving incentives. Exceptionally, for 2014 only, for fast track projects approved in earlier years, an additional 300 MW cap is foreseen, with feed-in tariffs at current levels.
 - Public Power Company (PPC). To ensure adequate cost recovery while significantly reducing cross-subsidization across consumers, PPC has established a quarterly tariff adjustment mechanism, with a first adjustment effective July 1, 2014. The tariffs will continue to be subject to monitoring by RAE, the regulator. The justification for quarterly PPC tariff proposals based on cost and revenue considerations will be made public, while avoiding inappropriate disclosure of confidential PPC data (data published will include PPC operating and capital costs and realized and projected revenue flows from electricity sales and other sources).
 - Structural measures. We will put in place by July 2014 a set of measures (such as reduced capacity payments, elimination of variable cost recovery, auctions of a portion of PPC’s generation output, and demand side measures to improve efficiency during peak demand periods) to address concerns related to the competitiveness of energy-intensive users, in a way that does not burden PPC’s finances or create fiscal risks, strengthens prospects for PPC’s privatization, and improves the efficiency of the energy market. As a result, the effect of the recent action to preferentially lower electricity prices to energy-intensive users will be addressed. We will consult with the EC/ECB/IMF before considering any further actions that benefit specific groups of energy consumers at the expense of other consumers or market participants.
 - Clearing arrears. The government will clear all public sector arrears through 2013 to PPC—general government arrears have been cleared or the resources have been transferred to the entities owing the arrears and will be cleared by end-June 2014; the rest, including transportation, irrigation and water supply companies will be cleared by end-2014. The arrears of Larco will be dealt with in the context of its liquidation. These measures should provide adequate liquidity to begin clearing arrears in the system, including among PPC, producers, ADMIE, LAGIE, RES producers, and DEDDIE. We will monitor clearance of arrears with the goal of a substantial reduction by mid-2014 and elimination of all arrears by end-2014.

- *Health sector*
 - Pharmaceutical spending. We have increased the original claw back target for 2014 by about €100 million to €2 billion to create space for spending on vaccinations and medicines for the uninsured. This increase is financed by equivalent offsetting measures in primary care spending. We have also extended the claw back target to 2015. To support this target, we have taken measures totaling €625 million, including: (a) reducing the price of off-patent drugs to 50 percent and generics to 32.5 percent of the patent price; (b) establishing a minimum prescription target of generics of 60 percent for doctors, on average, with suspension in cases of non-compliance; (c) expanding the OTC list; (d) establishing price-volume agreements with companies; and (e) introducing evidence-based prescription guidelines and new protocols. We will introduce regressive profit margins for pharmacies and reducing them to 15 percent starting June 2014. We have introduced new drugs in the reimbursement list on the basis of objective and strict medical and cost-effective criteria and any future inclusions will be consistent with taking sufficient offsetting measures to keep spending (before the claw back) at €2 billion. The overall price level of generics will need to be assessed in the context of the next review.
 - Clinics and diagnostics. We will collect the 2013 claw back on private clinics and diagnostic tests by end-May, and will complete the associated audits by June and September 2014, respectively, and the final settlement of outstanding claims by end-October 2014. We have extended the claw back at the 2013 spending ceiling of €890 million through 2015. We have taken structural measures to support this target, including setting budgets for diagnostic tests to doctors, reducing prices, and requiring ex ante approval of private hospital treatment plans, and stand ready to take further measures as needed to bring actual spending close to the claw back ceiling.

13. We are progressing with public administration reforms, including downsizing through attrition. We are on track to reduce employment by 150,000 by end-2015.

- *Staffing and compensation*.
 - To complete our monitoring framework for government employment and the wage bill, we will bring all employees of central and local governments, legal entities of public law, and legal entities of private law under Chapter A into the Census Database by end-June and the Single Payment Authority by October 2014. Contractual staff will be reported in full time equivalent terms by end-July 2014.
 - We will undertake, in consultation with the EC, ECB and IMF, a broad review of government employment levels and the remuneration structure to ensure they are consistent with high-quality provision of public services and are fiscally sustainable. We will prepare a report by end-May 2014, as a basis for long-term staffing targets.
 - We will identify by July 2014 further implementation issues related to the wage grid reform and the rationalization of the public sector wage structure in a fiscally neutral way, such as the comprehensive application of the wage grid reform across the

public sector, including decompressing the wage distribution in both directions in connection with the skill, performance and responsibility of staff, in consultation with the EC/ECB/IMF. These will be legislated by end-October 2014 and made effective from January 1, 2015 (**structural benchmark**).

- We will undertake a comprehensive review of all non-wage benefits, such as working hours, leave arrangements, per diems, travel allowances, unemployment benefits and perks by end-July, and will align them with best practices in the EU by end-September 2014 (**structural benchmark**), effective from January 1, 2015.
- *Mobility and availability.* To catch up to the end-2013 target of 25,000 employees in the “availability” scheme, i.e., the existing mobility and exit scheme, (**prior action**), we are rationalizing staffing across the general government following the review of structures (employees reallocated during the re-organization of the tax administration—which started before the scheme was put in place—will count toward the target). A further 3,000 employees will be shifted into the scheme from municipalities by September 2014. The scheme will remain in place to facilitate future organizational restructuring, including the downsizing and outsourcing of services. Consistent with the TMU, employees placed in the scheme will have their wages reduced by 25 percent, and will be assessed, within a centrally-defined evaluation framework, before reallocation to new positions, or exit. Payments during the time in availability will count against any severance entitlements. The availability scheme is distinguished from a new “mobility” scheme, which is a permanent mechanism for voluntary and mandatory transfers to better allocate personnel within the public administration. It will not be connected to exits nor will it require placing employees under the availability scheme and reducing their remuneration. We will establish by March 2015 an internal job market within the public administration, while implementing mandatory rotation within the public sector beyond the ongoing restructuring exercise to facilitate continuous renewal of skills.
- *Exits.* To meet the end-March 2014 target of 5,000 exits (**prior action**), we are (i) processing disciplinary cases, and identifying illegal conversion of temporary contracts to permanent staff. This is facilitated by removal of the need for ex-ante approval by the Council of State and other legislative initiatives, and (ii) merging, downsizing or closing private law entities with overlapping or obsolete functions and excessive staffing. Any re-hiring of former ERT staff to the new broadcaster will be consistent with preserving our exit targets and done through ASEP, with an open and transparent procedure. We have terminated contracts of 1,700 staff whose appeal to judicial litigation to obtain permanent positions was rejected. The additional 10,000 exits targeted for 2014 will originate predominantly from the availability scheme, and the liquidation and downsizing of public entities of private law. We remain committed to the renewal of personnel by accelerating the effort to tackle disciplinary cases, cases of incapacity, and illegal hirings (including illegal conversion of temporary contracts into permanent ones). Those actions will lead to the dismissal of personnel proven unable to exercise their duties as public servants. We estimate as an indicative number that there would be 2,000 such exits by Q1 2015. We will assess by end-September 2014, in consultation with the EC/ECB/IMF, and taking into account the results of the public administration reforms, whether to formally define targets.

- *Rationalization.* We will undertake a comprehensive assessment of services that can be provided more efficiently and at lower cost by the private sector by end-December 2014 and outsource some of those activities, together with abolishing the corresponding positions and staff from the civil service by end-June 2015. These dismissals will not be counted toward the 1:1 rule.
- *New hiring.* New hiring through 2015 will remain within the 1:5 ceiling, and temporary employment contracts each year will be reduced by about 10 percent relative to the previous year. In case past targets have been exceeded, the reduction rules will be re-adjusted accordingly. For mandatory exits (excluding outsourcing), we will hire new staff (1:1 rule) with critical skills to serve the public and ease the pressure in the private labor market, as long as this is consistent with the government's overall employment ceilings. We will strictly enforce the probation period for new staff of two years, including through a comprehensive performance assessment at the end of the first year, and before being granted permanent employment status.
- *Performance.* We have passed legislation to revise the current system for performance assessments, and will complete the 2013 assessment by July 2014 using the revised system. We will establish a new performance evaluation system by end-2014 to assess 2014 performance by end-March 2015. We will revise by May 2014 the criteria for the appointment of managers to move toward qualification and performance-related factors, rather than seniority, and will fill all senior appointments by end 2014 and heads of units by end-June 2015.

14. Fiscal institutional reforms are covered in Annex I.

Financial Sector Policies

15. Following the announcement of the results of 2013 stress test exercise, we are taking the following steps:

- **Timeline.** Banks have until end-June 2014 to meet their capital needs under the baseline scenario, based on capital-raising plans that they submitted for approval by mid-April 2014. The upfront capital raising under the baseline scenario is based on mitigating actions, but only those included in banks' current restructuring plans along with any further mitigating actions agreed with the EC (DG-Competition) as commitments in the revised restructuring plans, which the BoG will take into account for recalculating capital needs. Further, banks have until end-May 2014 to submit capital-raising plans addressing the adverse scenario, for approval by the Bank of Greece by end-June 2014.
- **Commitment.** We stand ready to take all necessary policy actions to safeguard overall financial stability. We remain committed to a four-pillar banking sector, and the results of the stress test have confirmed that this commitment is appropriate. The resources in the HFSF have been set aside as a buffer against possible capital shortfalls that could materialize in the stress test horizon, or as a result of the SSM comprehensive assessment exercise. These form part of a credible backstop, together with the support of euro area Member States. The SSM assessment in 2014 provides an opportunity in late-2014 to assess progress and ensure adequate capitalization.

- **Recap law.** As a **prior action**, we have passed legislation governing the injection of public sector resources into the banks through the HFSF, under which the HFSF will provide capital to viable banks that fail to meet the capital needs determined by the stress tests. To minimize taxpayer liability, capital support will be subject to the prior implementation of burden-sharing measures, in accordance with EU rules. The shares subscribed by the HFSF will bear full voting rights, and the subscription price will be determined by the HFSF General Council, based on reports by two independent advisors as prescribed in the law.

16. Eurobank completed its share capital increase, following the announcement of stress test results. The overriding objectives were to strengthen the bank's capital base as soon as possible, attract in a competitive process anchor investors that would play an active role in the bank's management and balance sheet repair, and achieve a strong private sector participation in the transaction, marking the return of our banking sector to capital markets as a sign of its nascent recovery.

17. We are committed to preserve sufficient banking system liquidity in line with Eurosystem rules. The Bank of Greece, 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, while expecting banks to achieve a sustainable funding model over the medium term. In this context, banks have submitted their funding plans to the Bank of Greece, and will be required to update their plans on a quarterly basis to allow for continuous monitoring and assessment of their efforts.

18. We are intensifying supervision, in consultation with the EC/ECB/IMF, including over the management of banks' troubled assets.

- We will introduce KPIs to monitor banks' progress in reducing their large NPL portfolios, and banks will begin gradual reporting under these KPIs by end-June 2014, with full reporting to commence from end-December 2014.
- We will report on the appropriateness of banks' loan forbearance practices and recognition of income from NPLs by end-July 2014. Based on the results of the ECB's comprehensive assessment, we will assess the need to introduce impairment provisioning guidelines similar to those of other EU supervisory authorities. If guidelines are deemed necessary, we will introduce them in time for consideration in the 2014 end-year accounts.
- We are evaluating options for improving recovery from assets under liquidation and will implement by end-June in full the recommendations of technical assistance to this end.
- We will undertake a review of the Bank of Greece's supervisory model, legal powers, governance structures and the enforcement toolkit by end-June 2014, in consultation with EC/ECB/IMF staff, and introduce appropriate legislative or regulatory changes by end-September 2014. As part of this review, we will prepare the Basel Core Principles (BCP) self-assessment by end-June, and will request IMF staff to complete an assessment of supervisory practices against specific and pre-agreed BCPs by end-September 2014.

- We are taking the following steps immediately to improve the effectiveness of our supervisory practices. We addressed restrictions on hiring experienced staff in a manner that preserves staff autonomy and the financial independence of the Bank of Greece. In addition, we will: (i) revise our organizational structure and internal governance processes by September 2014, in preparation for transfer of supervisory responsibility to SSM; (ii) engage specialists to assist us with the supervision of NPL portfolios by end-May; and (iii) assess the impact of the introduction of the EBA guidelines on definitions of NPLs and forbearance and require banks to adopt the guidelines by end-June 2014.

19. We are committed to addressing deteriorating asset quality and improving our debt resolution framework, in consultation with the EC/ECB/IMF. We have established a Government Council for the Management of Private Debt to coordinate legal and institutional reforms to enhance corporate and personal debt resolution frameworks. As a **prior action**, the Council has: agreed its expenditure budget for 2014; under the Secretary General for Consumer Protection, engaged project management, public relations, and technical specialists to ensure effective delivery of all aspects of the agenda; and adopted definitions of a cooperative borrower and reasonable living expenses for use in and out-of-court debt workouts. The major tasks of the Council are as follows:

- Introduce a binding Code of Conduct for banks that specifies the terms of engagement between creditors and debtors by end-May 2014 (**structural benchmark**). Banks will be required to pilot and implement long-term debt restructuring tools by end-October 2014 and be compliant with the Code by end-2014.
- Design out-of-court debt restructuring tools for enterprises, including a multi-creditor coordination mechanism inspired by international standards (such as the INSOL principles) to facilitate the restructuring of viable commercial entities, by end-May 2014. We will also specify by end-May a similar coordination mechanism for SMEs that will include the use of standardized templates as well as a review and appeals procedure. We will adopt and implement both mechanisms, *inter alia*, by making the necessary legislative changes, by end-July.
- Review the personal and corporate insolvency laws by end-June 2014, and implement necessary changes to improve the functioning of in-court insolvency procedures by end-October 2014 (**structural benchmark**). This will include establishing a regulated profession of insolvency administrators, not restricted to any specific profession and in line with best practice in the EU.
- Launch by end-July educational services and public awareness campaigns to inform debtors of their options and rights and educate small businesses on financial and credit management.
- Develop a coherent plan for a means-tested social safety net for vulnerable home owners by July 2014 (see also ¶18).
- Implement other supportive measures such as better data collection (by May 2014), reducing the costs of the property auction process (by June 2014), and introducing residential and commercial real estate transaction price registers (by October 2014).

- Set up a monthly data collection process to monitor the effectiveness of the transition debtor-protection scheme enacted in December 2013. Based on incoming data, the Council will by end-June 2014 prepare a report assessing the effectiveness of the new law and its impact on strategic default behavior, and will propose measures to ensure effective implementation in case of shortcomings.

20. We are taking further steps to overhaul operational and governance arrangements in the financial sector more broadly. These efforts are two pronged: first, the HFSF's governance and operational structure and effectiveness as a shareholder is being enhanced by: (i) employing personnel with international experience in commercial banking and NPL resolution; (ii) reviewing the internal safeguards on conflict-of-interest rules and related-party transactions and making appropriate changes by end-May 2014; and (iii) increasing the number of General Council members to 9 and the members with international experience to 7. Second, the HFSF's engagement with the banks will be strengthened. Based on a broad review of the governance arrangements concerning HFSF's participation in the banks by end-May 2014 to be undertaken in consultation with the EC/ECB/IMF, we will adopt appropriate legislative and operational steps by June 2014, to ensure that financial institutions are run on a sound, commercial basis. In this context, we will examine a broad variety of options in consultation with the EC/ECB/IMF to step up oversight arrangements over banks' performance and clean up of their balance sheets, including through a revision of the relationship framework agreements.

21. We will prepare a comprehensive strategy on the cooperative sector, taking into account the role of Panellinia bank. While cooperatives are currently compliant with capital requirements, we will examine by end-July 2014, in consultation with the EC/ECB/IMF, all modalities, including further consolidation or a review of their *modus operandi* to ensure the sector as a whole has achieved stability and standards that are considered best practices internationally. We will implement the strategy by end-September 2014.

22. We will take no fiscal policy actions that would undermine the solvency of banks. In particular, the banks will not be required or permitted 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 Bank of Greece has given its consent, confirming that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward. We will not impose unilateral debt relief solutions for any particular group of debtors.

Privatization

23. We are redoubling our efforts to tackle the obstacles to privatization, as performance has continued to fall short of program objectives. We will focus on:

- *Corporate governance.* We will provide the HRADF with all necessary authority to effectively control companies that it is responsible for privatizing, while strengthening its accountability, transparency and operational autonomy. Specifically:
 - The HRADF will complete by end-June 2014 an assessment of the management and board members of companies in its portfolio and take all appropriate steps

(including by terminating the relevant appointment) with respect to those that are not performing well or whose actions are not aligned with the HRADF's goal of privatization. The assessment will be completed by the Board of Directors of the HRADF based on a set of clear objectives and criteria.

- The HRADF has appointed at least one board member of companies in its portfolio where it is not currently represented, and has approved transparent criteria for the selection and appointment of Board members in which HRADF is a shareholder.
- As a **prior action**, we have adopted, in consultation with the EC/ECB/IMF, legislation, requiring the HRADF to exercise its shareholders' powers in the companies in which the HRADF is a majority shareholding, according to a framework of cooperation which sets out objectives and criteria in line with the privatization process. Under such legislation, the HRADF shall ensure ongoing adherence of such framework of cooperation, including through taking appropriate action towards Board members and management in the relevant companies. The framework of cooperation shall be designed and adopted by the HRADF Board of Directors by June 2014.
- To enhance operational functioning, we have amended the HRADF law to inter alia ensure uninterrupted operations in the event that the chair is vacant; provide personal contracts to the executive members of the BoD, and narrow the grounds for dismissal of the HRADF Board members; introduce greater flexibility in tools and procedures for asset sales; legislate that super/extraordinary dividends (i.e., in excess of profits of the previous year) or reductions in share capital from entities under privatization are paid to the HRADF (and within 10 days to the segregated account); and exempt the HRADF from the requirements under Law 4111/2013 regarding the submission and monitoring of monthly/quarterly targets and ensure that reporting requirements of the HRADF under Article 78 of Law 2362/1995 are limited to:
 - (i) annual budget (expenditure and revenue) and any changes to it made during the year (forward looking);
 - (ii) monthly submission of budget execution and financing (backward looking);
 - (iii) monthly submission of wage bill data (backward looking);
 - and (iv) monthly submission of commitment registry summary (backward looking on a monthly basis, forward looking for annual budget spending).The HRADF will review by June 2014 current legislation that applies to general government entities, including the organic budget law (Law 2362/1995), to identify any legal provisions that hamper its ability to operate efficiently or contradict aspects of its law, and the authorities will, in consultation with the EC/ECB/IMF, take action to address these by October 2014 (with the amendment of the organic budget law).
- More broadly, to strengthen the governance regime and the effectiveness of the HRADF, we will undertake a review, including through an independent third-party assessment, aimed at having strong conflict-of-interest, related-parties transactions and insider trading rules, strict incompatibility criteria for the HRADF Board members. In this context, we will also review the internal governance arrangements that can effectively enable the HRADF to implement such rules and criteria. Legal and operational changes to reflect these improvements will be introduced, in consultation with the EC/ECB/IMF, by June 2014.

- *Real estate.* To facilitate real estate privatization:
 - We will undertake a comprehensive reform of land use restrictions and urban planning at the local, regional, and national levels, including zoning, environmental, energy, forest, coastal lands, and building coefficient requirements and approval processes. Building on work already done, and in parallel with initiatives in the area of spatial planning and forestry, we will prepare an action plan, including dates for passage of needed legislation, by end-September 2014 to improve legal clarity and drastically reduce the time and procedural requirements needed to secure rights to develop land, while preserving needed safeguards on land use. This fundamental reform will facilitate privatization of publicly owned real estate and improve the property rights of private owners and reduce the barriers to private investment.
 - We have undertaken a review of the mission, objectives, and staffing of ETAD, to strengthen its effectiveness in professionally managing and maturing assets ahead of transferring them to HRADF. We will review the unutilized properties under the ministries that have been transferred to ETAD by June 2014 to identify omissions, and require that ministries identify and transfer remaining unutilized properties to ETAD by end-September. The HRADF has evaluated all income-generating properties in ETAD's portfolio and assessed whether they can be privatized.
 - We will adopt, in consultation with the EC/ECB/IMF, by end-May 2014, legislation to propose to current illegal or unauthorized occupants of government-owned properties to purchase such properties on market terms.
- *Government support for privatization.* Many of the actions required to conclude privatization transactions are the responsibility of government ministries and entities whose active engagement is essential. To help ensure full government support:
 - As a **prior action**, we will: implement, in consultation with the EC/ECB/IMF, pending government actions (TMU Annex Table I.3) (these include inter alia the issuance of MD on setting up tolls on Egnatia Odos and the establishment of the port regulator); and launch the expression of interest for the sale of shares in Thessaloniki port concession.
 - To facilitate cooperation between ministries and the HRADF, an inter-ministerial working group led by a Secretary General of the Ministry of Finance or by the PM's office, with participation of the HRADF, shall meet bi-weekly to review new and existing pending government actions and ensure expeditious completion. The authorities will review this list of actions with the EC/ECB/IMF on a monthly basis.
 - The HRADF prepares detailed project plans and timelines for completion of the sales of major assets in the privatization portfolio, and will report monthly to the EC/ECB/IMF on progress against this timeline starting in April 2014. Where slippages of key government actions needed to realize the projected privatization timetable are detected, remedies will be put in place and projections will be adjusted accordingly. The HRADF publishes on a quarterly basis a report on steps taken to proceed with privatization (expressions of interest, any needed legislative approvals,

tenders, and regulatory approvals) and financial accounts (including a profit and loss statement, a cash flow statement, and the balance sheet), no later than 60 days after the conclusion of every calendar quarter. We have passed legislation to establish a mechanism to monitor the privatization projects after they have been contracted to ensure the proper functioning of contracts and resolve issues as they arise.

24. We have adjusted our targets for privatization proceeds to make them more realistic in light of institutional constraints and delays. While we are confident that the steps outlined above will improve prospects for realizing privatization revenues, we do not believe that previous program targets are feasible at this time, in particular relating to real-estate sales. We have therefore revised program targets to reflect an ambitious but more realistic assessment of prospects, and will continue to keep these targets under review, mindful of both upside (from heightened investor interest) and downside (from continuing significant hurdles to privatization) risks. We will continue to monitor progress via quarterly indicative targets, and performance criteria for September and December 2014 (Table 5).

Structural Reforms

25. Product and service market reforms aimed at promoting competition and reducing the administrative burden are a key focus for this review.

- *Promoting competition.* An OECD review of four sectors (tourism, retail, building materials, and food processing) has identified 329 regulatory distortions that hamper competition. We have addressed 43 of these restrictions and, with a view to lower consumer prices, improve labor productivity, and support creation of new jobs, we are committed to address virtually all of the remaining ones (we will adopt most OECD recommendation in full, except for those specified in Table 5). To that end, we will:
 - As a **prior action**, adopt 237 recommendations: (i) 212 in an omnibus law; (ii) 15 in two new laws (on licensing and outdoor trade); and (iii) 10 as part of several sectoral laws and ministerial decisions. These include reforming the licensing framework for shopping malls and outlets; removing several restrictions on the ownership and operation of pharmacies; abolishing barriers to entry in the building materials sector (such as minimum requirements on storage or capital requirements); and eliminating barriers to investment in tourism activities (such as geographical restrictions).
 - By end-June 2014, adopt all necessary secondary legislation to fully implement the reforms discussed above, except for two codes of best practice on sales and offers and on foodstuff traditional definitions that will be implemented by end-September.
 - Adopt another 32 recommendations, including (i) 18 in the context of nuisance tax reform (17); (ii) 6 by end-June 2014 as well as 1 by end-2014 through several sectoral laws (related to the maritime and tourism sectors); and (iii) 7 by end-2014 to align various technical specifications with EU standards.
 - Conduct follow-up studies, including to: (i) assess the evolution of OTC prices and, if there is no substantial reduction of such prices by end-June 2014, we are committed to liberalize immediately the retail channels for all OTC products; (ii) review the

experience of liberalized Sunday trading in select areas, and on that basis decide by March 2015 on whether to roll out the recent changes across the country; (iii) evaluate by end-2014 the impact of the changes in milk pasteurization and sale procedures adopted as part of the prior action above, and make additional legislative changes immediately if milk prices remain high; and (iv) following consultation with the EC/ECB/IMF, adopt legislative amendments, as needed, to bring our legal framework related to 6 of the remaining recommendations in line best practices in the EU by end-2014.

- Finally, we have requested the OECD to conduct a similar review of the following sectors: wholesale trade, manufacturing, telecommunications, and e-commerce by October 2014. To this end, we have launched the process and will agree, by end-May 2014 at the latest, the terms of reference for the project with the EC/ECB/IMF. We will adopt by end-November 2014 specific measures to promote competition and price flexibility in these sectors following the submission of the final OECD recommendations (**structural benchmark**).
- *Reducing red tape.* The OECD has screened laws and regulations in 13 sectors, and identified a number of procedures that can be significantly streamlined to reduce administrative burdens by 25 percent, while fully safeguarding the public interest. We will adopt in consultation with the EC/ECB/IMF the recommendations by end-June 2014 (**structural benchmark**). We have adopted a first set of changes to simplify a number of burdensome administrative procedures identified by the OECD.
- *Simplifying licensing.* The current burdensome and highly discretionary investment licensing regime, requiring approval by multiple ministries and government agencies, is a major obstacle to attracting investment. To address the problem, with assistance from the World Bank, we have outlined a strategy aimed at shifting from the complicated ex-ante licensing mechanism to a largely self-compliance system based on established standards. To that end, we adopted a licensing framework law containing very few and specifically defined exceptions on areas requiring ex-ante licensing (with no further exceptions to be granted thereafter), and plan to have all secondary legislation in place by end-2014 (**structural benchmark**). We have submitted a presidential decree on all pending secondary legislation needed to implement Law 3982/2011 on technical professions and will also do so for Law 4014/2011 on environmental licensing by end-September 2014.
- *Liberalizing rentals.* For commercial properties, we adopted a law to reduce minimum duration requirements for new rental contracts to 3 years. For tourism rentals, we adopted legislation to facilitate short-term rentals and help reduce informality, by: (i) reducing the threshold under which a lease is characterized “tourist lease” from 3 to 1 month; (ii) substantially reducing the minimum space requirements for villas that are classified as “tourist leases”; and (iii) we will by June 2014 replace the requirement for approval by EOT with a simple registration for rentals less than one month subject to minimal and well-justified quality and safety standards. We will review the framework for

tourist leases by end-July, and will prepare by end-September 2014 in discussion with the EC/ECB/IMF the necessary legislative changes to bring it in line with best EU practice.

- *Liberalizing transport.* On ferry transport, have allowed companies to distribute freely across its fleet the days they can stop operations during the winter season; eliminated the requirement for companies to declare maximum prices; adopted legislation allowing optionally firm-level labor agreements in the domestic ferry sector and suspending the favorability clause and extension of collective agreements, while respecting the international and European legislation; and aligned mandatory discounts for ferry tickets for new PSO lines with the ones for commercial lines. By end-September 2014, in consultation with the EC/ECB/IMF, we will (i) adopt legislative changes to align manning requirements for domestic services with the one for international lines, while respecting safe manning in line with international standards and best-practice principles; and (ii) review the applicability of the above changes on the favorability clause and extension of collective agreements to the international line segment and adopt legislative changes as appropriate. On air transport, we will rationalize PSO contracts, including restricting them to the non-tourist season, and review alternatives (e.g., infrastructure investment), and will take measures to ensure the participation in the tendering process of non-domestic airlines by October 2014.
- *Facilitating trade.* Building on earlier reforms aimed at aligning our customs clearance and export/import procedures with best EU practices, we have introduced an electronic submission system for all import declarations. We now require check payments for all customs charges and ceased to accept cash payments and will make all payments electronically by end-September 2014, except for small payments by individuals. In addition, with assistance from the World Customs Organization, we will adopt optimized procedures in the Athens airport and Piraeus port customs offices for exports by end-May 2014, including full implementation of the risk-based system and alignment of the level of controls with best practices in the EU. We will roll-out those optimized procedures to all other custom offices for exports by end-June 2014 and imports by end-2014.

26. We are intensifying efforts to reform the energy sector. In the electricity market, we adopted the law to privatize ADMIE, the transmission system operator, and submitted the law to create and sell a new generation and retail company out of PPC. In the gas market, we have established a roadmap to transition Greece to a more mature market model, increasing the degree of competition at all levels, and transferring the advantages to the broadest possible set of consumers. Any changes to existing arrangements will be fiscally neutral. (See MOU, §6.1.5 for more details.)

27. We continue to open up regulated professions and will assess the implementation of reforms to ensure they are delivering the desired results (TMU Table 4). We issued implementing legislation to complete the liberalization of a number of professions, including day care clinics, electricians, actuaries, chartered valuers, and geo-technicians. As a **prior action**, we adopted legislation opening the mediator's profession to non-lawyers, repealed provisions relating to the severance pay upon voluntary separation of

private sector salaried lawyers, and at the same time introduced a provision so that any unilateral adverse alteration of the terms of the salaried contract that is harmful to the lawyer is deemed as termination of contract on behalf of the employer; and clarified the reference in the Code of Lawyers to the minimum wage for salaried lawyers in relation to the statutory national minimum wage. We will further assess the fees and reserved activities for notaries and on this basis adopt legislation to align them with best practices in the EU by end-September 2014. Consistent with HCC's opinion, we will adopt by end-June 2014 amendments to remove unjustified and/or disproportionate requirements on a number of reserved activities for engineers. Finally, we will hire a highly reputable external consultant by June 2014 to review comprehensively by end-August 2014 all professions under each ministry to determine what regulated professions have not yet been assessed or fully liberalized, agree with the EC/ECB/IMF by end-September on actions to remove any remaining excessive restrictions across all regulated professions that are being identified, and accordingly take the necessary legislative steps by end-October 2014.

28. We have taken administrative steps, in consultation with social partners, on our framework on collective dismissals. We will undertake an assessment by end-September 2014, in consultation with the EC/ECB/IMF and the ILO, on whether the collective dismissal system replicates EU best practices in an effective, credible, and durable way. Based on this assessment, we will, in case of doubt, take appropriate legislative action to align the framework with EU best practices by end-October 2014 (**structural benchmark**).

29. We are taking additional steps to address areas in the labor market where excessive restrictions remain. These include reviewing excessive mandatory requirements on wages, benefits and payments or other restrictions in hiring or dismissals by May 2014 and adopting necessary legislation to bring them in line with best practice in the EU by August 2014. Further:

- *Industrial action.* To safeguard the right to work, promote constructive relations among parties, and avoid any undue disruption of the operations of firms, and at the same time ensure that the framework for trade unions' operations is mature and aligned with international conventions, we will: by end-June 2014, review against best practices the existing framework; after consultation with social partners, prepare by end-September 2014 in discussion with the EC/ECB/IMF the necessary legislative changes to bring the framework in line with best practice in the EU; and adopt these changes by end-October 2014 (**structural benchmark**).
- *Temporary work.* We have taken the following steps to increase the flexibility of the framework for temporary work, to bring it in line with EU best practices: (i) abolished the restriction that temporary work agencies (TWAs) can provide their services only for "transitory, extraordinary, or seasonal" positions; (ii) reduced restrictions on hiring via TWAs following redundancies for economic reasons (from 6 to 3 months for individual redundancies, and from 12 to 6 months for collective dismissals); (iii) removed the restriction for the use of TWAs in large public works contracts; and (iv) reduced the list of hazardous positions where provision of employees by TWAs is not allowed.

- *Reporting requirements and Labor Code.* We have simplified labor reporting requirements, including implementing several OECD administrative burden review recommendations, and will take further steps to address the ILO, other stakeholder, and remaining OECD recommendations by end-September 2014. To enhance transparency and level the playing field, we will, by end-June, compile a comprehensive list of all labor legislation across sectors, and address in consultation with the EC/ECB/IMF any inconsistency that exist, and compile on this basis by end-2014, a comprehensive Labor Code.
- *Minimum wage.* To increase incentives for hiring long-term unemployed workers, and as part of a broader package to support long-term unemployed (¶18), as a **prior action**, we adopted legislation that sets the statutory minimum wage system (consisting of the statutory minimum wage and maturity allowances) for white-collar workers above the age of 25 years who have been unemployed for more than one year at the base minimum wage plus maturity allowances equivalent to 5 percent of the base minimum wage for every three years of work experience, up to a maximum of 15 percent. In addition, we clarified that the statutory minimum wage under the new minimum wage mechanism, which becomes effective on January 1, 2017, will be a single rate.
- *Application of labor market reforms to the education sector.* To remove the uncertainty on the application of the law 4046/2012 on severance payments and Cabinet Act (FEK 38/28-2-2012) to the private education sector, we repealed provisions in previous laws (Law 682/1977, Articles 30 and 33; and Law 1351/1983, Article 11, ¶1) that are inconsistent with the recent changes in the general labor law.

30. We continue to advance judicial reforms and are improving the anticorruption framework. Judicial reforms have started to yield results by reducing case backlog and eliminating unnecessary restrictions for lawyers. However, with the backlog remaining very high overall, we have proposed additional measures in the short term to reduce the backlog of tax cases. We are committed to adopt, in consultation with the EC/ECB/IMF, a revised Code of Civil Procedures by end-May (**structural benchmark**). Based on the study of court fees delivered in November 2013, and in full accordance with the constitutional principle of the citizens for access to justice, we will propose a selective increase of court fees by end-September 2014, in consultation with the EC/ECB/IMF. We have adopted new anti-corruption legislation. We will, in consultation with the EC/ECB/IMF, submit legislation to parliament for adoption by end-June 2014: (i) on the funding of political parties; and (ii) providing for an enhanced system of published declaration of assets, interests, and incompatibilities by public and elected officials, as well as members of government, and for independent risk-based audits.

Table 1. Greece: Quantitative Performance Criteria, September–December 2013

(Billions of euros, unless otherwise indicated)

	Sep-13		Dec-13	
	Prog.	Actual	Prog.	Actual
Performance criteria				
1. Floor on the modified general government primary cash balance 1/	-0.8	3.0	-0.3	0.4
2. Ceiling on state budget primary spending 1/	38.8	36.1	53.2	52.4
3. Ceiling on the overall stock of central government debt	335.0	321.9	335.0	326.6
4. Ceiling on the new guarantees granted by the central government 2/	0.0	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	0.0
6. Ceiling on the stock of domestic arrears (narrow definition)	1.0	2.0	0.0	1.3
Indicative targets				
7. Ceiling on the stock of domestic arrears (general government definition)	1.5	5.8	0.0	3.9
8. Floor on privatization receipts 4/	1.5	0.2	1.6	1.0
9. Mandatory exits (employees in thousands) 5/ 6/	2.0	3.2	4.0	3.5
10. Transfers to the mobility scheme (employees, in thousands) 5/	12.5	8.4	25.0	15.9
11. Floor on the stock of employees in the mobility scheme that will exit	5.0	2.1	11.0	5.0

1/ Applies cumulatively from start of the target's calendar year.

2/ Applies cumulatively from October 1, 2012.

3/ Applies on a continuous basis from program approval.

4/ For 2012, cumulative from program approval. For 2013, cumulative from January 1, 2013.

5/ Cumulative from January 1, 2013.

6/ Actuals are gross exits and do not exclude individuals within three years of early retirement.

Table 2. Greece: Structural Benchmarks, September–December 2013

Measure	Status
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 ¶19).	• Not observed. Re-phased including part as a prior action (see Table 3).
2. Adopt legislation on a new property tax regime (IMF Country Report No. 13/241, MEFP ¶17).	• Not observed. Law adopted in December 2013.
3. Banks to update their restructuring plans and submit them for validation by DG-Competition (IMF Country Report No. 13/20, MEFP ¶23).	• Observed.
4. Government to meet quarterly performance indicators (KPIs) for revenue administration (IMF Country Report No. 13/241, MEFP ¶18).	• Not observed. Nine out of ten KPIs missed (see TMU Annex Table I.1).
5. Government to meet quarterly performance indicators for public financial management (IMF Country Report No. 13/241, MEFP ¶23).	• Not observed. One out of three KPIs missed (see TMU Annex Table I.2).
End-October 2013	
6. Approve the new organizational structure of the Revenue Administration, staffing numbers, grading system and classification, and qualification and appointment processes (IMF country report No. 13/153, MEFP ¶13).	• Not observed. Most actions were completed with delays, and staffing numbers will be approved in May 2014.
7. Adopt all secondary legislation needed to implement the tax procedures code (IMF Country Report No. 13/241, MEFP ¶6).	• Not observed. Prior action (see Table 3).

Table 2. Greece: Structural Benchmarks, September–December 2013 (concluded)

Measure	Status
End-November 2013	
<p>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).</p>	<ul style="list-style-type: none"> • Not observed. Upfront social security rate reduction is a prior action (see Table 3); steps to broaden contribution base are underway; and harmonization of rates across funds is rephased for end-June 2014 (¶6).
End-December 2013	
<p>9. Government to meet quarterly performance indicators for revenue administration (IMF country report No. 13/153 MEFP ¶8 and Annex II).</p>	<ul style="list-style-type: none"> • Not observed. All ten KPIs missed (see TMU Annex Table I.1).
<p>10. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/153, MEFP ¶11 and Annex IV).</p>	<ul style="list-style-type: none"> • Not observed. One out of three KPIs missed (see TMU Annex Table I.2).
<p>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).</p>	<ul style="list-style-type: none"> • Observed. Stress tests completed, but results not agreed with staff.
<p>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).</p>	<ul style="list-style-type: none"> • Not observed. Clearance of pre-2012 arrears rephased for Q3 2015, and completion of the targeted audit of general government accounts payable rephased for end-2015.

Table 3. Greece: Prior Actions

Measure	Macro critical relevance
Fiscal measures	
1. Government to lock in lower spending of €320 million from permanent savings in 2013 by revising binding expenditure ceilings in the 2015-18 MTFS (¶14).	• Fiscal sustainability (budget)
2. Implement several measures to eliminate RES debt by end-2014 (¶12).	• Fiscal sustainability (spending)
3. Government to place additional public sector employees in the mobility scheme to reach 25,000 employees, and to achieve 5,000 exits in the public sector (¶13).	• Fiscal sustainability (spending) and government efficiency
Fiscal institutional reforms	
4. Adopt secondary legislation to the Income Tax Code and the Tax Procedure Code (¶10).	• Fiscal sustainability (revenue)
5. Government to submit presidential decree to consolidate revenue administration functions, and to transfer to SGPR all revenue-related functions of SDOE, and SGPR to adopt the final organizational structure of the revenue administration (Annex I ¶2).	• Fiscal sustainability (revenue)
6. Implement an interim borrowing framework within the general government (Annex I ¶5).	• Fiscal financing
Financial sector	
7. Adopt legislation governing the injection of public resources into banks via the HFSF (¶15).	• Financial stability
8. Government Council for the Management of Private Debt to take steps to enhance corporate and personal debt resolution frameworks (¶19).	• Financial stability
Privatization	
9. Adopt law to strengthen HRADF's control in companies it is majority shareholder, and implement pending government actions in support of the 2014 privatization program (¶23).	• Fiscal sustainability (budget) and economic efficiency
Structural reforms	
10. Reduce IKA's SSC rates by the equivalent of 3.9 pp effective July 1, 2014 (¶6).	• Strengthen competitiveness and promote employment
11. Abolish 40 charges with an annualized cost of €245 million (¶7).	• Strengthen competitiveness and promote employment
12. Adopt 237 of the OECD recommendations to remove barriers to competition in four sectors (tourism, retail, building materials, and food processing) (¶25).	• Strengthen competitiveness and promote employment
13. Adopt legislation to open mediator's professions to non-lawyers, repeal provision on severance pay of lawyers upon voluntary separation, and clarified the reference on the minimum wage for lawyers (¶27).	• Strengthen competitiveness and promote employment
14. Adopt legislation to reduce minimum wage for long-term unemployed (¶29).	• Strengthen competitiveness and promote employment

Table 4. Greece: Schedule of Proposed Purchases under the Extended Arrangement, 2012–16

Review	Availability Date	Action	Purchases		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 and Second Reviews	August 31, 2012	Observance of end-December 2012 performance criteria, completion of first and second reviews	2,798.2	254.0	3.3
Third Review	February 28, 2013	Observance of end-December 2012 performance criteria, completion of third review	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	February 28, 2014	Observance of end-December 2013 performance criteria, completion of fifth review	3,013.6	273.5	3.5
Sixth Review	August 31, 2014	Observance of end-June 2014 performance criteria, completion of sixth review	3,013.6	273.5	3.5
Seventh Review	November 30, 2014	Observance of end-September 2014 performance criteria, completion of seventh review	3,013.6	273.5	3.5
Eighth Review	February 28, 2015	Observance of end-December 2014 performance criteria, completion of eighth review	1,506.8	136.8	1.8
Ninth Review	May 31, 2015	Observance of end-March 2015 performance criteria, completion of ninth review	1,506.8	136.8	1.8
Tenth Review	August 31, 2015	Observance of end-June 2015 performance criteria, completion of tenth review	1,506.8	136.8	1.8
Eleventh Review	November 30, 2015	Observance of end-September 2015 performance criteria, completion of eleventh review	1,506.8	136.8	1.8
Twelfth Review	February 29, 2016	Observance of end-December 2015 performance criteria, completion of twelfth review	1,506.4	136.7	1.8
Total			23,785.3	2,158.8	28.0

Source: IMF staff projections.
1/ Exchange rate of January 5, 2012.

Table 5. Greece: Program Quantitative Performance Criteria, 2014–15

(Billions of euros, unless otherwise indicated)

	2014			2015	
	Jun.	Sep.	Dec.	Mar.	Dec.
	PC	PC	PC	Indicative	Indicative
Performance criteria					
1. Floor on the modified general government primary cash balance 1/	0.4	3.1	5.1	1.2	7.5
2. Ceiling on state budget primary spending 1/	21.0	31.8	44.4	10.1	42.1
3. Ceiling on the overall stock of central government debt	335	335	335	340	340
4. Ceiling on the new guarantees granted by the central government 2/	0.0	0.0	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	0.0	0.0
6. Ceiling on the stock of domestic arrears of the general government	3.2	2.6	1.9	1.9	...
7. Floor on privatization receipts 4/	...	2.1	...	...	...
Indicative targets					
1. Floor on privatization receipts 4/	...	...	2.5	...	4.7
2. Mandatory exits (employees, in thousands) 5/	9.0	14.0	15.0	...	...
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/ Cumulative from April 1, 2013. Includes further targets for July 2014 of 10,500 and August 2014 of 12,000.					

Table 6. Greece: Structural Benchmarks

Measure	Macro critical relevance
End-May 2014	
1. Government to introduce a new Code of Conduct for banks (¶19).	• Financial stability
2. Adopt changes to the Code of Civil Procedure (¶30).	• Growth/competitiveness (business environment)
End-June 2014	
3. Address recommendations of the OECD study on administrative burdens (¶25).	• Growth/competitiveness (business environment)
End-September 2014	
4. Adopt legislation to integrate into ITC the taxation of collective investment vehicles as well as all income tax expenditures (eliminating inefficient or inequitable ones) (¶9).	• Fiscal sustainability (revenue)
5. Adopt legislation to broaden definition of tax fraud and evasion, and repeal Article 55 ¶s 1 and 2 of TPC (¶9).	• Fiscal sustainability (revenue)
6. Align public sector's non-wage benefits with EU best practices (¶13).	• Government efficiency
End-October 2014	
7. Adopt VAT reform to streamline rates and simplify administration (¶7).	• Fiscal sustainability (budget) and business environment.
8. Adopt wage grid reform to become effective January 1, 2015 (¶13).	• Fiscal sustainability (budget)
9. Adopt amendments to the Organic Budget Law (Annex I ¶5).	• Fiscal sustainability (budget)
10. Government to enhance the personal and corporate insolvency framework (¶19).	• Financial stability
11. Adopt legislation to align framework on collective dismissals with EU best practices (¶28).	• Strengthen competitiveness and promote employment
12. Adopt legislative changes to bring Greece's framework on industrial actions in line with EU best practice (¶28).	• Strengthen competitiveness and promote employment

Table 6. Greece: Structural Benchmarks (concluded)

Measure	Macro critical relevance
End-November 2014	
13. Adopt pension reform package based on actuarial studies completed in September on the whole pension system including supplementary and lump-sum funds (¶16).	• Fiscal sustainability (budget)
14. Adopt legislation to address all identified issues in the follow-up OECD report on legislative barriers to competition in wholesale trade, manufacturing, telecommunications, and e-commerce (¶25).	• Strengthen competitiveness and promote employment
End-December 2014	
15. Adopt all secondary legislation on investment licensing law (¶25).	• Growth/competitiveness (business environment)
End-March 2015	
16. Adopt revisions to the government Chart of Accounts (Annex I ¶15).	• Fiscal transparency

Annex I. Fiscal Institutional Reforms and Follow-up of TA Recommendations

1. With legislative efforts peaking in 2013, reforms in 2014 will focus on the implementation of the new legal framework.

Revenue administration

2. We have further bolstered the autonomy of the revenue administration.

- *New structure.* As a **prior action**, we will adopt legislation to: (i) consolidate the revenue administration functions and competencies of the General Directorate of Taxation and the General Directorate of Tax Audits and Collection into a new General Directorate of Tax Administration under the SGPR; (ii) close the General Directorate of Financial Inspection within SGPR and replace with the Internal Affairs Department of SGPR, effective end-June 2014; and issue (iii) the Secretary General Decision to establish the new SGPR structure. We have re-organized processes so that the 61 local tax offices that have debt collection and audit responsibilities can maintain a clear focus on the major taxes (income, VAT, and property taxes) by requiring filing of most returns/declarations to be done electronically or as self-assessments (and consistent with ITC, Article 67, ¶1). To further protect the integrity of the tax administration, by end-May 2014, we will ensure that other public bodies provide only detailed fact sheets to the tax administration in order to perform the audits and investigations,.
- We have amended legislation to transfer all tax-related audit and investigation competences from the Financial and Economic Crimes Unit (SDOE) to SGPR. To ensure the complete transfer of all revenue-related activities, we have as a **prior action**: (i) revoked the provisions of Article 6 of Law 3943/2011 on the origin of SDOE personnel being ex-tax and customs officers; and (ii) of the 200 staff transferred to SGPR effective October 31, 2013, replaced those who have not yet taken up their positions with an equivalent transfer of highly-skilled personnel. We will by end-May assess with reputable international experts in financial crime prosecution SDOE objectives, staffing needs, and organizational structure. We will by end-October assess all pending cases to determine those that need to be investigated further and those that can be closed without any investigation. Until a new SDOE objective and staffing needs are approved in consultation with the EC/ECB/IMF, new hirings of SDOE will be undertaken only to the extent needed in cases requested by the prosecutor and without distracting resources from SGPR.
- *Grading and promotion reform.* To start implementing the new grading and promotion system, we have approved the job descriptions for general directors and HQ directors. We will issue all necessary amendments to the legal framework, including amending the law 4093/2012 if needed and issuing all decisions governing the new system by June 2014. A strategy for the migration of existing staff to the new system will be approved by June 2014 with a view to transfer all audit positions and staff by March 2015.

- *Budget.* We have staffed the budget office of the Strategic Planning and Financial Control Directorate to make it functional.

3. We are taking steps to strengthen debt collection, improve performance of installment schemes, enhance audits, and boost the collections of SSCs and customs.

- *Tax debt collection.* We are dismantling long-standing impediments to effective collection. To this end, we will adopt, in conjunction with the adoption of the revised organic budget law, legislation to: (i) abolish the requirements to pursue systematically collection efforts of all debts without regard to their collectability by end-June 2014; and (ii) clarify the rules for prosecutions of tax debtors and repeal the systematic and compulsory referral of debts smaller than €60,000 by end-September 2014 (see ¶9, second bullet, iii). We will evaluate with technical assistance the implementation of the rules for writing off debt to identify possible improvement by July 2014, with a follow-up evaluation by October 2014 that will propose further simplification if needed, thereby removing the need for extensions in the statute of limitations for debt collection. We will further automate tax debt collection functions by June 2014 and complete a new work flow management system for all debt collection offices by September 2014.
- *Personal liability.* We will issue by end-May 2014 an explanatory circular that clarifies the personal liability of SGPR staff and management, consistent with the existing legal framework.
- *Audit.* We have optimized the process of selecting and auditing remittance cases using the new partial audit methodology, and we will complete at least 400 such cases by May 2014. In addition, we have completed 5 audit reports on the basis of indirect audit methods, and will complete another 10 by the end of June and at least 40 in total by end-2014, using the AML framework where needed. By June 2014, we will define the criteria for a risk-based approach to selection for audit SGPR managers and officials, and revise audit standards to ensure appropriate documentation to justify individuals' assets.
- *Staffing.* We will reinforce the revenue administration with a transfer, by May 2014, of 160 appropriately skilled staff from the Municipal Police. By May 2014, we will complete a revised staffing plan for the SGPR to identify additional staffing needs and determine the schedule for further recruitments through 2014, which will ensure that at least 1,600 of about 2,100 new MOF vacancies for 2014 will be positioned in the SGPR in addition to the transfer of municipal police staff, subject to the MOF staffing ceiling. This includes the external hiring of 300 auditors by June 2014.
- *Filing tax returns.* To ensure adherence to our commitment for non-extension of deadlines to file tax returns unless in extraordinary or exceptional circumstances beyond the control of the authorities ("force majeure"), we have identified a number of weak elements in the portal infrastructure which were subsequently strengthened, optimized the platform, and legislated a common payment schedule for PIT regardless of the filing date thus removing any incentives for late filing. We have also put in place a communication strategy for addressing such problems should they occur in the future. The ITC amendments also smooth the filing schedule.

- *Tax refunds.* We are optimizing the VAT refund risk criteria and issued guidance to local tax offices for implementation of refund audits. We have introduced a risk analysis system for processing income tax refunds, including by prioritizing the largest refund claims. We have also started monitoring and reporting the age of tax refund claims (see TMU). These steps will help monitor and reduce interest costs for claims older than 90 days that accrue from January 2014 on claims requested as of this date.
- *Installment schemes.* The adopted installment scheme framework has shown to improve payment compliance, and we remain committed to its implementation by strengthening enforcement. Debtors dropping out of tax or SSC schemes will be subject to immediate action aimed at securing collection. We will complement the monitoring framework *inter alia* with information on the number of taxpayers and the associated debt that have dropped out of the schemes and on the enforcement measures undertaken against them. As of April 2014, we started publishing monthly the monitoring framework for the tax and SSC installment schemes.
- *AML.* To monitor the implementation of Law 3691/2008, as from April 2014, the SGPR started publishing on a monthly basis, information about cases transmitted to the FIU for failure to pay confirmed debt over €50,000, including on the number of cases, and related aggregated amounts by maturity. We have introduced KPIs on the number of AML on-site inspections by the Bank of Greece (TMU Table 2A). We will create the necessary legal framework by June 2014 to strengthen coordination and information sharing for investigations of financial and economic crimes.
- *SSC collection.* We completed a comprehensive review of the weaknesses in SSC collection, including enforcement, and issued ministerial decisions to define “collectible” SSC debt cases for the transfer to KEAO of debt from OAEE, ETAA, and OGA (consistent with the KPI definition). We will refrain from extending the payment deadlines for SSC. To ensure full functionality of the joint collection center (KEAO), we have (i) assigned 350 full-time staff to KEAO (we will assign another 250 by June 2014); (ii) created a single SSC debt database; and (iii) established an advisory board that incorporates heads of major funds and of KEAO as well as MOL leadership. By end-June 2014, we will issue secondary legislation to quarantine uncollectable debt. To strengthen SSC compliance and collection, we issued necessary decisions between MOF and MLSSW, started to match PAYE and APD data, and have initiated the off-setting of VAT and income tax refunds against SSF debts.
- *Integrating SSC to tax administration.* We commit to integrating SSC filing, payment and collection into the tax administration by July 2017, and will: (i) complete by September 2014 the business case for integration of filing, payment and collection; (ii) implement by December 2015 a central registry of contributors; and (iii) harmonize by December 2016 the contribution base across major funds and with PIT.
- *Customs revenue collection.* By end-May 2014, we will reinforce customs law enforcement capabilities at the SGPR by: establishing specialist teams dealing with tobacco; and strengthening the surveillance teams’ capability to track illegal trade to its final destination. We will also develop by June comprehensive anti-smuggling strategies

to contain revenue losses from tobacco smuggling, and will do the same for fuel smuggling by end-September 2014. We will, by end-2014, acquire modern technical detection and surveillance equipment.

4. We have refined the 2014 KPIs to focus our efforts on those areas that are most likely to yield revenue gains. We have adjusted our tax administration KPIs to maintain the strong improvement momentum in 2013 while being realistic. To serve taxpayers more efficiently, we have introduced three new indicators on tax refunds. Given the weak collection performance in the SSFs, we have established payment compliance and debt transfer targets for the individual SSFs, and debt collection and enforcement targets for KEAO (Table 2B). Performance relative to the targets will be published on a monthly basis.

Public Financial Management

5. Reforms continue to focus on improving the budget process and expenditure controls, clearing arrears, and strengthening budget reporting and cash management.

- *Budget legislation.* We are taking a two-stage approach to reforming the organic budget law (OBL). In the first stage, we submitted to parliament the OBL to transpose the Fiscal Compact, including the requirement that the MTFs set binding multi-year expenditure ceilings for line ministries and the health sector, introduce a binding balanced budget target for local governments and performance targets for SOEs, adopt provisions to freeze 10 percent of discretionary appropriations in the first half of the year, and impose penalties for government entities that fail to provide timely reporting. In the second stage, we will: (i) complete a full review of the budget process legislation by September 2014, including ensuring budgetary independence of regulatory and other independent bodies; and (ii) amend the OBL by October 2014 (**structural benchmark**) to ensure that it is fully in line with the ongoing PFM reform program and good international practice. We will discuss and agree with the EC, ECB and IMF a specific rule on revenue over-performance effective after the program period for inclusion in the OBL and, in any event, will agree with them whether the size and nature of any windfall revenue and fiscal over-performance in the previous year allows for a greater spending envelope in the current year, subject to there being no projected gaps. We have defined the terms of reference of a qualified working group in GAO to coordinate with the senior management of the Ministry of Finance and line ministries on implementing PFM reforms and will make it operational by June 2014.
- *Budget Process.* By September 2014, we will review the internal MTFs and budget preparation processes to ensure its conformity with the revised legislation above. The review will include the procedures for preparation and implementation of the MTFs and the linkages between the strategy and the annual budget process. By March 2015, we will revise the government Budget Classification structure and Chart of Accounts with a view to use it for preparing the 2016 budget (**structural benchmark**).
- *Fiscal Council.* We have submitted to parliament legislation to establish an independent Fiscal Council, and will appoint the Board by end-July 2014. The Council will assess macro forecasts and assumptions for budget and MTFs preparation, monitor compliance

against targets and rules, and provide independent ex ante policy analyses and assessments of fiscal developments and challenges.

- *GDFS*. To facilitate the functioning of newly-established general directorates for financial services (GDFS) in line ministries, we have set up a specialized unit in GAO to support Accounting Officers and their staff in the units. By end-June 2014, GAO will establish and run a capacity-building program to provide guidance and support to GDFS staff in carrying out their responsibilities. We will fully staff the GDFSs in line ministries by June 2014.
- *Streamlining payment processes*. Following recent changes to our IT and administrative processes, to ensure its robustness, we have reviewed and taken steps to strengthen the disaster recovery plan and will conduct system audits and testing in high volume conditions by September 2014. We will conduct a review of the PIB financial processes by June 2014 to identify whether PIB payments conform to the Late Payment Directive requirement and, if not, propose necessary changes. In parallel, we will streamline the procedures related to PIB execution, as appropriate to modern financial management of a multi-year investment program, in line with international best practices. PIB procedures will be subject to effective checks and balances with good design and a transition process to the improved procedures. The final outcome will be fully compatible with the ERP project, thus ensuring integrated monitoring of the whole state budget execution. The Hellenic Court of Auditors (HCA) and GAO produced a note on the role and scope for streamlining the HCA's ex ante audits in financial control, and (i) we will submit to the Council of State a Presidential Decree in May 2014 following the HCA plenary approval of an increase in the ex ante audit threshold from the current €15,000 to €30,000 for State budget spending, and review its impact and re-submit an amendment by November 2014 to increase the threshold for general government expenditures to €45,000 so as to reduce the total volume of ex ante audits in excess of the current 70 percent, subject to approval of the HCA plenary; and (ii) submitted legislation to expand pre-contractual audits by the HCA. We have re-prioritized our medium-term action plan to meet the requirements of the Late Payment Directive, and after appropriate testing will extend the use of the FMIS to line ministries' GDFSs and the HCA, including electronic transfers of documents, by end-2014. This includes the implementation of necessary IT applications by October 2014. Further, we will pass legislation by June 2014 to ensure that all hospital medical claims will be submitted electronically to EOPYY starting January 2015. We will also develop a comprehensive plan by June 2014 to clarify the transfers from SSFs to EOPYY, and establish a timetable to conduct full audits on all claims from January 2014, with a view that all grants from MOF to cover public hospital deficits and EOPYY payments to public hospitals will be settled afterwards, based on the total amount of claims fully audited by EOPYY.
- *Cash management*. With information provided by the Bank of Greece, the Ministry of Finance and relevant line ministries, including the size and volatility of monthly cash balances of the 20 sub-sector entities with the largest average cash balances in 2013, as a **prior action**, we implemented an interim repo borrowing framework with some of the entities to help alleviate the state's financing needs in 2014, by allowing the Bank of Greece acting in its capacity to manage the liquidity of some of the entities to enter into

repo transactions with the PDMA, in compliance with the monetary financing prohibition. This includes analyzing cash balances of SSFs and EBFs in the Bank of Greece and in commercial banks to identify resources that could be lent to the state, and reinvesting maturing EFSF bonds held by SSFs in government securities. The contracts related to both these operations should clearly specify that these securities cannot be further traded for the duration of the contracts by the counterparties. We will complete a review of the accounts of the state in commercial accounts by end-May and will recommend the closure of all unnecessary accounts by end-July 2014. By end-July, after further assessing the legal framework of the relevant entities, we will develop a plan for cash management reform to be fully implemented as of January 1, 2015.

- *Arrears clearance.* We have reduced arrears from €9.4 billion at end-2012 to €4.7 billion at end-2013. We are committed to clearing arrears from existing resources for 2012–13, while preserving resources from the special allocation for clearing the pre-2012 stock. We are extending the timeline of clearance of pre-2012 arrears to Q3 2015 and accordingly will complete a targeted audit of general government accounts payable by end-2015. We have launched the external audit of EOPYY’s liabilities, which will be completed by end-June 2014 for inpatient care liabilities and September 2014 for outpatient care liabilities, and will finalize the audit of all pre-2013 EOPYY liabilities by end-2014. The completion of the audit—in close coordination with the HCA—will help validate EOPYY’s arrears and prepare them for clearance.
- *Reporting.* We published, for the first time, a monthly fiscal report including complete above-the-line data for all subsectors of general government, based on the new Monthly Fiscal Reporting System and in line with international statistical (GFSM2001/ESA95) classifications. Furthermore, we are taking steps to address the statistical discrepancies between above- and below-the-line data in government finance statistics. In particular, by May 2014, the Statistics Department of the Bank of Greece and GAO will sign an MOU to implement at least a quarterly comparison exercise between individual government units’ data on deposits and loans collected for monetary and financial statistics purposes, and the corresponding information collected through GAO’s Monthly Fiscal Reporting System. This MOU will fully respect European and national legislation regarding the protection of confidential statistical information. The first comparison exercise will be finalized by September 2014 for end-June data of about 60–100 entities. No individual data shall be shared with GAO without an explicit consent of the affected individual units provided to the Bank of Greece. In terms of institutional coverage, the reference will be the government units’ registry of the National Statistical Service (ELSTAT).

6. We have introduced new KPIs for 2014 to focus on the speed of processing government payments and social sector PFM issues. We have set a new target for the timely payment of invoices received by the state government, and added three KPIs on PFM in the social sector to ensure (1) timely transfers of health insurance premium collection from IKA to EOPYY, (2) timely claims submission from public hospitals to EOPYY, and (3) timely full audits of medical claims at the EOPYY. The quarterly targets are in Table 3.

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

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1. Achieving sound public finances

According to preliminary estimates Greece is expected to over-perform its primary-balance target for 2013 in programme terms by a significant margin and well-ahead of schedule. The key driver behind the surplus is under execution of expenditures, and over-performance of state revenues. The statistical validation of all 2013 data is currently being undertaken by Elstat and Eurostat. The degree of the over-performance will be determined with the publication of the official accrual deficit by Eurostat on 23 April 2014. In accordance with the Eurogroup statement of November 2012, when the figures are validated the authorities intend to transfer at least 30 percent of the over-performance to the segregated account earmarked for debt reduction by April 2014. In addition, another part of the over-performance is expected to be used for clearing unpaid government obligations linked to the past, thereby not affecting the 2014 headline deficit.

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 2,750 million (1.5% of GDP) in 2014, EUR 5,650 million (3.0% of GDP) in 2015 and EUR 8,900 million (4.5% of GDP) in 2016. These targets for the primary surpluses imply an overall Government deficit of 2.9% of GDP in 2014, 2.1% of GDP in 2015 and 0.7% of GDP in 2016.

For the purpose of the program, the primary balance is defined as general government EDP balance (EDP B.9) minus ESA 95 general government consolidated interest payable (EDP D.41), adjusted for the following factors (i) the accrual revenue from the real estate levy collected through the PPC 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; The deficit will exclude the following (ii) the sale of non-financial assets such as land, buildings, and other concessions or licenses, unless these have been agreed in the context of the program; (iii) costs related to bank recapitalisation and other bank support measures; (iv) any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test (the two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place); (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, including the BoG, stemming from their investment portfolio holdings of Greek government bonds; (vi) any other transactions related to debt-reducing measures agreed in the context of the program, such as the reduction of Greek Loan Facility (GLF) interest margin which are counted below the line in the debt sustainability analysis; and (vii) 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.

The Authorities have agreed to implement in full the measures to ensure the 2014 programme target of a primary surplus of 1.5% of GDP will be met. Furthermore, the Authorities have committed to implementing a range of structural fiscal policies to finance growth-enhancing reforms (e.g. an ambitious cut in Social Security Contributions by 3.9% and the abolition of a range of nuisance charges). These fiscal structural policies include the reduction of binding expenditure ceilings in the MTF5 2015-18 to lock in 2013 expenditure under-execution, as well as the commitment to take offsetting actions should any additional adverse court rulings materialize regarding special wage regimes or levies on properties.

The Authorities are committed to achieving the 2015 fiscal target. Current projections indicate the existence of a fiscal gap for 2015, which the Authorities intend to close, in first instance, through the extension of expiring measures, including the solidarity surcharge. The question on closing the gap for 2015 will be taken up in the context of the preparation of the 2015 budget. If there is sustained over-performance of revenue, contingent on the fiscal targets being met, the Authorities will in consultation with the EC-ECB-IMF consider a reduction in the high statutory tax rates while aiming to broaden the tax bases. In line with the existing legal framework, the 2015-18 MTFS will be voted on by Parliament by May 15, 2014, and the draft 2015 budget will be agreed with the EC/ECB/IMF by end-September 2014.

Prior to the disbursement the Government will:

- a. **Strengthen the collection of social security contributions (SSC)** to yield about EUR 500 million by: (i) imposing penalties on employers who do not declare accurately their SSC obligations in the Periodical Analytical Statement (APD), which are equivalent to the penalties for failing to register employees; (ii) introducing mandatory declaration of contributions for supplementary and lump-sum pensions to ETEA and TAPIT in the APD; and (iii) expanding the automatic reminders to all employers who have not paid their SSC obligations in the previous month, including employers declaring contribution obligations for supplementary and lump-sum pensions through a SGPR Decision for matching of PAYE and APD data (iv) automating the off-setting of OGA and OAEE contributions against EU subsidies.
- b. **Undertake corrective actions to ensure implementation of the unified public sector wage grid in extra-budgetary funds (EBFs)** that will contribute (among other savings mainly in operational expenditures) to the realization of the reduction in expenditure ceilings of EBFs by around 100 mn EUR to be provided in the MTFS 2015-18.
- c. **Reduce military procurement spending** in order to yield EUR 50 million from 2014 onward.
- d. **Legislate** the automatic off-setting of VAT and income tax refunds against SSF debts, eliminate OAED family benefits, reduce OAED training programs, rationalize OAEE exemptions **in order to offset the reduction of IKA contribution rates** by 3.9 percentage points by EUR 230 million in 2014 and additional EUR 115 million in 2015.
- e. **Eliminate the TEADY dividend** as part of the supplementary pensions

Other Actions:

1. The Government will implement permanent measures in order to reduce hospital spending by euro 25 million in 2014 (**July 2014**).

2. Structural reforms with budgetary relevance

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

Privatisation is a key pillar of the adjustment programme of Greece as it contributes to the reduction of public debt, -- especially through the inflow of foreign direct investment -- and public subsidies, other transfers or state guarantees to state-owned enterprises. Importantly, it increases the efficiency of companies and, by extension, the competitiveness of the economy as a whole. 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 that 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 Hellenic Republic Asset Development Fund (HRADF) quickly facilitates the privatisation process and signals the clear intention of the Authorities to push the privatisation process forward. Reforms of the governance of the privatisation process, including of the functioning and competences and attributions of HRADF, and of the departments in charge of the supervision/support from the government side will be crucial to enhance the effectiveness of the process.

The Authorities / HRADF should take immediate actions to address the state-aid related issues pending, which are a pre-condition for proceeding with the privatisation of these assets, or where appropriate for the significant restructuring or liquidation.

Privatisation of real estate assets is of utmost importance in the privatisation process. To this end the government has analysed and initiated a wide-ranging reform of the governance related to the management and privatisation of public real estate, including of the general secretariat for Public Property in the Ministry of Finance and of the agency in charge of the management and preparation of real estate assets, ETAD. HRADF is launching a major monetisation/securitisation project, which will unfold during 2014, and will aim at attracting international institutional, and other, investors and will complement the direct sale of assets currently on-going. This project, combined with improving investor interest in Greece, can help raise additional proceeds in the medium terms. The Authorities will assess the progress in this field in the coming months and will, if needed, revise upwards the proceeds estimates from privatisation.

Prior to the disbursement:

- a. In line with the Ports Policy Paper, **HRADF launches the Expression of Interest for selling majority shares in the master-concessionaires for Thessaloniki port.**
- b. **The HRADF appoints at least one member to the Board of the companies under its portfolio where it is not represented.**
- c. **The Authorities transfer 17% of the shares of PPC held by the government to HRADF to start preparing the privatisation of the company.**
- d. **The Government implements a list of pending actions required for privatization of key entities (All Government actions pending are listed in Annex 11.1).**
- e. **PPC launches the expression of interest for selling ADMIE.**
- f. **The Authorities submit to Parliament legislation for the privatisation of Small PPC.**
- g. **Amend the law to improve governance of HRADF and allow HRADF to control directly companies in its portfolio.** The Authorities will adopt, in consultation with the EC/ECB/IMF, legislation:
 - i. To allow the CEO to act as chairman and reduce the number of Board members required to be present to hold a board meeting from 5 to 4, to ensure uninterrupted operations in the event that the chair is vacant; provide personal contracts to the executive members of the BoD and narrow the grounds for dismissal of the board; introduce greater flexibility in tools and procedures for asset sales; amend the requirements of prior valuation of assets, by providing alternative mechanisms that include a fairness opinion, while preserving strong ex-post safeguards ; legislate that super/extraordinary dividends (i.e., in excess of profits of the previous year) or reductions in share capital from entities under privatization are paid to the HRADF (and within 10 days to the segregated account); and exempt the HRADF from the requirements under L. 4111/2013 regarding the submission and monitoring of monthly/quarterly targets and ensure that reporting requirements of the HRADF under art. 78 of L.2362/1995 are limited to: i. Annual budget (expenditure and revenue) and any changes to it made during the year (forward-looking), ii Monthly submission of budget execution and financing (backward looking), iii. Monthly submission of wage bill data (backward looking) and iv. Monthly submission of commitment registry summary (backward looking on a monthly basis, forward looking for annual budget spending). The HRADF will review by June 2014 current legislation that applies to GG entities, including the organic budget law (L.2362/1995; to identify any legal provisions that hamper its ability to operate efficiently or contradict aspects of its law, and the Authorities, in consultation with the EC-ECB-IMF, will take action to address these by October 2014 (with the amendment of the organic budget law).
 - ii. Requiring the HRADF to exercise its shareholders' powers in the companies in which the HRADF is a majority shareholding, according to a framework of cooperation which sets out objectives and criteria in line with the privatization process. Under such legislation, the HRADF shall ensure ongoing adherence of such framework of cooperation, including through taking appropriate action towards Board members and management in the relevant companies.
- h. **Measures to strengthen the regulator for water.** The Authorities strengthen the independence and operational capacity of the Special Secretariat of Water by revising legislation enabling the Special Secretary to issue formal decisions on all regulatory matters, by providing him with a fixed-term contract that will ensure continuity and independence; and by completing the transfer of seven employees.

2.1.1. PPC restructuring and privatisation

Following the plan adopted by the Government in its cabinet meeting of 24 July 2013, and published in the Official Gazette (FEK 168 A/24.7.2013), the Authorities take the following actions:

1. Adopt legislation for the privatisation of Small PPC by **June 2014**.
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 (**continuous**):
 - i. The execution of the plan will be made in strict adherence to the announced timetable, and in consultation 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
 - ii. The voting rights conferred by ownership of ADMIE shares will be exercised separately (i.e. by separate state entities) from those of the PPC or another energy company;
 - iii. The privatisation strategy and targets of the Government are fully respected;
 - iv. 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 privatisation process of PPC, in all its phases, is undertaken in full collaboration among PPC, the Ministry of Energy and Environment, the energy regulatory authority (RAE), and HRADF. A regular schedule of meetings is set, to which the EC and the Eurogroup participate through observers (**continuous**).

2.1.2. 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 Directives 2009/73/EC and 2009/72/EC on the internal energy markets (**continuous**).

2.1.3. Reforms of the Governance of Privatisation

The Government will take actions that will provide the HRADF with all necessary authority to effectively control companies that it is responsible for privatizing, to improve the effectiveness of the law governing the HRADF and reduce legal uncertainties, while ensuring high standards of transparency and accountability.

1. To strengthen the governance regime of privatisations the HRADF will complete an assessment of the management and board members of companies in its portfolio and take all appropriate steps (including by terminating the relevant appointment) with respect to those that are not performing well or whose actions are not aligned with the HRADF's goal of privatization. The assessment will be completed by the Board of Directors of the HRADF based on a set of clear objectives and criteria by (**June 2014**).
2. Frameworks of cooperation with the companies in which the HRADF is a majority shareholding shall be designed and adopted by the HRADF Board of Directors (**June 2014**)
3. To facilitate close cooperation between government ministries and the HRADF, an inter-ministerial working group led by the Secretary General responsible for Public Assets with the participation of the Prime Minister's office, and the HRADF, will be instituted which will meet on a biweekly basis to review pending government actions and ensure their expeditious completion. A report from these meetings will be circulated to the working group after each meeting, showing pending issues, and progress achieved. The Authorities will review the list of such actions with the EC, ECB, and IMF on a monthly basis to jointly assess progress (**continuous**).

4. The HRADF prepares and shares with EC-ECB-IMF detailed project plans and timelines for completion of the sales of major assets in the privatization portfolio, and reports quarterly on progress against this timeline (**continuous**).
5. The HRADF will publish quarterly reports on its steps taken to proceed with privatisation, 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. These actions help to improve transparency and accountability of the privatization process (**quarterly**).
6. The Authorities will reorganise the departments of the Ministry of Finance to regroup the supervision of the government corporate and real estate assets under one Secretariat General who will be formally placed in charge (**June 2014**).
7. The Authorities will set up a post-privatisation monitoring mechanism. This will enable the Authorities to oversee the proper functioning of contracts, and to resolve issues as they arise, in particular related to licensing and regulation (**continuous**).
8. The HRADF will review by **June 2014** current legislation that applies to general government entities, including the organic budget law (L. 2362/1995), to identify any legal provisions that hamper its ability to operate efficiently or contradict aspects of its law, and the Authorities, in consultation with the EC-ECB-IMF, will take action to address these by October 2014 (with the amendment of the organic budget law).

2.1.4. Reforms to speed up privatisation of real estate

1. The Authorities should complete the transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF (**April 2014**).
2. The Authorities will take steps building on the ongoing review of the mission, objectives, and staffing of ETAD, to strengthen its effectiveness in professionally managing and maturing assets ahead of transferring them to HRADF. ETAD implements its Action Plan endorsed by its Board of Directors on February 25, 2014, with the aim of proceeding with transferring to HRADF on a steady pace assets ready for privatisation or monetisation. In particular, the following milestones are to be implemented:
 - i. Launch the international tender for carrying out the pilot project foreseen in ETAD's Action Plan (**April 2014**).
 - ii. Pilot Project implementation to commence (**September 2014**).
 - a. 200 properties prepared by **December 2014**.
 - b. 600 properties prepared by **May 2015**.
 - c. 1000 properties prepared by **September 2015**.
 - iii. ETAD's company-wide Operational Plan to be completed by October 2014
 - a. Launch Tender (**April 2014**).
 - b. Complete the Elaboration (**October 2014**).
 - iv. ETAD's Organizational restructuring: from November 2014 to February 2015
 - a. Submit to Board of Directors for Approval (**November 2014**).
 - b. Implement Plan (**February 2015**).
 - v. International tendering for the six sub-projects of the Action Plan (**July 2014 to June 2015**).
 - vi. High priority should be given in the preparation of real estate assets (title clearance, licencing etc.), especially the preselected 3000 assets, given the time lags involved in such a process and the need to secure a sufficient number of assets in the privatisation pipeline (**continuous**).
3. ETAD shall publish on a quarterly basis progress achieved in preparing real estate assets and transferring these to HRADF for privatisation (**continuous**).

4. The authorities will ensure that priority is given to the registration of public real estate properties in the on-going certification through the cadastre (**continuous**).
5. The Authorities will conduct a due diligence of properties currently or previously under the management of various ministries:
 - i. those transferred to ETAD out of the non-utilised properties previously under management by different ministries (**June 2014**); and,
 - ii. those that are still not transferred by the Ministries (**September 2014**).
6. The HRADF will evaluate the income-generating properties currently managed by ETAD and assess whether they can be transferred to HRADF to be privatised (**April 2014**).
7. The Authorities will adopt legislation in consultation with EC-ECB-IMF to deal with illegally-held government properties (**May 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 as well as other legal entities and Special Purpose Vehicles (SPVs) under the General Government or until such time as the assets necessary to supply the privatisation plan have been secured (**continuous**).
9. 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**).

2.1.5. Securitisation-Monetisation

1. HRADF expands its operation into monetization/securitisation of real estate assets and front-loading of privatization revenues from real estate. Such transactions should meet three constraints (i) do not raise the debt of the Hellenic Republic, (ii) do not entail any financial risks to the Hellenic Republic; and (iii) are targeted at the international investor community and do not rely on the liquidity-constrained banking system:
 - i. Delivery of a progress report on the possible options and a 12-month action plan (**June 2014**).
 - ii. Launching of the first transaction, based on the options presented by Advisors (**November 2014**).

2.1.6. Privatisation Revenues

1. Securing privatisation receipts which, cumulatively since January 2011, should be at least EUR 4.106 billion by **end-2014**, EUR 6.329 billion by **end-2015**, EUR 9.681 billion by **end-2016**.

2.2. Tax policy reforms

2.2.1. Complete the reform of the Tax Codes and Property Tax

The Authorities will:

1. Adopt all secondary legislation and circulars necessary to support full *implementation of the TPC*, after consulting EC/ECB/IMF staff inter alia upon (i) collection issues (chapter 9), (ii) late interest and fines (chapter 10) and (iii) transfer pricing (Articles 21 and 22) (iii) notification of documents (Article 5), (iv) tax representative (Article 8), (v) tax registration and TRN procedure (Articles 10 and 11), (vi) tax clearance certificate (Article 12), (vii) list of customers and suppliers (Article 14), (viii) information from third parties (Article 15), (ix) foreign tax credits (Article 16), (x) confidential information (Article 17),

- (xi) tax returns (Articles 18 and 20), (xii) tax audit-power of the administration (Article 23), (xiii) indirect determination method (Article 27), (xiv) results of the tax audits (Article 28), (xv) tax assessments and determination methods (Article 30, 33 and 37), (xvi) competence for tax collection (Article 40), (xvii) tax payment (Article 41), (xviii) Tax refund (Article 42), (xix) new instalment scheme (Article 43), (xx) conservative measures (Article 46), (xxi) individual notice (Article 47), (xxii) third party liabilities (Article 54), (xxiii) quasi-judicial action (Article 63), and (xxiii) tax audit certificate (Article 65 A) (**April 2014**).
2. Adopt all secondary legislation necessary to support the full *implementation of the ITC*, after consulting EC/ECB/IMF staff inter alia upon (i) service contracts (article 12), (ii) scope of financial market transactions covered by capital gains rules and definition of professional trade (Article 21), (iii) rules on capital gains for financial and real estate transactions (Articles 41 and 42 in particular), (iv) procedures for inter-group dividends (Article 48) and (v) payment processes and procedures for PIT and CIT, including procedure and forms for exemption of inter-group dividends (Article 48), PAYE procedure and process (Article 60 ITC), withholding tax (rates, terms and payment, Article 64 ITC), PIT and CIT procedures (Articles 67, 68 and 69 ITC) (**April 2014**).
 3. Continue the *TPC and ITC working groups* within SGPR by:
 - i. Updating and assessing the Implementation plan for period up to December 2014 (**May 2014**).
 - ii. Issuing and publishing of implementation instruments, including secondary legislation, circulars and administrative guidelines and also preparing and issuing all required tax compliance documents and forms to ensure the proper implementation of the TPC and ITC (**June 2014**).
 - iii. Making the necessary preparations by July 2014 to bring the inheritance and gift taxes under the scope of TPC (Article 66, #29) (**July 2014**).
 - iv. Publishing electronically a consolidated version of primary tax legislation, including ITC and TPC, and will update the publication regularly as appropriate (**June 2014**).
 4. Ensure the revenue administration's capabilities to conduct timely audits at taxpayer's premises by developing fast-track procedures for authorization of entry and search requests by the administration, particularly in fraud cases, and in consultation with the EC/ECB/IMF change administrative procedures or amend legislation as necessary to achieve this (**April 2014**).
 5. Amend the TPC to allow designated tax collection officials to enter tax debtors business premises in line with the principles described in Article 25, #3, of the TPC in order to verify the tax debtors asset and liquidity position and to identify assets that can be subject to enforcement measures (**April 2014**).
 6. Fines in TPC: (i) Ensure that until end-2014 the current practice of levying multiple penalties will be limited to a fixed cap. Further ensure by end-September 2014 that, effective January 1, 2015, violations involving non-issuance or incorrect issuance of retail receipts will be treated as a single but serious procedural violation for VAT, whereas not having a reliable accounting system will remain a single violation for direct taxes. In cooperation with technical assistance—prepare the tax administration to apply modern auditing techniques to counter tax evasion and (ii) amend TPC as necessary to ensure that no fines should be imposed on amended VAT and employer withholding tax returns if they are spontaneously submitted under normal circumstances (**April 2014**).
 7. Review the existing legislation for the procedures for withholding agents (**June 2014**) and insert into TPC as general procedural rules for withholding agents (**September 2014**).

8. Based upon a detailed implementation plan, the Finance Ministry and Ministry of Justice, will conduct a comprehensive review of tax-relevant legislation, including Administrative and Civil Procedure Law, to examine conflicts with or relationships to the TPC and map these legislative acts to the TPC (**May 2014**).
9. To improve the legal framework for tax fraud and evasion:
 - i. The Authorities carry out a comprehensive review of tax fraud and evasion provisions from minor offenses to tax crimes in current legislation, including the Special Penal Law 2523/1997 (**June 2014**).
 - ii. As a follow up of the above mentioned review, the authorities amend the special penal law 2523/1997 and other legislation as necessary, so as to (i) broaden the definition of tax fraud and evasion to all taxes (ii) characterize different offenses and sanctions (iii) clarify the link between criminal and administrative rules regarding tax matters, (iv) clarify the rules for prosecutions of tax debtors and repeal the systematic and compulsory referral of debts smaller than €60,000. The amendments do not reduce the scope and sanctions of tax crimes that are currently predicate offenses to money laundering. Following amendments to the criminal law concerning tax evasion and fraud, repeal article 55 paragraphs 1 and 2 of the TPC to ensure consistency with the Criminal law in defining tax fraud and evasion (**September 2014**).
10. Adopt proposals for *Accounting Rules*, including 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 1/1/2015, as well as adopting appropriate transitional rules for consistency with ITC and TPC (**May 2014**).
11. Establish a *working group* (**May 2014**) and appoint a project manager within SGPR to steer the implementation of the new Accounting Rules:
 - i. Set-up and initial roadmap (**June 2014**).
 - ii. Provide the necessary secondary legislation, review and replace existing required tax compliance documents and tax returns and forms after consultation with the stakeholders, and fully resolve any remaining conflicts or consistency problems with the ITC and TPC (**June 2014**).
 - iii. Adopt action plan to ensure appropriate preparations by businesses, especially SMEs by (**June 2014**).
12. Adopt legislation to modernise the Code of Public Revenues (KEDE):
 - i. Undertake a mapping and modernization of the KEDE, to identify conflicts with the ITC and TPC, and amend any conflicting provisions to ensure compatibility (**June 2014**).
 - ii. Conduct a comprehensive review of KEDE to align it with the international best practice (**June 2014**).
 - iii. An initial draft of the law must be made available (**September 2014**).
 - iv. The law must then be legislated (**October 2014**).
13. Modernize the revenue administration's procedure for enforced sale of assets at public auctions to ensure that, inter alia, the auction is announced well in advance in public media and that bids exceeding the cost of the auction will be accepted irrespective of the amount of debt owed by the owner of the asset and must be equal to at least one-third of the objective value in case of real estate, unless a lower minimum bid has been defined. Debt amounts that have not been covered by the proceeds from the auction shall remain enforceable (**April 2014**).

14. Provide timetable and roadmap for the introduction of a final withholding pay-as-you-earn (PAYE) tax scheme for all wages, salaries and pensions with the first stage of implementation as of from 1st January 2015 (**June 2014**).
15. If the surcharge is to be extended, assess the case for re-designing and, take the appropriate action on, the solidarity surcharge for natural individuals in a revenue neutral manner, reducing significantly reconciliatory tax returns and integrating it into the ITC (**September 2014**).
16. Based upon a detailed implementation plan, conduct a comprehensive review of collective investment vehicles that are not affected by the provisions of the ITC (Article 72, ¶18), identify the best practice for taxing these vehicles and their participants:
 - i. Prepare draft legislation to integrate these taxation principles fully in the ITC (**July 2014**).
 - ii. Adopt the draft legislation (**September 2014**).
17. Based upon a detailed implementation plan identify all income tax incentives across different legislative documents and quantify them as tax expenditures (July 2014); adopt legislation to map and fold them into the newly adopted ITC, eliminating the incentives that are deemed inefficient or inequitable (**September 2014**).
18. Conduct a comprehensive review of all remaining legislation that are in conflict with or in any other way related to the new ITC and map these legislative acts to the ITC (**September 2014**).
19. Bring the capital gains tax on portfolio shareholders in line with EU Member States' practices (**September 2014**).
20. Develop the tax policy capacity 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:
 - i. Until the Ministry organogram is approved, assign responsibilities to Ministry employees and prepare a 12-month action plan (**May 2014**).
 - ii. Set up a Tax Policy Unit reporting to Deputy Minister and appoint formally the staff upon the formal approval of the organogram of the Ministry of Finance (**September 2014**).
21. To implement the new ENFIA property tax, the government will finalize filing of the E9 forms so that billing of the new property tax can commence in June 2014 (**May 2014**).
22. The government will launch a significant communication campaign to ensure better filing completion of the 2013 and 2014 wealth-based property tax and educate tax payers about the details of the new tax (April 2014).
23. Property valuation. Over time, the government will fully align property assessment values with market values.
 - i. A project team to develop a medium-term reform plan in SGPR will be set up by **June 2014**.
 - ii. A real estate valuation unit will be set up in SGPR to (a) determine the nature of the value basis and the valuation methodologies relevant to each sub-sector of properties and (b) collect market data to adjust the zonal prices in a datatape that reflect real estate market conditions (**January 2015**).
 - iii. Validated instructed valuations of commercial properties will be completed and zone prices will be adjusted to reflect more accurately real estate market conditions by **September 2015**.
 - iv. A valuation agency is set up by **January 2016**.

- v. Issue a real estate market value index, and assist in assessing revenue coefficients while cross referencing findings (b) change the tax subject (individual ownership of properties rather than aggregate holdings by individuals or holdings of property rights), ensure full identification of ownership with properties through a cadastre of properties and (c) cross-checking of all ownership interests with all individual properties by **January 2016**.
- vi. Align all property assessment values with market values (**January 2017**).

2.2.2. Improving the VAT system

1. Undertake in consultation with the EC/ECB/IMF and stakeholders a comprehensive review of VAT policy and administration (**June 2014**), with legislation by **October 2014** for implementation by **1st January 2015**.
2. In consultation with EC/ECB/IMF staff consider the introduction of a VAT turnover threshold for registration that balances revenue considerations against enforcement costs from 1 January 2015 and to introduce a simplified tax scheme for businesses below this threshold (**June 2014**).
3. Review the workings of the VAT farmers' refund scheme and legislate any changes deemed necessary (**June 2014**).
4. De-register inactive firms from the TAXIS database and implement new registration and deregistration procedures (**June 2014**).
5. Set up new unit in SGPR dedicated to detection and co-ordination of activities for prevention of VAT fraud and strengthen detection and enforcement activities (**June 2014**).
6. Reform VAT refunds system, placing greater emphasis on risk analysis, including by allowing companies with a full compliant filing and payment history and absence of past tax evasion for the past two years to receive refunds without audit, and reduce bureaucracy for firms with good compliance records (**July 2014**).
7. Implement OECD administrative burden recommendations on VAT, inter alia redesigning and simplifying the VAT **return** form by **June 2014**; abolishing the annual VAT recapitulative statement and incorporating the VAT refund process into the periodic VAT return by **September 2014**.

2.3. Revenue administration reforms

A strong and focused reform programme must continue to address all the weaknesses in the existing system and support the fight against tax evasion and corruption. The Government will pursue these reforms to ensure more autonomy for the Secretariat General for Public Revenue, especially for day-to-day operations, while leaving policy matters in the hands of the Minister of finance:

- Methods must continue to be improved, increasing the use of risk assessment techniques, to increase focused audits on high yield targets, and on substantial issues in order to detect tax evasion.
- Collection of revenues should continue to be reinforced. The debt collection function should be conducted by a full time work force of specialized collection staff, and integrated with the collection of debt related to social security contribution and as far as possible local Government.
- The management will continue to be improved, under the leadership of a Secretary General for Public Revenue (SGPR).
- The staff of the Secretariat General for Public Revenue needs to be further reinforced and trained.

- Fighting tax avoidance, tax evasion, money laundering and corruption is a priority in this effort.
- 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 legislative proposals 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.

Prior to the disbursement, the Authorities:

- a. To ensure the **complete transfer of selected resources from SDOE to Secretariat general of Public revenue**:
 - i. Revoke the provisions of Article 6 of Law 3943/2011 on the origin of SDOE personnel being ex-tax and customs officers;
- b. **Institutional reforms of Secretariat of Public Revenue.** Adopt legislation to:
 - i. Consolidate the revenue administration functions and competencies of the General Directorate of Taxation and the General Directorate of Tax Audits and Collection into a new General Directorate of Tax Administration under the SGPR;
 - ii. Abolish the General Directorate of Financial Inspection within SGPR and replace it with the Internal Affairs Department of SGPR, effective end-June 2014;

Prior to the disbursement, the Secretary General for Public Revenue:

- c. **Issues a Decision to establish the new structure of the Secretariat general of the Public revenue administration.**

2.3.1. Organization

The Authorities:

1. Replace those staff who have not yet taken up their positions out of the 200 staff transferred from SDOE to Secretariat General for Public Revenue effective October 31st, 2013, with an equivalent transfer of highly-skilled personnel (**April 2014**).
2. Complete, with reputable international experts in financial crime prosecution, an assessment of SDOE objectives, staffing needs, and organizational structure (**May 2014**).
3. Until a new SDOE objective and staffing needs are approved in consultation with EC/ECB/IMF, new hirings of SDOE will be undertaken only in cases requested by the prosecutor and without distracting resources from Secretariat General for Public Revenue (**continuous until approval**).
4. Assess all pending cases to determine those that need to be investigated further and those that can be closed without any investigation (**October 2014**).

To increase the autonomy of the Secretariat General for Public Revenue, the Authorities:

5. Prepare a 2014-15 business plan for the Secretariat General for Public Revenue (**April 2014**).
6. Start the initial phase to implement the new grading and promotion system for the Secretariat General for Public Revenue, to be approved by the Minister of Finance, by:
 - i. Finalizing the job descriptions for general directors and headquarters directors (**April 2014**).

- ii. Approving the operational guidelines for senior-level promotions (**April 2014**).
 - iii. Approving the composition and membership of promotion councils (**April 2014**).
 - iv. Issuing all necessary amendments to the legal framework, in particular:
 - a. Amending the law 4093/2012 if needed (**May 2014**).
 - b. Issuing a Ministerial decision governing the new system (**May 2014**).
 - v. Approving a strategy for the migration of existing staff to the new structure (**June 2014**).
 - vi. Transferring all audit positions and staff (**March 2015**).
7. Staff the Strategic Planning and Financial Control Directorate to make it fully functional (**April 2014**).

To fully implement the new structure of tax administration:

- 8. All tax administration functions are consolidated within the Directorate General for Tax Administration (**June 2014**).
- 9. The Authorities, taking into account the Ministry of finance staffing ceiling, ensure that at least 1600 out of approximately 2100 new Ministry of finance vacancies for 2014, plus about 160 appropriately skilled staff coming from the municipal police, are to be recruited and positioned in the Secretariat general for public revenue (**May 2014**).
- 10. The hirings for the Secretariat general for public revenue are completed as follows:
 - i. External hiring of 300 auditors (**June 2014**).
 - ii. Further external hiring of 500 staff (**December 2014 at the latest**).
 - iii. The remaining staff in 2015 (**June 2015**).
- 11. The Secretary General for Public Revenue approves the staffing plan for the Secretariat General for Public Revenue which identifies the need for staff by main functions of staff and determine the schedule for recruitments (**May 2014**).
- 12. The Secretary General of Public Revenue and the Secretary General for Service Information Systems (GSIS) sign all the current "Service level agreements" (**April 2014**).

To reorganize work processes:

- 13. Filing of most revenue returns/declarations are done electronically, or as self-assessment, except in exceptional circumstances (article 67 paragraph 1 of the Income tax code) (**April 2014**).

To increase taxpayer confidence and trust, the authorities:

- 14. Publish monthly information about the flows and stock of cases of the Internal review Unit (**continuous, starting April 2014**).
- 15. The Internal review Unit (IRU) achieves the following key performance indicator targets:
 - i. 60% of decisions on main cases are taken before reaching the time limit (**March 2014**).
 - ii. 67% (**June 2014**).
 - iii. 73% (**September 2014**).
 - iv. 80% (**December 2014**).

2.3.2. Fight against tax evasion, money laundering and corruption

The Secretary General of Public Revenue takes all appropriate measures to form a *strong audit force*. In this respect he:

1. Completes the external hiring of the 197 auditors whose hiring started in 2013 (**April 2014**).
2. Ensures that the basic audit training of the 2,000 newly certified tax auditors and all 200 new external hires of 2013 is completed as follows:
 - i. 1.200 newly certified tax auditors and 200 new external hires (**June 2014**).
 - ii. All remaining staff (**December 2014**).
3. Ensures an adequate number of supervisors in the High Wealth Individual (HWI) and Large Tax Payers Unit (LTU) (**continuous**).
4. Optimizes the process of selecting and auditing remittance cases (**April 2014**).
5. Implements the partial-audit methodology to complete at least 400 audits of remittance cases (**May 2014**).
6. Implements indirect audit methods in the high wealth individuals including by utilising, AML framework where necessary:
 - i. 5 audit reports (**April 2014**).
 - ii. Another 10 audit reports (**June 2014**).
 - iii. And at least 40 audit reports in total (**December 2014**).

To reinforce *transparency in financial transactions*, the Authorities:

7. Further develop the indirect bank account register with information on past financial transactions (**June 2014**).
8. Make compulsory the use of Tax identification numbers for all official transactions with the whole public administration (**April 2014**).
9. Introduce a system to consolidate and link all the different identification numbers now used across various Government agencies (**June 2014**).
10. To improve the fight against financial crime, the Authorities adopt legislation to create a coordination and information sharing mechanism for investigations of financial and economic crime (**June 2014**):
 - i. The coordination mechanism would include at least the three units: Secretariat General for Public Revenue investigation unit, SDOE and the Financial Economic Police;
 - ii. It would be placed under the authority of the Financial Prosecutor and/or the Anti-corruption Prosecutor, depending on the type of case;
 - iii. The Secretariat General for Public Revenue investigation unit, SDOE and the Financial Economic Police would need to have the obligation and the right to exchange information as appropriate and relevant on cases that fall under the mandate of the other in order to enable them to investigate other relevant criminal offences.

To reinforce *fight against money laundering*, the Authorities publish monthly on the website:

11. Information about cases transmitted to the Financial Investigation Unit (FIU) for failure to pay confirmed debt over EUR 50,000. The data will include the number of cases and the aggregated amount concerned and a breakdown by time in arrears (**starting by April 2014, continuous, monthly**).
12. Information about the number of anti-money laundering on-site inspections by the Bank of Greece (**continuous, monthly**).

To reinforce *fight against VAT fraud*:

13. The Authorities perform a quantitative analysis of VAT fraud using data-mining tools drawing on international technical assistance to identify fraud patterns across economic sectors (**June 2014**).

2.3.3. Revenue and debt collection

To reinforce *the tax and related debt collection*, the Secretariat General for Public Revenues:

1. Implements, with support from technical assistance, a comprehensive evaluation of business processes in selected local-tax offices, geared towards reengineering of these processes:
 - i. The evaluation of business processes starts with a first field visit (**April 2014**).
 - ii. The evaluation of business processes is completed (**June 2014**).

To improve the *legal framework*:

2. Evaluate the implementation of the rules for writing off of debt to identify possible improvement (**July 2014**).
3. Proceed to a follow up evaluation of the rules for writing off of debt, proposing further simplification if needed (**October 2014**).

To secure a *swift and efficient tax collection*, the Authorities:

4. Draft an Action plan to further automate the tax debt collection functions (**April 2014**).
5. Begin implementing the Action plan to further automate the tax debt collection functions (**May 2014**).
6. Implement automated daily payment processing and off-setting by (**June 2014**).
7. Operate E-garnishment through a centralized batch procedure by (**June 2014**).
8. Work out an implementation plan of an end-to-end debt management system (**April 2014**).
9. Roll out the end-to-end debt management system (**September 2014**).
10. Design a new work flow management system for all debt collection offices by (**September 2014**).

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

11. 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**).
12. Publish the schedule for the following year for filing and payment of all taxes and levies for the State government (**continuous, every December**).
13. Abstain from extending deadlines for the filing and payment of taxes:
 - i. For the filling, abstain from extending deadlines unless in extraordinary or exceptional circumstances beyond the control of the authorities (“force majeure”) (**continuous**);
 - ii. For the payment of taxes abstain from extending deadlines except in rare cases and after assessing the fiscal implications, in particular the impact on the achievement of the fiscal targets (**continuous**).
14. Commit to enhance enforced collection measures (**continuous**).
15. Abstain from relaxing the 2013 instalment schemes (**continuous**).
16. Take immediate action aiming at securing collection against tax debtors dropping out of instalment schemes (**continuous**).

17. Publish monthly indicators to monitor performance of the fresh start and basic instalment schemes. The indicator will include information about the number of taxpayers and the associated debt that have dropped out of the schemes and about the reminders and about the enforcement measures undertaken against them (**continuous**).

2.3.4. Management of the Public Revenue Service

1. The Secretary General of Public Revenue ensures that all staff is assessed for its performance on a quarterly basis under the new assessment system (**continuous**).
2. The Secretary General of Public Revenue replaces managers who do not meet performance targets (**continuous**).
3. The Secretary General of Public Revenue makes full application of the paragraph 21 of 55 of law 4002/2011 to rotate the managers mentioned in the law, for those managers in place for more than three years (**continuous**).
4. 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 prosecution by the tax administration (**continuous**).
5. The Authorities issue an explanatory circular that clarifies the personal liability of tax and customs staff and management consistent with the existing legal framework (**April 2014**).
6. The Secretary General of Public Revenue (**June 2014**):
 - i. Defines the criteria for a risk-based approach to selection for audit of Secretariat General of Public Revenue managers and officials;
 - ii. Revises audit standards to ensure appropriate documentation to justify individuals' assets.

2.4. Public Financial Management Reforms

Since the inception of the adjustment programme Greece has made significant progress in Public Financial Management (PFM). 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.

Prior to the disbursement the Authorities will:

- a. Adopt legislation permitting the **Debt management office to conduct various market operations**. Adopt legislation to amend Law n. 2469/1997 on the Common Capital Fund to allow the Bank of Greece, in its capacity as the administrator of funds belonging to public sector entities, and PDMA entering into repo transactions with respect to general government securities held by the latter, in compliance with the monetary financing prohibition.
- b. **Adopt legislation permitting the Debt management office to conduct various market operations**. Adopt legislation allowing PDMA acting on behalf of the Hellenic Republic to issue, manage, settle and then "hold in treasury" securities which can solely be sold in repo transactions with all SSFs and EBFs or be pledged as collateral with financial institutions for risk management transactions falling with the PDMA's hedging mandate. The contracts related to these operations should clearly specify that the securities cannot be further traded by the counterpart for the duration of the contracts and that settlement and payments should be done by the PDMA.
- c. **Amend article G10 of law 4152/2013, to make it fully compliant with Article 10 of the Late Payments Directive**.
- d. **Submit to the Parliament an amendment to article 1 of Law 3068/2002 to remove the prohibition provided therein of obtaining an enforceable title against Greek State-bodies and bodies governed by public law in Courts**.

2.4.1. Monitoring and reporting

In this area, the Authorities have undertaken important reforms which include monitoring expenditure across different public entities, as well as in local Governments and state-owned enterprises, and putting in place corrective mechanisms for ensuring that the budget is executed in an orderly manner and expenditure is kept under control. Commitment registries are now established in all general government sub-sectors covering 97 per cent of entities and reporting on the e-portal. Line ministries have now established General Directorates of Financial Service (GDFS), embedded in each line ministries, which are responsible for the sound fiscal management and Accounting Officers have been appointed. Despite all these significant achievements GAO's support to GDFS could be further strengthened.

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 and above 10 million to be effective from **May 2014**.
3. Establish a new legal framework for appointment procedures of Accounting Officers within the general regime for the public administration (**June 2014**).
4. Fully staff the GDFS line Ministries (**June 2014**).
5. Strengthen the support of GAO budget directorate to line ministries' GDFS through establishing a specialized unit in GAO to support Accounting Officers and their staff in the units (**April 2014**) and set-up a GAO capacity building program to provide guidance and support to GDFS staff in carrying out their responsibilities (**June 2014**).
6. Build-up sectorial expertise in GAO to support the achievement of fiscal targets in all sub-sectors through:
 - i. Defining the terms of reference of a qualified working group in GAO with appropriate competences to coordinate with the senior management the implementation of ongoing PFM reforms (**April 2014**) and make this group fully operational through a Ministerial Decision (**June 2014**).
 - ii. Setting-up of a capacity building program for policy analysis (**June 2014**).
 - iii. implementing of this program for a spending review of policy areas that cover a significant percentage of overall public spending subject to an assessment of the qualified working group and following consultation with EC-ECB-IMF (**December 2014**).

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. However the compliance with the Late Payment Directive has not fulfilled yet. Article G10 of the transposition law is not in line with Article 10 of the Directive as it does not guarantee that an enforceable title for unchallenged claims is obtained within 90 calendar days adding any procedural delays. Article 20 of Law 3301/2004 that is still in force established that an enforceable title cannot be used against Greek State bodies and bodies governed by public law in Courts. This provision is clearly not in line with Article 10 of the Directive. The same provision is subject of an open infringement against Greece since 2009. Furthermore the 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 entire responsibility for payment execution from tax offices (DOYs) to the fiscal audit offices.

To further monitor delays in payments and streamline payment processes, the Government will:

1. Put in place a monitoring system in other than State Budget able to detect areas of non-compliance with the deadlines set in the Late Payment Directive by using the data from the existing commitment registers (E-Portal), starting from April data (**May 2014**).
2. Submit legislation to expand pre-contractual audits by the Hellenic Court of Audit (HCA) and a Presidential Decree will be issued subject to the approval of the Plenary of the HCA increasing the threshold from the current EUR 15,000 up to EUR 45,000 for ex-ante audits carried out by the Court of Auditors in order to reduce the volume of ex ante audit in excess of the current 70% (**April 2014**).
3. Re-prioritize the medium-term action plan to meet the requirements of the Late Payment Directive (**April 2014**).
4. Implement an updated disaster recovery plan following recent changes to IT and administrative processes (**April 2014**).
5. Conduct a review with external technical assistance of the PIB payment processes to identify whether they conform to the deadlines established by the Late Payment Directive and, if not, propose changes necessary to ensure that they do, and to examine whether sound financial processes continue to be observed following recently approved process changes. The review will also propose changes necessary to implement further streamlining and automation of financial management processes. In parallel, it will streamline the procedures related to the PIB execution, as appropriate to a modern financial management of a multi-year investment programme, taking into account international best practices. PIB procedures will be subject to effective checks and balances with good design and a transition process to the improved procedures. The final outcome will be fully compatible with the ERP project (on-going under the responsibility of Ministry of Finance), ensuring, thus, an integrated monitoring of the whole state budget execution (**June 2014**).
6. Conduct system audits and testing in high volume conditions (**September 2014**).
7. After a proper testing extend the use of the Fiscal Management Information System (FMIS) to the General Directorates for Financial Services (GDFS) of the line ministries and the HCA, so that the payment process and transfer of documents could be started in an electronic manner by GDFS and the HCA as of 1 January 2015. This includes the implementation of necessary IT applications by **October 2014**.
8. To address problems with the extra-budgetary funds and in the social security sector, especially in relation to the transfer of competencies from SSFs to EOPPY, and taking into account the progress in the setting-up of the commitment/co-payment registries, the Government will:
 - i. Ensure that IKA transfers (including both cash transfers and expenditures made by IKA on behalf of EOPYY) to EOPYY at least 97 percent of the revenue collected by IKA on behalf of EOPYY during the relevant period (**June 2014**).
 - ii. Monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system (**continuous**);

- iii. Set up a form in consultation with GDFS to provide regularly data to GAO concerning cost of uninsured population coverage by the NHS making the health budget more transparent separating the component of expenses for insured covered through contributions and the expenses for non-insured subsidized through the State budget while enhancing the fiscal oversight of Minister of Finance (**June 2014**).
 - iv. Pass legislation by June 2014 to ensure that all hospital invoices will be submitted electronically to EOPYY (**January 2015**).
 - v. Develop a comprehensive plan to clarify the transfers from SSFs to EOPYY (**June 2014**).
 - vi. Establish a timetable for conducting full audits on all invoices submitted from January 2014, with a view that all grants from Ministry of Finance cover public hospital deficits and EOPYY payments to public hospitals are settled afterwards, based on the total claims fully audited by EOPYY (**June 2014**).
9. The Government has reduced the arrears from € 9.4 billion at the end of 2012 to € 4.7 billion at the end of 2013. The Government will extend into Q3 2015 the special plan to clear pre-2012 stock of arrears. To clear expenditure arrears and tax refunds, the conditions for a government unit 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 that meet these conditions can clear their arrears even if their parent agency does not meet the conditions.
 10. 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 submit the necessary legislation to transpose the Fiscal Compact provisions with a view to introducing a structural budget balance rule with an automatic correction mechanism (**April 2014**).

2.5.2. Budget preparation and implementation

The Government will:

1. Submit to the Parliament the 2015-18 medium-term fiscal strategy (MTFS) including a lowering of binding expenditure ceilings by €320 million to lock in the 2013 under-spending by **May 2014**.

2. In the first stage, submit the organic budget law by **April 2014** to:
 - i. Introduce fixed expenditure ceilings set in the MTFS 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 balanced-budget targets for local governments.
 - iii. Identify performance targets for SOEs.
 - iv. Introduce 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. Establish an independent Fiscal Council that will assess macro forecasts and assumptions for budget and MTFS preparation, monitor compliance against targets and rules, and provide independent ex ante policy analyses and assessments of fiscal developments and challenges.
3. Following the first stage of the reform of the organic budget law, the Government will:
 - i. Appoint the Board of a stand-alone independent Fiscal Council (**July 2014**).
 - ii. Complete a full review of the internal MTFS and budget preparation processes to ensure its conformity with the revised legislation including ensuring budgetary independence of regulatory and other independent bodies (**September 2014**).
 - iii. Amend the OBL to ensure that it is fully in line with the ongoing PFM reform program and good international practice (**October 2014**).
 - iv. After consultation with the EC-ECB-IMF propose a specific rule on revenue over-performance effective after the program period for inclusion in the OBL and whether the size and nature of any windfall revenue and fiscal over-performance in the previous year allows for a greater spending envelope in the current year, subject to there being no projected gaps.

2.5.3. Corrective and sanctioning mechanisms

The Government will:

1. 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 (**quarterly**):
 - i. Reviewing the functioning of the privatisation framework law, through specific QPCs to be enforced the moment the privatisation plan details.
 - 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.

2.5.4. Debt servicing account and cash management

1. The Government will ensure an effective implementation of the debt servicing account to monitor cash flows, avoid diversion of official financing and secure a timely debt servicing. Law 4063/2012 established a segregated account in the Bank of Greece. By law, disbursements to this account cannot be used for any other purposes than debt servicing. Via this account the amortization and interest payment costs of all HR's loans, debt management transactions and derivatives, as well as any parallel cost (fees and other expenses) related to debt servicing and in general to Public Debt Management are paid. The proceeds of this account are the disbursement of EFSF's loans, subject to an EFSF acceptance notice, as well as the Hellenic Republic's contributions to debt servicing, including all revenues from the privatisation of State assets and at least 30% of windfall revenues. All payments from this account will be subject to prior detailed reporting to the EFSF/ESM and ex-post confirmation by the account holder (**continuous**).
2. While the General Government primary balance is projected to achieve surpluses over the coming years, the State budget remains in primary deficit. Currently there is no mechanism in place able to transfer the improvement of the fiscal stance entirely to the State budget. Given the current fragmented cash management system there are large idle cash resources available in other general government entities which could be used to cover part of the State financing needs promoting a more efficient use of available resources. To address this issue the Government will:
 - Complete a review of the accounts of State in commercial banks by **May 2014** and based on this review will recommend the closure of all unnecessary accounts by **June 2014**.
 - Develop a plan for cash management reform by **July 2014** to be fully implemented as of **1st January 2015**.
3. To ensure efficiency of the government's cash and risk management operations and avoid operational risks, the PDMA will manage, on behalf of the Hellenic Republic, the State's bank accounts related to the settlement – including payments – of all cash and risk management transactions and execute the whole borrowing operation of the Hellenic Republic, taking over the functions carried out so far by the Public Debt Directorate (D23) of the Greek Ministry of Finance active (**May 2014**).

2.6. *Making the public administration more efficient and effective*

Reforming the public sector constitutes an essential step to increase in efficiency and productivity while at the same time ensuring the long term sustainability of the wage bill.

2.6.1. Reforming the public administration

Greece has designed, and needs to thoroughly implement, an ambitious reform of the public administration, to make it more effective and serve the Greek citizens and economy more efficiently. The ongoing reorganisation of ministries and entities, the reallocation and streamlining of personnel, an objective and transparent recruitment procedure, the introduction of competence evaluation for managers and staff, the broader use of public procurement and better financial management, the introduction of e-Government and ICT policies and actions, the simplification of rules, and the reduction of scope for corruption, are all expected to help improve the performance in the public sector and hence the productivity of the whole economy.

Prior to disbursement, the Authorities:

- a. **Submit to the Council of State the Presidential Decrees needed to finalize the restructuring process of line ministries (excluding Ministries of Foreign Affairs, Public Order and Citizens' Protection and National Defense).**
- b. **Complete the transfer of a cumulative 25,000 employees to the mandatory mobility scheme. Mandatory transfers of employees of tax authorities will be counted against the target.**
- c. **Meet the end-March 2014 target for cumulative 5,000 exits.**
- d. **Adopt, through the Government Council of Reform, the two-year Administrative Reform Action Plan, including the Human Resources Strategy.**

Other Actions

To further advance the reform agenda during 2014 the Authorities:

1. Having adopted a human resources strategy, reflect this strategy in legislation to be adopted by Parliament (**December 2014**). The legal acts 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. They will, inter alia:
 - i. Introduce a new, competence-based legal framework for the recruitment of top management (**May 2014**).
 - ii. All senior appointments will be filled based on this new framework (**December 2014**).
 - iii. Complete the appointment process of Heads of Unit (**June 2015**).
2. Establish within the public administration an internal job market, to give the opportunity to all employees to find new positions. The job market will be transparent, and include assessments through predetermined procedures, as well as and experiences. The internal job market will replace the practice of long secondments, while time-limited secondments will only be allowed in very specific cases as of 1st January 2015 (**March 2015**).
3. Develop the necessary tools for the functioning of the internal job market. 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 (**December 2014**).
4. Perform, in consultation with the EC-ECB-IMF, a broad review of the Government employment levels and the remuneration structure with the objective to ensure they are consistent with high-quality provision of public services and are fiscally sustainable. This will include a fiscally-neutral review of the wage grid, with a view to de-compressing the wage range in both directions, in connection with the skill, performance and responsibility of staff in a fiscally neutral way.
 - i. A first draft will be submitted for consultation with the EC/ECB/IMF in **July 2014**;
 - ii. The new wage grid will be legislated in **October 2014**; and effective January 1, 2015.
5. Perform a comprehensive review of all non-wage benefits, such as working hours, leave arrangements, per diems, travel allowances and perquisites (**July 2014**).

6. Following the review, adopt the necessary legal instruments to align them with best practises in the EU (**September 2014**).
7. Introduce, as of January 2015, a permanent and continuous system of individual evaluations, including performance-based incentives, in order to assess 2014 performance by **March 2015**. A draft law will be presented to the EC-ECB-IMF (**September 2014**).
8. As a transitional measure revise the current system of individual evaluations by introducing a ceiling to the percentage of employees who are assigned top grade and a floor to those with low grade (**April 2014**). The 2013 performance assessments will be conducted under this appraisal system.
9. The Authorities will enforce the probation period for new staff of two years, including through a comprehensive performance assessment after the end of the first year, and at the end of the probation period (**continuous**).
10. The “availability” (mobility and exit) scheme is distinguished from a new “mobility” scheme, which is a permanent mechanism for voluntary and mandatory transfers, to better allocate personnel within the public administration. It will not be connected to exits nor will it require placing employees under the availability scheme and reducing their remuneration. A minimum of 6,000 employees will be involved in the new mobility scheme in 2014 (**continuous**).
11. The Authorities remain committed to the renewal of personnel by accelerating the effort to tackle disciplinary cases, cases of incapacity, and illegal hirings (including illegal conversion of temporary contracts into permanent ones). Those actions will lead to the dismissal of personnel proven unable to exercise their duties as public servants (indicatively 2,000 by Q1 2015) (**continuous**).
12. In consultation with the EC/ECB/IMF, and taking into account the results of the public administration reforms, the possible need to formally define exit targets will be assessed (**September 2014**).
13. Ensure that employees placed in the availability scheme are assessed within a centrally-defined evaluation framework, before reallocation to new positions, or exit (if they fail to be reallocated) (**continuous**).
14. To support the end-2013 cumulative exit target of 4000, as well as the early delivery of the 2014 target, the authorities will accelerate efforts in addressing the disciplinary cases and further evaluating entities. Effective 2014, outsourcings will not count under the 1:1 rule (**continuous**).
15. To foster the effective restructuring of the public sector and use of the mobility and exit scheme, the Authorities will:
 - i. Complete staffing plans for remaining general Government entities, to be adopted by the GCR progressively and at the latest by **May 2014**.
 - ii. Staffing plans are to be implemented with their respective legal acts for each entity **within three months** after their adoption by the GCR and no later than **August 2014**.
 - iii. Local Governments, regions and decentralized administrations’ staffing plans will be implemented by **December 2014**.
 - iv. Involve the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement when taking related decisions (**continuous**).
16. The Authorities remain on track to reduce the general government employment by 150.000 by the end of 2015. They will provide a full and updated picture of public employment:
 - i. Finalise the recording of all public sector (excluding Chapter B companies) employees into the census database (April 2014) and payment of their wages through the Single Payment Authority within months of their entry into the census database (**September 2014**).

- ii. 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**).
17. To facilitate the renewal of staff and the acquisition of skills where needed:
- i. The Government will hire one new employee for each exit as a result of (i) disciplinary cases, cases of incapability, and illegal hirings; (ii) temporary injunctions; (iii) downsizing of private law legal entities; (iv).redundant positions, as a result of further organizational restructuring (**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**).
18. Provide the hiring plans for the following year to ASEP on a regular basis by end July, or as soon as they are finalised, and with at least a six-month notice with respect to the desired recruitment date, 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**).

2.6.2. Fighting corruption

Prior to disbursement the Authorities:

- a. In order to step up the fight against corruption, **adopt the agreed 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.

Other Actions

To pursue in a determined manner the fight against corruption, the authorities:

1. Pursue the implementation of the National anti-corruption plan (**continuous**).
2. Present a revised anti-corruption action plan, and include follow up actions as needed (**April 2014**).
3. Adopt a draft code of conduct for members of government (**April 2014**).
4. Adopt a draft code of conduct for members of Parliament (**April 2014**).
5. Present draft legislation on the funding of political parties (**April 2014**).
6. Adopt legislation on the funding of political parties (**June 2014**).
7. Present draft legislation to provide for an enhanced system of published declaration of assets, interests and incompatibilities by public and elected officials, as well as for members of government, providing for sufficiently deterrent penalties for misreporting. The declarations are to be monitored by an independent body with investigative power through risk-based audits (**April 2014**).
8. Adopt the above-mentioned legislation on enhanced system of declarations and monitoring (**June 2014**).

2.6.3. Coordination of Government Policies and E-Government

The Authorities will:

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 (**April 2013**).
2. Establish a system of ex-ante review of all primary and secondary legislation, to be undertaken by the Secretariat General for Coordination (SGC), to ensure that all draft legislation is in line with the Government objectives, and Greece's obligations towards international and European legislation and its commitments under this MoU. The system should be operational as of **1st May 2014** and should produce bi-weekly reports with all submitted draft legislation, its objective and consistency with current targets and obligations, and fiscal impact assessment (to be prepared by GAO). This will be undertaken in collaboration with the Secretariat General of the Government, which will focus on constitutional and EU law compatibility aspects (**April 2014**).

2.6.4. ICT in Public Administration Reform

In the context of the public administration reform, Greece needs to adopt E-Government and ICT strategies. In that direction, the Greek government shall:

1. Establish an ICT Unit/Directorate in MAREG which will be responsible for policy, strategic planning and monitoring progress for all aspects of ICT including infrastructure, education and skills, ICT use in the public sector, which will be fully functional by **June 2014**.
2. The Act establishing the new entity will provide for close coordination mechanisms with the Central Purchasing Bodies for all issues related to procurement of ICT equipment (**continuous**).
3. The new entity will monitor ICT actions and projects of all General Government entities, including supervised ones, including for the status and deadlines of deliverables which will be published quarterly (**continuous, starting in September 2014**).
4. Proceed to an inventory of the available ICT hardware and software (e.g., office application and other specialized software) in order to facilitate consolidation (**June 2014, update bi-annually**).
5. Proceed to an inventory of the available ICT applications, registries and services that each Ministry and its supervised bodies of General Government uses for its internal operational needs (e.g., TaxisNet, E-justice) or is providing to the citizens and organisations (incl. SMEs). It should also be indicated whether these are operational and in use (**June 2014, update bi-annually**).
 - i. This inventory should specify which data, applications and services can be shared.
 - ii. Further, information that can be published as open data, should be identified and made applicable to the public.
6. Undertake a thorough review of the project cycle of ICT interventions and create a costing model for ICT projects leading to the simplification of the existing processes procedures. Adopt the necessary legal framework pertaining to the production of ICT projects (**June 2014**).
7. Undertake a thorough review of the purchasing cycle of hardware and software, with a view to optimize the quality and minimize the cost of equipment (**September 2014**).

8. As of **January 2015** all purchases of standardized ICT equipment should be centralized and enacted using the E-procurement platform.
9. Provide an action plan of major ICT projects in key public sector policy areas (e.g., social security, employment, justice, health, energy, tourism, finance) ensuring compatibility with the e-Gov and ICT strategies (**April 2014**).
10. Set up a central inventory of national and international evaluators of ICT professionals qualified to participate in the evaluation of bids of ICT projects. The evaluators' database established under Horizon 2020 could provide a good basis for the establishment of such a data base (**April 2014**).

2.7. 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.

2.7.1.1. Single Public Procurement Authority (SPPA)

The Government adopts any necessary steps and provides the appropriate resources so that 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**).

2.7.1.2. Increasing the efficiency of procurement processes.

The Government moves towards more centralised procurement, including in the field of health procurement, services and supplies (including civil supplies and services for defense not falling under the scope of Directive 2009/81 on procurement in the fields of defense 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:

Reform of public procurement legislation:

1. Undertakes to adopt **by May 2014**, in close consultation with the Commission Services, a reform of the public procurement legislation 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).

Central Purchasing Bodies (CPB):

2. Adopts a reorganisation and staffing plan for the General Secretariat of Commerce, corresponding to its new functions as a Central Purchasing Body (**May 2014**).
3. Revises the currently applicable Unified Public Procurement Programme with a view to:
 - i. Submitting a proposal to the European Commission for the designing of a revised Unified Public Procurement Programme, by identifying the supplies and services the procurement of which is subject to central purchasing ('*what*'), the bodies and entities ('*who*') as well as the procedural and administrative arrangements ('*how*') for the operation of the revised Unified Public Procurement Programme (**April 2014**);
 - ii. Enacting the appropriate legislation implemented the revised Unified Public Procurement Programme as designed under (i) above, and rendering its use mandatory by other Ministries for their supplies and services procurement needs. (**August 2014**).
 - iii. Applying the revised Unified Public Procurement Programme to cover public procurement needs of 2015 (**October 2014**).
4. Monitors compliance of Ministries and other bodies with the requirement to make use of centrally managed framework agreements (**continuous**).
5. Promotes awareness and facilitates use of centrally managed framework agreements by other Ministries and agencies (**continuous**).
6. The CPB:
 - i. Following the identification of three categories for procurement via framework contracts, and the publication of their contract notices, awards the relevant contracts by **June 2014**.
 - ii. Ensures that framework agreements awarded under (i) above include clauses whereby the providers selected should be able to implement them and set up arrangements for the call-down procedures within two months from the entry into force. The Ministries should be provided the supplies and services under these framework agreements within four months from their entry into force (**continuous**).
 - iii. Revises the list of categories of supplies and services to be procured under the central purchasing scheme depending on the needs of public sector (including central government units and bodies). This list should be presented to and consulted with the European Commission and include in any event military purchases of standardised civil supplies – including fuel - and services (not falling under the scope of Directive 2009/81 on procurement in the fields of defence and security). This list should also identify the areas where further framework agreements should be entered into with a view to increasing efficiency and responding cost-effectively to recurrent needs (**June 2014**).

2.7.1.3. E-procurement

The execution of the action plan for e-procurement will be closely monitored in cooperation with the Commission services. In particular, the Government:

1. Publishes monthly a report on the number of contract notices on supplies, services and works and on the number of contracting authorities uploading information on the portal (**continuous**).

2. Completes the running of pilot tenders on the ESHDHS system and draws conclusions for the further development of system management/governance, development of system functionality (**April 2014**).
3. Establishes a suitably equipped and resourced steering committee for ESHDHS and KHMDHS, under the responsibility of the Minister, to develop and oversee implementation of a business continuity and development plan (**April 2014**).
4. Sets the appropriate legal framework under the new law of SPPA to remove any duplication in data-entry requirements for contracting authorities, establishing interoperability among the various databases, creating thus KHMDHS as the single public system dedicated to the publication of contract notices and contract award notices in the Greek public administration (**May 2014**).
5. Establishes by **May 2014** a business continuity and development plan for the KHMDHS and the ESHDHS systems which:
 - i. Ensures that the Hellenic Republic becomes owner and manager of the systems needed to run the ESHDHS and the KHMDHS systems and ensure its continuity beyond the expiry of current contractual arrangements.
 - ii. Complies with the recommendations set out in the systems evaluation carried out by the independent experts as well as the lessons from the pilot tenders.
 - iii. Ensures that KHMDHS is appropriately visible and advertised, for instance in search engines, so as to increase its visibility.
 - iv. Launches extensive communication and training plans for suppliers and contracting authorities.
 - v. Ensures that ESHDHS is developed in a manner that ensures interoperability between KHMDHS, ESHDHS, and DIAVGEIA, so as to ensure the automatic transfer of information between the systems (e.g. user registration).
 - vi. Ensure compliance of information entered in ESHDHS is compliant to TED requirements so as to automate the process of submission to TED.
6. Implements all arrangements, financial, managerial, staffing and otherwise, to ensure the uninterrupted development and implementation of ESHDHS and KHMDHS (**September 2014**).
7. Ensures the mandatory use of the e-submission as follows:
 - i. For all Ministries regarding the purchase of supplies and services. (**continuous, beginning 1st July 2014**).
 - ii. 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 for goods and services (**July 2014**).
 - iii. For all local and regional bodies for the purchase of supplies and services (**1st October 2014**).
 - iv. The whole public sector in Greece uses the e-procurement platform for supplies and services (**October 2015**).
 - v. For public procurement tenders regarding works by central government bodies by **1st January 2015** and by the contracting authorities other than the central government bodies by **December 2015**.

8. Submits to the Commission services the data of the *monitoring* activities covering year 2013 and the first months of year 2014 (**April 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 out of the total number of tenders published in the relevant period.
 - iii. The types of purchases carried out with the e-procurement platform.
 - iv. Value of procurement carried electronically out of the total value of public procurement carried out in the relevant period¹.
 - v. The percentage of procedures carried out electronically out of the total number of procedures carried out in the relevant period.
 - vi. The percentage of contracting authorities using e-submission out of the total number of contracting authorities.
 - vii. Data reporting on the evolution of prices, savings (also in terms of lower administrative cost), duration of the procurement procedure and number of bidders per tender, in comparison with the corresponding data relating to the situation existing before the introduction of e-procurement.

2.8. Social Security reforms to secure sustainability

2.8.1. Review of current system of social contributions

Prior to disbursement the Authorities:

a. **Lower Social Security Contribution rate by 3.9 percentage points.** In order to improve competitiveness, foster employment creation, and to safeguard the long-term sustainability of the social security system, the Government will adopt legislation to reduce IKA contribution rates by 3.9 percentage points in a revenue-neutral way, inter alia by eliminating unnecessary non-pension and non-health contributions/expenditures and increasing efficiencies, to be implemented by **1st July 2014**. This rate cut is achieved by mostly reducing employer-paid non-pension contributions.

Other Actions

1. The Authorities will review the impact on wages, employment and public finances, and assess the case, in consultation with the EC/ECB/IMF, for a further cut in employer contributions of 1 p.p. in a budget neutral way (**June 2015**).
2. The Authorities will prepare by **September 2014**, in consultation with the EC/ECB/IMF, a comprehensive plan to (i) unify and streamline SSC policies to eliminate loopholes, and (ii) better target lower-end contributions to improve employment incentives, including by enhancing schemes for young people and long-term unemployed financed by the EU funds.
3. The Authorities will implement the plan (**December 2014**).
4. On supplementary pensions, the government will integrate all funds that fall under the ESA95 definition of General Government in ETEA and will adjust benefits to contributions

¹ Procurement procedures are considered to be conducted electronically if suppliers submit their offers electronically (e-submission)

- in an actuarially neutral way with pro-rata calculations starting January 1, 2014. The fiscal sustainability factor will be applied to all supplementary funds integrated into ETEA from **1st July 2014** to eliminate any deficit.
5. Starting January 1, 2015, all supplementary pension funds will only be financed by own contributions. For a limited number of funds that technically cannot be merged into ETEA at this stage, the same rules as outlined in the previous paragraph will be applied from **1st January 2015**.
 6. On lump-sum pensions, the reform implementation has already started (effective since January 1, 2014), eliminating the deficits in these funds. All remaining funds that fall under the ESA95 definition of General Government will be incorporated under law 4052/2012, effective from **1st January 2015**.
 7. Starting **1st January 2015**, all lump-sum funds will only be financed by own contributions.
 8. The Government will undertake a review of the social security system by **May 2014** that will:
 - i. Make proposals to further consolidate social security funds (SSFs) and integrate their back-office functions and IT systems.
 - ii. Provide a comprehensive analysis of the contribution and benefit structures and timing of payment, and to widen the contribution base for SSFs.
 - iii. Clarify and identify the rules of operation fund by fund, as a first step before harmonizing them.
 - iv. Make proposals to enable pension portability between SSFs to facilitate mobility across jobs, occupations, and sectors.
 - v. Through a detailed accounting exercise covering each individual SSF, assess the extent that spending on social assistance matches government funding to SSFs; examine SSFs financing through nuisance taxes; and benchmark the management and other overhead costs of individual SSFs.
 - vi. Evaluate means to strengthen the link between contributions and benefits.
 9. The Government will follow up to the above review, after consultation with EC/ECB/IMF staff, to make proposals toward achieving consolidation of SSFs, and to harmonize contribution payment and benefit rules by **June 2014**:
 - i. To further consolidate SSFs, integrate back-office functions and IT system, harmonise rules of operation, and improve pension portability (**June 2014**).
 - ii. To make progress towards constructing a central register of contributors and developing a unified registration procedure in line with the roadmap to integrate social security contribution collection with tax administration revenue collection services.
 10. The Government will present a wide-ranging package for pensions (**September 2014**). The package will take account of the results of an actuarial review:
 - i. Policies to widen the base of SSFs, including through elimination of unjustified exemptions by 1 January 2015.
 - ii. Policies to ensure the full separation of social insurance functions from the social assistance functions of SSFs, with social assistance functions funded by general tax revenues.
 - iii. Policies for a future pension-funding system that will safeguard the overall sustainability, actuarial fairness of the pension system to be implemented from 1 January 2015. The proposed system should increase incentives for labour market participation and improve incentives for making contributions through establishing a

strong link between current contributions and future pension entitlements (e.g., through an electronic registry)

- iv. Policies to contain pension spending to ensure short- to medium-term compatibility with the MTFS targets by recalibrating pension system parameters.

11. The Government will adopt the package for pensions by **October 2014**.

2.8.2. Improving Collection

The revenue functions of Social Security (registration, filing, payment, audit/control, amicable and enforced collection) are currently scattered across the different Social Security Funds, leading to big inefficiencies. The low level of current-year payment compliance in the major Social Security Funds as well as the continuous increase of arrears [cast a doubt on the short-term viability of the system.

An integration of the SSF revenue function into the tax administration is the best way forward, as it can enable massive economies of scale and efficiency gains, both for the administration and for the taxpayers / contribution payers. However, this can be only a long-term goal, given the fragmented nature of the SSF system (both in institutional terms and in terms of contribution rules applicable to each individual SSF). Hence, in the short to medium term, addressing this challenge requires a multi-pronged approach to:

- Strengthen the operations and progressively enlarge the role of the recently established joint collection centre for Social Security (KEAO), with the aim of gradually positioning it as the collection enforcement arm for all collectible overdue contributions to the 4 SSFs party to KEAO (IKA-ETAM, OAEE, OGA, ETAA)
- Implement short-term revenue measures, mostly based on better reconciliation of notifications / declarations and effective payments and on better access to tax administration information;
- Reinforce the inspection and audit function, especially within IKA-ETAM;
- Pave the way in collaboration with the Ministry of Finance towards integration of revenue collection within the tax administration.

To work towards the *integration of social security collection*, the Authorities:

1. Establish a working group to prepare the formal framework for exchange of asset information from the tax administration to KEAO (**April 2014**).
2. Adopt the formal framework for exchange of asset information from the tax administration to KEAO (**April 2014**).
3. Announce a strategy for the integration of SSC payment and collection into tax administration by July 2017 (**April 2014**).
4. Assign the piloting of the project to a group of full-time staff (**April 2014**).
5. Put in place a MOLSSW task force to commence preparations for integration by preparing the business case, unifying the payer register and legal harmonization of the contribution base across the funds (**April 2014**).
6. Establish a joint working group (MoL-SS Funds-Revenue administration) to follow up the integration within tax administration work (**April 2014**).
7. Include in the comprehensive review of the social security system a review of the weaknesses in SSC collection, including enforcement (**April 2014**).
8. Adopt a joint Ministry of Finance/Ministry of Labour plan of action for integration to tax administration with the following milestones (**May 2014**):
 - i. Complete the business case for integration of filing, payment and collection (**September 2014**).

- ii. Implement a central registry of Social security contributors and PIT taxpayers (**December 2015**).
 - iii. Harmonize the contribution base across the major funds and with personal income tax (**December 2016**).
9. Merge the administration of registration filing, payment and collection with tax administration (**June 2017**).

To increase *compliance*, the Authorities:

10. Develop within IKA/ETAM, with assistance of comparable European SSC administrations, new audit and inspection strategies that would address compliance problems, notably associated with cash-in-hand payments to employees (**June 2014**).

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

11. Publish the schedule for filing and payments of all contributions to all the main funds (**continuous, every December**).
12. Abstain from extending deadlines for the filing and payment of SSC, except in rare cases and after assessing the fiscal implications, in particular the impact on the achievement of the fiscal targets (**continuous**).
13. Adopt automated follow up of payment shortfalls within ten days (for unpaid invoiced amounts) in OAEE, OGA and ETAA based on an agreed timetable (**April 2014**).

To *reinforce the action* of the single collection centre (KEAO):

14. The Authorities issue a ministerial decision to define “collectible” Social security contributions debt cases for the transfer to KEAO of debt from OAEE, ETAA, and OGA (consistent with the KPI definition) (**April 2014**).
15. 400 more staff are assigned for the single collection centre (KEAO):
 - i. 150 additional (**April 2014**).
 - ii. 250 additional (**June 2014**).
 - iii. The four main social security funds transfer to KEAO all amounts over EUR 5,000, identified unimpeded debtors (excluding disputes, bankruptcies, state owned entities and municipalities) and only where there is a debt less than 6 months old. When there is both fresh and old debt, old debt is bundled with fresh debt and is also transferred to KEAO (**continuous**).
16. The Authorities establish an Advisory board for KEAO with heads of the major funds, of KEAO, and Ministry of Labour leadership (**April 2014**).
17. The Authorities publish monthly indicators of KEAO's performance (**continuous**).
18. The Authorities issue secondary legislation to quarantine uncollectable debt (**June 2014**).
19. To follow up the instalment schemes the Authorities publish monthly indicators to monitor performance of the fresh start and basic instalment schemes. The indicator will include information about the number of SS debtors and the associated debt that have dropped out of the schemes and about the reminders and about the enforcement measures undertaken against them (**continuous**).

2.8.3. Improving IT systems and reporting in the social security system

The Government:

1. Finalise the electronic recording of all social security contributions to ETEA. Finalise the ETEA computerised system of individual pension accounts (**April 2014**).

2. 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, April 2014**).

2.9. 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 guaranteeing 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.

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; and (ii) ensures the effective transfer of all health-related decision making procedures and responsibilities (including payroll expenditures) under the Ministry of Health.

2.9.1. 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.

2.9.1.1. 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 and through to 2015 inclusive**).
2. The clawback ceiling is set at 2 billion euro including vaccines and other medicinal products for the uninsured (**April 2014**):
 - i. A note on the collection of the clawback for the second half of 2013 is submitted by **April 2014**.
 - ii. A note on the collection of the first half of 2014 is submitted in **August 2014**.
3. 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 (**April 2014**).
4. In addition and if necessary, EOPYY introduces additional incentives and mechanisms, including a prescription quota system for physicians (minimum prescription target of

generics for doctors of 60% percent on average and adjusted to specialty), to ensure generic substitution (**April 2014**).

2.9.1.2. Pricing of medicines

The Government:

1. Revises downward the price of medicines, based on the three EU countries with the lowest prices (**full revisions every six months and a monthly pricing of new generics** in line with the provisions of Council Directive 89/105/EEC, next list to be published **by end June 2014**).
2. On the basis of the report on the impact of the new profit margins of pharmacies, introduces regressive mark-ups and reduces the profit margins down to 15%, starting from **1st June 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**).

2.9.1.3. 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) (**next one by July 2014**).
2. Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals). E-prescribing is made compulsory and must include at least 90 percent of all outpatient medical acts covered by public funds (medicines, referrals, diagnostics) (**continuous**).
3. Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory (**continuous**).
4. Enforce the application of prescription guidelines through the e-prescription system. Following the initial 2 therapeutic groups, additional prescription guidelines are included in the system (**June 2014**).
5. For the guidelines not included in the e-prescription system, a pop-up with guideline is activated when the first-line choice of treatment is not chosen:
 - i. A pilot for most expensive 10 medicines (**April 2014**).
 - ii. Full process (**September 2014**).
6. Further develop the e-prescription system by monitoring the compulsory ICD-10 and enforcing SPC filters in the e-prescription system (**continuous**).
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 April 2014**).

- 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**).

2.9.1.4. Increasing use of generic medicines

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 2014**.
2. Decides 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**).
3. Excludes from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria (**continuous**).
4. 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 (**April 2014**).
5. 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**).
6. 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**).

2.9.2. Reviewing the provision of medical services contracted by EOPYY

Further the Government:

1. Immediately implements as a matter of urgency the procedure to check all claims/invoices sent to EOPYY with priority for the private providers under the clawback system.
 - i. By **June 2014** all claims referring to 2013 should have been checked for private clinics. If the procedure of concentrating the checks proves ineffective, in-site checking of invoices should be considered.
 - ii. By **September 2014** all claims referring to 2013 should have been checked for diagnostics.
2. Implements the clawback mechanism on spending with private providers for 2013 and 2014 and sets the clawback targets for 2014 by **April 2014**. A report is produced by **June 2014**.
3. 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 (**April 2014**).

4. Implements 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, next report April 2014**).
5. 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**).
6. Introduces blocked /closed contracts with private providers and ex-ante approval of private hospital treatment plans, sets budgets to doctors for diagnostic tests, introduces clinical guidelines for the prescription of diagnostic tests and referrals and considers price reductions (**April 2014**). It develops indicators for monitoring the compliance with prescription guidelines (**April 2014**).
7. Publishes a monthly report on the prescription and expenditure of diagnostic tests and private clinics (**continuous**).
8. Initiates tendering procedure for the introduction of in house financial and analytical cost accounting systems of EOPYY (**April 2014**).

2.9.3. National Health System (NHS) service provision

2.9.3.1. 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 **in 2014 in line with the targets set in the MTFS** and continuing the reorganisation and streamlining of the hospital network. 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 systems.
 - v. Optimising and balancing the resource allocation of heavy medical equipment (e.g. scanners, radiotherapy facilities, etc.) on the basis of need.
 - vi. Hire financial officers for all hospitals with more than 400 beds through 3 year contracts setting specific financial and operational goals and targets on their performance.
 - vii. Reducing cost with outsourcing services such as IT services, laboratory services and hospital servicing costs (e.g. cleaning services).

- viii. Introducing a national registry of referrals to outpatient specialist and elective care to improve the monitoring and management of waiting list in view of the development of the primary care system (**September 2014**). This may be based on the e-prescription system.
- 2. Defines a set of activity related (input, process, output, outcome) indicators and produces a quarterly report together with the submission of financial data (**next report April 2014**). Produces an annual report comparing hospitals performance on the basis of the defined set of benchmarking indicators (**continuous; next report 1st April 2014**).
- 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 finalises the analysis regarding the number and healthcare needs of the uninsured people in the country; establishes a registry of all beneficiaries of NHS and EOPYY services and the health insurance status of all residents in the country; and proposes measures to ensure access to necessary care by the uninsured specifying the potential budgetary impact and the sources of financing (**April 2014**).
- 5. As a result of this analysis and proposal, the government will implement policies that ensure universal access to necessary care including cost-effective primary health care, pharmaceuticals, diagnostics and elective hospital care and in conjunction with existing policies such as the poverty booklet and the social voucher programmes of MoH (health voucher and training voucher) (**June 2014**).

2.9.3.2. 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 regular annual publication of balance sheets in all hospitals. (**continuous, yearly**).
 - ii. 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**).
 - iii. The pilot introduction of inbound hospital logistics and warehouse management systems using barcode scanning systems for pharmaceuticals and medical consumables. (**to be finalised by December 2014**).
 - iv. 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**).
 - v. 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 April 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 develop a full DRG costing and reimbursement system while improving the existing KEN system, with a view to developing a modern hospital costing and reimbursement system for contracting (on the basis of prospective block contracts between EOPYY and NHS). The existing set of KEN is used in all hospitals:
 - i. A DRG Management Institute is established (**June 2014**).
 - ii. The legal framework, coding manuals and cost adaptation methodology will be adopted **by end 2014**. DRGs cost weight methodology will include a detailed item on costs of personnel.
 - iii. In 2015 the DRG system is implemented in a group of pilot hospitals.
 - iv. In 2016 the DRG system is extended to all hospitals (test period).
 - v. In 2017 the DRG system is applied to all hospitals in a budget neutral way (including personnel costs) and EOPYY contracts hospital care on the basis of prospective budgets based on DRGs (including personnel costs).
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 on a regular basis (**twice yearly, next report June 2014**).

2.9.4. 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 (**annual report, next report April 2014**).
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**).

2.10. Upgrading the education system

1. The authorities regularly provide a written report on progress achieved in the implementation of the Education Action Plan and a detailed rolling calendar for the implementation before end-2014 of all pending measures (**continuous, February and September of each year**).
2. On primary and secondary education:
 - i. The external evaluation of School Directors, School Advisors and Regional Directors is completed (**June 2014**).
 - ii. The first cycle of external evaluation of the educational staff is launched (**September 2014**) and the authorities provide a report on its results (**continuous, February and September of each year**).
 - iii. Building on the measures included in the Education Action Plan, the authorities produce a position paper with future measures, including legal changes, to increase the financial and organisational autonomy of primary and secondary schools (**June 2014**).
3. On Higher Education:
 - iv. The external evaluation of the higher education institutions by the Quality Assurance Authority is completed and its results are published (**June 2014**).
 - v. The organisation charts and internal regulations of the Higher Education Institutions are completed and published (**June 2014**).
 - vi. The authorities report on the implementation of laws 4009/2011 and 4076/2012 on higher education and provide a calendar for implementation of pending provisions (**June 2014**).
 - vii. The authorities present an intermediate impact assessment of the ATHINA project after the first academic year of implementation, including budgetary impact, participation and future attainment rates, adequacy of staff allocation, R&D activities and quality of education (**September 2014**).

3. Framework for strengthening and restructuring the banking system

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

3.1. Framework for strengthening and restructuring the banking system

Prior to disbursement, the Authorities:

- a. **Adopt legislation governing the injection of public sector resources into the banks through the HFSF**, under which the HFSF will provide capital to viable banks that – after having exhausted the possibility to generate capital through internal measures and through private capital raising - fail to meet the capital needs determined by the stress tests.

Other Actions

Following the announcement of the results of 2013 stress test exercise, the authorities commit to taking the following steps:

1. By **June 2014** banks have to meet their capital needs under the baseline scenario, based on capital-raising plans that they must submit to the BoG for approval by **April 2014**. The upfront capital raising under the baseline scenario is based on mitigating actions, but only those included in banks' current restructuring plans along with any further mitigating actions agreed with the European Commission as commitments in the revised restructuring plans, which the BoG will take into account for recalculating capital needs. Further, banks have until **May 2014** to submit capital-raising plans addressing the adverse scenario, for approval by the BoG by **June 2014**.
2. To set aside the resources of the HFSF as a buffer against possible capital shortfalls that could materialize in the stress test horizon, or as a result of the SSM comprehensive assessment exercise (**continuous**). These form part of a credible backstop, together with the support of Euro Area Member States.
3. Stand ready to take all necessary policy actions to safeguard overall financial stability and remain committed to a four-pillar banking sector, and the results of the stress test have confirmed that this commitment is appropriate (**continuous**). The SSM assessment in 2014 provides an opportunity in late-2014 to assess progress and confirm that capitalization remains sound.
4. Initiate the swift process of share capital increase of Eurobank. The calling of an extraordinary shareholders' assembly of Eurobank, to be take place by end-April 2014, will be approved by the HFSF in order to initiate the share capital increase under the new recapitalization framework. The HFSF will reduce its stake in Eurobank significantly. The overriding objectives are to strengthen the bank's capital base as soon as possible, attract, in a competitive process, anchor investors that would play an active role in the bank's management and balance sheet repair, and achieve a strong private sector participation in the transaction, marking the return of the banking sector to capital markets as a sign of its nascent recovery.

3.2. Funding

The BoG commits to:

1. Stand ready, following the procedures and rules of the Eurosystem, to continue disbursing adequate and appropriate emergency liquidity support in a timely manner, if needed, while expecting banks to achieve a sustainable funding model over the medium term (**continuous**). In this context, banks have submitted their funding plans to the BoG, and will be required to update their plans **on a quarterly basis** to allow for continuous monitoring and assessment of their efforts.

3.3. Enhancing supervision and the management of troubled assets

The BoG commits to:

1. Introduce KPIs to monitor banks' progress in reducing their large NPL portfolios. Banks will begin gradual reporting under these KPIs by June 2014, with full reporting to commence from end-2014.
2. Report on the appropriateness of banks' loan forbearance practices and recognition of income from NPLs by **July 2014**.
3. Assess, based on the results of the ECB's comprehensive assessment, the need to introduce impairment provisioning guidelines similar to some other EU supervisory authorities and if guidelines are deemed necessary, **introduce them in time for consideration in the 2014 end-year accounts**.
4. Evaluate options for improving recovery from assets under liquidation and will implement in full the recommendations of technical assistance to this end by **June 2014**.
5. Undertake a review of the BoG's supervisory model, legal powers, governance structures and the enforcement toolkit, in consultation with EC/ECB/IMF by **June 2014**.
6. Introduce appropriate legislative or regulatory changes by **September 2014**.
7. Prepare, as part of this review, by **June 2014** a self-assessment of the Basel Core Principles (BCP) that are pertinent to the issues that will remain under the national supervisory mandate, in advance of the IMF's stand-alone BCP assessment, which is to be completed by **end-September 2014**.

Take the following steps to enhance the effectiveness of supervision:

8. Revise the BoG's organizational structure and internal governance processes, in preparation for transfer of supervisory responsibility to SSM by **September 2014**.
9. Engage specialists to assist the BoG with the supervision of NPL portfolios by **May 2014**.
10. Assess the impact of the introduction of the EBA guidelines on definitions of NPLs and forbearance and require banks to adopt the guidelines by **June 2014**.

The Government commits to:

1. Address restrictions on hiring experienced staff in the BoG in a manner that preserves staff autonomy and the financial independence of the BoG by **April 2014**.

3.4. Improving debt resolution processes

1. The Authorities have established the Government Council for the Management of Private Debt ("The Council) which will coordinate legal and institutional reforms to enhance corporate and personal debt resolution frameworks, in consultation with the EC/ECB/IMF staff.
2. The Council has agreed its expenditure budget for 2014. Under the Secretary General for Consumer Protection, engaged project management, public relations, and technical

specialists to ensure effective delivery of all aspects of the agenda, and adopted definitions of a cooperative borrower and reasonable living expenses for use in and out-of-court debt workouts.

The Authorities commit to:

3. Introduce by **May 2014**, a binding Code of Conduct for banks that specifies the terms of engagement between creditors and debtors. Banks will be required to pilot and implement long-term debt restructuring tools by **October 2014** and be compliant with the Code by **end-2014**.
4. Design out-of-court debt restructuring tools for enterprises by **May 2014**.
5. Specify a similar coordination mechanism for SMEs, that will include the use of standardized templates as well as a review and appeals procedure by **May 2014**.
6. Adopt and implement both mechanisms in points 4 and 5, inter alia, by making the necessary legislative changes by **July 2014**.
7. Review the personal and corporate insolvency laws (**June 2014**), and implement necessary changes to improve the functioning of in-court insolvency procedures by **October 2014**.
8. Establish a regulated profession of insolvency administrators, not restricted to any specific profession and in line with the EU best practices by **October 2014**.
9. Launch educational services and public awareness campaigns to inform debtors of their options and rights and educate small businesses on financial and credit management by **July 2014**.
10. Develop a coherent plan for a means-tested social safety net for vulnerable homeowners by **July 2014**.
11. Implement other supportive measures such as better data collection by **May 2014**, reducing the costs of the property auction process by **June 2014**, and introducing residential and commercial real estate transaction price registers by **October 2014**.
12. Set-up a monthly data collection process to monitor the effectiveness of the transition debtor-protection scheme enacted in December 2013. Based on incoming data, the Council will prepare a report assessing the effectiveness of the new law and its impact on strategic default behavior by **June 2014**, and will propose measures to ensure effective implementation in case of shortcomings.

3.5. Overhaul of governance arrangements

The authorities commit to:

1. Enhance, the governance of the HFSF by (i) reviewing the internal safeguards on strict conflict-of-interest rules and related-party transactions and making appropriate changes by **May 2014**, (ii) employing personnel with international experience in commercial banking and NPL resolution and (iii) increasing the number of General Council members to nine and the members with international experience to seven.
2. Undertake a broad review of the governance arrangements concerning HFSF's participation in the banks, to be done in consultation with the EC/ECB/IMF by **May 2014**.
3. Based on the review to be undertaken in 3.5.2, adopt appropriate legislative and operational steps to ensure that financial institutions are run on a sound, commercial basis, by **June 2014**.

3.6. Strategy for the cooperative banking sector

The BoG commits to:

1. Prepare a comprehensive strategy on the cooperative sector, taking into account the role of Panellinia bank and examine in consultation with the EC/ECB/IMF, by all modalities, including further consolidation or review of their *modus operandi*, to ensure the sector as a whole has achieved stability and standards that are considered best practices internationally (**July 2014**).
2. Implement the comprehensive strategy for the cooperative banking sector by **September 2014**.

3.7. Fiscal policy that potentially undermines the solvency of banks

The authorities commit 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 and liquidity going forward (**continuous**).
3. Not impose unilateral debt relief solutions for any particular group of debtors (**continuous**).

3.8. The 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 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 (**April 2014**).
3. In consultation with the EC, to revise the legal framework of the Loan and Consignment Fund regarding the scope of activities of the reserved sector part to ensure that it acts only in case of market failure by **May 2014**.

3.9. Insurance Sector

1. The BoG evaluated the capacity of the insurance sector to assume social security/pension schemes, taking into consideration the under development Solvency II regime for institutions for occupational pensions (IORP Directive). In this regard, by **June 2015**, the BoG will establish a list of additional changes in legislation/structure of Greek insurance industry and the relevant legislation will be adopted.

4. Strengthening labour market institutions and promoting employment and social inclusion

The Government will foster the effective implementation of the recent labour reforms and build upon them to boost employment and support restoring cost-competitiveness, notably to sustain a reduction in nominal unit labour costs in the economy by 15 per cent. 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 acquis and Core Labour Standards.

4.1. *The wage-setting system*

Prior to disbursement, the Authorities:

- a. To increase incentives for hiring long-term unemployed workers, and as part of a broader package to support long-term unemployed, the government will adopt legislation that **adjusts the statutory minimum wage for long-term unemployed** (defined as being unemployed for more than one year) aligning the maturity allowances of white collar workers with the blue-collar ones, in percentage terms, for workers over 25.

4.2. *Fighting undeclared work and informality and lowering compliance costs*

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 through focussing on its core roles of enforcing labour law and labour contracts and health and safety standards. Prioritising the activities of the Inspectorate and fostering the detection of the most severe cases of violations are expected to be at the core of those changes (**continuous**).
2. Streamlines and reduces the labour reporting requirements in a timely and comprehensive manner, including through implementing the conclusions of the OECD administrative burden review (**April 2014**).

4.3. *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, while ensuring full compliance with EU acquis and Core Labour Standards. That shall include regulatory issues concerning the re-structuring of companies and the possible role of the authorities in collective dismissals to ensure a balance between adjustment needs and a fair sharing of the burden of adjustment between workers, firms and

Government. The exercise also includes the legal framework for temporary work agencies' activity to seek ways of fostering job creation, responding also to the needs and preferences of user undertaking and employees. The Government will also compile the existing legislation relevant for labour and industrial relations in a single code.

In this light, the Government:

1. Introduces administrative changes, in consultation with social partners, on the framework for collective dismissals (**April 2014**).
2. Undertakes an assessment, in consultation with the EC/ECB/IMF and the ILO, on whether the collective dismissal system replicates best practices in an effective, credible, and durable way (**September 2014**).
3. Based on that assessment, in case of doubt, it takes appropriate legislative action to align the framework with best practices (**October 2014**).
4. Revises the framework for employment through temporary work agencies, notably by substantially broadening the types of work, positions and contracts for which hiring through temporary work agencies is possible; reducing restrictions on hiring via temporary work agencies following redundancies for economic reasons (from 6 to 3 months for individual redundancies, and from 12 to 6 months for collective dismissals) (**April 2014**).
5. To safeguard the right to work, promote constructive relations among parties to industrial relations, and avoid any undue disruption of the operations of firms, and at the same time ensure that the framework for unions' operations is mature and aligned with international conventions:
 - i. Reviews the existing framework against best practices (**June 2014**).
 - ii. After consultations with social partners prepares the necessary legislative changes to bring the Greek framework in line with best practices, and in full respect of the applicable international conventions, by **September 2014**.
 - iii. Adopts those changes by **October 2014**.
6. Sets a roadmap for the codification of all existing legislation relevant for labour and industrial relations into a single Labour Code (**June 2014**).
7. Completes the codification of all existing legislation relevant for labour and industrial relations into a single Labour Code (**December 2014**).

4.4. Expanding and upgrading vocational education and apprenticeships

In order to sustainably increase the level of skills and the employability of entrants to the labour market, to facilitate mobility of workers and to attract new investment, the Government will ensure the modernisation of vocational education and training (VET) and the increase in the provision of apprenticeships to implement Law 4186/2013 of September 2013.

1. The Ministry of Labour and the Ministry of Education with OAED, building on the VET Roadmap, adopt a detailed implementation plan for the modernisation and expansion of vocational education and training and the provision of apprenticeships (**April 2014**). The implementation plan will contain key milestones including inter alia:
 - i. The development of a quality framework for vocational education and apprenticeships by **June 2014**. This will include concrete proposals to establish a quality framework, in line with the European Quality Assurance Reference Framework for VET (EQAVET) and best practices at European level, on the basis of the occupational profiles defined by EOPPEP; the development of a certification scheme for businesses offering apprenticeships with associated supervision and

- monitoring system; a set of VET standards and regulations ensuring the quality and relevance of education in VET education and training institutions.
- ii. The setting up of a monitoring mechanism for the development of local partnerships at regional level with associated targets and milestones, including the formation of at least two pilot local partnership agreements with master plans **(June 2014)**.
 - iii. The elaboration of a strategy with detailed proposals to ensure progressively closer employer engagement and private-sector funding in VET **(May 2014)**.
 - iv. Develop clear estimates of the budgetary costs of the expansion of VET and apprenticeships including detailed assumptions in particular on the share of costs to be covered by public resources and by employers, and estimates of the additional infrastructure and human resources costs **(May 2014)**.
 - v. A detailed plan for the required technical assistance for the achievement of the Implementation Plan **by May 2014**.
 - vi. Develop a strategy to provide a diagnostic system to identify future skills needs and to match vocational education and training with the needs of the labour market **by September 2014**.
2. The Ministry of Labour and the Ministry of Education with OAED ensures full implementation of the above-mentioned implementation plan, including through administrative and legislative actions, and sets up a permanent coordination committee with representatives from relevant Ministries. They will regularly report jointly on the progress achieved and the pending measures **(continuous, February, May, September and November of each year)**.
 3. Secures the availability of adequate budget allocations, including the proposed contribution by EU Structural Funds for the period 2014-2020 in line with the above-mentioned implementation plan, in order to deliver the planned expansion of vocational education and training and apprenticeships throughout the entire implementation period, and compatible with the overall fiscal targets **(continuous, starting June 2014)**.

4.5. Support to the unemployed

The Government steps up efforts through the implementation of the Action Plan on Employment adopted in July 2013 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 all other disadvantaged groups in the labour market; easing labour market mismatches and facilitating the transition from school to work, and the mobility of workers across occupations and sectors by improving training policies and promoting the employability of the disadvantaged groups; and strengthening social economy. The Government also starts implementing the Council Recommendation on Establishing a Youth Guarantee² gradually, whilst prioritising relief for the hardest-hit young people. In these efforts, the Government will aim at involving the social partners and the private sector to the maximum extent possible and seek an effective use of the resources available, including by preventing possible abuses or frauds. In particular, the Government will:

1. Implements a new round of short-term public work programmes in 2014 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

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:120:0001:0006:EN:PDF>

sluggish. The new round scheme may target at least 50,000 persons. 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). Proposals for the new-round scheme to be made by **May 2014**.

2. Makes proposals for future youth schemes after undertaking an evaluation of the existing youth schemes, including the youth voucher. These must ensure the proper monitoring and establish sanctions against any fraudulent behaviour (**May 2014**). An extension of these initiatives to other categories of jobseekers can be envisaged.
3. Closely align the Youth Guarantee Implementation Plan with the roadmap for the modernisation and expansion of vocational education and training and providing immediate relief for the hardest-hit young people (**December 2014**).
4. Ensure that adequate administrative capacity to formulate employment policies and implement the Youth Guarantee at all levels is available, including by setting up effective coordination mechanisms between the Ministry of Labour, the Ministry of Education, other Ministries, OAED, regions and other partners (**June 2014**).
5. Fully implementing the Re-engineering Plan for OAED and establishing, where appropriate, partnerships with the private sector and external organisations (**September 2014**).

4.6. Developing Social Welfare and promoting Inclusion

The Government will develop the welfare system and improve social safety nets within the current budgetary envelopes to create an integrated and cost-effective welfare system in Greece through increased effectiveness and efficiency of welfare spending. That is urgently needed to reduce poverty, through minimum income protection, whilst ensuring the incentives to work and save needed to avoid welfare dependency. To this end:

1. The Government launches **in April 2014** a comprehensive review of social welfare and social protection spending, including spending on social assistance paid through the social security system (in conjunction with the social security review). The purpose is to increase the effectiveness of social welfare spending and to consolidate and streamline existing benefits with the intention of creating the fiscal space to provide targeted support to vulnerable groups within the overall fiscal targets. The first part of the review should include both in-kind and financial benefits. The review should cover detailed information on each benefit: inter alia, the structure and type of the benefit, eligibility criteria, target population and number of actual beneficiaries, spending in recent years and source of financing. All subsectors of the general government, notably central government, social security funds and local governments should be covered. The first part of the social welfare review should officially report in **June 2014**.
2. A second part of the review should focus on the effectiveness of the various benefits in reaching its target population and addressing its objective as well as identify potential population groups not covered by the social protection system. Alternative key design parameters need to be assessed, including the development of non-tax form based eligibility, incentives for labour activation, and the development of appropriate anti-fraud controls. The second part of the review making detailed proposals for reform should officially report in **September 2014**.
3. Based upon the social welfare review, the government in conjunction with EC/ECB/IMF staff will set out a Government Strategy on Social Welfare and Inclusion by **October 2014**. This should include detailed proposals for the creation of a guaranteed minimum income scheme. The streamlined level of social spending must remain within the programme fiscal targets and be consistent with fiscal sustainability.

4. The Government launches the pilot phase of the guaranteed minimum income scheme by **(September 2014)**, aiming at a phased-in national roll-out in 2015, if financing is available. The pilot phase will enable the development and testing of non-tax-form based targeting mechanisms, registration procedures and benefits platform, delivery channels and payment systems with adequate monitoring and auditing procedures. The pilot projects will include activation of beneficiaries to prevent deterioration of skills and human capital; and aim at a phased integration of other benefits and social services. The following will serve as milestones for this project:
 - i. A project team with project manager will be set up to implement this project (**April 2014**).
 - ii. Provision of data for the selection of potential pilot areas, eligibility criteria, targeting and benefit amounts (**April 2014**).
 - iii. Assessment of overhead, infrastructure and equipment costs of pilot (**April 2014**).
 - iv. Terms of reference for development of IT system for database and management information system (**April 2014**).
 - v. Choice of municipalities by **May 2014**.
 - vi. Eligibility criteria and benefit determination by **May 2014**.
 - vii. Legal process completed for regulations through common ministerial decision by Ministry of Finance and Ministry of Labour in conjunction with EC/ECB/IMF staff (**May 2014**).
 - viii. Stakeholder dialogues held – (**May 2014**).
 - ix. Comprehensive proposals for monitoring and evaluation of success of pilot projects (**July 2014**).
 - x. Testing of IT system for database and management information system (**July 2014**).
 - xi. Pilot preparations and operationality of pilot finalised by **July 2014**.
 - xii. Launch of the pilots (**September 2014**).
 - xiii. End of pilots and evaluation (**March 2015**).
5. The Government will by **June 2014** produce a roadmap for a country-wide phased-in roll out a guaranteed minimum income scheme that targets the poor, including the long-term unemployed, to mitigate poverty and foster social inclusion by 2015, if financing is available. The integration of the minimum guaranteed income scheme and of the unemployment assistance scheme with existing cash transfers, labour activation services, and other social transfers and services is important to ensure the effectiveness and efficiency in supporting the needy, and move them closer to work.
6. To provide health insurance access to uninsured citizens, the Government prepares an action plan in cooperation with foreign experts by **April 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 nuisance charges at an annualized cost of €245 million and removes earmarking of nuisance charges amounting to €1.4 billion (**April 2014**).
2. The Government:
 - a. Updates the list of nuisance charges (**May 2014**).
 - b. Eliminates as many as possible additional nuisance charges (**June 2014**).
 - c. Abolishes all nuisance charges that finance auxiliary pensions falling under the Ministry of Labour (**June 2014**).
 - d. Conducts a review (**September 2014**) and adopts legislation (**November 2014**) on nuisance charges that (a) finance main pensions, and (b) were identified in the OECD competition assessment.
 - e. Abolishes all nuisance charges financing auxiliary pensions that fall under the ESA95 definition of General Government but are outside the Ministry of Labour (**November 2014**).
 - f. Reviews transaction-related charges, including stamp-duties, (**August 2014**) and adopts legislative changes to replace the most distortionary ones with more efficient taxes (**November 2014**).

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:
 - i. Eliminating the capital concentration tax for start-ups (**April 2014**).
 - ii. Adopting measures to streamline starting a business, in particular for fees paid before launching operations, and to facilitate registering property, in particular for eliminating requirements not directly related to the property transfer transaction (**April 2014**).
2. To implement law 3982/2011 on the **fast track licensing procedure** for technical professions, the Government submits the Presidential Decree to the Council of State to replace professional experience requirements by seminars organized by approved bodies and to define the fees for such seminars by **April 2014**.
3. To implement Law 4014/2011 on **environmental licensing of projects and activities**, the Government:
 - i. Adopts the Ministerial Decision (Art.18.5) Digital Environmental Registry (**April 2014**).
 - ii. Adopts the Presidential Decree (Art. 14.5) on the establishment of the environmental licensing directorate (**May 2014**).

- iii. Adopts the Ministerial Decision (Art. 17.8) on fixing compensatory fees and procedures (**June 2014**).
 - iv. The Presidential Decrees (Art. 16.6) on the establishment of the certified Environmental Impact Assessment assessors registry (**September 2014**).
 - v. Establishes the registry of private environmental assessors (**October 2014**).
 - vi. 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 (**April 2014**).
4. To improve **waste management**, the Government licenses at least two disposal sites for hazardous waste (**June 2014**).
5. To tackle the investment barriers caused by multiple and fragmented establishment and operating permits, the Government fully implements the roadmap for **investment licensing** reform, with the objective of increasing legal certainty, efficiency and transparency and reducing the procedures and time required for obtaining licenses and permits, including for industrial activities, environmental infrastructure systems, mining, aquaculture and port works. The Government:
- i. Adopts the framework law of the single licensing framework (**April 2014**).
 - ii. Adopts a single regulatory framework for business parks, which overrides previous legislation regarding business parks (**April 2014**).
 - iii. Adopts a roadmap for implementing provision of investment licensing law and sets up coordination structure for monitoring its implementation (**April 2014**).
 - iv. All remaining actions are implemented by **December 2014** as set out in the roadmap.
6. To simplify **export and import procedures**, the Government:

Pre-customs procedures

- i. Fully implements risk based control system based on EU best practice for fresh fruits and vegetables by **April 2014**, and automates the system by **September 2014**.
- ii. Following the example of fresh fruits and feta cheese, reviews pre-customs and customs procedures for 5 more products (olive oil, cosmetics, aluminium profiles, canned peaches, dual use product) and propose simplification based on EU best practices by **April 2014**.
- iii. Gathers national legislation for obtaining necessary documents for exporting 10 main Greek products per country of destination, and proposes simplification on the basis of EU best practices (**April 2014**).
- iv. Streamlines relevant procedures and adopts legal amendments by **June 2014**.

Risk assessment systems

- v. Implements automatic clearance for low risk declarations of exports in line with EU best practices in customs pilot offices by **April 2014**, and across all customs offices by **June 2014**.
- vi. 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 **April 2014**.

- vii. Adopts action plan for the risk assessment system of imports by April 2014 with the target that the level of controls converges across all customs offices to the average level of controls in the EU by **December 2014**.
- viii. Implement automatic clearance for low risk declarations of imports in line with EU best practices in all customs offices by **December 2014**.

e-Customs

- ix. Ensures that the e-customs system supports the electronic payments for exports and imports in all customs offices by **September 2014**.
- x. Requires electronic payments (such as bank transfers, and credit or debit cards) for all customs charges, and accepts cash payments only for small payments by individuals (**September 2014**).

Pilot evaluation and roll-out

- xi. Presents a detailed plan with timetable on how optimised procedures will be rolled out across all other customs offices by **April 2014**.
- xii. Applies optimised procedures permanently in pilot customs offices of the Athens airport and Piraeus Port by **April 2014**.
- xiii. Adopts a national customs strategy, including the vision and objectives of customs administration reform and a roll-out plan by **June 2014**.
- xiv. Rolls-outs optimised procedures and applies them permanently in all other customs offices by **December 2014**.

Fees and fines

- xv. Reviews fee structure for customs clearance procedures and modifies in line with EU practices by **June 2014**.
- xvi. Reviews the rules for imposing fines for mistakes in customs declarations (**June 2014**).
- xvii. Modifies the rules in line with EU practices by **September 2014**.

Trade facilitation strategy

- xviii. Presents a report on the progress of the implementation of the trade facilitation roadmap, including an overview of legal and operational changes during the first year of reform (**April 2014**).
- xix. Adopts action plan for the full implementation of the single window (**May 2014**).

- 7. To identify and eliminate unnecessary **reporting requirements** for businesses:
 - i. Following the identification of administrative burdens, the Authorities adopt the amendments to sector specific legislation (**June 2014**).

5.1.3. Improving spatial management and planning

- 1. 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:

Transaction fees

- i. Ensures 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:

- a. Adopts legislation (**June 2014**).
- b. Makes the system fully operational (**September 2014**).

Organisation of EKXA AE

- ii. Adopts 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 (**April 2014**).
- iii. Adopts regulations to provide framework for the transformation of temporary cadastre offices into final ones in the capital of the regions where the cadastre is operational, in line with business plan (**April 2014**). Make these two offices fully operational (**September 2014**).
- iv. Adopts reforms of the institutional framework of EKXA AE to ensure adequate resources and capacity for effective land management (**April 2014**).

Inter-ministerial coordination and integration of databases

- v. Ensures that all new real estate related transactions, including data on objective values and transaction prices, are registered electronically using the web platform provided by EKXA AE and that a standard format for registration is used for the notaries in Attica and Larisa (**April 2014**). Extend this service to 90 percent of the notaries of the country (**July 2014**).
- vi. Presents a roadmap with timetable for completing all actions, including legislative actions, required to the complete parallel processes and integrate the maps, including those related to archaeological sites, industrial development, spatial planning, forestry, coastal zones, protected areas and public property, with those of EKXA SA (**April 2014**).
- vii. Submits to the Council of State the Presidential Decree stipulating that new construction permits are built on maps provided by or in conformity with EKXA AE (**April 2014**).
- viii. Ensures that new urban planning permits are built on maps provided by or in conformity with EKXA AE (**April 2014**).

Completion of forestry and coastal maps and of the cadastre

- ix. Suspends forest maps under implementation (about 13% of the country) by **August 2014** for Thessaloniki, Chalkidiki, Pieria, Lakonia and Messinia and by **October 2014** for Evia.
- x. Tenders projects of suspension and certification of previously developed forest maps, and new forestry maps in other areas to deliver certified forestry maps for 46.5% of the country (**April 2014**).
- xi. Adopts legislation on Coastal Zones (**April 2014**).
- xii. With regard to the seven million active property rights tendered since December 2011, awards tenders of four million active property rights by **April 2014** and of the remaining three million active property rights by **December 2014**.
- xiii. Completes the award of tenders for unfinished cadastral projects (**December 2014**).

2. To facilitate **spatial planning**, the Government:
 - i. Adopts a revised framework legislation to significantly shorten the time required for strategic and town planning and make land use more flexible while preserving necessary safeguards (**April 2014**).
 - ii. Completes the revision of the regional spatial plans for 10 out of 12 regions to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:
 - a. The third phase for the formulation of proposals is completed by **April 2014**.
 - b. The fourth phase for the legislation of the final proposal is completed by **May 2014**.
 - iii. Completes the revision of the spatial plan for North Aegean to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy as follows:
 - a. The third phase for the formulation of proposals is completed by **April 2014**.
 - b. The fourth phase for the legislation of the final proposal is completed by **June 2014**.
 - iv. 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 **April 2014**.
 - b. The second phase of modification is completed by **April 2014**.
 - c. The third phase for the formulation of proposals is completed by **July 2014**.
 - d. The fourth phase for the legislation of the final proposal is completed by **September 2014**.
 - v. Reforms the forestry legislation to support the timely completion of forestry maps and ensure sustainable forest management:
 - a. Updates the legislation on forests and forest lands by **June 2014**.
 - b. Codifies the legislation on parks, forests and forest lands by **December 2014**.

5.1.4. Enhancing competition and promoting better regulation

Prior to the disbursement:

- a. Following the competition assessment in the sectors of food processing, retail trade, building materials and tourism, the **Government adopts legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit**.
1. In order to implement additional recommendations of the competition assessment, the Government:
 - i. Adopts sectoral legislation for provisions of the Ministries of Environment, Maritime, Health, Tourism, and Transport (**June 2014**).
 - ii. Reviews the evolution of over-the-counter prices and commits to liberalizing the retail channels for all OTC products in case there is no reduction of such prices (**June 2014**).

- iii. Adopts the Code of best practices on sales and offers and the Code of best practices on foodstuff traditional definitions (**September 2014**).
 - iv. Adopts all technical specifications (**December 2014**).
 - v. Based on an assessment, adopts legislation to bring in line EU best practices provisions related to the definition of bakeries, sales periods, truck licenses and establishment restrictions of pharmacists (**December 2014**).
 - vi. Reviews the impact of the legislative changes regarding the shelf life of pasteurized milk and makes additional legislative changes if milk prices remain high compared to other EU countries and the consumer choice among shelf life durations remains limited (**December 2014**).
 - vii. Reviews the experience of liberalized Sunday trading in selected areas and decides on that basis whether to roll out the recent changes across the country (**March 2015**).
2. The Government:
 - i. Launches competition assessment for other sectors (manufacturing, wholesale trade, telecommunication, and e-commerce) based on the OECD toolkit (**May 2014**).
 - ii. Completes the assessment of other sectors (**October 2014**).
 - iii. Adopts specific measures that promote competition and lower consumer prices based on the follow-on competition assessment (**November 2014**).
 3. The Government reviews the advocacy role of the Hellenic Competition Commission in order to safeguard progress on removing barriers for competition (**April 2014**).
 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 2014**).

5.2. Research and development and innovation

In order to support growth and foster competitiveness, the Government shall fully implement the revised legal framework for R&D and innovation, so as to strengthen the links between R&D investment and economic growth, develop closer links between researchers and industry, foster technology transfer and address bureaucratic obstacles. In this light:

1. The authorities will adopt the revised R&D and innovation legislation by **July 2014**, and will ensure that the necessary subsequent steps are taken to fully implement the revised legal framework by **December 2014**.
2. The Ministry of Development and the Ministry of Education through the General Secretariat for Research and Technology will cooperate effectively to adopt **by July 2014** a national research and innovation strategy for smart specialisation based on the synthesis of the competitive advantages of the regions and a related action plan. The strategy and the action plan will be fully aligned with the Partnership Agreement 2014-2020 and will:
 - i. Provide a national framework for R&D and innovation policies, including governance mechanisms to integrate and coordinate the regional RIS3 strategies.
 - ii. Define the articulation of the smart specialisation strategies between the national and regional levels.
 - iii. Organise and coordinate the effective and efficient collaboration of academia-research centres and the business community, encouraging the entrepreneurial discovery process at regional and national level to foster the competitive advantage of Greek businesses in global value chains.

- iv. Develop a strong thematic focus and concentrate investment priorities on the areas considered as strategic, following the RIS3 exercise, for the Greek economy and society in the Partnership Agreement.
 - v. Leverage private investment and foster more collaborative and systemic innovation based on a Triple Helix approach (cooperation between academia, business and government).
3. Adopt legislation setting out guidelines on scientific and technological R&D eligible for tax credits as required under Art. 22A of the Income Tax Code (**May 2014**).

5.3. 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.

5.3.1. Review of the code of civil procedure

1. The Authorities include in the draft code of civil procedure provisions aiming at reinforcing the effectiveness of the enforcement of civil court decisions (**April 2014**).
2. The Authorities submit the final draft Code of civil procedure to the Hellenic Parliament (**April 2014**).
3. The new code is adopted (**May 2014**).

5.3.2. Judicial statistics

1. In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 10 of this Memorandum (**quarterly**).
2. The authorities will provide the courts with web application system to transfer data from the courts to the Ministry by (**September 2014**).

5.3.3. Tax case backlog reduction

1. Building on the assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts, the Government proposes (**April 2014**), measures that can be implemented in the short term to reduce the backlog of tax cases, such as, a temporary and fast track procedure to deal with tax cases below EUR 50,000 that have been pending in an administrative justice court for more than 2 years.

5.3.4. Non-tax case backlog reduction

1. The authorities report on the implementation of the obligation of the judges to determine the hearing interim measures requests within 30 days from the issuance of the requested temporary order, according to Law 4055/2012 (**April 2014**).

5.3.5. 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 (**April 2014**).
 - ii. A timetable, including proposed deadlines, for the extension of case e-registration and e-tracking to all courts (**April 2014**).
3. Implementation of integrated e-justice systems within the Framework of the E-justice Action Plan:
 - i. **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:
 - a. The Magistrate Courts, Civil and Criminal Courts of First Instance & the Courts of Appeal of Athens, Piraeus, Thessaloniki & Chalkida, including the respective Prosecutors' Offices.
 - b. All the Administrative Courts.
 - ii. The Government completes the extension of the above applications to the other courts (**December 2017**).
4. The Government ensures consistency of the e-Justice action plan with the national e-government strategy (**continuous**).

5.3.6. Promotion of pre-trial conciliation and mediation

Prior to the disbursement:

- a. **The Authorities adopt legislation for the opening of the mediator profession to non-lawyers.**

Other Actions

1. The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website (**continuous**).

5.3.7. 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. The assessment is presented (**April 2014**).
2. Administrative review of cases:
 - i. The Government submits to Parliament a draft law on Administrative review of cases (**May 2014**).
 - ii. The pilot project on administrative review of cases is implemented (**January 2015**).
3. Based on the study of court fees delivered in November 2013, the authorities propose for a selective increase of court fees, in full accordance with the constitutional principle of access to justice (**September 2014**).

6. Efficient Network Industries

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.

Prior to the disbursement:

- a. **The Government will introduce a permanent adjustment to existing power purchasing contracts for renewable energy sources, with a view to align rates of return to sustainable EU average levels**, considering Greek-specific conditions and to eliminate the debt of the RES account by December 2014. The adjustment will have to provide the financial sustainability of the RES account without putting an excessive burden on consumers.
- b. **The Government will publish**, as detailed in paragraph 6.1.5.2, and in consultation with the European Commission services, **a timeline and list of actions, to be taken in order to facilitate the transition to a more mature gas market model**, increasing the degree of competition at all levels, and transferring the advantages to the broadest possible set of consumers.

6.1.1. Ensuring that electricity prices reflect costs

1. Effective **1st July 2014**, PPC reviews and adjusts its tariff structure. New tariffs will provide adequate cost recovery, while significantly reducing cross-subsidization between different categories of consumers, and with a view to an overall simplification of the pricing structure. The review will fully take into account all measures aimed at addressing the concerns related to cost-competitiveness of energy-intensive users.
2. PPC tariffs are reviewed on a quarterly basis, and the cost justification of the possible modifications is made public, taking into account the need not to disclose confidential data (**continuous**).
3. RAE monitors the pricing review proposals of PPC to ensure that there is no abuse of dominant position (**continuous**).

6.1.2. Public Service Obligation for non-interconnected islands

In order to reduce the overall burden on electricity consumers resulting from the Public Service Obligation (PSO) for non-interconnected islands, the Greek authorities shall endeavor to interconnect these islands in all cases where the avoided PSO costs outweigh the costs of constructing the interconnector. RAE will ensure that the timelines set in ADMIE's 10-year development plan for constructing the interconnection with the Cyclades by 2018 are fully respected and the final plan for interconnecting Crete is included in ADMIE's 10-Year Development Plan for 2014. ADMIE, DEDDIE and planning authorities will be properly incentivized to facilitate their construction.

1. RAE revises the annual amount of Public Service Obligations due to suppliers based on the new methodology by **May 2014**.
2. The government ratifies the revised amount through law by **June 2014**.
3. The adjustments to the PSO will be reflected in the adjustments of the PPC tariffs as needed as of **1st July 2014**.

6.1.3. 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 financial sustainability of incentives and security of the network. In this view, the Authorities:

1. Once the RES account debt is eliminated, adjust the RES levy every six months as necessary, so as to keep the account's 24-months ahead flow projections in balance and without debt (**continuous**).
2. 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.
3. To ensure the financial sustainability of the RES account, and ensure that no excessive burdens are put on consumers, introduces constraints that will cap all the newly-installed RES capacity receiving incentives, effective immediately (replacing the current freeze). Draft legislation to introduce such cap shall be submitted for consultation to EC/IMF/ECB by **April 2014**.
4. Following the entry in operation of the electronic registry of RES installations (including PV rooftops), 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 (**continuous**).

6.1.4. Liquidity and arrears in the energy sector

1. The Government **makes payments to clear all general government arrears with PPC**, to contribute to solve the liquidity issues in the energy sector, and in view of the upcoming privatisation of PPC (**June 2014**).
2. The Government ensures that there is no further accumulation of public sector arrears to PPC, and that the respect of the obligations of the public sector following the transposition of the Late Payments directive is guaranteed (**continuous**).
3. With a view to a complete clearing of existing arrears in the energy markets by the end of 2014, the Ministry of Energy, in close cooperation with ADMIE and LAGIE, will communicate to the EC/ECB/IMF the detailed gross debt and credit positions of all participants in such market on a monthly basis (**continuous**).
4. The Ministry of Energy, in close cooperation with RAE, will promote, and facilitate through intermediation, the clearing of existing obligations among energy market participants, based on a fair sharing of the outstanding debt (**continuous**).
5. 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. Regulatory provisions should ensure equal treatment for all participants, avoiding any distortion or unjustified advantage coming from belonging to vertically integrated companies (**continuous**).

6.1.5. Energy Markets

Greece is undertaking several important reforms in the energy markets.

In the electricity market, the privatisation of PPC is being carried out following a strong commitment of the government, while an action plan is being implemented by the regulator to transition to the EU target model.

In the gas market, following the adoption of Law 4001/2011 to transpose the Third Package, the sale of DESFA, provided regulatory approvals are met in a manner fully compliant with EU law, as an entity fully unbundled from DEPA is certainly a positive step towards a more mature model of regulation. The privatisation of DEPA will also be an important element. However, several issues need to be addressed in the gas market in order to fully reap the benefits of the privatisation and transition to a more mature gas market model.

6.1.5.1. Electricity market

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:
 - i. Review the recently introduced capacity payment mechanisms to ensure cost-effectiveness and compliance with the guidelines on "Generation adequacy in the internal electricity market" released by the European Commission (SWD(2013) 438) and EU State-aid rules:
 - a. RAE will present its first findings **by April 2014**.
 - b. Following consultation with ADMIE, and taking into account the system needs identified in the document "Introducing the interruptibility service for the electric system in Greece", the review will be finalised **by May 2014**, and will include an assessment of the capacity needs of the system and a timeline to progressively reduce its cost.
 - c. The complete revised mechanism, including the first cost reduction, will enter into force effective **1st July 2014**.
 - ii. Introduce auctions of NOME-type products, limiting the participation in auctions to generators and suppliers:
 - a. Public consultation, including the structure and the parameters of the auctions of NOME-type products, will be launched **by April 2014**.
 - b. The final legal provisions will be adopted **by June 2014**.
 - c. The reference price for auctions will be set in consultation with the European Commission, and auctions will start on **1st September 2014**.
 - iii. Following the removal of the 30 percent rule, phase out the full recovery of variable costs (**May 2014**).
2. In close collaboration, the Ministry of Energy, RAE, ADMIE and LAGIE will draw up a road map, in consultation with European Commission Services, comprising a list of actions, timelines and tasks to be attributed to each of these institutions for the implementation of the reform of the electricity markets with a view to create more competitive and integrate electricity markets, and taking into account other actions affecting the energy markets, including the privatization process of PPC. Such list will foresee, at a minimum, the following actions (**May 2014**):
 - i. The transition from a pool based system to separate day-ahead and intra-day electricity market.
 - ii. The transition to the "target model", fostering market integration.

- iii. Market based provision of ancillary and balancing services.
- iv. Deep market integration of demand side response.
- v. Ensuring that implementation of NOME-type products is compatible and coherent with the privatization process of PPC and the creation of small PPC. The NOME-auctions and products will remain until the Greek electricity retail markets are fully competitive. The creation of a fully operational small PPC will constitute a necessary milestone in this regard.

6.1.5.2. Gas market

1. The timeline and list of actions to be taken in order to facilitate the transition to a more mature gas market model, increasing the degree of competition at all levels, and transferring the advantages to the broadest possible set of consumers will include, at a minimum, the following actions:
 - i. The transition from a bilateral contracts-based market to a competitive and liquid gas market.
 - ii. A review and improvement of LNG regulation to further favour third-party access, with cost-based tariffs, including if appropriate, complementary measures to facilitate its usage (gas swaps).
 - iii. A review of the current gas release programme in order to increase its effectiveness.
 - iv. A review of whether complementary measures pursuant to Article 83 of Law 4001/2011 are required
 - v. Further development of storage legislation and regulation, and foster availability of storage sites, in order to improve flexibility in the market.
 - vi. A plan for promoting the adoption of gas as heating fuel for households, for reasons of efficiency and emissions reduction, *inter alia* through the use of EU structural funds and possibly accompanied by a fiscally neutral revision of the excise on gas, thus simultaneously stimulating more competitive conditions in the electricity markets.
 - vii. The transition of supply and distribution (including for the existing and projected so-called EPAs), to a regulated model, with separation of supply from network activities. In line with what is bound to happen in the electricity market, this should include the phase-in of incentive-based regulation for distribution (and for transmission) in order to favour network development.
 - viii. The transition to full eligibility for all gas customers.
 - ix. The phase out of the derogation under the Third package.
2. As far as the *distribution* segment is concerned, the minimum result of the above reforms will be:
 - i. The adoption of legal provisions to provide the legal and functional unbundling (Chapter V of Directive 2009/73/EC) and relevant corresponding duties and powers to RAE (Chapter VIII of Directive 2009/73/EC) of EPAs supply and network businesses, to be effective 1st October 2015 (**September 2014**).
 - ii. The adoption of legal provisions to make all gas industrial consumers in Greece eligible effective 1st October 2014, and all other gas customers eligible according to the schedule identified in point 1.viii above (**June 2014**).
 - iii. EPAs will make their supply and network business legally and functionally unbundled **by 30th September 2015**.

- iv. Effective 1st October 2015, network development by all EPA networks, existing and projected, shall be regulated by RAE, which will set appropriate network tariffs and adequate investment incentives for distribution networks.
- v. The Hellenic Competition Commission will review by June 2014 the remedies it imposed on DEPA through its decision of 12 November 2012. The review inter alia will seek to optimise the functioning of the imposed gas release programme, taking into account RAE's opinion and the views of all concerned stakeholders, by adapting the gas release products offered to end customers requirements and the need to create a more liquid gas wholesale market.

6.1.6. Fuel Market

The Government will:

1. Implement the agreed roadmap for the creation of a regulated, non-profit independent organisation for the storage of fuel reserves (Central Stockholding Entity, CSE), Draft legislation will be consulted with public and the EC/ECB/IMF by **June 2014**, with a view to its approval by **September 2014** and implementation through Ministerial Decrees by **December 2014**. The CSE will be operational by **1st January 2015**.
2. The legislative provisions will allow the national network to use storage capacity of other EU countries in compliance with EU regulation 119/2009.
3. Within one month from the entry in operation of the CSE the minimum duration of one year for contracts on storage facilities' use by third parties shall be no more effective (**January 2015**).
4. Monitor and make publicly available average monthly data on storage and other cost components charged to domestic and international customers (**April 2014**).
5. 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. Following the implementation of a mandatory guarantee scheme for wholesale fuel trading as an alternative for minimum capital requirements for operating in such market, we shall review the effectiveness of the new system by **December 2014**.
 - ii. Adopts all necessary implementing legislation to Law 4172/2013 to allow for the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain (**April 2014**).
6. To enhance competition in the *retail* fuel sector, as per the same opinion of the Hellenic Competition Commission completes the installation of inflow-outflow systems in the areas not yet covered by **August 2014**.

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. Resolve cross-border coordination issues with neighbouring countries, if any. If difficulties on international coordination make this 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)**.

- ii. Launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services, in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP **(April 2014)**.
- iii. 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 **(June 2014)**.
- iv. Grant the licenses to the electronic communications providers **by 30th October 2014** at the latest and ensure that the use of the entire 800 MHz band for electronic communications services other than broadcasting can start by 1st November 2014 at the latest.

6.3. Transport and logistics

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. Maritime Activities and Ports

Prior to the disbursement, the Authorities:

- a. **Adopt law to make the port regulator operational as of 1st May 2014.** The Authorities revise law 4150/2013 in order to put in place a regulator with the necessary independence to issue regulatory decisions based on applicable legal frameworks. The law will spell out all the steps needed, operational details, and details about its precise tasks and responsibilities of the regulator in line with EU guidelines and laws and international best practices. This will include description of the competences and rules of operation of the BoD, the rules pertaining to operational decision making on regulatory matters, general provisions on the structure of the entity, details on hiring staff, disciplinary issues, procurement, budgeting. These are essential in order to make the Regulator operational as of 1st May 2014, and its Board of Directors functional. In addition, the revision will include in the responsibilities of the regulator the supervision of the concession agreement.
- b. **Appoint the Board of Directors to prepare the full functioning of the ports regulator** by the time of completion of the tender of OLP/OLTH. While this structure is being developed, a transitional structure (within the Ministry of Mercantile Marine) undertakes the responsibility of engaging in the revisiting of the existing concession agreement.
- c. **Issue a joint MD specifying funding and staffing requirements for the port regulator's operation.**
- d. **Prepare a draft Presidential Decree setting out the precise structure of the regulator, to function fully with all staff as of 1st January 2015.**

Other Actions

1. Building on the recent assessment of the impact of previous enacted reforms, additional measures will be introduced with the aim to further improve the competitiveness of the sector including by: allowing optionally firm labour agreements in the domestic ferry sector, irrespective of whether there is or not a sectoral collective labour agreement in place and suspending the favourability clause and extension of collective agreements while respecting the international and European legislation; allowing companies to distribute freely across its fleet the days they stop operations during the winter season;; and eliminating the requirement for companies to declare maximum prices; and aligning mandatory discounts for ferry tickets for new PSO lines with the ones for commercial lines (**April 2014**).
2. Additionally, the Authorities will align the manning requirements for domestic services with the one for international lines, while respecting best-practice safe manning principles and review the applicability of the above changes on the favourability clause and extension of collective agreements to the international line segment and adopt legislative changes as appropriate (**September 2014**).
3. The Authorities prepare an action plan for the full functioning of the regulator by the time tender is completed and the shares of OLP/OLTH are transferred to the new investor (expected timeline, 9 months after EOI is launched). This will include also plans for embedded TA to prepare all the regulatory decisions/manuals (**April 2014**).
4. The Authorities issue a Presidential Decree setting out the precise structure of the regulator, to function fully with all staff as of 1st January 2015 (**June 2014**).
5. The Authorities ensure that any state aid issues related to the privatisation of ports have to be clarified before the launch of the second phase of tenders (**May 2014**).

6.3.2. Aviation

1. The Government ensures that the Hellenic Civil Aviation Authority can effectively perform the functions deriving from the reform of the aviation sector, including economic regulation, safety and security oversight. To this end, the Government produces a detailed plan laying down the main steps to ensure this objective including by requesting technical assistance and providing for adequate levels of competent personnel (**April 2014**).
2. The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, endowed with adequate software equipment and able to carry out its functions **by July 2014**. To this end the authorities will issue the secondary legislation (**July 2014**).
3. 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.
4. By November 2014 the Government produces a comprehensive assessment of all the PSO contracts awarded including an evaluation of the economic necessity considering available alternatives, and measures to ensure the participation in the tendering process of non-domestic airlines (**October 2014**).

6.3.3. Railways

1. 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 secondary legislation is adopted and fully implemented (**May 2013**).

2. 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.

6.3.4. Logistics

- i. In order to reduce the fragmentation of the economy and lower the cost of trade, the Government adopts a framework law on logistics by **May 2014**.

7. Competitive Services

7.1. 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. Following the review of the licensing procedure for the establishment and operation of retail outlets by the Ministry of Interior, adopts legislation to simplify significantly the number of authorisations requested by the public administration for the opening and operation of shops (**April 2014**).
2. Adopts legislation to liberalize outdoor trade in line with OECD recommendations (**April 2014**).
3. Adopts legislation to liberalize the tourism rental regime (**April 2014**).
4. Based on an assessment, adopts legislative amendments to bring tourism rental regime in line with EU best practices (**September 2014**).

7.2. Regulated professions, professional qualifications and provision of services

1. For professions and economic activities included in Section 10.2, the Government adopts legislation amending sector specific legislation as per the opinions of the Hellenic Competition Commission and other requirements.
2. To ensure the **activities reserved** of engineers, architects, geologists and land surveyors are justified and proportional, the Government:

- i. Following the opinion of the Hellenic Competition Commission, adopts legislation to amend unjustified or disproportionate requirements reserving certain activities to specific professions (**April 2014**).
- ii. Submits to the Council of State the Presidential Decrees defining standards for complex activities (**June 2014**).
- iii. Adopts implementing provisions consistent with the timeline foreseen in the legislation (**November 2014**).

7.2.1. Additional measures

1. In order to remove unnecessary restrictions for the access to and the pursuit of the lawyer profession in the *Code of Lawyers*, the Government repeals the provision related to severance pay in case of voluntary termination of the contract of a salaried lawyer, and adopts provision so that any unilateral adverse alteration of the terms of the salaried contract that is harmful to the lawyer is deemed as termination of contract on behalf of the employer (**April 2014**).
2. In order to lower the cost of doing business, the Government amends legislation on the basis of an assessment to align *notaries'* fees with best practices in the EU by **September 2014**.
3. With the support of outside experts, the Government will review comprehensively all professions under each ministry to determine what regulated professions have not yet been assessed (**August 2014**), and remove any remaining excessive restrictions across all regulated professions that are being identified (**October 2014**).

7.2.2. 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. The Government will continue the efforts already made to ensure that the procedures necessary for the recognition of professional qualifications and for the access to the activity are fully online for all professions and cover all procedures. In particular, the Government:

1. Continues to update the information on the number of pending applications for the recognition of professional qualifications, specifying those received online through the Point of Single Contact, and submits 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**).

8. Increasing the impact of European funding

8.1. European Structural and Investment Funds (ESI)

In order to improve use and absorption of ESI funds:

1. The Government meets targets for payment claims in the absorption of EU Structural, Cohesion and EAFRD Funds set down in the table below. Compliance with the targets shall be measured by certified data (**continuous**).

Targets for payment claims in the absorption of Structural and Cohesion Funds and EAFRD (programming period 2007-2013) to be submitted in 2014	EUR million (cumulative)	
	June 2014	December 2014
European Regional Development Fund (ERDF) and Cohesion Fund (CF)	720,00	2.170,00
European Social Fund (ESF)	280,00	830,00
European Agricultural Fund for Rural Development (EAFRD)	220,00	669,00

2. In deciding the "Public Investment Budget" allocation, the Government ensures that only the strict necessary national contribution remains available in order to ensure the full completion of all on-going projects including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period, in particular for expropriations (**continuous**).
3. The Government submits complete applications for all remaining major projects for which no Commission decision under Article 41 of Regulation (EC) No 1083/2006 has been adopted yet. It ensures a balanced submission of the major project modifications requests and provides to the EC a time schedule accordingly (**April 2014**).
4. In order to achieve 100% absorption of the ERDF and Cohesion funds, not to significantly burden the national budget with projects that cannot benefit from the EU funds and considering that no project will be transferred to 2014-20 period until the adoption of the Partnership Agreement and the submission of the Operational programmes, the Government will manage the overbooking of the NSRF 2007-13 as follows:
 - i. Eliminates the sleeping approved projects and reduces the sleeping contracts (contracts which do not progress and are not expected to progress within 2007-13 period) on a case by case basis, except the priority projects, and reports to the Commission (**May 2014**).
 - ii. Calculates programme by programme the overbooking. To do so it will: Adjust the budget of the approved projects taking into account the actual value of contracts; adjust allocations of granted state aid schemes to enterprises taking into account the expected rate or realisation of investments; estimate the expected reduction of the budget allocated to financial engineering instruments based on real absorption. The authorities will submit the result of this exercise to the EC (**May 2014**).
 - iii. Until this process is completed, the Government commits not to approve any new projects and not to sign contracts unless in exceptional cases to be agreed with the EC in the light of the priorities of the new programming period.
5. In parallel and with the objective of preserving the key approved projects in the pipeline, the Government submits to the Commission a list of potential projects to be phased in the 2014-20

period consistently with the priorities set in the Partnership Agreement and the draft Operational programmes (**June 2014**).

6. The Government takes measures to ensure completion of 23 priority projects by end 2014 and of the remaining 105 priority projects by end 2015 (**continuous**).
7. With the view to ensure smooth financial flow to beneficiaries and enable payments of EU co-funded projects, the Government:
 - i. Adopts the secondary legislation for the implementation of the alternative to the function of "ypologos" procedure for the EU co-funded projects (**May 2014**).
 - ii. Renders operational the electronic payment (April 2014), with a view to have 50% of the payments effectuated electronically by September 2014 and 100% by **December 2014**.
 - iii. Examines and presents to the Commission a proposal for a new simplified financial circuit for payments of co-funded projects including the creation of a single budget line per operational program in the PIB with the objective to implement it in the 2014-20 period (**July 2014**).
8. In view of the programming period 2014-2020, the Government shall ensure that the Operational Programmes will be designed to promote competitiveness, growth and jobs and in such a way to complement and to support, where possible, the structural reforms that are taking place through the economic adjustment programme. The Government will:
 - i. Complete 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). When from the above mentioned mapping it appears necessary, the Greek authorities, by legislative or administrative provisions, abolish the unnecessary steps, set reasonable deadlines for the completion of each step and clarify responsibilities ("who is doing what"). (**Deadline: Before the adoption by the Commission of the operational programmes**).
 - ii. Proceed -assisted by TFGR- with an assessment of the principal beneficiaries, in terms of administrative, financial and operational capacity in order to ensure an efficient and timely delivery of the co-financed projects. To that end:
 - a. Terms of reference related to this assessment are prepared in consultation with Commission services (**April 2014**).
 - b. Findings, results including operational recommendations of this assignment are delivered (**July 2014**).
 - c. Measures and reforms are endorsed (**October 2014**).
 - iii. Extend the inter-services consultation system to cover the whole cycle from maturation to final completion of EU co-funded projects (environmental licenses, archaeological permits, etc), supported by the necessary electronic system with all public entities adequately equipped in the context of e-government (**September 2014**).
 - iv. Set up a state aid mechanism for the EU co-financing of SMEs in 2014-2020, to ensure (i) the transparency of the awarding, (ii) the targeting, the efficiency and effectiveness of the state aid, and (iii) the fraud prevention, throughout the whole life cycle of the state aid scheme, from the call for proposals until the final payment to the SME. This mechanism should be supported by the appropriate electronic tools (**September 2014**).
9. The Government will report to the Commission monthly on the progress of the Financial Engineering Instruments. Where appropriate, it will propose a rationalisation of the current allocations and instruments seeking for the optimal use of the available funding in favour of

the Greek SMEs (**April 2014**). For the period 2014-20, it will launch an ex ante assessment as defined in article 37 paragraph 2 of the Regulation 1303/2013 (**June 2014**).

10. Based on the document "Guidelines for an Effective Anti-Fraud Strategy for the Structural Funds and the Cohesion Fund", and in accordance with the requirements of the relevant Regulation, the Government will produce and implement a comprehensive anti-fraud strategy concerning EU co-funded projects as follows coordinated by the National Coordinator on Anticorruption:
 - i. Identification in cooperation with the EC of a comprehensive anti-fraud strategy involving all stakeholders, including a multi-annual action plan covering the field of the European Structural and Investment Funds (**April 2014**).
 - ii. Implementation of the identified measures falling under the responsibility of the Ministry of Development and covering all EU co-financed programmes (**July 2014**).
 - iii. Full implementation of the anti-fraud strategy for co-financed projects across all Government relevant departments by December 2014 according to a precise calendar to be defined (**April 2014**).

8.2. European Agricultural Fund and Rural Development (EAFRD).

To improve the use of the EU funds in the area of Agriculture and Rural Development, the Government supported by the necessary technical assistance undertakes to:

1. Meet the target for payment claims in the absorption of the EAFRD set out in the respective table in chapter 8 of the MoU (**December 2014**).
2. Ensure the national contribution for the 2007-2013 Rural Development Programme co-financed by the EAFRD (**continuous**).
3. Ensure the necessary administrative capacity at all levels (national and regional) for the sound management of the Rural Development Programme 2014-2020. In order to achieve this, the Government will submit a plan of action aiming to fulfil this condition at the time of approval of the new programme (**May 2014**).
4. Develop an action plan detailing necessary steps, deadlines and responsible actors (both private and public) for the creation of a network for advisory and technical services and an electronic system of administrative and statistical data based on the principles of e-governance within the Ministry of Rural Development and Food, in view of having this system in place by 2015 (first year of full CAP implementation). The system should cover all relevant data, including payments, controls, statistical surveys and the FADN (Farm Accountancy Data Network) and take into account and integrate the specifications for electronic systems required for the implementation of the CAP Monitoring and Evaluation Framework. Synergy with RD networks and electronic systems for management, evaluation and monitoring systems must be secured (**June 2014**).
5. Update the existing error rate action plan for rural development in order to guarantee the sound financial management of the policy and maintain the error rate at the acceptable level of materiality (**April 2014**).
6. In order to reduce the substantial amounts of financial corrections relating to direct aid in the new programme period, the Government shall prepare an action plan to address structural weaknesses within the Land Parcel Identification System (LPIS) (**April 2014**). This should include actions to:
 - i. Update the LPIS on the basis of new imagery at least 30% of the old ortho-images in LPIS by **December 2014**, and the remainder by **December 2015**.
 - ii. Remove from LPIS the permanent pasture land that does not comply with the eligibility conditions of the EU legislation for receiving CAP aid (**May 2014**).

9. Institutional compliance

9.1. Statistics

Prior to the disbursement,

- a. **the Government completes the transfer of 28 employees to Elstat from other General Government entities**
- b. **Take all necessary actions to allow the provision of administrative data by Government departments to ELSTAT.** The arrangements for full access by ELSTAT to all tax information necessary for the development, production and dissemination of statistics shall be formalised by mutual agreement between the Minister of Finance and the President of ELSTAT, respecting the principles of professional independence of ELSTAT and of statistical confidentiality. ELSTAT will take all necessary internal measures to preserve the confidentiality of tax information to which it has access. Amendment to the Greek legal framework, i.e., the relevant provisions in tax legislation and the law on statistics, shall be taken as appropriate in that respect including repeal of the amendment of Art. 93 para. 1 and 2 of law no. 4182/2013. The aforementioned arrangements shall be based on the law as appropriately amended and on the Regulations issued by ELSTAT (Regulation on Statistical Obligations of the Agencies of the EL.S.S. and Regulation on the Operation and Administration of ELSTAT). Memoranda of understanding between the Ministry of Finance and ELSTAT will be agreed

Other Actions

1. Government will fully honour the Commitment on Confidence in Statistics signed in March 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. 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**).
3. Clarify that ELSTAT determines the nature/qualifications of its staffing needs and simplify the process for transferring staff to ELSTAT. The law on statistics shall be amended so that (a) the transfer of personnel from other government entities to ELSTAT according to article 20 para. 3 of law no. 3832/2010 shall be made by decisions of the competent Minister for the entity where the transfer originates and the President of ELSTAT; (b) it is clarified that the powers of the President of ELSTAT, as laid down in law no. 3832/2010, include the power to specify, pending the revision of the organogram of ELSTAT, the subjects of the permanent posts of the Department of Research and Studies of ELSTAT, the number of such posts allocated to each subject, the relevant formal and substantive criteria and qualifications for employment in such posts and all other relevant matters, and issue the relevant call for application accordingly, notwithstanding the remaining competences of the Supreme Council for the Selection of Personnel (ASEP) with regard to the application of law no. 2190/1994 (**April 2014**).

9.2. Other institutional requirements

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

10. Annexes

10.1. Government Pending Actions for privatisation

PRIVATISATION PROGRAM						
Government Pending Actions						
Asset	A/A	Subject	Responsibility	Necessary Actions	Done	Critical Date
EYATH	1	Legislation to align pricing policy of EYATH with that of other water companies.	Ministry of Environment	Pass amendment to article 21 of Law 2937/2001, in order to align the process of the pricing policy of EYATH SA with that of the other water and sewerage services providers as provided for by Law 4117/2013 and the complementary Ministerial Decisions		Apr-14
EYATH	2	Water Regulator	Ministry of Finance, Ministry of Administrative Reform and e-Governance; and Ministry of Environment	Put in place full staffing and initiate operations of the Special Secretariat for Water (Regulating authority)		Apr-14
ODIE	3	Legislation needed to finalize ODIE tender	Ministry of Finance	Pass legislation on the issues raised by investors as prerequisites to continue in the process: GGR harmonisation; lease agreement exemption from art. 618 of civil code)		Apr-14
OLP, OLTH & Ports	4	Ports Regulator	Ministry of Shipping	Pass law related to establishment and staffing of port regulatory authority		Apr-14
Egnatia Odos	5	Setting up additional toll stations in advance of privatization	Ministry of Transport, Infrastructure and Networks	Issue Ministerial Decision for the toll stations that have been specified by the technical advisers at main and vertical axes		Apr-14
TRAINOSE/ ROSCO	6	Clarification of assets included in TRAINOSE, ROSCO privatization	Ministry of Transport, Infrastructure and Networks	Pass legislation to specify licenses and permits for railway properties and all real estate assets that will be included in the privatization perimeter of TRAINOSE, ROSCO		Apr-14
TRAINOSE/ ROSCO	7	Transfer rolling stock ownership to HR	Ministry of Transport, Infrastructure and Networks and OSE	Issue joint Ministerial Decision for the transfer of rolling stock ownership from OSE to HR		Apr-14

TRAINOSE/ ROSCO	8	Valuation of the Rolling Stock not in use owned by OSE or HR	Ministry of Transport, Infrastructure and Networks	Launch tender for valuation of rolling stock not in use		Apr-14
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10.2. 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. **Actuaries:** amend legislation to set the certification exams to be conducted by any public or private sector body accredited by ESYD (**April 2014**).
2. **TV technicians:** adopt liberalizing measures (**April 2014**).
3. **Health profession:** (i) adopt legislation to establish day care clinics (**April 2014**); (ii) adopt all necessary secondary legislation to define the technical standards for establishing day care clinics (**May 2014**); and (iii) adopt legislation to review minimum square requirements, and allow the co-establishment of primary health care providers with the exception of chain professions necessary for a treatment of a patient (**May 2014**).
4. **Sales of fertilizers, propagation and plant protection material:** submit to the Council of State the Presidential Decrees setting the standards for training course and issue secondary legislation to establish training courses (**April 2014**).
5. **Geo-technicians:** abolish mandatory membership to the Chamber (with the exception of veterinarians) (**April 2014**).
6. **Gyms (fitness centers):** conduct proportionality assessment of recreational and sports centers (**April 2014**) and remove unnecessary requirements according to the opinion of HCC (**May 2014**).
7. **Hairdressers/manicurists:** adopt legislation to align licensing requirements with EU best practices (**May 2014**).

10.3. 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 staff³,
 - 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 period⁴
 - 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 consultation 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 value⁵, defined in consultation with EC, IMF and ECB.
 - A more detailed breakdown by sector (e.g., agriculture, construction, manufacturing, and services), defined in consultation with EC, IMF and ECB.
 - iii. For civil and commercial Justice courts:
 - Number of interim measures issued under Law 4055/2012, and number of those issued within 48 hours.
 - Number of decision issued under Law 4055/2012 and number of those issued within 30 days.
3. When the IT system will be fully in place, the Ministry of Justice will publish:
 - i. Tables showing:
 - The number of judges and administrative staff⁶,
 - 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 period⁷.
 - 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.

³ At the end of the period.

⁴ 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).

⁵ "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.

⁶ At the end of the period.

⁷ 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).

10.4. 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). <i>(Data compiled by the Ministry of Finance)</i>	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. <i>(Data compiled by the Ministry of Finance)</i>	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).. <i>(Data compiled by Ministries of Administrative Reform and E-Governance and of Finance)</i>	Monthly, 30 days after the end of each month.
Monthly above the line cash data on general Government entities other than the state. <i>(Data compiled by the Ministry of Finance)</i>	Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision.
Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered. <i>(Data compiled by the Ministry of Finance)</i>	Weekly on Friday, reporting on the previous Thursday.
Data on below-the-line financing for the general Government. <i>(Data compiled by the Ministry of Finance)</i>	Monthly, no later than 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.
Data on expenditure pending payment and clearance (including arrears) of the general Government, including the State, local Government, social security, hospitals and legal entities. <i>(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)</i>	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.

<p>Data on public debt and new guarantees issued by the general Government to public enterprises and the private sector.</p> <p>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).</p> <p>Data on planned monthly interest outflows.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, within one month.</p>
<p>Data on assets privatised and proceeds collected.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly.</p>
<p>Data on state-owned enterprises: revenue, costs, payroll, number of employees and liabilities (including maturities of public enterprises' debts)</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>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.</p> <p>Quarterly for the maturities of state-owned enterprises' liabilities.</p>
<p>Monthly statement of the transactions through off-budget accounts.</p> <p><i>(Data compiled by the Ministries of Finance and Education, Religious Affairs, Culture and Sport)</i></p>	<p>Monthly, at the end of each month.</p>
<p>Monthly statement of the operations on the special accounts.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, at the end of each month.</p>
<p>Report on progress with fulfilment of policy conditionality.</p> <p><i>(Report prepared by the Ministry of Finance)</i></p>	<p>Quarterly before the respective review starts.</p>
<p>Monthly data on health care expenditure by the social security funds with a lag of three weeks after the end of the respective quarter.</p> <p><i>(Data compiled by the Ministries of Labour and Health)</i></p>	<p>Monthly, within three weeks of the end of each month.</p>
<p>Monthly execution of SOEs and EBFs financial results and the quarterly targets for the monitoring of the corrective mechanisms</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, 30 days after the end of each month.</p>

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.

<u>Abbreviations</u>	
ADMIE	Independent Power transmission operator
AML	Anti-Money Laundering
APD	Periodical Analytical Statement
ASEP	Supreme Council for Staff Selection
BCP	Basic Core Principles
BoD	Board of Directors
BoG	Bank of Greece
CAP	Common Agricultural Policy
CF	Cohesion Fund
CIT	Corporate Income Tax
CPB	Central Purchasing Bodies
CSE	Central Stockholding Entity
DEDDIE	Hellenic Electricity Distribution Network Operator
DEPA	Public Gas Corporation
DESFA	National Natural Gas System Operator
DIAVGEIA	Clarity Program
DOY	Public Financial Service
DRG	Diagnostic-Related Group
DSO	Distribution System Operator
EAFRD	European Agricultural Fund for Rural Development
EBA	European Banking Authority
EBFs	Extra budgetary Funds
EC	European Commission
ECB	European Central Bank
EDP	Excessive Deficit Procedure
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
EKXA AE	National Cadastre and Mapping Agency S.A.
ELA	Emergency Liquidity Assistance
ELENXIS	Integrated Information System of Auditing Services
ELSS	Hellenic Statistical System
ELSTAT	Hellenic Statistical Authority
EMU	European Economic and Monetary Union
ENFIA	Uniform Tax on Real Estate Property
EOF	National Organisation for Medicines
EOI	Expression of Interest
EOPPEP	National Organisation for the Certification of Qualifications and Vocational Guidance
EOPYY	National Organisation for the provision of Health services
EPA	Regional gas distribution/supply companies
EPY	Health Procurement Commission
EQAVET	European Quality Assurance Reference Framework for VET
ERDF	European Regional Development Fund

ERP	Enterprise Resource Planning
ESA	European System of Accounts
ESF	European Social Fund
ESHDHS	National System for Online Public Contracts
ESI	European Structural and Investment Funds
ESM	European Stability Mechanism
ESY	National Health System
ESYD	Hellenic Accreditation System
ETAA	United Fund of Independent Employees
ETAD	Public Properties Company
ETEA	Unified Auxiliary Insurance Fund
EU	European Union
EYATH	Thessaloniki Water Supply & Sewerage Company
FADN	Farm Accountancy Data Network
FEK	Official Government Gazette
FIU	Financial Investigation Unit
FMIS	Financial Management Information System
GAIA OSE	Real estate agency
GAO	General Accounting office
GCR	Government Council of Reform
GDFS	General Directorates for Financial Services
GDP	Gross Domestic Product
GEMI	General Commercial Registry
GLF	Greek Loan Facility
GSC	General Secretariat for Commerce
GSIS	General Secretariat for Information Systems
HCA	Hellenic Court of Auditors
HCAA	Hellenic Civil Aviation Authority
HCC	Hellenic Competition Commission
HFSF	Hellenic Financial Stability Fund
HRADF	Hellenic Republic Asset Development Fund
HSCA	Hellenic Slot Coordinator Authority
HWI	High Wealth Individual
HWI-HISE	High Wealth Individual and High Income Self Employed
ICD – 10	International Classifications of Diseases
ICT	Information and Communications Technology
IDIKA	E-governance of social insurance
IKA	Social Insurance Institute
IKA-ETAM	Social Insurance Institute – Unified Insurance Fund for Employees
ILO	International Labour Organisation
IMF	International Monetary Fund
IORP	Institutions for Occupational Retirement Provision
IRU	Internal Review Unit
IT	Information Technology
ITC	Information Technology Channel
JMD	Joint Ministerial Decision

KEAO	Centre for Social Security
KEDE	Code of Public Revenues
KEN-DRGs	Diagnosis Related Groups
KHMDHS	Central Electronic Registry for Public Contracts (CERPC)
KPI	Key performance indicators
KTEL	Joint Fund for Bus Receipts
LAGIE	Operator of electricity market
LG	Local Government
LNG	Liquefied Natural Gas
LPIS	Land Parcel Identification System
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
MLSSW	Ministry of Labour, Social Security and Welfare
MOF	Ministry of Finance
MoF	Ministry of Finance
MoL-SS	Ministry of Labour-Social Security
MOLSSW	Ministry of Labour, Social Security and Welfare
MoU	Memorandum of Understanding
MTFS	Medium-Term Fiscal Strategy
NHS	National Health System
NOME	New Organisation of Markets in Electricity
NPL	Non-performing loans
NSRF	National Strategic Reference Framework
OAED	Manpower Employment Organisation
OAAE	Freelancer Insurance Organisation
OASA	Athens Urban Transport Organisation
OBL	Organic Budget Law
ODIE	Hellenic Horse-race Betting Organisation
OECD	Organisation for Economic Cooperation and Development
OGA	Agricultural Insurance Organisation
OLP	Piraeus Port Authority
OLTH	Thessaloniki Port Authority
OSE	Railway Organisation of Greece
OTC	Over - the – counter
OTE	Hellenic Telecommunication Company
PAME	All Workers Militant Front
PAYE	Pay-as-you-earn
PDMA	Public Debt Management Agency
PFM	Public Financial Management
PIB	Public investment budget
PIT	Personal Income Tax
PPC	Public Power Corporation
PSC	Point of Single Contact
PSO	Public Service Obligation

PV	Photo-Voltaic
QPCs	Quantitative Performance Criteria
R&D	Research & Development
RAE	Regulatory Authority for Energy
RAS	Regulatory Authority for Railways
RES	Renewable Energy Sources
RIS3	Guide to Research and Innovation Strategies for Smart Specialisations
ROSCO	Rolling Stock & Railroad Maintenance business unit
RSP	Radio Spectrum Policy Programme
SDOE	Corps for the Prosecution of Financial Crimes
SGC	Secretariat General for Coordination
SGPR	Secretary General for Public Revenue Administration
SMEs	Small and Medium Enterprises
SOE	State Owned Enterprises
SPA	Single Payment Authority
SPC	Statistical Process Control
SPPA	Single Public Procurement Authority
SPV	Special Purpose Vehicle
SSC	Social security contributions
SSF	Social Security Funds
SSM	Single Supervisory Mechanism
TA	Technical Assistance
TAP	trans-Adriatic pipeline
TAPIT	Private Sector Welfare Fund
TAXIS	Tax Information System
TEADY	Auxiliary Insurance Fund for Public Sector Employees
TEN-T	Trans European Transport network
TFEU	Treaty on the Functioning of the European Union
TPC	Tax Procedures Code
TRAINOSE	Railway Company
TRN	Tax Payer Registration Number
TSO	Transmission System Operator
UN	United Nations
VAT	Value Added Tax
VET	Vocational Education and Training
WHO	World Health Organisation

Attachment II: Technical Memorandum of Understanding

May 14, 2014

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 program performance and the information that we will provide to ensure adequate monitoring of the targets.
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 all units classified as government units in the registry of the National Statistical Service (ELSTAT), in accordance with the rules specified in the *European System of Accounts 1995 (ESA95)* and the *ESA95 Manual on Government Deficit and Debt*.^{1 2}

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 general government interest payments. The MGGCB is defined as the sum of the cash balances of the state budget and the changes in the net financial assets of the local government, social budget entities (including pension funds, employment funds, health insurance, and hospitals), extra budgetary funds (EBFs), and state owned enterprises (SOEs).

¹ Starting in September 2014, the conceptual references will be the *European System of Accounts 2010 (ESA10)* and the *ESA10 Manual on Government Statistics*.

² On sectorization, both manuals are consistent with Government Finance Statistics Manual (2001) (GFSM2001).

- **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 and non-recurrent), minus tax refunds; minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance.
- **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.
- **Other Sectors (EBFs, SOEs, local governments, and social budget entities).** The changes in the net financial assets of the remaining sectors of the general government will be measured from below the line, adjusted for valuation changes, and based on data provided by the Bank of Greece. The below the line data will further be adjusted for interest payments and changes in net financial assets that are not traced by the Bank of Greece, specifically, net foreign financial assets, and changes in Loan and Consignment Bank accounts relating to LGs.
- **Adjustments:** The MGGPCB will exclude:
 - the part of the public investment budget (revenues and expenditures) of the State related to EU structural funds and their co-financing;
 - 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; 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;
 - payments related to support of the bank system that are part of the program's financial sector strategy,³

³ Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, European Commission, and ECB staff.

- 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;
- any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test. The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place.
- any flows related to the special appropriation for arrears clearance.

5. Supporting material: All of the following will be provided within four weeks of the end of each reporting months:

- For the State, EBFs, and SOEs, 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 currency cash balances of the central government at the central bank of Greece, and all other sources of cash financing including capital transactions.
- For local governments, the Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures, as collected in the Ministry databank.
- For the social budget, the Minister of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures in the social security funds, the central healthcare fund (EOPYY) and public hospitals.
- For EBFs, SOEs, local government, and the social budget, the Ministry of Finance, in collaboration with other ministries, will provide monthly data on interest expenses.
- Finally, the Bank of Greece will provide detailed monthly data on net acquisition of assets and liabilities of all non-State subsectors of the General Government as defined above: local authorities, social budget entities, extra-budgetary funds, and state enterprises included in the definition of general government.

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

6. Definition. The state budget primary spending consists of ordinary state budget expenditure minus interest paid by the state budget, minus any arrears payments made related to the special appropriation for arrears clearance. Ordinary state budget expenditure includes called guarantees to entities inside and outside the general government.

- **Adjustments:** State budget primary expenditure will exclude payments related to support of the bank system that are part of the program's financial sector strategy.⁴ Expenditures related to EU structural funds and their co-financing will also be excluded.
7. **Supporting material.** The General Accounting Office of the Ministry of Finance will provide monthly expenditure data, as defined above.

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

8. **Definition.** For the purpose of the program, domestic arrears are defined as: (i) unpaid invoices of the general government as defined by El Stat that are 90 days past their due date; plus (ii) the entire stock of tax refund claims that have received an AFEK but excluding those under legal dispute. In case no due date is specified on a given supplier contract, an unpaid commitment is considered to be in arrears 90 days after the receipt of the invoice.

9. **Supporting material.** Monthly data on arrears of the general government 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 continue to be based on survey data, until data from commitment registers are assessed in the future by the IMF, EC, 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 (including the age of tax refund claims) will be based on information provided by General Secretariat for Information Systems and General Secretariat for Public Revenue. The Ministry of Finance will fill out the tax refund template provided for this purpose on a monthly basis.

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

10. **Definition.** The overall stock of central government debt will refer to central government gross debt, as defined in the Excessive Deficit Procedure (EDP), i.e. covering the state, extra budgetary funds and state owned enterprises consistent with the registry of the National Statistical Service (ELSTAT). Holdings of intra-government debt will be consolidated. The ceiling reflects total outstanding gross liabilities in the form of deposits, debt securities, and loans. It will exclude accounts payable and will be measured at nominal value as defined in the EDP. The program exchange rates will apply to all non euro-denominated debt.

11. **Adjusters.** The ceiling on the overall stock of EDP central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2013 EDP central government debt of €326.6 billion.

⁴ Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, EC, and ECB staff.

12. 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 EDP definition no later than 30 days after the end of each quarter.

E. Ceiling on New General Government Guarantees (Performance Criterion)

13. Definition. The ceiling on the new general government guarantees shall include all new guarantees granted by any entity that is classified under international statistical standards (ESA95, GFSM 2001) under general government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of general government debt as defined above. The ceiling includes any guarantees to the Institute for Growth but shall exclude: (i) guarantees related explicitly to financial stability goals of the program (e.g., government-guaranteed bank bonds or emergency liquidity assistance (ELA)); (ii) guarantees related to EIB financed loans; (iii) guarantees related to guarantees provided by the EIB through the trade finance facility up to an outstanding amount of €500 million; (iv) guarantees granted by ETEAN (up to a total outstanding amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); (v) 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; and (vi) guarantees granted for natural disasters to individuals and businesses which have been proven suffered damages less any amounts benefitted as compensation insurance up to an outstanding amount of €30 million. 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.

14. 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 general 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.

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

15. 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 general government units, 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.

16. 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.

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

17. 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) and super/ extraordinary dividends (i.e., in excess of profits of the previous year) from entities under privatization paid to HRADF. Proceeds will be valued in Euros and will be measured as the inflows of cash received related to those transactions and deposited in the Segregated Account at the Bank of Greece within 10 days after the settlement of the transaction.

18. 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.

H. "Program" Deficit and Overall Monitoring and Reporting Requirements

19. Definition. For the purpose of the program, the primary balance is defined as general government EDP balance (EDP B.9) minus ESA 95 general government consolidated interest payable (EDP D.41), adjusted for the factors delineated in paragraph 20.

20. Adjustments. For the purposes of the program, the accrual revenue from the real estate levy collected through the PPC 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. In addition, the EDP deficit (EDP B.9) will exclude the following:

- the sale of non-financial assets such as land, buildings, and other concessions or licenses, unless these have been agreed in the context of the program;
- costs related to banking support as defined in MGGPCB above;
- 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, including the BoG, stemming from their investment portfolio holdings of Greek government bonds
- any other transactions related to debt-reducing measures agreed in the context of the program, such as the reduction of Greek Loan Facility (GLF) interest margin which are counted below the line in the debt sustainability analysis.

- 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.
- any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test. The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place.

21. Overall monitoring and reporting requirements. Performance under the program will be monitored from data supplied on a quarterly basis 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.

I. Floor on Mandatory Exits (Indicative target)

22. 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 "availability" scheme to the private sector. Mandatory exits are not entitled to severance pay or any other form of compensation (if not provided for under the legislative framework as of April 2014). Payments during the time in availability will count against any severance entitlements. 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 whose jobs are outsourced will not qualify to be replaced under the 1:1 hiring rule. Mandatory exits cannot be rehired into the public sector except via a merit-based selection procedure by ASEP, open to external candidates.

J. Floor on Entrants for Future Exit in the "Availability" Scheme

23. Definition: Employees counted toward this measure have no entitlement to early retirement within the next three years and eight months, qualify for the definition of entrants to the availability scheme (paragraph 24 below). 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.

K. Floor on Entrants to the Availability Scheme

24. Definition: Employees counted as transferred to the availability 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. Exceptionally, it will also include

employees of the tax authorities from the Ministry of Finance who were subject to mandatory transfers without entering into the availability scheme (i.e., before the scheme was in place). Entrance into the availability 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. See TMU Tables 1A and B.

25. 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 availability 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.

MONITORING OF STRUCTURAL BENCHMARKS AND KEY PERFORMANCE INDICATORS

L. Benchmark on Progress in Revenue Administration

Progress in revenue administration in 2014 will be defined as reaching or exceeding the targets set in TMU Table 2A.

Definitions:

- **A completed audit** is defined as an audit formally reported as finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the taxpayer assessment has been issued, or the audit report states that no underpayment has occurred.
 - Audit reports which are brought to the Tax Dispute Administration Resolution Committee (Article 70A Committee) for settlement which have been brought between 1 January 2013 and 31 July 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 until 31 July 2013 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 and high wealth individuals are defined as audits selected on a risk basis using the ELENXIS audit management system.
- **Collection** on HWI and LTU full scope audits and partial audits are amounts collected 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 2014, **new tax debt collection** includes collection of debt accrued in the month of December, 2013.
- **Large taxpayer full scope audit** is an audit of the taxpayer's compliance with obligations in relation to at least income tax, withholding taxes and VAT for a period of at least one income tax year.
- **Large taxpayer partial audit** is a large taxpayer audit which does not qualify as a full scope audit.
- **An audit of assets of a manager or official working in the revenue administration (including both tax and customs administration)** 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. **SGPR managers** are defined as general directors, directors and head of departments of both the headquarters and the local offices of the SGPR. **Other SGPR officials** are defined as SGPR officials other than the managers defined above, including advisors and consultants to the SGPR. The above-mentioned definitions cover both former and current officials.
- **AML on-site inspections targeted at banks** at higher risk of misuse by tax evaders are conducted by BoG's Banking Supervision Department to test the implementation of AML/CFT requirements, particularly in relation to customers at risk of tax evasion, as defined in section 5.15.11 Decision 281. The on-site inspection includes a test of implementation against a sample of 200 customers identified by the supervised bank as meeting the definition of section 5.15.11 Decision 281, last paragraph, and 100

randomly selected self employed. As contemplated by the AML Law, breaches of compliance identified during on-site inspections shall result in appropriate administrative sanctions being imposed on banks.

26. Supporting material. Monthly information on risk-based full-scope audits and partial 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 SGPR managers and officials, tax refund claims paid or rejected, 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 partial and full scope audits. Quarterly information on AML on-site inspections will be made available by the Bank of Greece.

M. Benchmark on Progress in Collections of Social Security Contribution

Progress in collecting social security contribution in 2014 will be defined as reaching or exceeding the targets set in TMU Table 2B.

27. Definitions:

- **Social security fund payment compliance** is defined as the ratio of the amount of current year social security contribution paid to the fund divided by the amount invoiced or declared for each reporting period, expressed as a percentage.
- An **active debtor** is defined as a debtor with a debt component that is unimpeded (excluding disputes, bankruptcies, state owned entities and municipalities), less than 180 days since becoming due, with the debtor's total debt exceeding EUR 5,000.
- In a **debt transfer** from a social security fund to KEAO, all the debt, both old and new, of the same active debtor should be transferred.
- An **advanced collection action** means an action taken by KEAO following the second automated notice that has been issued by KEAO, which may include enforced debt collection or classifying the debt as un-collectible. If the taxpayer starts repaying debt after the first automated notice, the latter is also considered an advanced collection action.

28. Supporting material. For each of the four main social security funds IKA, OAEE, ETAA and OGA, a monthly submission no later than two weeks after each month-end is required on the following: total amount of social security contribution paid (flow), total amount of social security contribution invoiced or declared (flow), total amount of active debtors' debt transferred (measured as of the transfer date, flow), total amount of active debtors' debt held by the fund at the month-end (measured as of the month-end, stock). For KEAO, a monthly submission no later than two weeks after of each month-end is required on the following: total amount of active debtors' debt on which an advanced collection action is taken within 3 months of the transfer (flow), and the amount of active debtors' debt held by the KEAO at the month-end (stock).

N. Benchmark on Progress in Public Financial Management

Progress in implementing public financial management reforms in 2014 will be defined as reaching or exceeding the floor targets and staying at or below the ceiling targets as set in TMU Table 3.

29. Definitions:

- **Invoices received by the state** are the invoices or other equivalent documents consisting of a request for payment that have been submitted (accompanied by a submission document) by ministries to the fiscal audit offices for payment, which include the information on the date when line ministries received the invoice from suppliers or the dates as specified in the Late Payment Directive.
- **Actual IKA-to-EOPYY transfer** is the amount of cash transfer to EOPYY and the expenditures paid by IKA on behalf of EOPYY during a period in 2014. It is expected to be the amount of cash transfer only in 2015. **The amount that should be transferred from IKA to EOPYY** is the revenue collected by IKA on behalf of EOPYY

during the same period, calculated as 4 percent on the higher amount of monthly gross pensions received by each pensioner, and 6.45 percent on monthly insurable earnings of each worker. The exact amount of insurable earnings is calculated ex post based on monthly filings of Analytical Periodic Declarations.

- **Medical claims submitted by public hospitals to EOPYY** are claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY for insured patients on inpatient services with at least one night stay. No more than one claim is allowed for each inpatient service.
- **Full audits by EOPYY** are designed to reach a final decision on the validity and amount due on a submitted health insurance or medical claim; they do not include pre-audits that only check patients' insurance and tax liability information.

30. Supporting material. Monthly summary information on the following: (i) the numbers and processing time of invoices received, invoices paid, and invoices rejected upon verification by the state government (including ministry of finance and line ministries), as well as invoices that have been neither paid nor rejected since the date of receipt of the invoice or the other dates as specified in the Late Payment Directive for a period longer than the ceiling days specified in the Late Payment Directive, (ii) the amount of IKA-to-EOPYY cash transfer, expenditure paid by IKA on behalf of EOPYY, and revenue collected by IKA on behalf of EOPYY, (iii) the number of medical claims submitted by public hospitals to EOPYY, and the number of inpatient services with at least one night stay, and (iii) the number of full audits conducted by EOPYY on 2013 and 2014 claims submitted by private entities (including private hospitals, clinics, diagnostic centers, etc) for insured patients.

MONITORING OF OTHER FISCAL INDICATORS

O. Monitoring of Tax and SSC Installment Schemes

31. 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.

- i. Values-Based Indicators: 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, and (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), and (iv) the amount that has become delinquent during the month.

a. Number of Debtor-based Indicators

- iii. 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, and (iii) the total number of applications which have been legally “verified”.
- iv. 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, and (iv) the number of debtors that have made their last installment payment.

32. Supporting material. For new installment schemes, there will be a weekly report that includes a subset of the data outlined in paragraph 28 and will be received by Tuesday after the week to which it refers. 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, and v) number of debtors and amount of debt that have dropped out of the installment scheme year to date. 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.

33. The report by the MoL of the SSC installment schemes will provide information on installment schemes under KEAO as well as individual information for installment schemes in the two largest SSFs (IKA, OAEE) not covered by KEAO. The MOL report will also include data about the old installment schemes for which repayments are still collected by the funds.

P. Monitoring of SSC Debt Collection

34. Definitions

- The monitoring framework for SSC debt collections includes: (i) the stock of debt and collection of SSC debt accumulated by December 31, 2013; (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 KEAO also includes the number and value of legal collection actions (letter notifying the opening of the enforced collection action, garnishments, seizure writs issued, immovable property seizure, movable property seizure, mortgage and liens, auctions, and bankruptcies and liquidations).

35. 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 separately for the four largest SSFs (IKA, OAEE, ETAA, OGA).

Q. Monitoring of SDOEs Stock of Pending Audits and Investigations Outstanding as of October 30, 2013

36. Definitions. The stock of pending audits and investigations in this context is understood as tax- and customs-related audit cases that were opened by the SDOE through October 30st, 2013 and are related to the tax and customs competences that were subsequently transferred to the SGPR. As of October 31st, 2013, 10,968 such pending audits were identified.

37. Supporting material. The SDOE will report on the stock of aforementioned pending audits on a monthly basis (one week after the closing of each month) starting from March 2014.

R. Monitoring of the Performance of Commitment Registers

38. Definition.

- The monitoring framework for the performance of commitment registers includes: (i) the 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; and (ii) the 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
- The reporting institutional units (state and general government entities) include any unit under the general government as defined by ELSTAT whose overall annual

spending exceeded €1 million in the most recently closed financial year. The universe of reporting institutional units is updated in the 4th month after an update to the register of general government entities is published.

- Entries under the e-portal include all fields with financial information as prescribed in the GAO circular on the maintenance of commitment registers of Feb 28, 2014 (protocol number 2/18993/DPDSM, section K); this includes inter alia cumulative appropriations released, commitments made, the sum of invoices received, payments made, and the age profile of unpaid invoices past due date, including arrears.

39. 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 no later than four weeks after the end of each month. Data submission based on surveys 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 the most recently closed financial year) will be made available by ELSTAT whenever an update to the register is being published.

S. Monitoring of Unprocessed Pension Claims

40. Definition:

- An **unprocessed pension application** is an application filed by an insured or entitled person for receiving an old age, disability or survivors' pension. The pension claim will be counted as unprocessed if a decision on the validity and amount due under the claim has not been reached by the end of the month following the month in which the application was filed.

41. Supporting materials: Monthly data on unprocessed pension applications (number and total value of claims of the application) for IKA, OAEE, ETAA, and OGA will be provided by the Ministry of Labor.

T. Regulated Professions

42. The targets on professions, as discussed in the MEFP paragraph 27 are delineated in TMU Table 4.

Table 1A. Greece: Annual Overall Employment Ceilings for the General Government, 2012–16

(Number of persons)

	2012	2013	2014	2015	2016
General government	707,609	653,746	635,227	623,219	606,170
Ordinary staff	629,114	599,207	581,886	570,271	553,619
Other staff	56,588	36,372	36,037	36,037	36,037
Chapter A entities	20,446	16,587	15,723	15,330	14,933
Chapter A fixed term contracts	1,461	1,580	1,580	1,580	1,580
Memorandum items:					
Chapter A entities not classified as general government	18,603	17,365	16,491	16,093	15,691
Total public sector (excluding ESPA and self financed other staff)	726,212	671,111	651,717	639,311	621,860
ESPA and self-financed other staff	15,343	47,570	44,946	44,946	44,946

Source: MAREG.

Note: Public sector is defined as the general government as well as legal entities of private law supervised by local governments or the state, and excluding Chapter B companies.

Note: The number of general government and non-general government employees in Chapter A entities will be updated as they are integrated into the Census Data Base. These include previously unrecorded employees of municipal and private law legal entities.

Note: The above ceilings are based on GAO projections and reflect the measures of the latest MTFS as well as other assumptions that may be updated in cooperation with the EC/ECB/IMF.

Table 1B. Greece: Availability Scheme, 2013–14

(Number of people)

	Staffing Plans: Total Personnel Covered 1/ 2/		Personnel Entered Into Mobility Scheme 3/ 4/		Personnel Exits from Government 5/ 6/	
	Target	Actual	Target	Actual	Target	Actual
	2013					
Q1	...	0	...	0	...	0
Q2		211,000	...	...	...	2,500
Q3	400,000	198,991	12,500	8,401	2,000	704
Q4	207,754		12,500	7,460	2,000	336
Total 5/	607,754	409,991	25,000	15,861	4,000	3,540
2014						
Q1	...	167,115	...	8,011	1,000	3,034
April 2014 7/				1,470		77
Q2	...	...	...	...	4,000	...
Q3	...	...	...	...	5,000	...
Q4	...	...	...	...	1,000	...
Total	0	167,115	0	9,481	11,000	3,111
Sum total	607,754	577,106	25,000	25,342	15,000	6,651

Source: MAREG, SPA

1/ As reported by Census and data on private law legal entities.

2/ 18,920 employees are excluded from the staffing plans as their employment structures can not be evaluated--for example judges and clergy.

3/ As reported by SPA. The Census Database reports 25.522 employees placed under the availability status as it includes 78 temporary injunctions and 102 employees whose wage adjustment could not be verified by SPA as they were not paid by SPA.

4/ The Q3-2013 mobility numbers include 3,572 employees from the restructuring of the Tax Offices.

5/ As reported in the Census Database. Single Payment Authority (SPA) confirms 6,651 exits. The above figures exclude 1.708 contracts that were terminated due to rejection of temporary injunctions and 100 estimated exits as a result of the closure/merging of 22 entities in April 2014, according to Law 4250/2014, which is currently under implementation.

6/ Actuals are gross exits and do not exclude individuals within three years of early retirement. The authorities report that they have achieved the end-March 2014 cumulative target of 5,000 exits and are in the process of verifying the employment history of these persons to ensure compliance with the TMU definition of exits.

7/ As of April 24th, 2014.

Table 2A. Greece: Key Performance Indicators on Tax Administration, 2014

Indicator	2014 Target 1/		
	End-Jun.	End-Sep.	End-Dec.
Debt collection			
Collection of tax debts as of the end of the previous year (millions of euros)	1,000	1,500	2,000
Collection of new debts in the current year (percent of new debt in the year)	16%	21%	25%
Tax audits and collection of large tax payers			
Number of risk-based full scope audits in the year 2/	250	375	500
Number of risk based partial audits in the year 3/	340	510	680
Collection of full scope audits in the year (percent of assessed tax and penalties)	65.0%	65.0%	65.0%
Collection of partial audits in the year (percent of assessed tax and penalties)	65.0%	65.0%	65.0%
Audits and collection of high wealth individuals			
Number of completed risk-based audits in the year 4/	307	513	720
Collection of assessed audits (percent of assessed tax and penalties)	50%	50%	50%
Internal control and human resource integrity			
MoF audit of assets of SGPR managers 5/	48	87	125
MoF audit of assets of other SGPR officials 5/	63	107	150
Taxpayer service			
Percent of VAT tax refund claims paid or rejected within 90 days 6/	70%	80%	90%
Percent of income tax refund claims paid or rejected	30%	55%	75%
Ceiling on stock of total tax refund claims (with or without AFEK) 7/	2.4	2.2	2.0
Prevention of the laundering of tax evasion proceeds			
Number of AML on-site inspections targeted at banks at higher risks of misuse by tax evaders 8/	3	6	9

Sources: Greek authorities; and IMF staff.

1/ Cumulative targets from January of each year.

2/ If the actual amount of tax and penalty assessed is less than €250 million in March, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €1000 million.

3/ If the actual amount of tax and penalty assessed is less than €80 million in March, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €320 million.

4/ If the actual amount of tax and penalty assessed is less than €72 million in March, the targeted number of audits in June will be increased to ensure achievement of overall annual amount of tax and penalty assessed of at least €288 million.

5/ The audit is performed by the Internal Affairs Directorate of the MoF. SGPR managers are defined as general directors, directors and head of departments of both the headquarters and the local offices of the SGPR. Other SGPR officials are defined as SGPR officials other than the managers defined above. The above-mentioned definitions cover both former and current officials.

6/ For claims received on or after 1 January 2014 only. The 90-day period refers to the period between a claim is made and the final payment to the claimant is completed or the claim is rejected. The percentage is calculated as follows. The numerator is the total number of tax refund claims paid or rejected within 90 days during the period. The denominator is the sum of the numerator and the total number of tax refund claims pending more than 90 days on the test date.

7/ In billions of euros.

8/ The inspection is performed by the AML Unit within the Supervision of Credit and Related Financial Institutions Department (SCFID) of the Bank of Greece.

Table 3. Greece: Key Performance Indicators on Public Financial Management, 2014

Indicator	2014 Target 1/		
	End-Jun.	End-Sep.	End-Dec.
a. Ceiling on average period for expenditure payments or rejection after receipt of invoices by state government, including ministry of finance and line ministries. 2/			
Ceiling on number of days	40	30	29
b. Floor on percentage of actual IKA-to-EOPYY transfer of the amount that should be transferred. 3/			
Floor on percentage	97%	98%	99%
c. Floor on percentage of number of claims submitted by public hospitals to EOPYY for insured patients. 4/			
Floor on percentage	50%	75%	85%
d. Floor on the percentage of full audits conducted by EOPYY on 2013 or 2014 claims received by EOPYY from private entities for insured patients. 5/			
Floor on percentage	50% (2013)	99% (2013)	...
	0% (2014)	0% (2014)	50% (2014)

Sources: Greek authorities; and IMF staff.

1/ Cumulative targets from January 2014 unless otherwise specified. The KPIs apply to transfers, services, invoices, claims etc provided in 2014 only unless otherwise specified. Invoices and claims provided before 2014 are excluded unless otherwise specified.

2/ Applies to each quarter only. The average period is calculated on all the invoices paid or rejected during the quarter, and invoices still pending beyond the ceiling on number of days on the test date. The period for each invoice is measured from when the invoice is received to the final payment, or to rejection upon verification, or to the test date if it is still pending beyond the ceiling.

3/ The ratio in percentage is calculated as follows. The numerator for 2014 is the amount of cash transfer to EOPYY and the expenditure paid by IKA on behalf of EOPYY during the period. The denominator is the revenue collected by IKA on behalf of EOPYY during the period. It is expected that the numerator will be the amount of cash transfer only in 2015.

4/ The ratio in percentage is calculated as the number of relevant claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY for insured patients divided by the number of inpatient services with at least one night stay. No more than one claim is allowed for each inpatient service.

5/ The June and September targets apply to the full audits of 2013 claims submitted by private entities (including private hospitals, clinics, diagnostic centers, etc), and the December target applies to the full audits of 2014 claims submitted by private entities.

Table 4. Greece: Actions on Regulated Professions

Profession	Restrictions to be Eliminated	Timing
Actuaries	<ul style="list-style-type: none"> Amend legislation to set the certification exams to be conducted by any public or private sector body accredited by ESYD. Start examinations 	<ul style="list-style-type: none"> End-March 2014 End-May 2014
Technical professions (56 professions)	<ul style="list-style-type: none"> Submit to the Council of State the Presidential Decree on replacing of professional experience by seminars organized by approved bodies, and on fees for the seminars replacing professional experience. 	<ul style="list-style-type: none"> End-April 2014
Sales of fertilizers, propagation and plant-protecting material (10 professions)	<ul style="list-style-type: none"> Submit to the Council of State the Presidential Decrees (2) setting the standards for training courses Issue secondary legislation to establish the training courses Establish training courses for sales 	<ul style="list-style-type: none"> End-April 2014 End-May 2014 End-June 2014
Geo-technicians (agronomists, foresters, geologists, ichthyologists)	<ul style="list-style-type: none"> Adopt legislation to abolish mandatory issuance of professional IDs and of membership to the Geo-Technical Chamber 	<ul style="list-style-type: none"> End-April 2014
Lawyers	<ul style="list-style-type: none"> Abolish mandatory presence of geo-technicians for municipalities of more than 5,000 inhabitants Clarify the reference in the Code of Lawyers to the minimum wage for salaried lawyers Adopt legislation to abolish from the code of lawyers the severance pay in case of voluntary exit and introduce a provision similar to that of Article 7 of Law 2112/1920 in the Code of Lawyers (so that any unilateral adverse alteration of the terms of the salaried contract that is harmful to the lawyer is deemed as termination of contract on behalf of the employer) 	<ul style="list-style-type: none"> End-March 2014 Prior action Prior action
Engineers (including architects and land surveyors)	<ul style="list-style-type: none"> Adopt legislation to amend unjustified or disproportionate requirements reserving certain activities to specific professions according to the opinion of the HCC Complete a screening exercise to list all existing primary and secondary legislation that needs to be either amended or abolished in order for the new legal framework to be implementable Submit to the Council of State the Presidential Decrees defining standards for complex activities Adopts implementing provisions consistent with the timeline foreseen in the legislation 	<ul style="list-style-type: none"> End-June 2014 End-June 2014 End-June 2014
Firms trading Petroleum	<p>Wholesale: Adopt legislation to require the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain</p> <p>Retail: Complete the installation of inflow-outflow systems in:</p> <ul style="list-style-type: none"> urban areas rest of Greece 	<ul style="list-style-type: none"> End-November 2014 End-April 2014 End-April 2014 End-August 2014
Mediators	<ul style="list-style-type: none"> Adopt legislation to open mediator's professions to non-lawyers. 	<ul style="list-style-type: none"> Prior action
Health professions	<ul style="list-style-type: none"> Day care clinics: <ul style="list-style-type: none"> Adopt legislation to establish day care clinics Adopt all necessary secondary legislation to define the technical standards for establishing day care clinics Adopt legislation to (i) reduce minimum square requirements, (ii) allow co-establishment of all primary health care providers with the exception of chain professions necessary for a treatment of a patient 	<ul style="list-style-type: none"> End-April 2014 End-May 2014 End-May 2014
Hairdressers/manicurists	<ul style="list-style-type: none"> Review the licensing requirements for hairdressers/manicurists in line with EU best practices Adopt legislation to align licensing requirements for hairdressers/manicurists with EU best practices 	<ul style="list-style-type: none"> End-April 2014 End-June 2014
Stevedores	<ul style="list-style-type: none"> Establish entry-level training Start entry-level training 	<ul style="list-style-type: none"> End-April 2014 End-July 2014
TV technicians	<ul style="list-style-type: none"> Repeal existing licensing system 	<ul style="list-style-type: none"> End-April 2014
Energy inspectors	<ul style="list-style-type: none"> Conduct certification exams 	<ul style="list-style-type: none"> End-May 2014
Pharmacies	<ul style="list-style-type: none"> Implement OECD recommendations on the ownership and operation of pharmacies as specified in MEFP ¶30. 	<ul style="list-style-type: none"> Prior action
Notaries	<ul style="list-style-type: none"> Assess the fees and reserved activities for notaries, and adopt legislation to align them with best practices in the EU 	<ul style="list-style-type: none"> End-September 2014
Court bailiffs	<ul style="list-style-type: none"> Review entry requirements, fixed fees and reserved activities for court bailiffs in line with EU best practices Adopt legislation to amend unjustified or disproportionate requirements according to the opinion of the HCC 	<ul style="list-style-type: none"> End-June 2014 End-September 2014
Mortgage registrars	<ul style="list-style-type: none"> Review entry requirements, fixed fees and reserved activities for mortgage registrars in line with EU best practices Adopt legislation to amend unjustified or disproportionate requirements according to the opinion of the HCC 	<ul style="list-style-type: none"> End-June 2014 End-September 2014
Recreational and sports centers	<ul style="list-style-type: none"> Review restrictions to establishing recreational and sports centers (minimum space requirements, restricted list of services offered etc) in line with EU best practices 	<ul style="list-style-type: none"> End-March 2014
Seafarer	<ul style="list-style-type: none"> Adopt legislation to amend unjustified or disproportionate requirements according to the opinion of the HCC Review restrictions to entry and conduct of seamen in line with EU best practices Adopt legislation to amend unjustified or disproportionate requirements according to the opinion of the HCC including abolishing requirement to withhold the membership union fees from seafarer salaries 	<ul style="list-style-type: none"> End-June 2014 End-April 2014 End-April 2014

Source: IMF staff estimates.

Table 5. Greece: Implementation of Recommendations in OECD Competition Assessment Review¹

OECD Recommendation	Agreed Reforms	Timing	Next steps²
<p>Over-The-Counter (OTC) Products</p> <p>Fully liberalize prices of OTC medicines and dietary products.</p> <p>Allow sale of OTC medicines and dietary products outside.</p>	<p>Maintain cap on OTC prices based on the average of the three lowest prices in EU member states, while allowing prices to move freely downwards.</p> <p>Allow sale outside pharmacies (including via internet) for dietary products.</p>	<p>Prior action</p> <p>Prior action</p>	<p>If there is no substantial reduction of OTC prices by end-June 2014, retail channels will be liberalized immediately for all OTC products.</p>
<p>Pharmacies</p> <p>Liberalize ownership/operation of pharmacies (e.g., requirements for owner to be pharmacist, one pharmacy per pharmacist, minimum distance between pharmacies, etc.)</p>	<p>Abolish (i) the restriction of one pharmacy per pharmacist; (ii) all geographical restriction on minimum distances between pharmacies; and (iii) prior authorization by Prefecture for establishing a pharmacy.</p>	<p>Prior action</p>	<p>Review by end-September 2014 the practices in other EU countries, and legislate by end-2014 the changes needed to bring the framework in Greece on pharmacy ownership in line with EU best practices.</p>
<p>Milk</p> <p>Abolish maximum duration of milk shelf life and determining methodology for pasteurization</p>	<p>Extend the maximum duration of milk shelf life from 5 to 7 days, while introducing an additional definition for milk packaged within 24 hours and 2-day expiration after that.</p>	<p>Prior action</p>	<p>Assess the impact of these reforms by end-2014, and make additional legislative changes immediately if milk prices remain high.</p>
<p>Bread/bakeries</p> <p>Eliminate strict definitions for bakeries, bread sale restrictions.</p>	<p>Allow sale of bread in convenience stores.</p>	<p>Prior action</p>	<p>Assess by end-September and if needed adopt by end-2014 changes that bring definition of bakeries in line with EU best practices.</p>
<p>¹ The Greek authorities have committed to implement in full the recommendations in the OECD's Competition Assessment Review of March 2014 (see link), except as specified in this table.</p> <p>² All follow-up changes will be taken in consultation with the EC/ECB/IMF.</p>			

OECD Recommendation	Agreed Reforms	Timing	Next steps
<p>Sunday trade Consider two options: (i) Allow Sunday trading 11am-8pm without limits on store size; or (ii) experiment by relaxing Sunday trading in selected number of tourist areas (or towns) across Greece.</p>	Allow Sunday trading in 3 new tourist areas	Prior action	<p>Clarify by end-June 2014 that the 3 new tourist areas include: a) in Southern Aegean the entire island of Rhodes and Kos, and Ermoupoli (capital of Syros) b) in Central Macedonia, the historic center of Thessaloniki, including Tsimiski and Xalkidiki and c) in Attika, the historic center of Athens, including Ermou and Omonoia areas, and Rafina (second port of Athens).</p> <p>Review the experience of these reforms, and on that basis decide by end-March 2015 on whether to roll out immediately the recent changes across the country.</p>
<p>Private cars/trucks/busses Eliminate restrictions on licensing/ operation of private cars, trucks and buses.</p>	<p>For a car rental with driver, reduce minimum duration of agreement from 12 to 6 hours, and abolish requirements on social security, high school degree, and foreign language. For private use trucks up to 3 tons for the transport of daily press, abolish restriction for only one license.</p>	Prior action	Assess by end-September and adopt by end-2014 changes to bring the licensing of trucks for private use in line with EU best practices.
<p>Retail Sales Allow retailers to freely determine time and duration of sales periods, and abolish various restrictions on sale offers.</p>	<p>Repeal various restrictions on the sales offers.</p> <p>Introduce a code of conduct providing guidelines on sales and offers.</p>	<p>Prior action</p> <p>September 2014</p>	Assess by end-2014 restrictions on sales periods' time and duration, and adopt by end-March 2015 changes as needed to bring in line with EU best practices.
<p>Olive oil Abolish prohibition to mix olive oil with other vegetable oils in Greece.</p>	Do not make any changes to the existing framework.	NA	NA

Annex Table I.1. Greece: Key Performance Indicators on Tax Administration, 2012–13

Indicator	2012	2013					
	End-Dec.	End-Jun.		End-Sep.		End-Dec.	
	Actual	Target	Actual	Target	Actual	Target	Actual
Debt collection							
Collection of tax debts as of the end of the previous year	1,099	1,140	847	1,558	1,147	1,900	1,518
Collection of new debts in the current year (percent of new debt in the year)	10.5%	14.0%	13.2%	19.0%	16.2%	24.5%	18.7%
Tax audits and collection of large tax payers							
Number of risk-based full scope audits in the year 2/	76	176	118	386	203	596	324
Number of risk based temporary audits in the year 3/	271	260	290	470	401	680	590
Collection full scope audits in the year (percent of assessed tax and penalties)	64.5%	65.0%	34.9%	70.0%	45.0%	75.0%	54.6%
Collection temporary audits in the year (percent of assessed tax and penalties)	49.2%	45.0%	38.6%	50.0%	52.0%	55.0%	54.8%
Audits and collection of high wealth individuals							
Number of completed risk-based audits in the year 4/	444	280	228	550	327	910	454
Collection of assessed audits in the year (percent of assessed tax and penalties) 5/	78.4%	40.0%	40.9%	55.0%	28.9%	65.0%	22.4%
Internal control and human resource integrity							
MoF audit of assets of managers of local tax offices	...	50	0	80	32	110	54
MoF audit of assets of auditors	...	50	0	90	42	130	72

Sources: Ministry of Finance; and IMF staff.

1/ Cumulative for the calendar year.

2/ The amount of tax and penalty assessed from January to September 2013 was €1,304 million (target: no less than €430 million).

3/ The amount of tax and penalty assessed from January to September 2013 was €177 million (target: no less than €215 million).

4/ The amount of tax and penalty assessed from January to September 2013 was €101 million (target: no less than €115 million).

5/ The 2012 collection rate is higher, mostly because many 2012 cases were settlement cases where immediate partial payment was required.

Annex Table I.2. Greece: Key Performance Indicators on Public Financial Management, 2012–13

Indicator	2012		2013				
	End-Dec.	End-Jun.		End-Sep.		End-Dec.	
	Actual	Target	Actual	Target	Actual	Target	Actual
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/	85%	80%	93%	94%	95%	97%	97%
b. Discrepancy between the total arrears to third parties of non-state general government entities reported under the E-Portal of GAO using data from commitment registers and the total arrears reported through monthly surveys, i.e. the sum across all entities of the absolute value of (arrears monthly survey less arrears E-portal) divided by total arrears multiplied by 100, is below							
2013 entity coverage 1/	4%	10%	3%	2%	3%	1%	2%
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%	84%	78%	90%	93%	95%
Sources: Ministry of Finance; and IMF staff.							
1/ Includes new entities in the end-September 2012 ELSTAT register with spending above €1 million.							

Annex Table I.3. Greece: Government Pending Actions in Privatization

Asset	A/A	Subject	Responsibility	Necessary Actions	Done	Critical Date
EYATH	1	Legislation to align pricing policy of EYATH with that of other water companies.	Ministry of Environment	Pass amendment to article 21 of Law 2937/2001, in order to align the process of the pricing policy of EYATH SA with that of the other water and sewerage services providers as provided for by Law 4117/2013 and the complementary Ministerial Decisions		Apr-14
EYATH	2	Water Regulator	Ministry of Finance, Ministry of Administrative Reform and e-Governance; and Ministry of Environment	Put in place full staffing and initiate operations of the Special Secretariat for Water (Regulating authority)		Apr-14
ODIE	3	Legislation needed to finalize ODIE tender	Ministry of Finance	Pass legislation on the issues raised by investors as prerequisites to continue in the process: GGR harmonisation; and lease agreement exemption from art. 618 of civil code)		Apr-14
OLP, OLTH & Ports	4	Ports Regulator	Ministry of Shipping	Pass law related to establishment and staffing of port regulatory authority		Apr-14
Egnatia Odos	5	Setting up additional toll stations in advance of privatization	Ministry of Transport, Infrastructure and Networks	Issue Ministerial Decision for the toll stations that have been specified by the technical advisers at main and vertical axes		Apr-14
TRAINOSE/ROSCO	6	Clarification of assets included in TRAINOSE, ROSCO privatization	Ministry of Transport, Infrastructure and Networks	Pass legislation to specify licenses and permits for railway properties and all real estate assets that will be included in the privatization perimeter of TRAINOSE, ROSCO		Apr-14
TRAINOSE/ROSCO	7	Transfer rolling stock ownership to HR	Ministry of Transport, Infrastructure and Networks and OSE	Issue joint Ministerial Decision for the transfer of rolling stock ownership from OSE to HR		Apr-14
TRAINOSE/ROSCO	8	Valuation of the Rolling Stock not in use owned by OSE or HR	Ministry of Transport, Infrastructure and Networks	Launch tender for valuation of rolling stock not in use		Apr-14

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