

Greece: Third Review Under the Extended Arrangement Under the Extended Fund Facility—Staff Report; Staff Statement; Press Release; and Statement by the Executive Director for Greece

In the context of the third review under the extended arrangement under the extended fund facility, the following documents have been released and are included in this package:

- The staff report for the third review under the Extended Arrangement under the Extended Fund Facility, prepared by a staff team of the IMF, following discussions that ended on April 15, 2013, with the officials of Greece on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 20, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A staff statement of May 31, 2013 updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its May 31, 2013 discussion of the staff report that completed the request and/or review.
- A statement by the Executive Director for Greece.

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

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

*Also included in Staff Report

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

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GREECE

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

May 20, 2013

EXECUTIVE SUMMARY

Extended Arrangement. On March 15, 2012, the Executive Board approved a four-year Extended Arrangement under the Extended Fund Facility in the amount of SDR 23.79 billion (2,159 percent of quota; €28 billion). Purchases totaling SDR 4.2 billion (about €4.9 billion) have been made so far, and a purchase in the amount equivalent to SDR 1.5 billion (about €1.8 billion) is proposed to be released on the completion of the third review. As of end-April, euro area countries have released €120 billion since the program approval (of €144.6 billion committed), of which €48.2 billion for bank recapitalization.

Recent Economic Developments. Macroeconomic developments are broadly as expected. The economy is rebalancing apace: the current account deficit is now shrinking fast, by 6½ percent of GDP in 2012; the competitiveness gap has been reduced by about half as last year's labor market reforms are facilitating significant wage adjustment; and deflation is finally setting in. The rebalancing, however, is still happening mainly through recessionary channels: the economy continued to contract during the last quarter of 2012 and unemployment increased, in line with program projections. Nevertheless, various sentiment indicators have improved notably since completion of the last review, as perceived euro exit risks have receded and liquidity conditions have improved.

Policy Implementation and the Third Program Review. With economic developments in line with program assumptions, no changes were made to the program's macroeconomic framework. There are also no substantive changes to the outlook for financing or to the DSA compared to the last review. As to fiscal policy, with some over-performance relative to end-2012 and first quarter 2013 targets, the authorities believed they had fiscal space to ease some of the adjustment measures, such as the property tax and social solidarity contributions. Staff was concerned, however, that the over-performance reflected some one-off factors and that the envisioned easing could open a fiscal gap. Moreover, tax and public administrative reforms remain subject to serious implementation problems, and failure to take strong corrective actions would lead to substantial fiscal gaps in 2014 and beyond. Much of the discussion focused on actions to address these implementation problems, and it was agreed that any easing of measures should await confirmation of fiscal space and evidence that such actions are bearing fruit. As to structural reforms outside the public sector, efforts to reinvigorate severely delayed plans for privatization and liberalization of product and services markets are largely on track, although more ambitious tests of

performance will only arrive in the coming reviews. Finally, in the financial sector, the bank recapitalization process is nearing completion after prolonged delays, and the authorities are taking steps as agreed under the program to strengthen banking oversight and governance frameworks.

Discussions. See the Fund Relations Appendix

Approved By
**Reza Moghadam and
 Hugh Bredenkamp**

Discussions for the third review under the Extended Arrangement were held February 26–March 14 and April 3–15. The mission met with the Prime Minister, Minister of Finance, Governor of the Bank of Greece, and other Cabinet Ministers; and staff in these and other ministries. The mission also met private banks, think tanks, and employer associations. The staff team comprised P. Thomsen (head), M. Flanagan, W. McGrew, G. Gottlieb, N. Hobdari, W. Maliszewski, and M. Shamloo (EUR); I. Petrova (FAD); S. Lanau and B. Rayner (SPR); O. Frecaut, M. Oliva, and D. Monaghan (MCM); and G. Esposito (LEG). B. Traa, S. Eble, M. Athanasopoulou, G. Gatopoulos, and M. Kalimeri (IMF resident representative office) assisted the mission. J. Manning and C. Piatakovas (EUR) assisted from headquarters.

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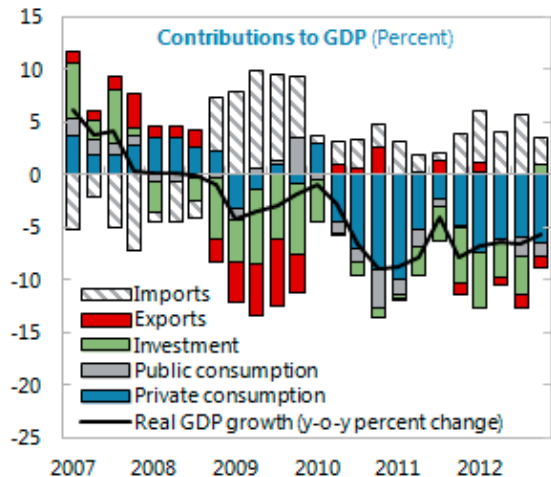
BACKGROUND

1. **The political situation has stabilized, but remains fragile.** The governing coalition has remained united behind the reform effort, with no further party defections, and its public approval ratings have stabilized. Nonetheless, political and social tensions remain high due to the long and deep recession and very high levels of unemployment, especially among youth.
2. **All of the six end-March 2013 quantitative performance criteria were met, but performance against structural benchmarks fell short** (MEFP Tables 1 and 2). As noted in the staff supplement for the first and second reviews, several end-2012 structural benchmarks were missed, as were two end-February benchmarks (on establishing staffing plans and targets for mandatory exits, and legislating semi-autonomy for the revenue administration), and one end-April benchmark (on completing the recapitalization of core banks). The missed benchmarks have either been re-phased or targeted as prior actions for this review (MEFP Tables 2-4). The end-March 2013 indicative target on arrears was also missed.
3. **This third program review was conducted in conjunction with the 2013 Article IV consultation.** An accompanying Article IV report discusses Greece's progress in addressing its large pre-crisis fiscal and external imbalances, assesses the remaining adjustment strategy, and outlines the structural reform agenda needed to support the recovery and boost productivity over the medium term.

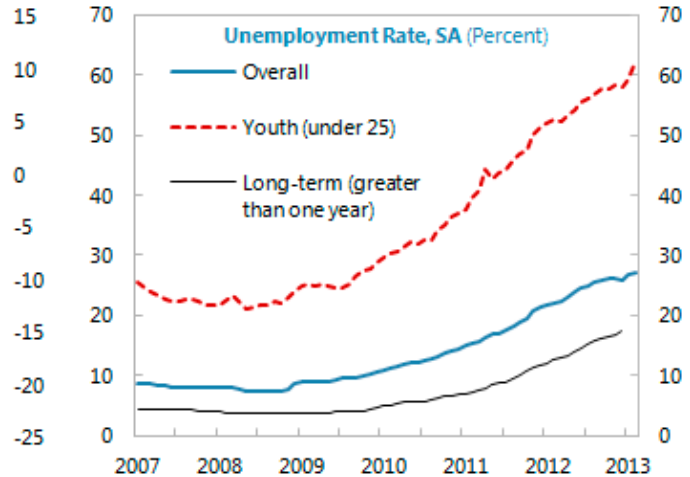
RECENT DEVELOPMENTS

4. **The latest economic developments are broadly consistent with the macroeconomic framework set out in the staff report for the combined first and second reviews** (Tables 1–6):¹
 - **The economy has continued to contract and unemployment has increased.** The 2012 contraction was close to expected (-6.4 vs. -6 percent projected), with a larger-than-expected retrenchment of domestic demand offset by net exports. Domestically-oriented services and construction were hit the hardest, while manufacturing performed better, supported by broadly stable exports (Figure 1). The unemployment rate has continued to increase (albeit at a slower rate), reaching 27 percent in February (the highest rate in the EU), with youth unemployment at 64 percent.

¹ For the staff report on the first and second reviews see [IMF Country Report No. 13/20](#).



Sources: Elstat; and IMF staff calculations.



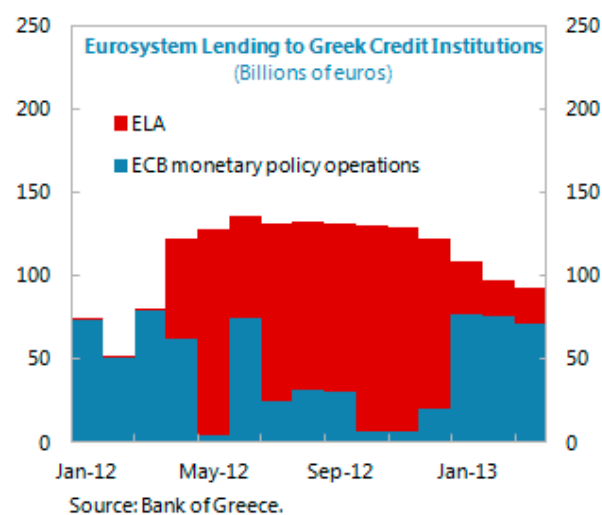
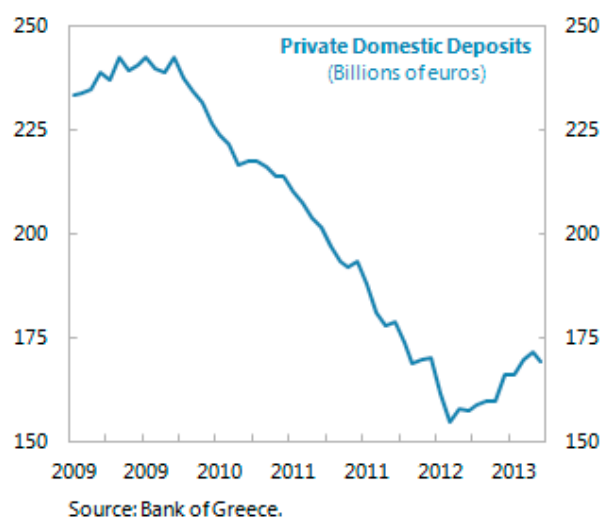
Sources: Elstat; and IMF staff estimates.

- Competitiveness gains and internal devaluation are gaining pace.** Falling output combined with a much more flexible labor market following the comprehensive reforms taken under the program have accelerated wage adjustment notably: compensation per employee fell by about 4¼ percent in nominal terms and 5 percent in real terms in 2012 (Figure 2). And in response to Greece's now high output gap, headline HIPC inflation fell to 0.3 percent at end-2012 (from over 2 percent at end-2011) and turned negative in March (-0.2 percent) and April (-0.6 percent). Core inflation (excluding energy and unprocessed food), which has been negative for some time, fell further to -1¼ percent in March (Figure 3). The GDP deflator also turned negative in 2012 (-¾ percent).
- External adjustment is proceeding at a fast pace.** The sharp contraction in imports continued during 2012 (12 percent), reflecting the fall in domestic demand, whereas exports have remained basically flat (½ percent growth), constrained by the slowdown in Europe and availability of trade financing. The March 2012 PSI improved the income account significantly by reducing interest payments. As a result of these developments, the current account deficit dropped to 3.4 percent of GDP in 2012, about a third of the 2011 outcome (Figure 4). The underlying external position, however, is less favorable: the structural current account deficit is estimated at around 5½ percent of GDP in 2012, suggesting that further competitiveness gains are needed to ensure external sustainability.

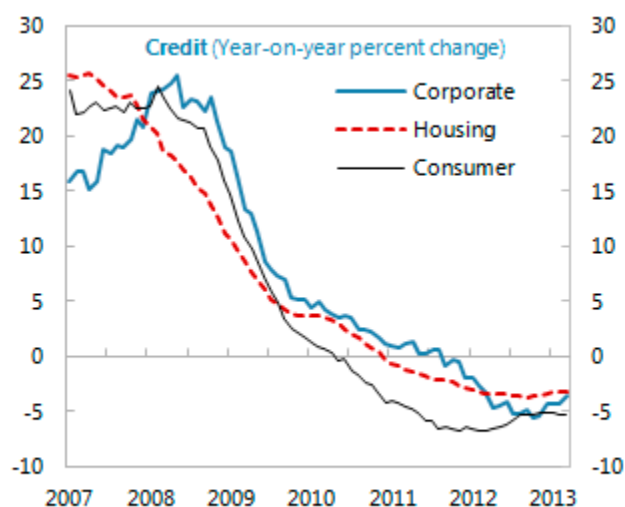
5. Resumed program disbursements and improved sentiment have eased liquidity conditions, but credit continues to contract:

- Improved sentiment is visible in lower bond spreads.** As of mid-May, spreads on 10-year Greek government bonds have fallen to below 700 basis points, down from over 3,000 in mid 2012 (Figure 5). Following the debt buy-back last December, S&P upgraded Greece's sovereign credit rating from Selective Default to B-, its highest rating since mid-2011. Fitch followed with an upgrade to B- in May.

- Liquidity conditions in the banking sector have eased.** As of end-April, private sector bank deposits have risen by about €17 billion since their mid-2012 trough on improved sentiment, despite a temporary period of renewed outflows following the bail-in of uninsured depositors in Cyprus. Moreover, following capital injections upon completion of the second review last December, banks have been able to make a significant shift out of the ECB's ELA and into its Main Refinancing Operation, reducing ELA to a fraction of outstanding liquidity support. This has a significant impact on bank funding costs, given the higher cost of ELA.



- However, banks have used the improvement in their funding to reduce exposure to the ECB and credit to the economy has continued to contract** (Figure 6, and Tables 7–9). As of end-April, banks have repaid about €40 billion of central bank financing since mid-2012, while reducing credit to the economy (credit fell €8½ billion or 3½ percent y/y in March 2013). Credit growth has been depressed by the high and rising level of NPLs, which is putting pressure on bank profitability at the same time that banks are seeking to strengthen capital ratios, as well as by elevated credit risk in the recessionary environment. The continued contraction in credit to the economy also reflects the decision by the Euro Group last December not to provide additional resources to cover the increased public sector financing need relative to what had been projected when the program was agreed, which forced the authorities to finance a larger share of the public sector deficit through T-bills issuance.



Source: Bank of Greece.

Non-performing Loans		
	2012	Change (percent)
Non-performing loans		
Total (billions of euros)	66.6	29.9
Share of total loans (percent)	29.5	39.5
<i>Of which: restructured loans</i>		
Total (billions of euros)	12.0	6.7
Share of total loans (percent)	5.3	14.6
Accounting provisions to NPLs (Excluding restructured loans in percent)	48.1	-23.4

Source: Bank of Greece

6. Budget execution remains on track. The 2012 cash fiscal targets were met, as the authorities restrained expenditures in response to delayed program disbursements (Table 2). The cash under-execution more than offset arrears buildup (approximately €1 billion in 2012), with the ESA-95 primary deficit falling to 1.3 percent of GDP compared to a program target of 1.5 percent (Table 3). The available cash data for 2013 through March indicate that fiscal performance is running slightly ahead of program targets. Revenues in aggregate remain in line with projections, with weaker than expected consumption-based taxes offset by lower tax refund payments (possibly reflecting heightened auditing of tax refund claims) and higher than expected disbursement of EU structural funds. However, arrears clearance has lagged program goals: the authorities managed to clear only €1.2 billion in net terms in the fourth quarter of 2012 and the first quarter of 2013, as compared to program goals totaling €3.5 billion during this period due to delays in program disbursements and institutional shortcomings.

7. But key fiscal institutional and fiscal structural reforms are still not gaining traction (Tables 10–11):

- **Tax administration reforms remain highly unsatisfactory.** Key performance indicators for end-December were missed by very large margins, notably in collection of tax debt and number of audits (MEFP Table 2). The end-February structural benchmark to establish a semi-autonomous tax agency, the shift of debt collection work to the largest local tax offices, and the planned upgrade of tax auditors were all delayed. Political interference in tax administration remains a problem.
- **Public administration reforms are also running well behind schedule.** The preparation of staffing plans and quarterly targets for mandatory exits was not completed by end-February 2013. Further, there were no additional entrants into the labor mobility scheme through end-April (notwithstanding the program target of 12,500 by end-June 2013). All employees who were transferred into the mobility scheme in December (about 2,000) were promised new positions in

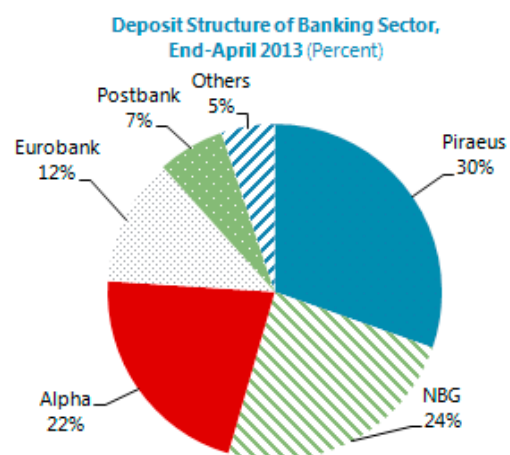
the government, contrary to expectations that a sizeable portion would be subject to redundancy.

- **That said, public financial management (PFM) reforms are making some progress.** The end-2012 key performance indicators (KPIs) on PFM were missed by less than anticipated at the time of the last review, reflecting a strong December performance (MEFP Table 2). About 95 percent of general government entities—including some 65 percent of newly registered ones—now report arrears from their commitment registers. In addition, in the recently revised 2013–16 Medium Term Fiscal Strategy (MTFS), the authorities introduced rolling 3-year expenditure ceilings for line ministries and the health sector, consistent with the program. However, there were delays in establishing the General Directorates of Financial Services (GDFS) in some line ministries, and in developing a social budget monitoring framework.

8. The bank recapitalization and resolution program is on track, nearing its final stage.

Following significant consolidation, four core banks are set to emerge. The public sector will be a significant shareholder in all four.

- **The four core banks are continuing to absorb smaller banks.** Piraeus bank completed in April the acquisition of Millennium (the Greek subsidiary of the Portuguese Millennium Bank Group), and has acquired the Greek branches of the Bank of Cyprus, the Cyprus Popular Bank, and the Hellenic Bank, involving a payment of €524 million to the Cypriot parent banks (with the HFSF injecting the extra capital needed into Piraeus). Following the earlier absorption of Geniki and the healthy side of ATE Bank, Piraeus has now become the largest bank by deposits in Greece. With the acquisition of Emporiki (the former Greek subsidiary of the French Crédit Agricole) by Alpha Bank in February, the four core banks now account for nearly 90 percent of banking sector deposits.



Sources: Bank of Greece; and IMF staff calculations.
1/ Includes acquisition by Piraeus bank of ATE, Geniki, Millennium, and Cypriot branches in Greece, and acquisition by Alpha bank of Emporiki.

- **A merger between two core banks—NBG and Eurobank—was suspended.** The prospect of a new mega-bank with a combined share of total assets of over 45 percent raised a number of potential public policy issues, among them the concern that the merger would severely constrain options for absorption of the remaining unviable banks at a time when the two other core banks had already absorbed several such banks. Therefore, when it became clear that the NBG/Eurobank combination would fail to raise sufficient private capital to meet the 10 percent threshold, the government decided to suspend the merger. Instead, it would proceed with their separate recapitalization by the HFSF, pending a further review of synergies, the implications for

the merger for system concentration, the resolution strategy for smaller banks, and the bank privatization strategy.

- **The recapitalization of the four core banks is nearing completion.** Alpha and Piraeus have informed the authorities that they have secured the minimum 10 percent of new equity capital set by the BOG as a condition for maintaining private management control, with the actual subscription expected by end-May. NBG is seeking to raise the required 10 percent, with the outcome still not clear. The private shareholders of Eurobank have decided not to participate in the new equity capital subscription. As a result, it will be fully recapitalized by the HFSF, which will exercise management in accordance with the applicable bank governance framework.
- **The mechanisms to strengthen bank governance are being put into place.** With all four core banks now having majority public sector ownership, it remains a key objective to balance concerns about safeguarding public funds with the need to avoid undue political interference in the management of these banks. The placement of monitoring trustees in the four core banks was completed in January. The first draft report by the trustees was produced in April, identifying several areas for improvement (including credit policies, internal control, monitoring of connected borrowers, and risk management). However, the completion of relationship frameworks between the HFSF and the banks (targeted for end-March 2013 under the program) has been delayed and is now expected in June. In addition, recent events raise concerns about HFSF governance: on March 19, an extraordinary General Council (GC) meeting of the HFSF was called on exceptionally short notice to consider a key strategic issue, effectively precluding participation of one of the three independent GC members.

9. Progress on broader structural reforms has been uneven (Table 12). Regarding privatization, the regulatory frameworks for airports and water have been finalized, 250 real estate plots were transferred to the Fund as agreed, and the PPC restructuring plan was adopted. Meanwhile, an important milestone was passed with the sale of the government's stake in the betting company OPAP for €712 million (finalization of the deal is subject to regulatory approvals), while the tender for a second large firm is expected to be completed by late May. Still, preparation of the other assets for privatization is behind schedule and the authorities might struggle to reach targets for 2013. Moreover, regarding liberalization of regulated professions, the end-2012 structural benchmark was not met, and a number of important judicial reforms were delayed due to strikes by the judiciary. In the latter area, the authorities have more recently stepped up their efforts, including by reducing the administrative case backlog at the Council of State (including tax cases), publishing quarterly information on court performance, and rationalizing the system of magistrate courts to improve efficiency.

DISCUSSIONS

10. There was agreement on the main policy challenges facing the authorities at this juncture. As to fiscal policy, discussions focused on whether over-performance relative to end-December and end-March targets indicated fiscal space to ease measures agreed at the last review, as well as on corrective actions needed in light of continued serious shortfalls in implementation of reforms of tax administration and of public employment policies. Broader structural reforms have taken more of a back seat during the present review as the programs for liberalization of closed professions and privatization will feature dominantly in the next two reviews, while the labor market needs time to

digest the very comprehensive and so far highly effective reforms implemented last year. With the bank recapitalization and resolution program in its final stage, discussions focused on how to complete this process.

A. Outlook

11. The review did not modify the macroeconomic framework (Table 13). The outlook remains for continued recession in 2013, and a gradual recovery starting in 2014. The external environment is now weaker than expected earlier, and the Cypriot crisis is expected to have a small negative impact on Greece, from trade effects (Box 1). However, the authorities and staff agreed that these effects would be offset by stronger services exports in real terms (as confirmed by recent tourism bookings), better liquidity conditions, and the evidence mentioned above that confidence indicators are improving somewhat faster than expected. The baseline scenario continues to assume improvements in price competitiveness, manifested in mild deflation in 2013 and 2014. On the basis of this balance of factors, no significant changes were made to the program's macroeconomic framework. The latest consensus forecast is for a somewhat deeper contraction in 2013 (-4.9 percent versus -4.2 percent in the program), and foresees the recession continuing into 2014 (-1.4 percent growth versus 0.6 percent in the program), with more rigid prices.

12. Greek debt remains sustainable in the medium term, although subject to downside risks (Appendix I):

- **Public debt.** In view of the unchanged macroeconomic framework, public debt dynamics remain as in the first and second reviews staff report of January 2013: after peaking around 175 percent of GDP this year, debt is projected to fall to 124 percent in 2020. On balance, risks remain on the downside, summarized in a tailored alternative scenario, where due to implementation delays and weak economic performance (see accompanying Article IV staff report for a description of the tailored scenario), debt only falls to 147 percent of GDP by 2020.
- **External debt.** The trajectory of external debt is also similar to the path in the last review. It is expected to decline gradually as a result of projected improvements in the current account balance and continued reliance on official financing at low interest rates. Risks to external debt sustainability include delayed structural reforms that slow competitiveness improvements, and slippages in the privatization program and corresponding non-debt-creating inflows. Higher interest rates could also worsen the external debt outlook, although this effect is dampened by Greece's reliance on official financing.

13. The program baseline remains subject to considerable downside risks. Such risks arise in three main areas, which pertain to the possibility that the anticipated recovery will be undermined by weaker confidence, investment, and productivity gains, or a weaker external environment.

- Political risks remain elevated, in light of very high unemployment and social hardships. A loss of commitment to program implementation would undermine confidence, tightening liquidity

conditions and restraining domestic demand. In the medium term, growth could disappoint if structural reforms are not implemented as envisaged.

- Greece's high public debt continues to pose significant risks. Even under the programmed path, debt will remain exceptionally high well into the next decade, and concerns about debt sustainability could weigh considerably on the investment climate, delaying or preventing the recovery assumed in the baseline.
- A more severe slowdown in the euro area than expected would make the needed reorientation towards exports more difficult, weakening the recovery and exerting more pressure for internal devaluation, which would have negative implications for debt sustainability.

B. Economic Policies

Fiscal policy

14. On current projections, no additional measures are needed for 2013–14. The authorities pointed to fiscal over-performance in 2012 and early 2013, which they believed could open up space to ease some of the adjustment measures, such as the property tax, solidarity contributions, VAT on restaurants, and excise tax on heating oil. Staff cautioned that data on budget performance were too incomplete to give confidence in the existence of fiscal space and such relaxation could give rise to a significant fiscal gap. Moreover, there was a risk that weakness in social security contributions in late 2012 could persist, and there were some one-off measures in 2013 (notably, a central bank profit transfer of $\frac{1}{4}$ percent of GDP), which called for conservatism. Finally, the effectiveness of tax administration reforms—which are assumed to make significant contributions to closing fiscal gaps starting in 2014—was still an open question. On that basis it was agreed to forego any easing and that the question of possible fiscal space would be revisited at the next review.

Fiscal structural reforms

Tax administration reforms

15. Discussions focused on how to overcome problems in tax administration. Reforms of tax administration to tackle Greece's severe tax compliance problems remains a condition sine qua non for the success of the program, not least because associated fairness concerns seriously threaten broader political support for the program. In view of this, significant corrective actions are being taken in this area.²

- **The independence of the tax authority will be strengthened in a bid to reduce the scope for political interference** (MEFP ¶13). The Secretary General (SG) will be given control over key

² For more details on the revenue administration in Greece, see Selected Issues Paper "Revenue Administration and Fiscal Consolidation" in the accompanying 2013 Article IV consultation staff report.

functions previously outside the SG's purview (such as prosecution of tax evasion and IT systems) and significant autonomy over staffing, organizational structures, and the budget. If this approach fails to deliver, the more radical approach of establishing a revenue agency outside the civil service will be considered (see Table 14 for a description of the two alternative approaches).

- **The legal framework for the revenue administration will be strengthened** (MEFP ¶14). Key legal changes (a prior action for this review) will provide the revenue administration with flexibility to focus its efforts in areas with the highest return, such as streamlining cancellation of uncollectable debt and auditing high risk taxpayers. The legislation will also speed up dispute resolution and provide new powers to determine taxpayers' income through indirect methods.
- **The efficiency of the revenue administration will be improved** (MEFP ¶15). New audit staff will be hired and existing staff given further training, efforts will be refocused on enforcement and collection rather than tax assessment, and some additional resources will be directed to the high wealth, large debtor, and large taxpayer units.³
- **Installment schemes will be strengthened, to avoid amnesty-like features** (MEFP ¶16). The basic installment scheme for payment of tax arrears will be reformed as a prior action for this review, to exclude participation by those who can pay and to ensure payments are commensurate with ability to pay. The authorities will also introduce a one-off installment scheme ("Fresh Start") that is justified by the severe liquidity constraints affecting taxpayers in the current recession, by providing a longer payment period and a reduction in penalties and surcharges.⁴

16. Performance of the revenue administration will be monitored by key performance indicators (MEFP ¶18). A set of KPIs for the revenue administration was set as a prior action for this review (targeting collection on new debts, and audits and collection from large taxpayers and high wealth individuals) (MEFP Annex I). They were chosen to demonstrate improved performance in areas that are essential for achieving the targeted improvement in revenue collection in 2015-16. The KPIs are less ambitious than earlier targets, reflecting the substantial delays that have occurred (some of the KPI targets for end-June and end-December 2013 were also adjusted (MEFP Annex II)). Nonetheless, the KPIs imply significantly improved performance compared to last year, and some progress is already evident: by April, the authorities achieved more than two-thirds of the number of full scope LTU audits and exceeded the assessment amount in HWI audits achieved for the entire year in 2012. While the program does not assume any significant gains from tax administration

³ The authorities reported before the completion of the first and second reviews in January 2013 that 50 auditors had been transferred to the HWI unit, which was a prior action for the reviews. However, some of the auditors failed to take up their new posts, giving rise to a case of misreporting. Additional auditors were later transferred to make up the shortfall, and the Fund granted a waiver of nonobservance of the prior action.

⁴ Brondolo, John, 2009, "Collecting Taxes During an Economic Crisis: Challenges and Policy Options", IMF Staff Position Note 09/17.

reforms through 2014, implementation of the KPIs will be essential to secure the programmed gains in 2015–16.

Public financial management reforms

17. Public financial management needs to be strengthened (MEFP ¶19):

- **The budget legal framework will be strengthened to impose more effective expenditure controls.** The organic budget law will be revised to incorporate tighter monitoring on local governments and SOES, and to impose multi-year budget ceilings on line ministry and health sector expenditures.
- **Control on expenditure commitments will be augmented.** General Directorates of Financial Services—which are intended to centralize expenditure commitment controls and budget preparation within ministries—will be made more effective via secondary legislation that assigns these functions to a single unit within each ministry. The electronic reporting system (the e-portal) will also be expanded.
- **Reporting of social expenditures will be enhanced to improve transparency and planning.** The new social budget framework will include data on spending commitments and arrears in the social sectors, and will be brought into closer conformity with GFSM and ESA 95 standards.

18. Arrears clearance is being accelerated (MEFP ¶10). The missed quarterly target on arrears clearance reflects institutional shortcoming, such as the late adoption of local government budgets and the slow implementation of commitment registers in SSFs. As both of these are now being addressed, and funding to hospitals is now channeled directly (rather than through the EOPYY as was the case until recently), the stock of expenditure arrears is expected to be materially reduced. However, additional legislative reforms will be needed within the next six months to address cumbersome payment processes that stall efficiency. This is key to ensure that there is no significant increase in the interest costs related to the EC’s late payment directive (transposed by Greece in April 2013), which requires member states to pay interest compensation on payments overdue by more than 30 days.

19. Key performance indicators were established as prior actions for the review, and end-2013 targets were maintained (MEFP ¶11). To bring PFM reforms back on track, end-March KPIs were set as a prior action for this review (MEFP Annex III). The end-March targets require 91 percent of already established entities to report with 2 percent deviation between survey and e-portal data. For newly added entities, which need some time to establish their reporting through the e-portal system, the KPIs require such reporting for 55 percent of them, with a precision of 30 percent. The end-2013 targets established under the previous review remain appropriately ambitious, and thus were maintained (MEFP Annex IV).

Public administration reforms

20. The authorities will bring public administration reforms back on track to support the medium-term fiscal targets and foster a more effective civil service (MEFP ¶13).

- Public sector employment has declined by over 100,000 since 2010, in line with the cumulative program target of at least 150,000 by 2015, as hiring has been restricted by the 1:5 rule of new hiring to attrition. However, staff projects that application of the 1:5 rule will be just sufficient to reach the 2015 target, suggesting that additional reductions are needed to allow room for new hires to address skill shortages. Further, rigid job security inhibits accountability and limits incentives for good performance. The program intended to address these problems by bringing in new and better qualified civil service staff through the mobility scheme (which is a precursor to redeployment between government entities or to mandatory exits from public service), but program targets have been persistently missed by large margins.
- Against this setting, the authorities agreed as a prior action for this review to set semiannual targets for the mobility scheme and quarterly targets for mandatory exits through 2014, approve annual overall employment level ceilings for the general government through 2016, and adopt legal changes to help ensure that the agreed targets are met. The speed of exits is limited by legal provisions that provide most categories of public sector workers with the right to a one-year period in the “mobility reserve” before mandatory exit. But a significant number of up-front mandatory exits can be achieved by focusing on disciplinary cases and closure of extra budgetary funds, which are excluded from the one-year requirement. This will send a powerful signal that the taboo against public sector dismissals is finally being broken. It was agreed that exits will free up space for replacement hiring of critical skills on a 1:1 basis, provided that targets for the reduction in aggregate employment are on track. This will open up room to hire from the large pool of unemployed youth, which the authorities believed would win popular support for the policy.

21. Measures have been introduced to contain contingent fiscal liabilities (MEFP ¶15):

- **Renewable energy.** Subsidies to producers of photovoltaic energy have led to a build-up of debt in the renewable energy (RES) account, which is projected, without corrective measures, to reach close to 1 percent of GDP by end-2014. To address this, the government is adopting measures to control subsidies, including by limiting new capacity coming on stream. Further, the RES Special Levy surcharge on consumers will be adjusted in January and July of each year to eliminate any remaining debt. Separately, to improve liquidity in the electricity system where arrears are building up, household tariffs will be liberalized as of July 1, 2013.
- **Tax investment incentives and subsidies.** The government is undertaking an initiative with Fund technical assistance to quantify and streamline existing tax incentives, and align Greece’s investment framework with best international practices. In this context, tax expenditure and limits on subsidies (including sunset provisions for past subsidy commitments that have not been used) will be reflected in future MTFS updates.

22. Additional measures were added to the program to support job creation and strengthen the safety nets (MEFP ¶14). The fiscal adjustment strategy for 2013–16 was designed to protect the most vulnerable, with both revenue measures and spending cuts having a progressive nature. Further, in the context of this review the authorities have adopted employment programs targeting 45,000 unemployed youths, passed legislation to launch two pilot programs targeted at long-term unemployed and jobless households, and will launch in July 2013 a Health Voucher Program that will provide access to primary healthcare services for 100,000 long-term uninsured citizens. Given the unacceptably high unemployment, especially among youths, and the growing share of long-term unemployment, the authorities recognize that these measures will need to be expanded and complemented by additional programs. They are thus committed to identify gaps in the social safety nets and fill them with priority, leveraging EU funding where possible, within the existing program envelope.

Financial sector policies

23. A principal focus of the review was to bring the recapitalization of the four core banks to a conclusion (MEFP ¶17-18). It was agreed that the framework for bank recapitalization remained appropriate, although small extensions to the end-April deadline were necessary to accommodate procedural requirements.

24. The resolution of non-core banks were more fully defined (MEFP ¶19). The two bridge banks that are currently under HFSF control, New Hellenic PostBank and Nea Proton bank, are undergoing restructuring to reduce personnel and other operational costs. The objective is to sell these two banks no later than July 15, 2013. The private owners of the other non-core banks did not manage to raise by the end-April deadline the needed equity capital. For these banks, the authorities will consider alternatives to resolution, including take-over by a core bank.

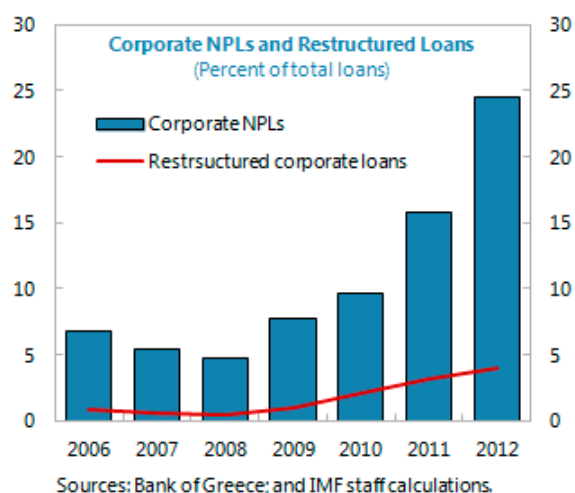
25. Capital needs of the banking system will be reassessed in light of changed circumstances (MEFP ¶22). The situation in Greece has changed significantly since the BoG's latest stress test exercise, which was based on bank data and macroeconomic projections as of mid-2011. Notably, the macroeconomic environment has deteriorated well beyond what was envisaged in the last stress test, which can be expected to reduce earnings capacity and increase loan losses, adding to capital needs; and the absorption of Cypriot branches has also added to capital needs. In the other direction, recapitalization of foreign subsidiaries by their parents, changes in the recognized amount of deferred tax assets, private sector participation in core bank recapitalization, and liability management exercises have reduced capital needs. It is difficult to quantify these various effects with any precision, in particular during a period of rapid restructuring and consolidation. However, on balance staff does not have reason to doubt the continued adequacy of the existing envelope of €50 billion, which includes a €5 billion buffer. Nevertheless, it will be important that the authorities refine their estimates of the cost of bank recapitalization and resolution through a new stress test by end-2013, based on end-June 2013 data and updated macro scenarios.

26. To contain potential recapitalization needs and support the recovery, an overarching priority is to put in place a framework that helps banks manage distressed assets effectively.

There are several dimensions to this framework:

- **The household insolvency framework will be overhauled to safeguard the payment culture while providing relief to over-indebted households** (MEFP ¶25 and Box 2). The existing framework for dealing with household debt—centered around a case-by-case approach applied by the banks, an ineffective insolvency law, and two blanket moratoria on auctions of repossessed assets (de facto preventing property foreclosures)—is deficient. It does not help distressed borrowers in need of temporary forbearance, while imposing very high costs on banks. To address these shortcomings, the authorities will: (i) adopt legislation by end-June to establish a new incentive-compatible “facilitation program” for low-income households who have suffered income losses and are temporarily unable to service their debts; (ii) clarify and tighten by end-June the eligibility criteria for accessing the existing insolvency scheme under law 3869/2010; and (iii) adopt by end-June legislation to facilitate government initiatives to deal with NPLs (including standardization of processing and restructuring solutions, and enhanced non-judicial resolutions). The current blanket moratoria will be discontinued once the new framework is fully operational (no later than end-August 2013).

- **The insolvency framework for the corporate sector will be reviewed.** Restructuring of nonperforming corporate debt (especially SMEs) has so far been very slow. The authorities will thus evaluate in the coming months the potential legal, operational and structural obstacles that could be hampering effective debt resolution in the SMEs, small business and professional sectors, and are committed to adopt promptly remedial measures.



- **The authorities will develop a framework to ensure banks address the problem of growing NPLs** (MEFP ¶26). Agreement was reached to establish by end-August 2013 definitions on a set of KPIs related to reporting, resolving, and provisioning of NPLs, and the authorities will provide guidance on bank NPL resolution practices. Banks will be required to report on these KPIs by October 2013. Also, the upcoming NPL resolution review by the HFSF will assess the capacity of banks to deal with their NPLs and address any identified shortcomings. Separately, the BoG has decided to manage the bad assets of resolved banks by transferring them to a central liquidator, which would have powers to manage and liquidate assets.

27. Agreement was reached to further strengthen financial sector governance (MEFP ¶27):

- The HFSF and banks will put in place relationship frameworks by end-May 2013. These frameworks are expected to establish a clear basis for banks to be run on commercial principles, while guarding against transactions that are not in the interest of the majority public owner.
- To address weaknesses in the HFSF governance framework, it was agreed as a prior action to add two independent members in the HFSF General Council.

28. The authorities will prepare a comprehensive strategy for the banking system. In light of the transformed banking landscape following the process of recapitalization and restructuring, the authorities will prepare a comprehensive strategy by July 15, 2013. This will address, among other issues, whether the banking sector should be based around the four existing core banks (or allow mergers among core banks), and will determine the timetable for disposing to the private sector the shares held by the HFSF. Staff's present view is that there must be a clear business rationale for any combined bank, including clear and significant synergies, and that plans must be in place for early privatization of strategic stakes in any banks that the government does end up controlling.

Structural reforms

29. Structural reforms have advanced, but the real test of progress will come in future reviews. With the far-reaching labor market reforms introduced under the program delivering results, the focus of structural reforms is now on opening closed professions, liberalizing product and service markets, and transferring state assets to the control of the private sector (MEFP ¶28–30 and Table 15). Some progress has been achieved, but delays across most areas suggest that backloaded targets for 2013 could be missed absent a redoubled effort.

- **Liberalization of regulated professions is a work in progress.** The authorities removed excessive restrictions on entry, minimum prices, and mandatory use and exclusivity of services for a number of professions and economic activities. They have now completed the first round of liberalization for most regulated professions that were identified at the beginning of the program as having excessive restrictions. However, some key professions have yet to be tackled, including engineering (where exclusivity restrictions abound), and lawyers. The authorities are committed to address those professions during the second half of 2013. Moreover, the effectiveness of actions to date needs to be assessed in light of the myriad ways that vested interests can effectively block implementation despite de jure liberalization. To that end, the authorities will review by end-July 2013 the 20 economically most important professions to assess the degree of de facto liberalization, and address promptly any remaining restrictions.
- **Other product and service market reforms focused on tourism and retail trade.**
 - Reforms are targeting the maritime sector and airports at this stage, which are critical for tourism. In the maritime sector, routing restrictions and high manning obligations affecting the domestic ferry industry were eased. However, the authorities have not yet taken actions to increase the flexibility of labor arrangements in the shipping industry by allowing for

adjustment of individual labor contracts and for firm level agreements when collective labor agreements have expired, as in other economic sectors. This will be reviewed in the fall. Concerning airports, competitive fees for regional airports have been secured. However, so far there has been little progress in lowering the Athens airport fees, which are among the highest in the world, reflecting in part the complications posed by the existing concession agreement.

- Following up on retail market liberalization in the previous review, actions will be taken to liberalize the market for over-the-counter (OTC) drugs, which remains one of the most restricted in the EU. Thus fixed margins will be replaced with maximum ones in June 2013, and by end-September 2013 the sale of selected OTC products (e.g., vitamins) outside pharmacies will be allowed.
- **Measures to improve the business environment focused on trade facilitation and judicial reform.** Working shifts for customs will be increased to 24/7 in the Athens airport, and an additional shift will be added in the port of Piraeus. Going forward, the authorities will expand to imports the risk-based approach to inspections (by end-September) as well as the e-customs system (by end-November). In the area of judicial reforms, by end-September 2013 the authorities will relocate judges to the administrative courts with the highest backlog, and prepare legislation for compulsory mediation of small claims, in order to reduce delays in court decisions.

30. The review discussed ways to build on the recent momentum in privatization and avoid delays (MEFP ¶131, Table 16). The successful tender of the betting company (OPAP) and expected imminent tender of the natural gas company (DEPA) mark important milestones in the privatization effort. Important next steps are the timely unbundling of the national electricity company (PPC), state aid clearance for the ports and the gas transmission company (DEFSa), and readying additional real estate assets for sale. The authorities will also seek to put in place processes for earlier and coordinated involvement of the supervisory entities (the Court of Audit, Council of State, and Competition Authorities, including DG Comp) in the privatization process, to minimize undue delays for their required approvals. Absent greater progress on completing these next steps, the quarterly timetable for privatization proceeds under the program will be at risk.

PROGRAM MODALITIES

Program monitoring

31. The authorities implemented nine prior actions to set the stage for Board consideration of the third review (MEFP Table 3). These measures were mainly geared to catch up with program commitments regarding revenue administration and public administration reform, and to strengthen HFSF governance:

- **Improving revenue collection.** Prior actions cover: (i) adoption of legislation to strengthen the independence of the revenue administration; (ii) adoption of legislation to establish new installment arrangements for the collection of tax and social contribution debt; (iii) a package of revenue administration procedural reforms; and (iv) meeting end-April quantified key performance indicators for the revenue administration.
- **Implementing fiscal strategy for 2013–14.** Prior actions cover: (i) adoption of legislation to extend collection of the real estate tax through 2013 via the public power company; (ii) measures to implement public administration reforms (including setting targets on mandatory redundancies and on overall employment in the general government); and (iii) a package of measures to eliminate by end-2014 the debt in the RES account.
- **Strengthening expenditure control.** A prior action required meeting quantified key performance indicators for public financial management, to strengthen expenditure control, and thus help prevent accumulation of new expenditure arrears.
- **Improving HFSF governance.** A prior action required amending the HFSF law to increase the number of independent members of the General Council.

32. Program quantitative targets are proposed for revision (MEFP Table 1):

- **Fiscal quarterly performance criteria (QPCs).** This review proposes an adjustment to the end-June QPC on the primary balance to reflect the within year changes in the fiscal program. In addition, fiscal QPCs for end-September and end-December 2013 have been set.
- **Indicative targets.** Existing targets for 2013 are unchanged. However, in view of continued implementation problems, two new indicative targets are proposed regarding mandatory exits and transfers to the mobility scheme. Given the importance of steady progress regarding mandatory exits, and long required lead times, quarterly targets are proposed for 2014 as well.

33. New structural benchmarks have been established (MEFP Table 4):

- To secure **fiscal sustainability**: by end-October 2013, the authorities should complete a key step towards finalizing the new semi-autonomous structure for the revenue administration. Thus a new organizational structure of the revenue administration should be approved, covering staffing numbers, grading system, job classification, and qualification and appointment processes (MEFP ¶13).
- To preserve **financial stability**: (i) by July 15, 2013, a comprehensive banking sector strategy should be completed (MEFP ¶18); and (ii) by July 15, 2013, the New Hellenic PostBank will be resolved via a P&A transaction (MEFP ¶19).

34. Program reviews will continue on a quarterly basis. The fourth and fifth reviews under the program are proposed to take place, respectively, on or after July 25, 2013 and September 29, 2013 (Table 17).

Exceptional access criteria, financing assurances, and capacity to repay

35. The program continues to satisfy the substantive criteria for exceptional access but with little margin (Box 3). Delays in program implementation resulting in several missed structural benchmarks raised doubts about the capacity of the authorities to implement the program in a difficult political environment. Nevertheless, the authorities' willingness to stay the course in fiscal adjustment, despite intense political pressure, and their additional efforts in the form of strong prior actions, mitigate this concern and allow the program to satisfy the criteria for exceptional access. The commitment of euro area member states to support Greece and to undertake further debt relief as necessary continues to be an essential part of meeting the criteria.

36. Financing assurances are in place for the third review (Tables 18–19). The program is fully financed through the first half of 2014, but a projected financing gap of €4 billion will open up in the second half of 2014. Thus, under staff's current projections, additional financing will need to be identified by the time of the next review, to keep the program fully financed on a 12-month forward basis, and the Eurogroup has initiated discussions already on how to eliminate the projected 2014 gap. In this regard, the Eurogroup commitment made in both February and November 2012 to provide adequate support to Greece during the life of the program and beyond, provided that Greece fully complies with the program, is particularly important.

37. The staff's assessment of capacity to repay the Fund has not changed and under the baseline Greece has the capacity to repay the Fund (Table 20). The macroeconomic outlook, debt service to the Fund, and peak access remain broadly unchanged and euro area member states remain committed to an official support package that will help keep debt on the programmed path as long as Greece adheres to program policies. Capacity to repay the Fund thus depends on the authorities' ability to fully implement an ambitious program. It continues to be the case that if the program went irretrievably off-track and euro area member states did not continue to support Greece, capacity to repay the Fund would likely be insufficient.

STAFF APPRAISAL

38. The program is meeting its short-run objectives, but questions remain about medium-term targets and sustainability. The impressive fiscal adjustment evident since the crisis erupted is continuing, and the competitiveness gap and the current account deficit are now narrowing fast. This reflects full implementation of programmed stabilization policies. However, the adjustment is still taking place through recessionary channels, and although the contraction is clearly slowing and sentiments are improving, there is no evidence yet of the sustained expansion in investments necessary for a robust recovery to get underway. Thus, mindful that Greece will have to endure several more years of painful adjustment amid a fragile social and political situation, investors remain doubtful about sustainability. From this perspective, policy implementation remains much less satisfactory, as reforms of tax administration, public employment policies and closed professions—all in various ways key to improving sustainability—have continued to fall short.

39. Greece is on track to meet its fiscal target for 2013. The fiscal program is ambitious in its scale—the adjustment remains huge by international comparison for the fourth consecutive year—and in its focus on difficult but overdue spending cuts, and the strong implementation speaks to the Government’s determination. While staff understands the desire to use fiscal space to ease the adjustment, the authorities should resist pressures to do so before there is firm evidence that such space exists. Staff does not see this evidence at this stage. With much-needed debt relief riding on adherence to the programmed path for the primary balance, the authorities cannot afford to take risks in this area.

40. Progress on improving tax administration remains very disappointing. This is becoming a matter of urgency if the authorities are to be able to avoid—as promised—further across-the-board cuts in public sector wages and social transfers, as European partners are unlikely to make up for Greece’s inability to tackle its notorious tax evasion problem by providing more financing. In this context, the planned increase in independence of the revenue administration is essential to insulate it from what remains continued political interference. If these measures—and other measures to modernize the revenue administration’s legal framework, operating procedures, and personnel management—fail to deliver, the authorities should consider more fundamental changes, by switching to a revenue agency outside the remit of the civil service.

41. Public administration reforms need to start in earnest. The provision of important public services is hampered by the lack of qualified staff, especially in the revenue administration, and attrition alone is not sufficient to upgrade public administration in support of a modern and well-functioning state. Following several failed attempts, the authorities should deliver on their commitment to dismiss nonperforming public employees. This will free up room to bring in qualified and young personnel, using a one-to-one rule for dismissals, as long as the strict application of the attrition rule delivers the programmed reduction in overall employment.

42. New governance challenges are emerging in the financial sector. With the HFSF having become the largest shareholder of all major banks in Greece, and considering the serious governance problems associated with state-owned banks in the past, adherence to the governance safeguards put in place under the program is essential. Moreover, the strategy for the banking system that will be developed in the coming months should envisage swift divestiture of shares in HFSF-controlled banks. To that end, any merger among the core banks should show clear and significant synergies, and should not jeopardize the prospect for a speedy transfer of HFSF shares to the private sector. The adoption of a revised household debt restructuring framework is a welcome start to a coordinated strategy for dealing with distressed assets, and needs to be followed by a similar approach to address the growing NPLs of the corporate sector, especially the SMEs. In this regard, staff is concerned about pressure for debt relief that could undermine the payment culture. To maintain financial sector stability, it is essential that these approaches should be consistent with the program’s bank recapitalization envelope.

43. Reforms to open up the economy to competition should be stepped up. While on the cost side most of the pre-crisis competitiveness gap has been closed, prices have failed to adjust commensurately, indicating the presence of market rigidities. The focus going forward should be on

continuing to liberalize the closed professions, opening up other product and service markets, and removing red tape that feeds corruption and strangles initiative. A critical mass of such reforms is essential for improving productivity and lowering input and consumer prices. This will help boost investments, and create much-needed employment opportunities. It will also ensure that the burden of adjustment is more fairly distributed and thus help shore up support for the program.

44. The privatization process is finally moving forward, although still too slowly. The tenders of the national betting company and the national gas company are important steps, and the authorities now need to press forward forcefully to secure the regulatory approvals and complete other actions needed to finalize these sales. They must also redouble their efforts to sell other assets in their portfolio, including real estate. Staff is concerned that preparations for these other privatizations are running behind schedule and that targets for end-2013 could be missed. Staff remains of the view that if the comprehensive review of the privatization program scheduled for the fall of 2013 suggest that delays are continuing—in particular that political interference continue to hamper the process—more far-reaching governance changes to the HRADF must be considered, including bringing in foreign managers.

45. Debt sustainability concerns continue to hang over the program. If investors are not persuaded that the policy for dealing with the debt problem is credible, investments and growth will be unlikely to recover as programmed. The commitment of Greece's European partners to provide debt relief as needed to keep debt on the programmed path remains, therefore, a critical part of the program. But the programmed path entails still very high debt well into the next decade. As noted at the last review, should debt sustainability concerns prove to be weighing on investor sentiments even with the framework for debt relief now in place, and strong program implementation by the Greek authorities notwithstanding, a more front-loaded approach to debt relief would need to be considered. The macroeconomic and debt outlook must remain under close review.

46. On the basis of reforms undertaken in the context of this review, and government's policy commitments going forward, staff supports the completion of the third review.

Table 1. Greece: Selected Economic Indicators, 2009–13

	2009	2010	2011	2012		2013
				Prog.	Est.	
(Percentage change, unless otherwise indicated)						
Domestic economy						
Real GDP	-3.1	-4.9	-7.1	-6.0	-6.4	-4.2
Output gap (percent of pot. output)	7.3	3.3	-2.6	-7.3	-7.7	-10.6
Total domestic demand	-5.5	-7.0	-8.7	-8.7	-10.4	-5.6
Private consumption	-1.6	-6.2	-7.7	-7.7	-9.1	-6.9
Public consumption	4.9	-8.7	-5.2	-6.2	-4.2	-4.0
Gross fixed capital formation	-13.7	-15.0	-19.6	-14.4	-19.2	-4.0
Change in stocks (contribution)	-1.2	0.7	-0.4	0.4	0.0	0.4
Foreign balance (contribution)	3.0	3.0	2.4	3.3	3.7	2.6
Exports of goods and services	-19.4	5.2	0.3	-1.2	-2.4	3.0
Imports of goods and services	-20.2	-6.2	-7.3	-11.5	-13.8	-6.4
Unemployment rate (percent) 1/	9.4	12.5	17.5	24.4	24.2	27.0
Employment 1/	-1.0	-2.7	-6.6	-9.2	-8.2	-3.7
Unit labor costs	4.2	-1.1	-3.9	-8.1	-6.1	-6.5
Consumer prices (national definition), period average	1.2	4.7	3.3	1.2	1.5	-0.8
Consumer prices (HICP), period average	1.3	4.7	3.1	...	1.0	...
Core prices, period average 2/	2.3	2.6	1.1	...	-0.3	...
GDP deflator	2.3	1.1	1.0	-0.5	-0.8	-1.1
(Percent of GDP, unless otherwise indicated)						
Balance of payments						
Current account	-11.2	-10.1	-9.9	-4.2	-3.4	-0.8
Structural current account balance	-7.0	-8.3	-10.9	...	-5.4	-4.9
Trade balance	-7.8	-6.8	-6.0	-2.5	-2.5	-0.2
Export of goods and services	18.3	20.5	23.4	25.3	25.4	27.4
Imports of goods and services	-26.2	-27.3	-29.5	-27.8	-27.9	-27.6
Total transfers	0.6	0.1	0.3	0.3	0.7	1.8
Net income receipts	-3.9	-3.5	-4.1	-2.0	-1.6	-2.5
Net international investment position	-86.4	-98.4	-86.1	-94.2	-114.1	-118.9
Public finances (general government)						
Total revenues	38.3	40.6	42.4	43.6	44.1	44.3
Total expenditures	54.0	51.4	52.0	50.3	50.4	48.4
Primary expenditures	48.8	45.5	44.8	45.1	45.4	44.3
Overall balance	-15.6	-10.8	-9.6	-6.7	-6.3	-4.1
Primary balance	-10.5	-4.9	-2.4	-1.5	-1.3	0.0
Cyclically-adjusted primary balance	-13.0	-6.1	-1.3	...	2.2	5.0
Gross debt	130	148	170	158	157	176
Interest rates and credit						
Lending interest rate (percent) 3/	5.1	6.1	6.8	...	5.8	6.4
Private credit growth (percent change) 4/	4.2	0.0	-3.1	-7.2	-4.0	-6.5
Exchange rates, end-period (percent change) 3/						
Nominal effective exchange rate	0.4	-3.7	0.0	...	-0.5	0.1
Real effective exchange rate (CPI-based)	1.7	-1.2	-0.7	...	-1.9	-2.1
Real effective exchange rate (man. ULC-based)	1.1	0.8	-6.1	...	-8.4	-8.4
Memorandum items:						
Nominal GDP (billions of euros)	231	222	209	195	194	183
Nominal GDP (percent change)	-0.9	-3.9	-6.1	-6.5	-7.1	-5.3

Sources: National Statistical Service; Ministry of Economy and Finance; Bank of Greece; and IMF staff projections.

1/ Based on Labor Force Survey.

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

3/ Data for 2013 as of March.

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

Table 2. Greece: Modified General Government Cash Balance, 2012–16 1/

	(Billions of euros)							
	2012	2013 (cumulative)				2014	2015	2016
		Mar-13	Jun-13	Sep-13	Dec-13			
	Actual	Prog.			Prog.	Proj.		
I. State budget								
Revenue	51.6	11.9	22.6	35.9	50.3	48.8	48.7	49.2
Ordinary budget (A + B + C - D + E)	48.0	10.3	20.2	32.2	45.2	44.2	44.7	46.4
A. Recurrent revenue	49.7	10.2	20.6	32.9	46.6	45.5	46.5	48.4
1. Direct taxes	21.1	4.2	8.5	14.1	19.6	19.0	19.3	19.8
Income taxes	13.3	2.0	4.5	8.1	11.1	12.2	12.9	14.0
PIT	10.0	1.6	3.2	5.6	7.8	6.7	7.0	7.5
CIT	1.7	0.0	0.5	1.0	1.5	3.6	4.0	4.4
Other	1.6	0.4	0.8	1.4	1.9	1.9	1.9	2.0
Property taxes	2.9	0.7	1.5	2.1	3.3	2.8	2.8	2.8
Tax arrears collection	1.8	1.0	1.6	2.1	2.6	1.4	1.5	1.6
Other direct taxes	3.1	0.4	0.9	1.8	2.6	2.6	2.2	1.4
2. Indirect taxes	26.1	5.6	11.2	17.2	24.2	23.9	24.5	25.9
Transaction taxes	15.7	3.5	6.9	10.5	14.1	13.9	14.4	15.2
VAT	15.0	3.4	6.6	10.0	13.5	13.2	13.6	14.4
Other	0.7	0.1	0.3	0.5	0.7	0.7	0.7	0.8
Consumption taxes	9.6	1.8	3.9	6.1	9.4	9.2	9.4	9.9
Tax arrears collections	0.5	0.2	0.3	0.4	0.4	0.4	0.4	0.5
Other indirect taxes	0.3	0.1	0.1	0.2	0.3	0.3	0.3	0.3
3. Transfers EU	0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.2
4. Nontax revenue	2.2	0.4	0.9	1.5	2.5	2.4	2.4	2.5
B. One-off revenue	1.5	0.3	0.5	0.7	0.9	0.7	0.8	0.8
C. Revenue from concession and rights	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0
D. Tax refunds	3.2	0.2	0.9	1.8	2.9	2.8	2.8	2.9
E. Tax Installment Scheme	0.0	0.0	0.0	0.2	0.5	0.6	0.3	0.1
Investment budget	3.6	1.6	2.4	3.7	5.1	4.6	3.9	2.9
A. EU flows	3.4	...	...	...	...	4.4	3.7	2.7
B. Own revenues	0.2	...	...	...	...	0.2	0.2	0.2
Expenditure	66.9	13.7	28.7	43.7	59.0	55.9	56.0	55.5
Ordinary spending	59.9	13.1	25.7	38.6	51.2	48.6	48.0	48.1
Ordinary primary spending	47.7	11.2	22.3	33.2	44.8	41.7	40.8	40.8
A. Remuneration and pensions	20.5	4.6	9.3	13.9	18.6	18.0	17.9	17.8
B. Insurance and healthcare	16.7	4.2	8.0	11.7	15.3	13.2	12.3	12.3
C. Operating and other expenditure	6.4	2.3	4.7	6.9	9.9	5.6	5.7	5.6
D. Earmarked revenue	3.5	0.0	0.0	0.0	0.0	3.5	3.6	3.8
E. Reserve	0.0	0.0	0.2	0.6	0.9	1.2	1.2	1.2
F. EFSF commitment fee	0.5	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Interest	12.2	1.9	3.3	5.4	6.4	6.9	7.2	7.3
Transfers to hospitals for the settlement of past debt	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment	6.1	0.5	2.5	4.2	6.7	6.4	7.0	6.7
Spending on military procurement	0.4	0.0	0.2	0.5	0.8	0.6	0.8	0.6
Guarantees on entities outside the general government	0.1	0.1	0.3	0.4	0.4	0.2	0.2	0.1
Balance	-15.3	-1.8	-6.1	-7.9	-8.7	-7.0	-7.3	-6.3
Primary balance	-3.1	0.1	-2.7	-2.4	-2.3	-0.1	-0.1	1.0
II. Balance local governments	0.1	0.2	0.3	0.3	0.3	0.3	0.6	0.6
III. Balance social security funds	0.2	1.4	1.4	1.4	1.9	1.3	-0.4	-0.3
IV. Balance of extra-budgetary funds (ETERPS)	0.5	0.0	0.1	0.2	0.2	0.2	0.0	0.0
VIII. Balance of reclassified public enterprises	-0.5	-0.1	-0.2	-0.2	-0.3	0.2	0.3	0.4
X. Modified general government cash balance	-14.9	-0.3	-4.5	-6.2	-6.6	-5.0	-6.8	-5.6
Modified general government primary cash balance	-2.7	1.7	-1.2	-0.8	-0.2	1.9	0.4	1.7
Primary spending	55.4	11.8	25.8	34.4	53.2	49.4	49.2	48.7
Memorandum items:								
Floor on the modified general government primary cash balance	-3.8	1.5	-1.2	-0.8	-0.3	2.0	3.6	...
Ceiling on primary spending	56.8	13.9	26.0	38.8	53.2	49.4	46.3	...

Sources: Ministry of Finance; and IMF staff projections.

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

Table 3. Greece: General Government Operations, 2010–17 1/

	2010	2011	2012	2013	2014	2015	2016	2017
	Proj.							
	(Billions of euros)							
Revenue	90.2	88.4	85.5	81.2	80.3	81.2	83.7	87.8
Indirect taxes	27.3	26.6	24.3	23.5	23.2	23.7	25.0	26.2
Direct taxes	17.5	18.0	19.1	18.7	18.5	18.6	18.8	19.7
Social contributions	29.8	27.4	26.5	24.7	25.2	25.1	25.8	27.1
Other current revenue	4.9	5.7	4.7	5.3	5.1	5.3	5.5	5.8
Sales	6.1	5.6	5.8	4.6	4.4	4.6	4.8	5.0
Capital revenue	4.6	5.0	4.9	4.4	3.8	3.9	3.8	4.0
Primary expenditure	101.1	93.3	87.9	81.3	77.6	78.7	78.9	82.7
Social benefits	47.5	47.5	44.4	40.0	38.5	39.3	40.0	42.0
Subsidies	0.1	1.0	1.0	1.1	0.5	0.2	0.4	0.4
Other current expenditure	3.4	2.6	2.3	2.5	2.4	2.4	2.4	2.5
Compensation of employees	27.8	25.9	24.2	21.2	20.4	20.2	19.9	20.9
Intermediate consumption	13.4	9.8	9.5	7.6	6.9	7.1	7.0	7.3
Investment	8.9	6.7	6.6	8.9	8.9	9.6	9.2	9.7
Unidentified measures (cumulative)	0.0	0.0	0.0	0.0	0.0	3.2	4.2	4.4
Primary balance	-10.9	-4.9	-2.5	0.0	2.8	5.7	9.0	9.4
Interest	13.2	15.0	9.7	7.5	8.7	9.8	10.5	11.0
Overall balance	-24.1	-20.0	-12.2	-7.5	-6.0	-4.1	-1.6	-1.6
Gross debt (Maastricht)	329.5	355.2	303.9	322.5	320.3	319.8	317.9	312.9
	(Percent of GDP)							
Total primary revenue	40.6	42.4	44.1	44.3	43.7	42.7	42.0	42.0
Indirect taxes	12.3	12.8	12.6	12.8	12.6	12.5	12.5	12.5
Direct taxes	7.9	8.6	9.9	10.2	10.1	9.8	9.4	9.4
Social contributions	13.4	13.2	13.7	13.4	13.7	13.2	12.9	12.9
Other current revenue	2.2	2.7	2.4	2.9	2.8	2.8	2.8	2.8
Sales	2.7	2.7	3.0	2.5	2.4	2.4	2.4	2.4
Capital revenue	2.1	2.4	2.5	2.4	2.1	2.1	1.9	1.9
Total primary expenditure	45.5	44.8	45.4	44.3	42.2	41.4	39.6	39.6
Social benefits	21.4	22.8	22.9	21.8	20.9	20.7	20.1	20.1
Subsidies	0.1	0.5	0.5	0.6	0.3	0.1	0.2	0.2
Other current expenditure	1.5	1.2	1.2	1.4	1.3	1.2	1.2	1.2
Compensation of employees	12.5	12.4	12.5	11.5	11.1	10.6	10.0	10.0
Intermediate consumption	6.0	4.7	4.9	4.1	3.8	3.7	3.5	3.5
Investment	4.0	3.2	3.4	4.9	4.8	5.1	4.6	4.6
Unidentified measures (cumulative)	0.0	0.0	0.0	0.0	0.0	1.7	2.1	2.1
Primary balance	-4.9	-2.4	-1.3	0.0	1.5	3.0	4.5	4.5
Interest	5.9	7.2	5.0	4.1	4.8	5.1	5.3	5.3
Overall balance	-10.8	-9.6	-6.3	-4.1	-3.3	-2.1	-0.8	-0.8
Gross debt (Maastricht)	148.3	170.3	156.9	175.8	174.2	168.2	159.5	149.7
Nominal GDP (billions of euros)	222.2	208.5	193.8	183.5	183.9	190.1	199.3	209.1

Sources: Ministry of Finance; and IMF staff projections.

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

**Table 4. Greece: General Government Statement of Operations (GFSM 2001, flows),
2010–16 1/**

(Millions of euros)

	2010	2011	2012	2013	2014	2015	2016
Revenue	90,232	88,383	85,458	81,243	80,265	81,205	83,675
Taxes	45,109	44,917	43,644	42,264	41,714	42,259	43,802
Social contributions	29,764	27,435	26,508	24,666	25,220	25,127	25,790
Grants and other revenue	15,359	16,031	15,306	14,313	13,331	13,819	14,082
Expenditure	114,289	108,346	97,655	88,807	86,313	88,484	89,403
Expense	114,472	111,332	100,264	....	....	....	....
Compensation of employees	27,773	25,852	24,215	21,184	20,365	20,175	19,895
Use of goods and services	13,429	9,789	9,456	7,583	6,919	7,069	6,999
Consumption of fixed capital	5,386	5,782	6,263	....	....	....	....
Interest	13,193	15,016	9,723	7,527	8,745	9,786	10,524
Subsidies	129	982	977	1,090	478	212	375
Social benefits	47,476	47,450	44,383	39,957	38,513	39,251	40,010
Grants and other expense	7,086	6,461	5,247	3,130	2,772	2,725	2,652
Net acquisition of nonfinancial assets	-183	-2,986	-2,609	....	....	....	....
Gross capital formation 2/	5,203	2,796	3,654	8,337	8,520	9,265	8,948
(-) Consumption of fixed capital	5,386	5,782	6,263	....	....	....	....
Unidentified Measures (Cumulative)	0	0	0	37	60	3,195	4,173
Gross operating balance 3/	-18,854	-17,167	-8,543	810	2,532	5,181	7,392
Net operating balance 4/	-24,240	-22,949	-14,806	....	....	....	....
Net lending (+)/borrowing (-) 5/	-24,057	-19,963	-12,197	-7,527	-5,988	-4,084	-1,556
Primary Net lending (+)/borrowing (-)	-10,864	-4,947	-2,474	0	2,758	5,702	8,969
Net acquisition of financial assets	4,798	356	52,061	....	....	....	....
Monetary gold and SDRs	0	0	0	....	....	....	....
Currency and deposits	5,097	-2,012	4,979	....	....	....	....
Debt securities	0	-48	13,535	....	....	....	....
Loans	144	832	-4,995	....	....	....	....
Equity and investment fund shares	380	652	38,036	....	....	....	....
Insurance, pensions, and standardized guarantee schemes	4	1	1	....	....	....	....
Financial derivatives and employee stock options	0	0	0	....	....	....	....
Other accounts receivable	-827	931	505	....	....	....	....
Net incurrence of liabilities	28,695	20,057	64,525	....	....	....	....
SDRs	0	0	0	....	....	....	....
Currency and deposits	-503	-184	-46	....	....	....	....
Debt securities	-311	-2,981	-44,744	....	....	....	....
Loans	30,216	26,907	107,811	....	....	....	....
Equity and investment fund shares	0	0	0	....	....	....	....
Insurance, pensions, and standardized guarantee schemes	0	0	0	....	....	....	....
Financial derivatives and employee stock options	951	166	-1,499	....	....	....	....
Other accounts payable	-1,658	-3,851	3,003	....	....	....	....

Sources: Ministry of Finance; and IMF staff projections.

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

2/ Acquisition less disposals of nonfinancial assets.

3/ Revenue minus expense (excluding consumption of fixed capital).

4/ Revenue minus expense (including consumption of fixed capital).

5/ Revenue minus expenditure.

Table 5. Greece: Financial Balance Sheet (GFSM 2001, stocks), 2008–12 1/

(Millions of euros)

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

Sources: Ministry of Finance; and IMF staff projections.

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

Table 6. Greece: Summary of Balance of Payments, 2010–18

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Proj.								
	(Billions of euro)								
Current account balance	-22.5	-20.6	-6.5	-1.6	-0.4	0.2	0.4	0.9	1.9
Balance of goods and services	-15.0	-12.6	-4.9	-0.3	2.6	4.6	5.9	7.2	8.6
Goods balance	-28.3	-27.2	-19.6	-16.9	-15.4	-14.9	-15.0	-15.1	-15.4
Exports	17.1	20.2	22.0	22.2	22.8	23.5	24.4	25.6	26.9
Imports	45.4	47.5	41.6	39.1	38.2	38.4	39.4	40.7	42.3
Services balance	13.2	14.6	14.7	16.6	18.0	19.5	20.9	22.4	24.0
Credit	28.5	28.6	27.1	28.1	29.3	30.9	32.7	34.8	37.0
Debit	15.2	14.0	12.4	11.5	11.2	11.4	11.9	12.4	13.0
Income balance	-7.7	-8.6	-3.1	-4.7	-5.7	-6.6	-7.3	-7.7	-7.5
Credit	4.0	3.3	3.3	3.8	4.2	4.6	5.1	5.7	6.1
Debit	11.7	11.9	6.3	8.5	9.9	11.2	12.3	13.4	13.6
Current transfers (net)	0.2	0.6	1.4	3.4	2.7	2.2	1.8	1.5	0.8
Capital and financial account balance	-8.6	-21.0	-103.4	-33.2	-15.2	-7.0	-3.0	-4.9	-5.0
Capital account balance	2.1	2.7	2.3	4.6	3.5	3.2	3.3	3.3	2.8
Financial account	-10.6	-23.7	-105.7	-37.9	-18.7	-10.3	-6.3	-8.2	-7.8
Direct investment	-0.9	-0.5	2.3	2.3	1.8	1.9	1.8	2.2	3.0
Portfolio investment	-20.9	-19.8	-99.9	-2.8	-9.0	-5.4	-2.1	-3.5	0.2
Of which: government	-26.8	-23.3	-57.0	6.2	-9.1	-6.1	-2.7	-4.7	-0.9
Other investment (excl. program financing)	11.0	-3.4	-8.1	-37.3	-11.4	-6.8	-6.0	-6.8	-11.0
Reserve assets (increase = -)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program financing, net	31.5	41.5	109.9	34.8	11.0	0.3	2.6	3.9	3.1
Unidentified financing	0.0	0.0	0.0	0.0	4.6	6.5	0.0	0.0	0.0
	(Percent of GDP)								
Current account balance	-10.1	-9.9	-3.4	-0.8	-0.2	0.1	0.2	0.5	0.9
Balance on goods and services	-6.8	-6.0	-2.5	-0.2	1.4	2.4	3.0	3.5	3.9
Goods balance	-12.7	-13.1	-10.1	-9.2	-8.4	-7.8	-7.5	-7.2	-7.0
Services balance	6.0	7.0	7.6	9.0	9.8	10.2	10.5	10.7	11.0
Income balance	-3.5	-4.1	-1.6	-2.5	-3.1	-3.5	-3.7	-3.7	-3.4
Current transfers	0.1	0.3	0.7	1.8	1.5	1.2	0.9	0.7	0.4
Capital and financial account balance	-3.9	-10.1	-53.4	-18.1	-8.3	-3.7	-1.5	-2.3	-2.3
Capital account balance	0.9	1.3	1.2	2.5	1.9	1.7	1.7	1.6	1.3
Financial account	-4.8	-11.3	-54.6	-20.6	-10.1	-5.4	-3.2	-3.9	-3.6
Direct investment	-0.4	-0.2	1.2	1.2	1.0	1.0	0.9	1.0	1.4
Portfolio investment	-9.4	-9.5	-51.6	-1.5	-4.9	-2.8	-1.1	-1.7	0.1
Of which: government	-12.1	-11.2	-29.4	3.4	-4.9	-3.2	-1.4	-2.2	-0.4
Other investment	5.0	-1.7	-4.2	-20.4	-6.2	-3.6	-3.0	-3.3	-5.0
Reserve assets (increase = -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program financing	14.2	19.9	56.7	19.0	6.0	0.2	1.3	1.9	1.4
Unidentified official financing / market access	0.0	0.0	0.0	0.0	2.5	3.4	0.0	0.0	0.0
Gross external debt	213.1	225.4	232.8	247.0	238.1	222.2	204.7	190.6	176.6
Public sector	150.9	173.5	183.3	196.0	187.9	173.8	158.5	146.8	134.7
Private sector	62.2	51.9	49.5	51.0	50.2	48.4	46.2	43.8	42.0
Memorandum item:									
Current account balance in cash terms	-10.1	-9.9	-3.4	-0.4	0.8	2.1	2.5	3.0	3.5
Structural current account balance	-8.3	-10.9	-5.4	-4.9	-3.6	-2.1	-0.8	0.1	1.0

Sources: Bank of Greece; and IMF staff estimates.

Table 7. Greece: Monetary Survey, 2010–14

	2010	2011	2012	2013				2014			
				Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
				Proj.							
(Billions of Euros)											
Aggregated balance sheet of Monetary Financial Institutions (MFIs)											
Total assets	654.6	646.1	602.5	558.5	541.4	526.7	520.9	512.4	505.6	499.5	494.4
Cash (held by credit institutions)	2.1	2.4	2.5	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9
Claims on Bank of Greece	10.6	5.1	3.1	4.2	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Claims on other MFIs	186.0	146.8	170.7	130.9	129.0	124.2	122.0	117.6	113.8	109.8	106.1
Claims (Loans) on non MFIs	289.0	275.9	250.1	249.3	240.2	232.8	229.6	226.6	224.3	222.5	221.2
Domestic	282.5	269.5	244.8	243.6	235.1	227.7	224.5	221.6	219.3	217.4	216.1
General government	26.3	22.3	17.4	15.3	14.6	14.0	13.9	13.8	13.8	13.9	13.9
Other sectors 1/	256.2	247.2	227.5	228.2	220.5	213.7	210.6	207.7	205.4	203.6	202.2
Other countries	6.5	6.4	5.2	5.7	5.2	5.2	5.1	5.1	5.1	5.1	5.1
Securities 2/	101.2	93.0	100.4	99.8	96.9	95.5	95.3	94.5	93.9	93.5	93.2
Other assets	60.7	117.9	70.6	67.4	65.2	64.3	64.2	63.9	63.9	64.0	64.2
Fixed assets	5.0	5.0	5.0	4.9	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Total Liabilities	654.6	646.1	602.5	558.5	541.4	526.7	520.9	512.4	505.6	499.5	494.4
Liabilities to Bank of Greece	97.8	76.9	121.2	92.0	88.8	83.9	81.5	77.6	74.1	70.5	66.9
Liabilities to other MFIs	164.7	155.4	133.2	109.3	108.7	103.9	101.6	97.6	94.1	90.4	86.9
Deposits and repos of non MFIs	282.5	237.5	225.2	227.2	223.7	221.1	220.9	220.2	220.1	220.7	221.8
Domestic	225.1	187.7	179.1	186.0	182.1	180.2	180.4	179.7	179.6	180.2	181.2
Other countries	57.4	49.8	46.1	41.2	41.6	40.8	40.6	40.5	40.5	40.5	40.7
Capital and reserves	46.7	54.8	56.0	59.8	58.2	57.0	56.6	56.9	57.3	57.8	58.4
Banknotes and coins in circulation	22.5	23.7	24.3	23.9	23.3	22.8	22.6	22.5	22.5	22.5	22.6
Other liabilities	40.3	97.8	42.6	46.3	38.8	38.0	37.7	37.6	37.6	37.6	37.7
Money and credit											
Broad money	232.9	199.2	188.4	193.7	191.4	189.5	189.6	189.3	189.6	190.5	191.9
Credit to the private sector 3/ 4/	257.5	248.1	227.3	228.0	220.5	213.7	210.6	207.7	205.4	203.6	202.2
Credit to government 3/	63.0	59.1	28.2	22.5	22.8	22.3	22.4	22.3	22.3	22.3	22.3
(Annual percentage change) 5/											
Broad money	-11.2	-14.6	-5.3	1.5	8.6	4.9	0.6	-2.2	-1.0	0.5	1.2
Domestic private sector deposits	-12.4	-17.0	-7.0	0.9	9.8	6.0	1.3	-2.0	-1.1	0.3	1.0
Credit to the private sector 3/ 4/	0.0	-3.1	-4.0	-3.5	-5.0	-5.6	-6.5	-8.8	-6.8	-4.8	-4.0
Credit to government 3/	28.3	2.0	-7.9	-17.0	-15.0	-24.6	-20.8	-0.9	-2.3	-0.1	-0.1
(Percent of GDP)											
Broad money	101.8	89.5	89.1	97.8	101.0	102.7	103.5	103.6	103.8	104.2	104.6
Domestic deposits	98.4	84.3	84.7	93.9	96.1	97.7	98.4	98.4	98.4	98.5	98.7
Credit to the private sector 4/	112.6	111.4	107.5	115.1	116.3	115.9	115.0	113.7	112.5	111.3	110.1
Credit to government	27.6	26.6	13.4	11.4	12.0	12.1	12.2	12.2	12.2	12.2	12.2
Memorandum items:											
(Percent)											
Capital to assets	5.8	6.9	5.7	5.8	5.7	5.7	5.6	5.9	6.1	6.3	6.5
Loans to customer deposits	103.5	117.0	111.6	110.3	107.1	104.9	103.5	102.5	101.4	100.3	99.2
Velocity	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

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

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

2/ Holdings of securities other than shares and derivatives.

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

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

Table 8. Greece: Monetary Financial Institutions (excl. BoG)—Uses and Sources of Funds, 2010–16

	2010	2011	2012	2013	2014	2015	2016
				Proj.			
	(Billions of euros)						
Assets	515.0	476.9	442.2	408.6	396.6	394.4	398.7
Cash	2.1	2.4	2.5	1.9	1.9	2.0	2.1
Claims on other MFIs	88.9	68.7	48.3	40.5	39.1	39.0	39.4
Claims on non-MFIs	354.8	338.4	321.3	299.9	289.3	284.9	285.4
General government	63.0	59.1	28.2	22.4	22.3	23.1	24.2
Private sector 1/	255.8	246.8	227.1	210.6	202.2	197.7	196.6
Corporate	116.5	113.0	100.8	97.1	95.3	95.3	96.8
Households	139.3	133.8	126.3	113.5	106.8	102.4	99.8
Other countries	36.0	32.4	66.0	66.9	64.8	64.1	64.5
Other assets	69.1	67.4	70.0	66.4	66.3	68.5	71.8
Liabilities	515.0	476.9	442.2	408.6	396.6	394.4	398.7
Liabilities to other MFIs	66.3	44.5	31.7	34.6	34.5	35.5	37.0
Deposits of non-MFIs	280.2	232.3	218.9	215.7	216.6	225.0	237.9
Central government	9.0	4.1	7.1	7.2	6.4	6.4	7.2
Private sector	213.9	178.7	166.2	168.4	170.0	175.8	184.5
Other countries 2/	57.4	49.5	45.6	40.1	40.2	42.8	46.2
Other liabilities	26.3	18.1	17.2	24.3	24.3	25.1	26.3
Capital and reserves	44.4	53.1	53.2	52.5	54.3	57.8	62.5
Eurosystem liquidity support	97.8	128.9	121.2	81.5	66.9	51.0	35.0
	(Percent of GDP)						
Assets	231.8	228.7	228.2	223.0	216.1	207.9	200.4
Cash	1.0	1.1	1.3	1.0	1.0	1.0	1.0
Claims on other MFIs	40.0	33.0	24.9	22.1	21.3	20.6	19.8
Claims on non-MFIs	159.7	162.3	165.8	163.7	157.6	150.2	143.5
General government	28.4	28.4	14.6	12.2	12.2	12.2	12.2
Private sector 1/	115.2	118.4	117.2	115.0	110.1	104.3	98.9
Corporate	52.4	54.2	52.0	53.0	51.9	50.3	48.7
Households	62.7	64.2	65.2	62.0	58.2	54.0	50.2
Other countries	16.2	15.6	34.1	36.5	35.3	33.8	32.4
Other assets	31.1	32.3	36.2	36.2	36.1	36.1	36.1
Liabilities	231.8	228.7	228.2	223.0	216.1	207.9	200.4
Liabilities to other MFIs	29.8	21.4	16.4	18.9	18.8	18.7	18.6
Deposits of non-MFIs	126.1	111.4	113.0	117.7	118.0	118.6	119.6
Central government	4.0	2.0	3.7	3.9	3.5	3.4	3.6
Private sector	96.3	85.7	85.8	91.9	92.6	92.7	92.8
Other countries 2/	25.8	23.7	23.5	21.9	21.9	22.6	23.2
Other liabilities	11.8	8.7	8.9	13.2	13.2	13.2	13.2
Capital and reserves	20.0	25.4	27.5	28.7	29.6	30.5	31.4
Eurosystem liquidity support	44.0	61.8	62.5	44.5	36.5	26.9	17.6
Memorandum items:							
Domestic private sector deposit growth (percent)	-12.4	-17.0	-7.0	1.3	1.0	3.4	5.0
Private credit growth (percent change) 3/	0.0	-3.1	-4.0	-6.5	-4.0	-2.2	-0.6
Eurosystem liquidity support (percent of total assets)	19.0	27.0	27.4	20.0	16.9	12.9	8.8

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

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

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

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

Table 9. Greece: Core Set of Financial Soundness Indicators for Deposit Taking Institutions, 2009–12

(Percent, unless otherwise indicated)

	2009	2010	2011				2012			
			Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Core set										
Regulatory capital to risk-weighted assets 1/	11.9	12.3	12.3	10.6	10.1	7.0	5.7	8.9	10.2	10.2
Regulatory tier I capital to risk-weighted assets 1/	10.9	11.2	11.1	9.6	9.2	5.8	4.7	8.1	9.4	9.5
Nonperforming loans net of provisions to capital	37.9	46.9	51.2	66.3	78.6	...	...	...	...	...
Nonperforming loans to total gross loans	7.8	10.5	11.5	12.8	14.7	16.0	18.7	21.6	22.5	24.6
Bank provisions to nonperforming loans	42.0	46.2	...	...	...	62.9	57.1	49.5	50.1	48.1
Return on assets (after taxes) 2/	-0.1	-0.6	-0.3	-1.7	-2.1	...	...	...	...	...
Return on equity (after taxes) 2/	-1.7	-8.8	-3.9	-27.3	-34.2	...	...	...	...	...
Interest margin to gross income 2/	75.8	91.0	82.5	87.4	91.7	93.7	100.1	106.5	123.1	103.1
Non-interest expenses to gross income 2/	57.4	62.2	54.1	56.9	58.6	66.1	72.0	89.2	106.0	94.0
Liquid assets to total assets 3/	45.2	35.2	34.5	35.2	33.2	32.3	27.3	29.3	30.8	32.1
Liquid assets to short-term liabilities 3/	56.9	46.9	46.4	48.2	50.2	43.1	34.0	37.5	39.7	41.9
Net open position in foreign exchange to capital 1/ 4/	11.6	11.3	12.0	15.4	14.5	...	...	...	...	...
Encouraged set										
Spread between reference lending and deposit rates (end-of-period, basis points) 5/	5.2	6.4	...	...	...	7.5	7.4	7.3	7.1	7.1
Customer deposits to total (noninterbank) loans 3/	125.7	96.6	...	...	...	85.5	84.2	80.5	85.0	89.6
Foreign currency-denominated liabilities to total liabilities 3/	10.8	9.0	...	...	...	7.7	7.1	6.7	6.5	6.5
Market liquidity										
Average bid-ask spread in the securities market (basis points)	60.6	126.0	...	...	...	87.2	177.0	185.0	155.0	193.0
Households										
Household debt to GDP	52.1	60.0	...	...	...	61.3	63.8	66.2	64.1	63.7
Real estate markets										
Residential real estate loans to total loans 3/	20.3	21.1	...	...	...	22.8	24.2	25.0	25.5	25.5
Memorandum items:										
Assets (billions of euros)										
Banks	440.3	465.5	...	...	...	412.7	376.0	383.5	383.3	389.7
Branches of foreign banks	38.3	36.9	...	...	...	52.0	47.6	42.6	40.9	39.1
General insurance companies 6/	15.6	15.7	...	...	...	14.9	14.3	14.1	15.1	15.4
Other credit institutions	11.6	11.4	...	...	...	11.5	10.6	10.9	12.1	12.6
Deposits (billions of euros)										
Banks	248.6	220.3	...	...	...	172.4	163.3	152.0	155.0	164.0
Branches of foreign banks	21.9	18.7	...	...	...	20.9	20.1	16.0	16.7	18.1

Source: Bank of Greece.

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

2/ From 2004 in accordance with IFRS.

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

4/ Based on revised figures from 2002 onwards.

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

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

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

Stage of the revenue collection process	Issues	Next Steps
1. Organization and management		
An independent revenue administration with modern operating structure and methods.	<ul style="list-style-type: none"> • Fragmented tax administration. • The General Secretariat for Public Revenues lacks autonomy and power over core business activities and is vulnerable to political interference. • Too many local offices lacking central control. 	<ul style="list-style-type: none"> • Establish the mandate and composition for the SGPR advisory board; the IAD and the revenue-related departments of GSIS to the revenue administration; assign authority to the SGPR to reallocate expenditures across budget lines (June 2013). • Approve the new organizational structure, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration; transfer the revenue-related functions of SDOE (October 2013). • Approve the 2014 revenue administration budget (end-2014). • Transition staff to the new organizational structure of the revenue administration (March 2014).
1. Assessment		
Tax authorities provide services and support to voluntary taxpayer compliance.	<ul style="list-style-type: none"> • Payment of taxes at tax offices. • Potentially large tax evasion: about 75 percent of self-employed professionals declaring taxable income below minimum exemption threshold. Unregistered taxpayers. 	<ul style="list-style-type: none"> • Revise the tax and AML laws to: (i) ensure that the SGPR is represented at the Board of the FIU; (ii) enable the SGPR to obtain from the FIU information on individual tax audits and debt collection cases; (iii) require that information on relevant cases of failure to pay confirmed debt over €50,000 be transmitted to the FIU ; and (iv) require the FIU to promptly inform the SGPR when freezing assets related to laundering proceeds of tax crimes. • Adopt a new Tax Procedures Code to harmonize, simplify, and modernize tax procedures (June 2013).
2. Controls		
Tax authorities perform controls and enforce timely filing and payment.	<ul style="list-style-type: none"> • Data gathering ad hoc with no central control for monitoring and enforcing compliance. 	<ul style="list-style-type: none"> • Require that all ministries which have a fiscal relationship with taxpayers utilize their identification number for financial transactions with them (June 2013) and make it compulsory for all official transactions (end-2013) . • Introduce a central agency to consolidate and link all of the different identification numbers now employed across various government agencies (June 2014).
Audits are performed and taxes due are assessed and collected.	<ul style="list-style-type: none"> • Audit workforce not sufficient and low levels of audit coverage of high risk groups. • Limited use of indirect methods of assessment. • Low collection of assessed taxes. 	<ul style="list-style-type: none"> • Monitor progress towards achieving performance targets (Monthly performance reports in 2013). • Hire 200 external auditors (July 2013) and increase the number of staff devoted to audit by 2,000 by admitting staff with audit experience and selecting other qualified staff following interviews (in 2013). • Expand the sources of third party information used in assessments (May 2013).
3. Enforcement		
Tax assessments under appeal and tax arrears (including penalties and fines) are collected.	<ul style="list-style-type: none"> • Poor collection enforcement: collection of fines and penalties around 1 percent. 	<ul style="list-style-type: none"> • Monitor progress towards achieving performance targets (Monthly performance targets in 2013). • Launch an easily accessible website, which will publicize, on a monthly basis, information enabling the public to be informed about the tax debt assessed and recovered (include summary statistics on key performance indicators) (May 2013).

Source: IMF staff.

Table 11. Greece: Spending Process—Issues and Actions

Stages of the Spending Process and Issues	Next Steps
1. Budgeting	
<p>Develop a medium-term budget framework and prepare annual budgets within medium-term expenditure ceilings.</p> <ul style="list-style-type: none"> Budgets prepared mainly in a bottom-up fashion with no hard budget constraints. Budget preparation processes for general government entities still largely disjointed. Responsibility for social security fragmented with no effective preparation, management, and monitoring of social security budget. 	<ul style="list-style-type: none"> Issue circular regulating the calendar, deadlines, and the role of all institutions in formulating the 2014–17 MTF5 (Immediately). Modify the organic budget law to introduce: (i) rolling 3-year expenditure ceilings (binding for the first 2 years); (ii) provisions to freeze ex-ante 10 percent of discretionary appropriations; (iii) binding annual budget balance targets for LGs; (iii) performance targets for state enterprises;(v) clarity in treatment of carryover of end-year outstanding commitments. (August 2013). Adopt legislation to introduce the Fiscal Compact provisions, including a structural balance rule (August 2013). Issue a Joint Ministerial Decision indicating a common methodology for LG budget preparation and budget adoption by year-end and a review process of LG budgets by the Observatory of Local Authorities (end-June).
2. Spending controls	
<p>Ensure that expenditure commitments do not exceed appropriations and arrears are avoided.</p> <ul style="list-style-type: none"> Line ministries do not check or control expenditure commitments. No central control on incurred commitments by decentralized agencies. Execution of budget releases focused on verifying payments. 	<ul style="list-style-type: none"> Ensure that commitment registers are in operation in 80 percent of general government entities under the 2013 KPI definition (June 2013). Issue a new circular to clarify issues and provide guidance on functioning of the commitment registers, including carry-over of end-year outstanding commitments to the following year (October 2013). Set conditions under which the right of SOEs to receive new transfers or loans will be contingent on restoring financial soundness, including through spending cuts and fee increases in consultation with the supervising ministry and the MoF (June 2013).
3. Reporting	
<p>Collect and analyze information on payments, pending bills, and arrears.</p> <ul style="list-style-type: none"> Limited real-time monitoring of arrears and other pending bills. Collection of payment information at non-central government level difficult. 	<ul style="list-style-type: none"> Expand the scope of data captured by the General Accounting Office's e-portal to include the whole expenditure cycle and monitor reporting of the expanded data (June 2013). Start a process to clear past arrears subject to validation of arrears, and compliance with basic PFM reforms and reporting requirements (During 2013). Establish a system for monthly financial reporting by state-owned enterprises (SOE) currently outside the general government (June 2013).
<p>Monitoring and reporting of fiscal developments for general government and SOEs.</p> <ul style="list-style-type: none"> Monitoring and reporting of detailed fiscal data focused on the state budget. No timely in-year monitoring or reporting for general government published. Deviations of general government budget and contingent liabilities not detected on time. 	
4. External auditing	
<p>Parliamentary oversight and general auditing.</p> <ul style="list-style-type: none"> Lack of independent oversight of the budget process after dismissal of the Parliamentary Budget Office. 	<ul style="list-style-type: none"> Parliament continues to receive periodical reports (During 2013). Re-staff the Parliamentary Budget Office, resume and enhance its operation (June 2013), and strengthen its independence and competence with a view to establish a fiscal council (December 2013). Conduct an audit of commitment registers and health related arrears records maintained by EOPYY and the SSFs (August, 2013), launch a tender for an independent external auditor (September, 2013) to complete an audit of EOPYY's outstanding stock of accounts payable (end-March 2014).
Source: IMF staff.	

Table 12. Greece: Implementation of Structural Reforms

Measures	Description	MEFP Deadline	Status
Labor market			
Refocusing the Labor Inspectorate	The government completes an independent assessment of the Labor Inspectorate, focusing on effective control procedures to fight undeclared work and to eliminate activities that impose excessive administrative costs for businesses.	Dec-12	Assessment of the Labor Inspectorate completed by the ILO, and action plan prepared in December 2012.
Minimum wage	The government adopts a mechanism to set the statutory minimum wage (the new system, which becomes effective in 2017, will be legislated by the government after consultation with social partner, other stakeholders and independent experts, taking into account the economic and labor market situation and prospects).	Mar-13	In progress (a minimum wage mechanism is expected to be adopted by end-May 2013).
Sectoral deregulation			
Liberalization of regulated professions	The government takes steps during November and December 2012 to eliminate excessive entry restrictions on the remaining list of regulated professions (removing minimum fee for services and mandatory use of services). Structural benchmark.	Dec-12	Significant program made, but restrictions remaining in a number of professions (e.g., engineers and lawyers). These will be addressed during 2013 (See Table 16).
Business environment			
Trade facilitation	The government publishes a national trade facilitation strategy to simplify pre-customs and customs procedures, and to increase working shifts in customs (Athens airport and Piraeus port will shift to 24/7 by end-March 2013).	Nov-12	A national trade facilitation strategy as adopted in November 2012. The working hours for customs were increased in April 2013 to 24/7 in Athens airport, and expanded to two shifts in the port of Piraeus.
Simplification of licensing	The government further simplifies procedures for establishing companies (including streamlining background checks on company founders, and reducing minimum capital requirements in line with best EU practices); and completes the legal framework for the implementation of licensing laws (especially on manufacturing activities and environmental projects).	Mar-13	Procedures for establishing companies were streamlined in [March 2013]; the implementation of licensing laws on manufacturing activities and environmental projects has been delayed.
Reduction of case backlog in courts	Starting from end-2012, the government publishes quarterly reports on progress in tax cases backlog reduction, and updates the work plan to reduce the tax case backlog (with priority on cases exceeding €1 million).	Dec-12	Completed.
	The government adopts an action plan to reduce the non-tax case backlog.	Jan-13	Completed.
Reforming the Code of Civil Procedure	The government prepares a paper outlining the main proposals for amendments to the Code of Civil Procedure.	Mar-13	In progress (expected to be completed by end-May).

Source: IMF staff.

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

	2012	2013	2014	2015	2016	2017	2018
	Est.	Proj.					
(Percentage change, unless otherwise indicated)							
Domestic economy							
Real GDP	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3
Output gap (percent of pot. output)	-7.7	-10.6	-9.5	-6.9	-4.5	-2.7	-1.0
Total domestic demand	-10.4	-5.6	-1.1	1.7	3.2	3.2	3.0
Private consumption	-9.1	-6.9	-1.6	1.4	2.2	1.8	1.5
Public consumption	-4.2	-4.0	-6.2	-4.8	-4.0	3.2	3.7
Gross fixed capital formation	-19.2	-4.0	8.4	11.3	14.4	8.5	7.4
Change in stocks (contribution)	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Foreign balance (contribution)	3.7	2.6	1.7	1.2	0.6	0.4	0.4
Exports of goods and services	-2.4	3.0	4.6	5.5	4.7	4.1	4.3
Imports of goods and services	-13.8	-6.4	-1.9	1.2	2.7	3.1	3.2
Unemployment rate (percent) 1/	24.2	27.0	26.0	24.0	21.0	18.6	16.3
Employment	-8.2	-3.7	0.6	2.6	4.0	3.0	2.7
Unit labor costs	-6.1	-6.5	-1.5	-0.3	1.7	1.4	1.6
Consumer prices (national definition), period average	1.5	-0.8	-0.4	0.3	1.1	1.2	1.3
Consumer prices (HICP), period average	1.0	...	...	...	...	...	...
GDP deflator	-0.8	-1.1	-0.4	0.4	1.1	1.3	1.4
Monetary survey							
Private credit growth (percent change) 2/	-4.0	-6.5	-4.0	-2.2	-0.6	5.3	n.a.
Private sector deposit growth (percent change)	-7.0	1.3	1.0	3.4	5.0	5.0	n.a.
Liabilities to the Bank of Greece (billions of Euro)	121.2	81.5	66.9	51.0	35.0	27.7	n.a.
(Percent of GDP, unless otherwise indicated)							
Balance of payments							
Current account	-3.4	-0.8	-0.2	0.1	0.2	0.5	0.9
Structural current account balance	-5.4	-4.9	-3.6	-2.1	-0.8	0.1	1.0
Trade balance	-2.5	-0.2	1.4	2.4	3.0	3.5	3.9
Export of goods and services	25.4	27.4	28.3	28.6	28.7	28.9	29.1
Export of goods	11.4	12.1	12.4	12.4	12.2	12.2	12.3
Exports of services	14.0	15.3	15.9	16.3	16.4	16.6	16.9
Imports of goods and services	-27.9	-27.6	-26.9	-26.2	-25.7	-25.4	-25.2
Imports of goods	-21.5	-21.3	-20.8	-20.2	-19.7	-19.5	-19.3
Imports of services	-6.4	-6.3	-6.1	-6.0	-6.0	-5.9	-5.9
Total transfers	0.7	1.8	1.5	1.2	0.9	0.7	0.4
Net income receipts	-1.6	-2.5	-3.1	-3.5	-3.7	-3.7	-3.4
Net international investment position	-114.1	-118.9	-116.9	-111.3	-104.3	-96.9	-89.1
Gross external debt	232.8	247.0	238.1	222.2	204.7	190.6	176.6
Private sector capital flows (net)	-21.5	-14.2	5.1	5.1	4.5	0.7	0.8
Public finances (general government)							
Total revenues	44.1	44.3	43.7	42.7	42.0	42.0	42.0
Total expenditures 3/	50.4	48.4	46.9	44.8	42.7	42.6	42.8
Primary expenditures 3/	45.4	44.3	42.2	39.7	37.5	37.5	37.7
Overall balance	-6.3	-4.1	-3.2	-2.1	-0.7	-0.6	-0.8
Primary balance	-1.3	0.0	1.5	3.0	4.5	4.5	4.3
Cyclically-adjusted primary balance	2.2	5.0	5.9	6.0	6.4	5.6	4.7
Privatization receipts	0.1	1.4	1.0	1.1	1.1	1.1	1.5
Gross debt	156.9	175.8	174.2	168.2	159.5	149.7	140.9

Sources: National Statistical Service; Ministry of Economy and Finance; Bank of Greece; and IMF staff projections.

1/ Based on Labor Force Survey.

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

3/ Includes unidentified measures.

Table 14. Greece: Autonomy of the Tax Administration: Revenue Agency vs. General Secretariat of Public Revenue

Major Autonomy Requirements	Semi-Autonomous Agency	General Secretariat for Public Revenue	Current Status and Timelines
<p>1. Tax administration must be a separate and dedicated body including all tax administration functions to prevent overlap and duplication. The tax administration needs to be accountable for all of its core businesses functions.</p>	<p>Tax administration comprises: (i) a management board; (ii) a chief executive officer; (iii) the employees; and (iv) the various organizational units of a single agency.</p>	<p>Tax administration incorporates multiple administrative units: several Directorates General; local offices (DOYs); and other organizational units that are supervised by the SGPR.</p>	<p>IAD and parts of GSIS to be transferred to SGPR by July; parts of SDOE to be transferred by October. April 28 Omnibus Bill establishes an Advisory Council of the SGPR, to be set up by July 2013.</p>
<p>2. For operational autonomy the head of the administration must be empowered to administer and enforce the revenue laws. These powers must be carried out without political interference.</p>	<p>Tax administration is responsible for all tax administration functions. Taxes administered by the agency are listed in the enabling legislation.</p>	<p>Tax administration assesses and collects taxes and duties and administers and enforces the revenue laws. Minister of Finance has this mandate under law and powers are delegated to the SGPR. Admin powers are delegated to SG.</p>	<p>Delegations from Minister and DM to SG have taken place, but their completeness needs to be confirmed. A comprehensive review of the revenue laws that apply powers to the Minister or to specific officials or units must be done to assign them to the SG.</p>
<p>3. The head of the tax administration must be a non-political appointment for a 5-year term responsible and with full control over the entire organization, including all DOYs.</p>	<p>CEO appointed by the government, on the recommendation of the Board; responsible for the operational and administrative execution of the agency's mandate. Non-political appointee, for a 5-year term.</p>	<p>Secretary General appointed by the government; with responsibilities as per SGPR law, other instruments of delegation, general rules applying to SG in Public service. Non-political appointee, for a 5-year term.</p>	<p>No further action required.</p>

Table 14. Greece: Autonomy of the Tax Administration: Revenue Agency vs. General Secretariat of Public Revenue (continued)

Major Autonomy Requirements	Semi-Autonomous Agency	General Secretariat for Public Revenue	Current Status and Timelines
<p>4. Authority to design and change organizational structure to be able to react quickly. Management must have flexibility to design its internal structure.</p>	<p>Determines its own structure Board of management approves. May grant considerable leeway to CEO for most organizational changes.</p>	<p>The internal structure of the SGPR only up to directorate level may be determined, set-up or abolished by decision of the SG upon non-binding opinion of MAREG within 14 days.</p>	<p>By end-October 2013, the SG will approve the new organizational structure of the SGPR.</p>
<p>5. Adequate budget with reasonable management controls with flexibility to re-allocate funds across budget lines. Control over the budget is the major tool for ensuring that priorities can be accomplished.</p>	<p>A single budget executed flexibly within a parliamentary appropriation. Funds received on the basis of general budget rules or a percentage of collection formula. The agency may move funds across major budget lines. Management board approves budget request and ensures adherence to financial policy.</p>	<p>A unified budget allocation covers tax administration functions, subject to same budget rules and as other General Secretariats in MoF. A small financial management unit in the SGPR: (i) coordinates the preparation of the budget; (ii) follows up its implementation; and (iii) proposes reallocations of nonwage recurrent spending in line with the organic budget law.</p>	<p>Budget allocations of IAD and from IAD to be transferred to SGPR by July 2013, those of SDOE to be transferred by October. By end-2013, 2014 revenue administration budget will be established with full flexibility for the SGPR to reallocate funds among nonwage recurrent spending.</p>

Table 14. Greece: Autonomy of the Tax Administration: Revenue Agency vs. General Secretariat of Public Revenue (concluded)

Major Autonomy requirements	Semi-Autonomous Agency	General Secretariat for Public Revenue	Current Status and Timelines
<p>6. The tax administration has authority to undertake at least 90 percent of its own recruitment, promotion and dismissal. This enables the tax administration to operate with maximum efficiency.</p>	<p>Agency has authority to recruit, promote, dismiss through enabling legislation. The agency sets up fair and transparent processes in all these areas, and provides procedures for redress.</p>	<p>SGPR enabled to determine the conditions for hiring under the control of ASEP. All cases of potential dismissal must go to Disciplinary Council, and the SG implements the decision.</p>	<p>By end-October 2013, the SGPR will approve staffing numbers, and appointment processes of the revenue administration.</p>
<p>7. Tax administration determines its grade structure and has a strong influence over compensation levels. Due to unique requirements for specialized staff, tax administration is in direct competition with the private sector.</p>	<p>Agency determines grading structure subject to overall budget level. This is a decision of the managing board.</p>	<p>SGPR empowered—subject to ministerial approval—to determine a special system for grade qualifications, promotions and evolution through grades, and rules relating to promotion and relocation of employees. The SGPR has authority to implement the system.</p>	<p>By end-October 2013, the SG approves the grading system, and classification of the revenue administration.</p>

Table 15. Greece: Selected Structural Reforms Ahead, 2013–14

Measures	MEFP/MoU Deadline	Description	Macroeconomic Implications
Labor market			
Reducing tax wedge on labor	Sep-13 and Nov-13	The government completes by September 2013 actuarial studies on social security funds, and adopts a plan by November 2013 to reduce the employer share of social security contributions by 5 ppt (in a budget-neutral way and phased manner during 2014-16) by broadening the base for social security contributions; simplifying the contribution schedule across various funds; and phasing out nuisance taxes.	Improves competitiveness, and promotes employment and growth.
Product and service markets			
Liberalization of regulated professions	Jun-13	Adopt a new Code of Lawyers, which will include removal of exclusivity for lawyers for the research of mortgage books and land registry.	Fosters competition, lowers intermediate costs and promotes investment and growth.
	Jul-13	Complete a study of the 20 largest professions examining the degree to which they have been liberalized, including results with respect to new entrants and price changes.	
Transportation services	Oct-13	Adopt additional steps to increase the flexibility of labor arrangements and reduce manning obligations in the domestic shipping industry.	Fosters competition, improves price flexibility and competitiveness.
Retail trade	Jun-13	Adopt legislation to liberalize further the retail market, including: removing restrictions against discount sales outside sale periods; increasing flexibility in retailers' opening days; and replacing the current system of fixed margins for over-the-counter drugs with maximum margins.	Fosters competition, improves price flexibility and competitiveness.
	Sep-13	Government to allow the sales of selected over-the-counter drugs in other points than pharmacies.	
Product market liberalization	Sep-13	Based on OECD findings, Government to prepare draft legislative amendments aimed at reducing regulatory barriers to competition for construction materials, machinery and food processing industries, and tourism sector.	Fosters competition, improves price flexibility and competitiveness.
	Oct-13	Government to propose legislative amendments to reduce administrative burdens in 13 key sectors based on the findings of the OECD Standard Cost Model.	
Business environment and judicial reform			
Trade facilitation	Jul-13	Increase the working shifts to 24/7 in the Athens airport, and expand service to two shifts in the Piraeus port for imports.	Reduces input costs.
	Nov-13	Adopt risk-based audits for imports in line with EU practices.	
	Nov-13	Adopt e-custom system (allowing for electronic submission and e-signature) for imports.	
Reduction of case backlog in courts	Jul-13	Government to present to EC/ECB/IMF a first assessment of the operations of the magistrates' courts.	Improves efficiency of courts.
	Sep-13	Reallocate judges to the administrative courts with the highest backlog, and adopts an action plan to reduce civil and commercial cases backlogs, including draft legislation providing for compulsory mediation of small claims.	
Reforming the Code of Civil Procedure	Jun-13	Adopt a new Code of Civil Procedure.	Improves system efficiency.

Source: IMF staff.

Table 16. Greece: Privatization Process

Timing of Privatization (Launch of Tender)	Binding offers (submission)	Project	Intermediate Steps
I. State-owned enterprise/share sale			
n/a	n/a	2 Airplanes	
2012 Q1	Q2/13	Public Gas (DEPA)	Modification of statutory provision at time of privatization.
Q1	Q2/13	Public Gas (DESFA)	State aid clearance (DG Comp).
Q4	Q2/13	Football Prognostics Organization (OPAP)	Proceed with the phase B of the tendering process and finalize selection (April 2013) (DONE) .
2013 Q1	Q3/13	Horsace Betting Organization (ODIE)	Launch of tender (March 2013- DONE). Law for clarifying responsibilities between Jockey Club and the New Concessionaire (May 2013). Law for clarifying the taxation regime of the Concession (May 2013).
Q1	Q3/13	Thessaloniki Water (EYATH)	Establish regulatory framework (March 2013 - DONE). Establish pricing policy (May 2013) and amend the license (November 2013).
Q2	Q4/13	Hellenic Post (ELTA)	Ministerial decisions for (i) the determination of the content of universal service (DONE) and (ii) the compensation mechanism for USP drafted and prenotified to DGComp (further clarifications/ amendments asked by EC are being processed by HR & ELTA).
Q2	Q2/14	Hellenic Vehicle Industry (ELVO)	Transaction structure to be determined and agreed (May 2013). EC (DG Comp) consent (May 2013).
Q2	Q4/13	Hellenic Petroleum (HELPE)	Following divestment of DEPA.
Q3	Q2/14	Athens Water (EYDAP)	Establish regulatory framework (March 2013 - DONE). Establish pricing policy (September 2013) and amend license (February 2014). Settlement of receivables from the State (February 2014).
Q2	Q1/14	Mining and Metallurgical Company (LARCO)	Agreement on pricing structure (DG Comp). Law for establishing a new company (June 2013).
Q2	Q2/14	Athens Airport (AIA)	Agree on extension and sale process with Hochtief (June 2013).
Q3	Q3/14	Hellenic Defense Systems (EAS)	Identify assets for privatization (May 2013). State Aid formal investigation clearance (pending discussions with DGComp).
Q2	Q2/14	Railways (Trainose)	Trainose will be transferred to HRADF (March 2013 - DONE). - Comfort letter from EC (DG Comp) for TRAINOSE State Aid investigation clearance (May 2013).
Q3	Q3/14	Public Power Corporation (PPC)	MoEnergy approves the PPC restructuring plan (April 2013). Prepare action plan based on approved restructuring plan.
n/a	n/a	Casino Mont Parnes	Pending European Court decision.
II. Concessions			
n/a	n/a	Hellenic Motorways	Negotiations for the restart of projects currently in progress; ratification of reset agreement by Parliament (April 2013).
2011 Q4	Q4/12	State Lottery	Court of auditors approval.
2013 Q1	Q3/13	Small ports and marinas	Resolve issues related to urban zoning (May 2013).
Q1	Q4/13	Regional airports	Clarify state aid related issues (before launch of the 2nd phase - estimated May/June 2013). Establish regulatory framework (April 2013).
Q2	Q4/13	Egnatia Odos	Launching of tender process dependent on: a) agreement/finalisation with Ministry of Development on key characteristics of the concession and conclusion of business plan (DONE) b) decision on tolling policy/toll collection-system (DONE) c) treatment of Piraeus loan granted to Egnatia Odos SA and legislative settlement of such arrangement (April 2013).
Q2	Q1/14	Thessaloniki Port (OLTH), Piraeus Port (OLP) & Large regional ports	State aid clearance (DG Comp). Submit privatization strategy (April 2013). Establish regulatory framework (April 2013).
Q3	n/a	South Kavala Gas Storage	Decision on the best exploitation option (December 2012 - DONE).
2014 Q2	Q4/2014	Digital Dividend	Entire process led by Ministry of Development. Adopt secondary legislation for: a. TV stations (June 2013 - tbc with Min Dev) and b. analogue switch-off date (June 2013 - tbc with Min Dev). Launch tender for TV network providers (June 2013).
n/a	n/a	Mining rights	
III. Real Estate			
2011 Q4	Q4/13	Hellenikon 1	Transfer of Hellenikon SA ownership to HRADF (Pending decision: December 2012- DONE). Launch Phase B of tender process (December 2012 - DONE). Bids will be submitted end of December 2013.
2012 Q1	Q3/12	IBC	Issue PD for ESCHADA 1/ and have approval from Court of Audit (December 2012- DONE).
Q1	Q1/13	Cassiopi	Right of surface establishment and creation of the SPV (June 2013).
Q4/12	Q1/13	Buildings abroad	Launch tender process (December 2012- DONE). Tender concluded for 4/6 buildings. Court of Audit approval (Q3 2013). Launch of tender for the remaining 2 buildings (April 2013).
2013 Q1	Q2/13	Afantou	All intermediate steps have been fulfilled. Request binding offers from investors (April 2013), subject to timely issuance of decision by the Council of State. PD issue for ESCHADA (September 2013).
Q1	Q2/13	Sale/repo 28 buildings	All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - DONE). Launch second tender (June 2013).
Q1	Q4/13	Astir Vouliagmenis	Finalize the negotiations with NBG - DONE . Transfer EOT property to HRADF (March 2013). Launch the request for Eol (April 2013 - DONE). PD for ESCHADA (April 2014).
Q1	Q2/13	Paliouri	Launch tender process (December 2012 - DONE). Transfer of asset to HRADF (March 2012- DONE). Launch second phase (April 2013).
Q1	Q3/13	HEY	Launch tender process (February 2013- DONE). Transfer of asset to HRADF (March 2013- DONE). Launch second phase (April 2013).
Q1	Q4/13	Agios Ioannis	All intermediate steps have been fulfilled. Launch the first phase of tender (March 2013 - DONE). PD for ESCHADA (April 2014).
Q1	n/a	Real Estate lot 2	The 40 properties already identified are transferred to HRADF (March 2013 - DONE).
Q4	n/a	Real Estate lot 3	At least 1,000 real estate properties to be transferred to HRADF (December 2013). The first 250 real estate assets are transferred to HRADF (April 2013 - DONE).

Source: HRADF.

1/ ESCHADA = zoning and land planning permit.

Table 17. Greece: Schedule of Proposed Purchases under the Extended Arrangement, 2012–16

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

Source: IMF staff projections.

1/ Exchange rate of January 5, 2012.

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

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

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

Table 18. Greece: General Government Financing Requirements and Sources, 2012–16

(Billion of euros, unless otherwise indicated)

	2012	2013	2014	2015	2016
			Proj.		
Gross borrowing need	111.0	34.4	27.6	14.3	8.2
Overall balance (accrual)	12.5	6.9	5.5	3.5	1.1
Amortization	9.3	16.1	25.1	16.4	6.8
Medium and long-term (non-official)	12.7	11.0	17.7	7.8	3.7
Short-term (net)	-3.4	3.4	0.0	0.0	0.0
Official creditors	0.0	1.7	7.4	8.6	3.1
IMF	0.0	1.7	7.4	8.6	3.1
EC	0.0	0.0	0.0	0.0	0.0
Other	89.2	11.4	-3.0	-5.7	0.4
Bank recapitalization	44.2	7.2	0.0	0.0	0.0
PSI-related costs	34.5	0.0	0.0	0.0	0.0
Arrears clearance	...	7.5	0.0	0.0	0.0
Privatization	...	-2.5	-1.9	-2.0	-2.2
ECB related income (SMP and ANFA)	...	-2.7	-2.5	-2.0	-1.7
Other	10.5	1.9	1.4	-1.7	4.2
Gross financing sources	110.9	34.4	23.0	7.7	8.2
Market access	0.0	0.0	0.0	0.0	0.0
Official financing (including disbursed and committed)	109.9	37.4	19.3	11.0	6.4
EC bilateral loans/EAMS	108.2	27.9	8.6	0.0	0.0
EC interest deferral	...	0.9	1.8	3.9	4.6
IMF	1.6	8.6	8.9	7.1	1.8
Deposit financing	1.0	-3.0	3.7	-3.3	1.8
Financing gap	0.0	0.0	4.6	6.5	0.0
Memorandum Items:					
Total Maastricht debt	303.9	322.5	320.3	319.8	317.9
Of which:					
Official creditors	183.6	219.3	235.8	244.7	248.1
IMF	22.3	29.2	30.7	29.2	27.9
(percent of quota)	29.2	2249.7	2363.7	2248.2	2148.1
EAMS	161.3	190.1	205.2	215.6	220.2
Private sector	120.6	103.2	79.8	63.9	58.6
Unidentified official financing/market access	0.0	0.0	4.6	11.1	11.1
Total Maastricht debt (percent of GDP)	156.9	175.8	174.2	168.2	159.5
Of which:					
Official creditors	94.8	119.5	128.3	128.8	124.5
IMF	11.5	15.9	16.7	15.3	14.0
EAMS	83.3	103.6	111.6	113.4	110.5
Private sector	62.3	56.3	43.4	33.6	29.4
Unidentified official financing/market access	0.0	0.0	2.5	5.9	5.6

Sources: Ministry of Finance; and IMF staff projections.

Table 19. Greece: External Financing Requirements and Sources, 2010–18

(Billions of euros, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
				Proj.					
Gross financing requirements	216.2	239.0	205.6	178.8	158.5	139.2	119.6	105.6	95.5
Current account deficit	22.5	20.6	6.5	1.6	0.4	-0.2	-0.4	-0.9	-1.9
Medium and long-term debt amortization	22.7	35.5	17.5	13.8	19.5	17.8	8.8	9.1	6.7
Public sector	15.6	22.5	10.6	10.7	16.4	14.7	5.8	6.1	3.8
Of which: EC/IMF	0.0	0.0	0.0	1.7	7.4	8.6	3.1	0.7	2.2
Banks	6.7	10.7	5.6	1.2	1.2	1.2	1.2	1.2	1.0
Other	0.3	2.3	1.4	1.9	1.9	1.8	1.8	1.8	1.8
Short-term debt amortization	171.1	182.9	181.5	163.4	138.6	121.6	111.2	97.4	90.7
Public sector and Bank of Greece	57.2	88.2	106.5	99.8	75.9	58.9	47.5	32.4	25.3
Bank of Greece 1/	49.0	87.1	104.8	98.4	74.5	57.5	46.1	31.0	23.2
Public sector	8.2	1.2	1.8	1.4	1.4	1.4	1.4	1.4	2.1
Banks 2/	113.2	93.4	74.4	63.0	62.2	62.2	63.2	64.5	64.7
Other	0.6	1.3	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Source of financing	184.7	197.4	95.7	141.4	134.6	121.7	113.2	100.4	89.7
Capital account (net)	2.1	2.7	2.3	4.6	3.5	3.2	3.3	3.3	2.8
Foreign direct investment (net)	-0.9	-0.5	2.3	2.3	1.8	1.9	1.8	2.2	3.0
Equities (net)	-2.3	-0.2	-0.2	0.0	0.1	0.6	1.1	1.3	1.3
Assets drawdown (- increase)	21.7	12.4	-43.3	-7.6	10.5	9.4	7.7	0.9	0.0
New borrowing and debt rollover	164.1	183.5	135.3	142.1	118.7	106.4	99.3	92.7	82.6
Medium and long-term borrowing	-18.8	2.0	-28.1	3.5	-2.8	-4.7	1.8	2.0	2.9
Public sector 3/	-5.7	-3.1	-31.6	1.7	-4.6	-6.5	0.0	0.0	0.0
Banks	-12.3	3.8	0.0	0.0	0.0	0.0	0.1	0.3	1.0
Other	-0.8	1.2	3.5	1.8	1.8	1.8	1.7	1.8	1.8
Short-term borrowing	182.9	181.5	163.4	138.6	121.6	111.2	97.4	90.7	79.8
Public sector and Bank of Greece	88.2	106.5	99.8	75.9	58.9	47.5	32.4	25.3	14.1
Bank of Greece 1/	87.1	104.8	98.4	74.5	57.5	46.1	31.0	23.2	11.2
Public sector 4/	1.2	1.8	1.4	1.4	1.4	1.4	1.4	2.1	2.9
Banks 2/	93.4	74.4	63.0	62.2	62.2	63.2	64.5	64.7	65.0
Other	1.3	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.7
Other	0.1	-0.6	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Program financing	31.5	41.5	109.9	37.4	19.3	11.0	6.4	5.3	5.7
Unidentified official financing / market access	0.0	0.0	0.0	0.0	4.6	6.5	0.0	0.0	0.0

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

1/ Includes liabilities to Eurosystem related to TARGET.

2/ Includes currency and deposits and securitized loans.

3/ Actual figures on public sector medium and long-term borrowing are based on non-residents amortization figures provided by GAO and net flows from the balance of payment statistics provided by Bank of Greece. Negative sign indicates debt buybacks.

4/ Includes government deposits' build-up (regardless of currency denomination for presentational purposes).

Table 20. Greece: Indicators of Fund Credit, 2012–26

(Millions of SDRs, unless otherwise specified)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Prospective drawings (4-year EFF)	1,399	8,825	6,027	6,027	1,506	...	...	...	...	...	...	...	...	...	...
Percent of quota	127	801	547	547	137	...	...	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings)															
Amortization	0	1,472	6,278	7,299	2,610	718	1,955	2,960	3,839	3,964	3,848	3,247	2,009	1,004	126
SBA	0	1,472	6,278	7,299	2,493	0	0	0	0	0	0	0	0	0	0
4-year EFF	0	0	0	0	117	718	1,955	2,960	3,839	3,964	3,848	3,247	2,009	1,004	126
Interest and service charge	504	480	1,007	960	910	859	810	718	586	426	265	114	28	8	1
Total debt service	504	1,952	7,285	8,259	3,520	1,576	2,766	3,678	4,425	4,390	4,113	3,362	2,037	1,013	127
Percent of exports of goods and services	1.2	4.6	16.5	17.9	7.3	3.1	5.1	6.4	7.3	7.1	6.4	5.0	3.0	1.4	0.2
Percent of GDP	0.3	1.3	4.7	5.1	2.1	0.9	1.5	1.9	2.2	2.1	1.9	1.5	0.9	0.4	0.0
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings)															
Outstanding stock	18,941	26,294	26,044	24,772	23,669	22,951	20,996	18,036	14,198	10,233	6,386	3,139	1,130	126	0
Percent of quota	1,719	2,387	2,364	2,248	2,148	2,083	1,906	1,637	1,289	929	580	285	103	11	0
Percent of GDP	11.5	16.9	16.7	15.3	14.0	12.9	11.3	9.3	7.0	4.8	2.9	1.4	0.5	0.1	0.0
Memorandum items:															
Exports of goods and services (billions of euros)	49	50	52	54	57	60	64	67	71	73	76	79	81	84	87
GDP (billions of euros)	194	183	184	190	199	209	219	229	240	249	259	269	280	291	302
Euro/SDR rate 1/	1.177	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Quota (millions of SDRs)	1,102	...	...	...	...	...	...	...	...	...	...	...	...	...	...

Source: IMF staff projections.

1/ Program exchange rate (see TMU).

Figure 1. Greece: Selected Economic Indicators, 2005–13
 (Year-on-year percent change, unless otherwise indicated)

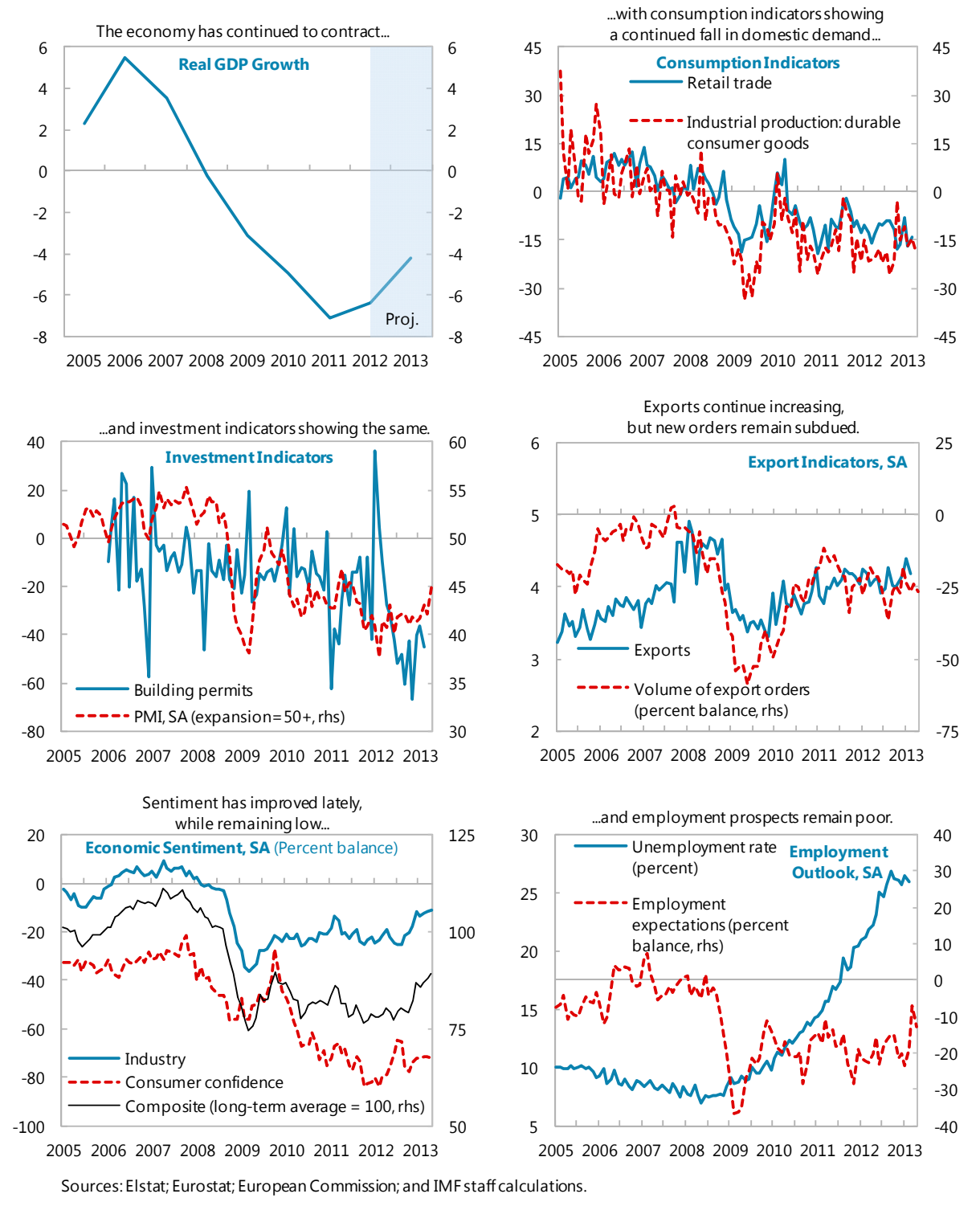
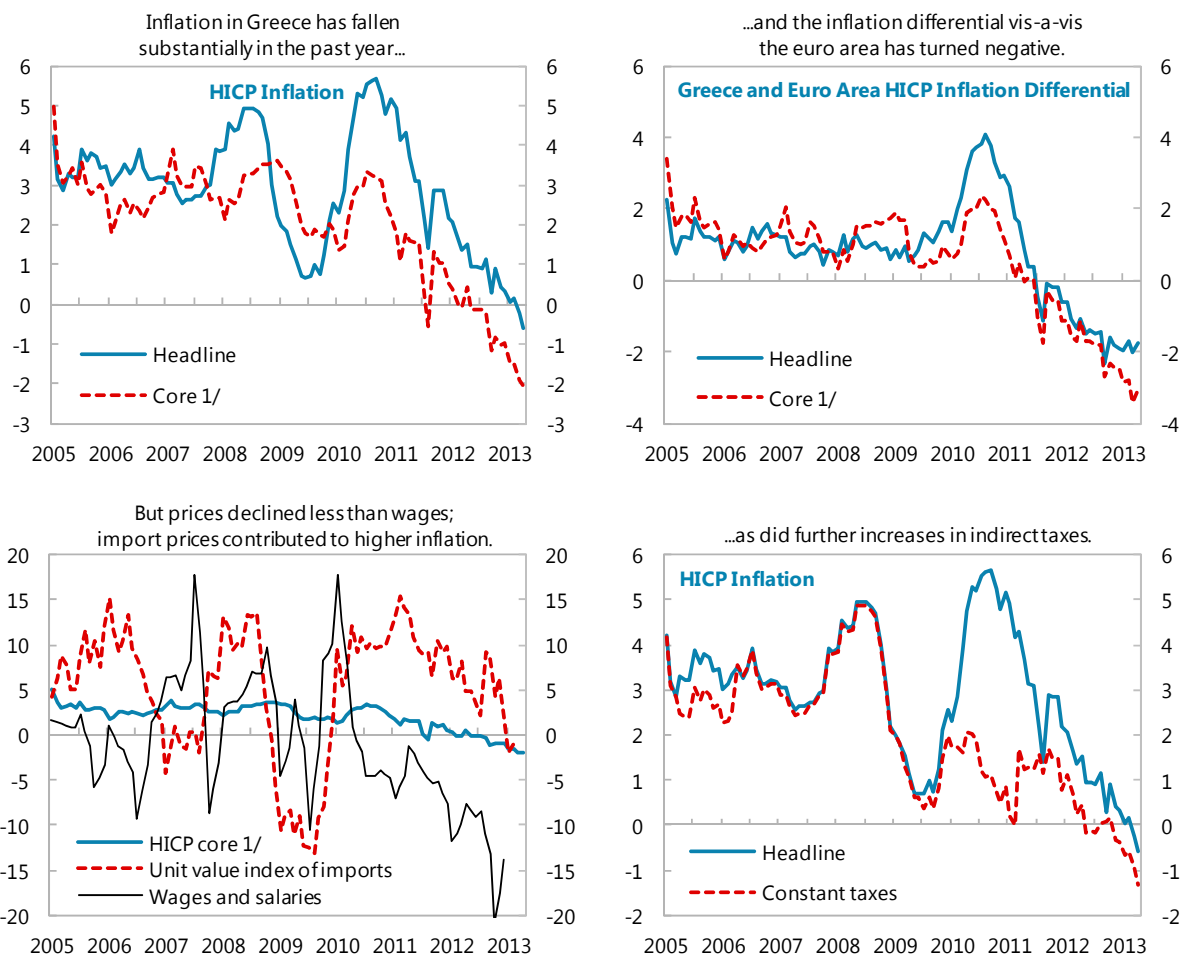


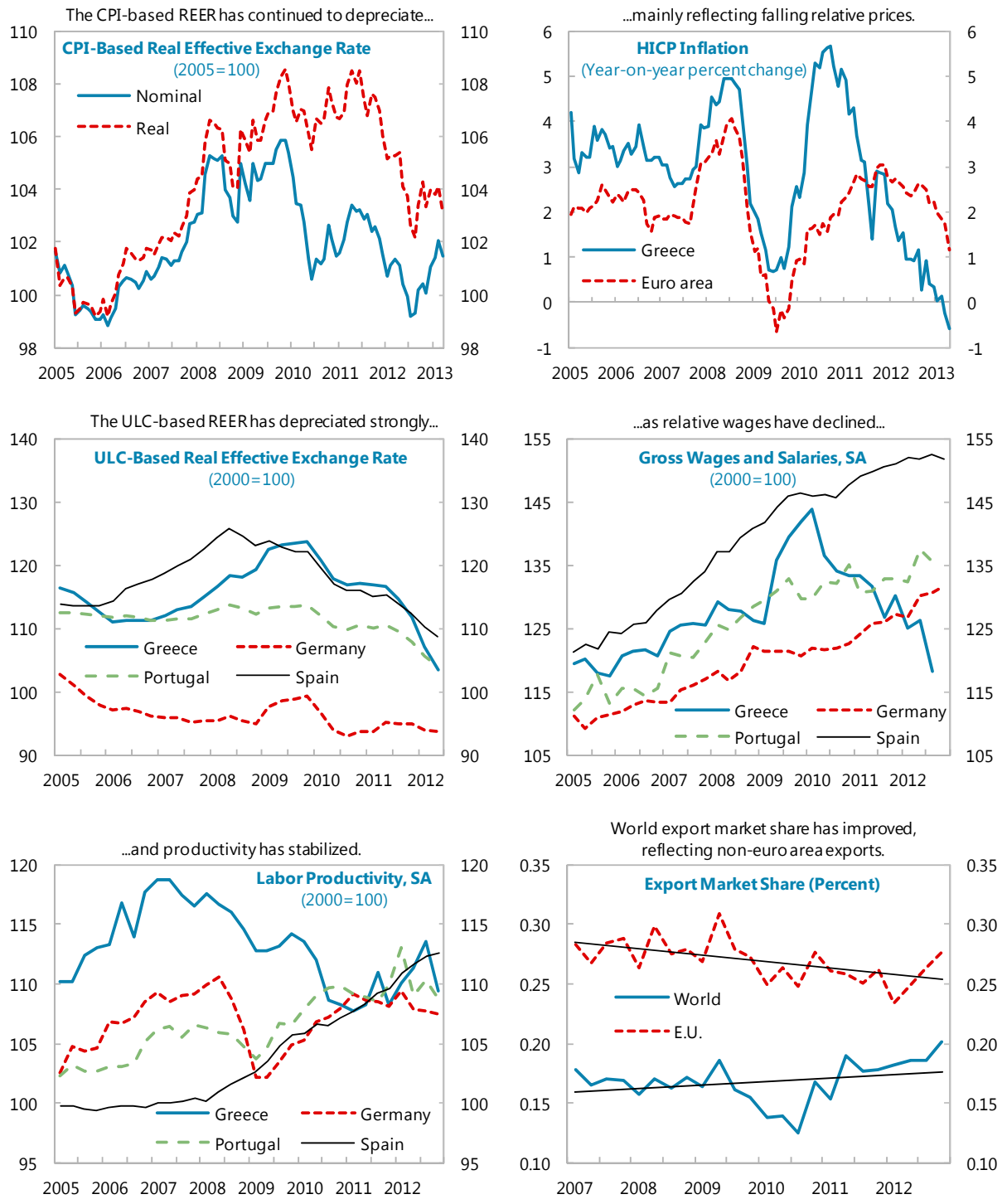
Figure 2. Greece: Inflation Developments, 2005–13

(Year-on-year percent change)



Sources: Elstat; Eurostat; Haver; and IMF staff calculations.
 1/ Excludes food, alcohol, tobacco, and energy.

Figure 3. Greece: Competitiveness Indicators, 2005–13



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

Figure 4. Greece: Balance of Payments Developments, 2010–13

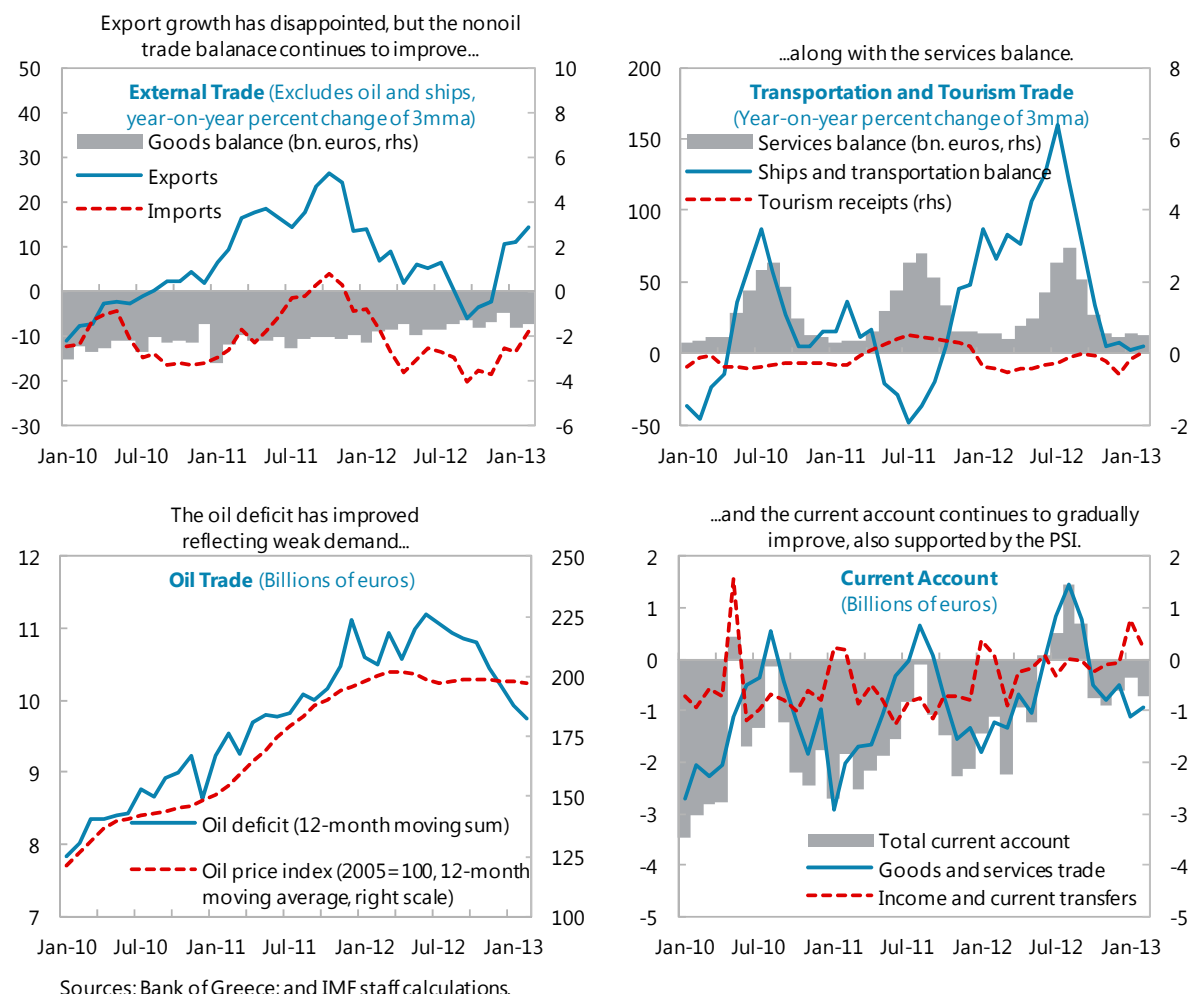


Figure 5. Greece: Financial Indicators, 2007–13

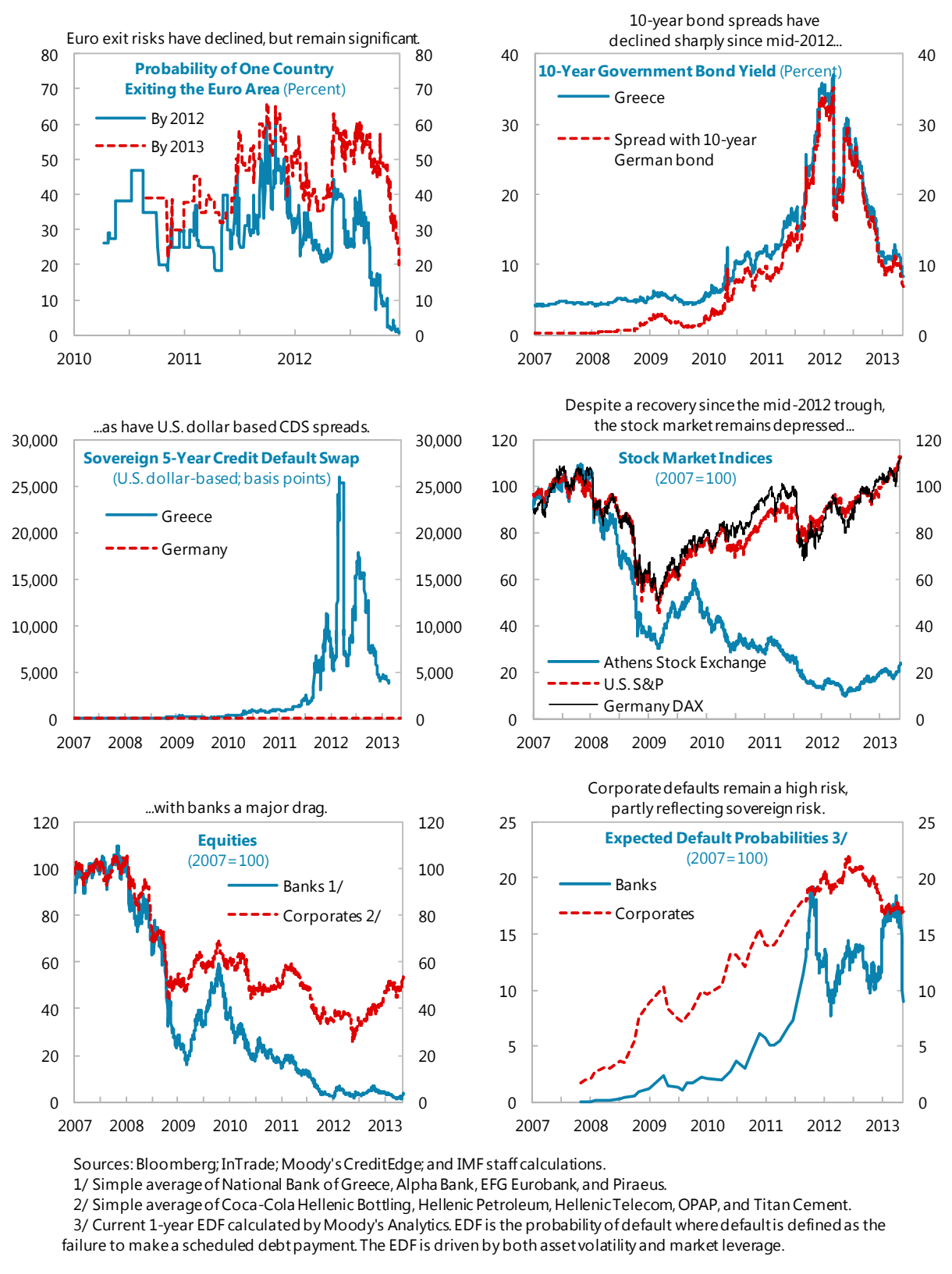
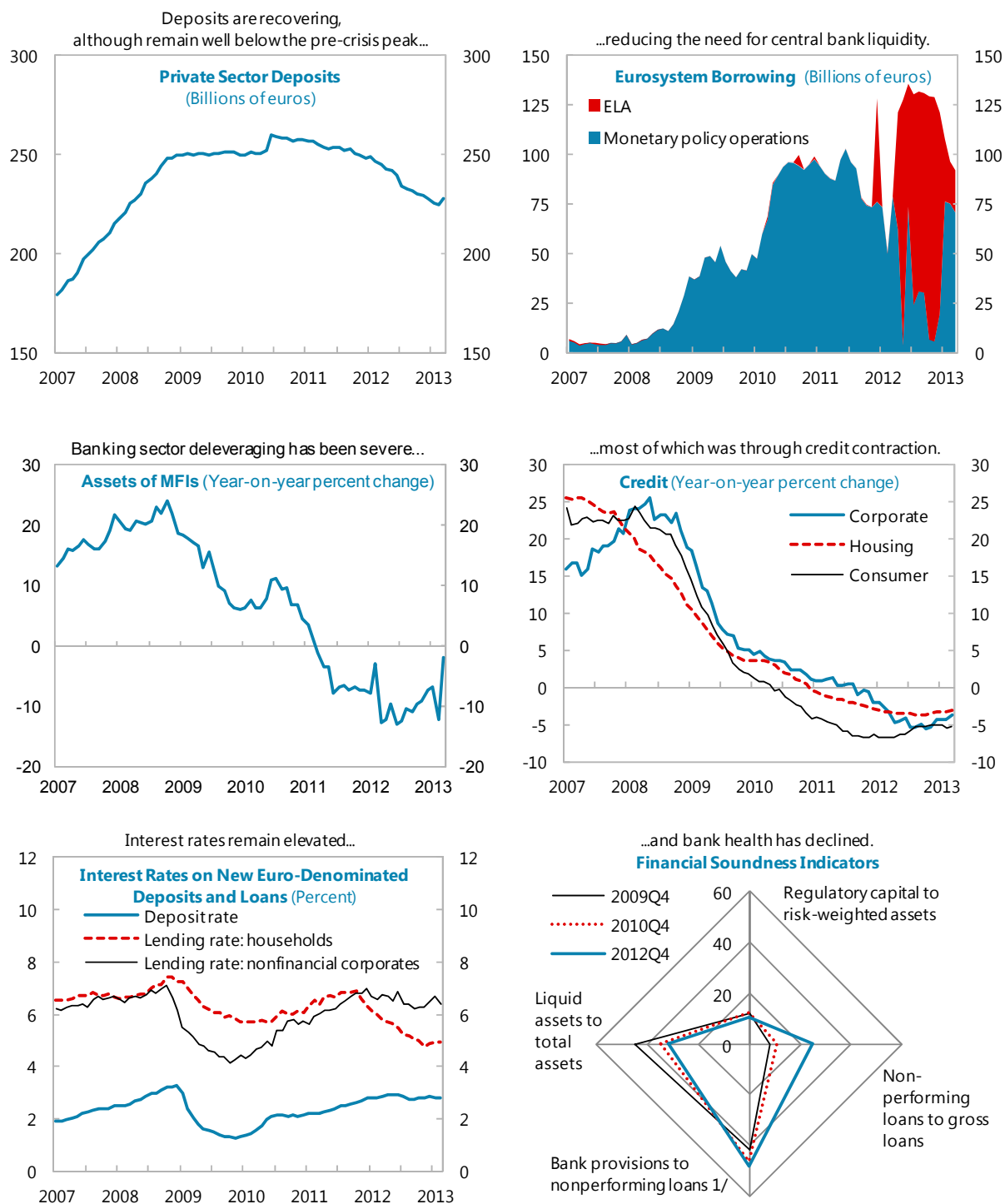
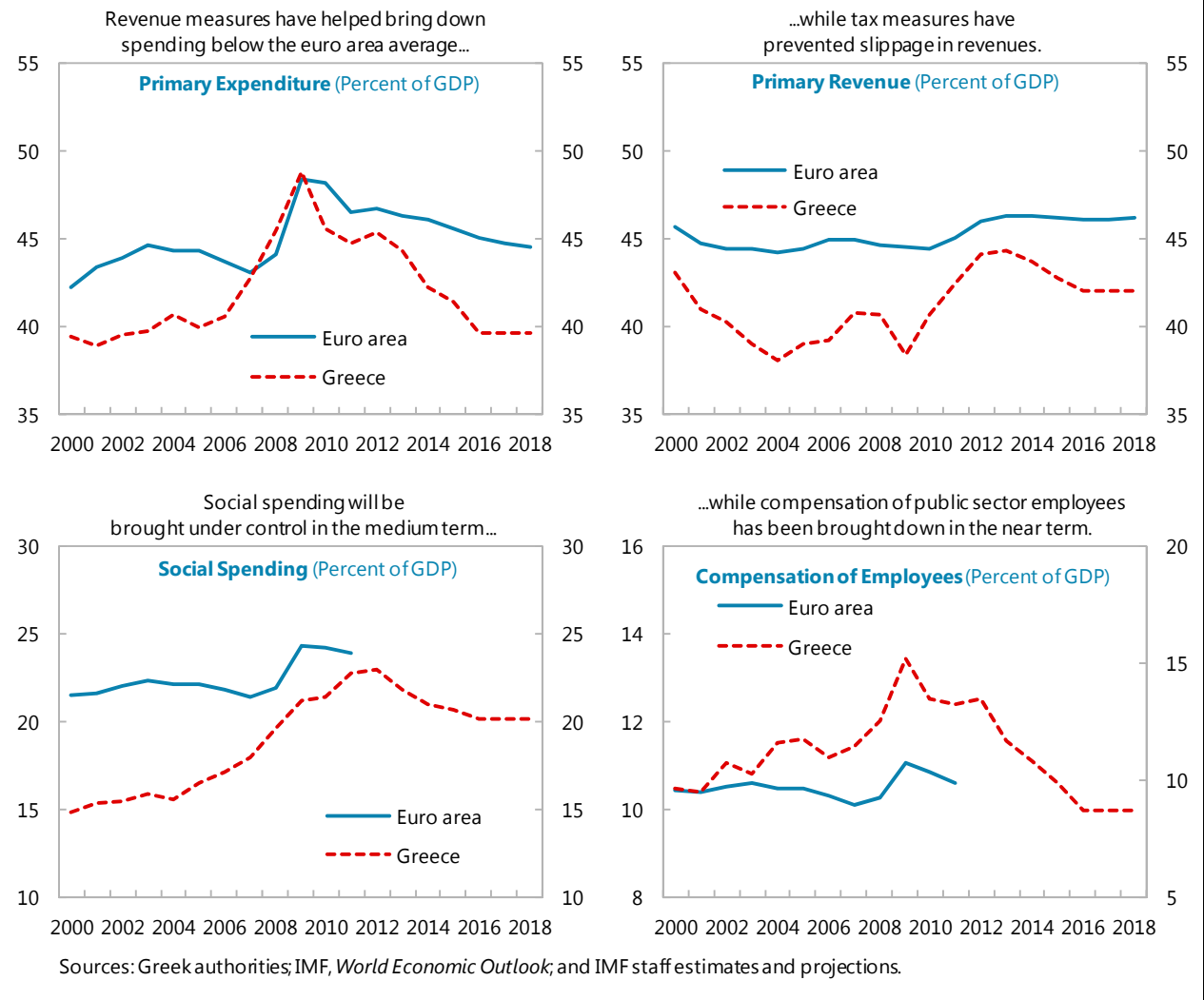


Figure 6. Greece: Money and Banking Developments, 2007–13



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

Figure 7. Greece: Revenue and Expenditure Trends, 2000–18



Box 1. Greece: Spillovers from Cyprus

The adverse impact on Greece of the crisis in Cyprus is expected to be moderate. Trade—the main spillover channel—is estimated to subtract about ¼ of a percentage point from 2013 GDP growth. The Cypriot crisis precipitated a moderate outflow of deposits from Greek banks in April, breaking a trend of increases since mid-2012. However, with bank recapitalization in Greece nearing completion, the adverse impact on confidence and deposit flows is expected to be reversed.

Trade is the main spillover channel. Exports to Cyprus account for about 5 percent of total Greek exports (about 1¼ percent of Greek GDP). Given the projected GDP contraction in Cyprus, and assuming an import elasticity of 1.5 (taking into account the large share of petroleum products in exports to Cyprus, for which demand is fairly inelastic), the estimated adverse impact on GDP growth in Greece for 2013 is about ¼ percentage point.

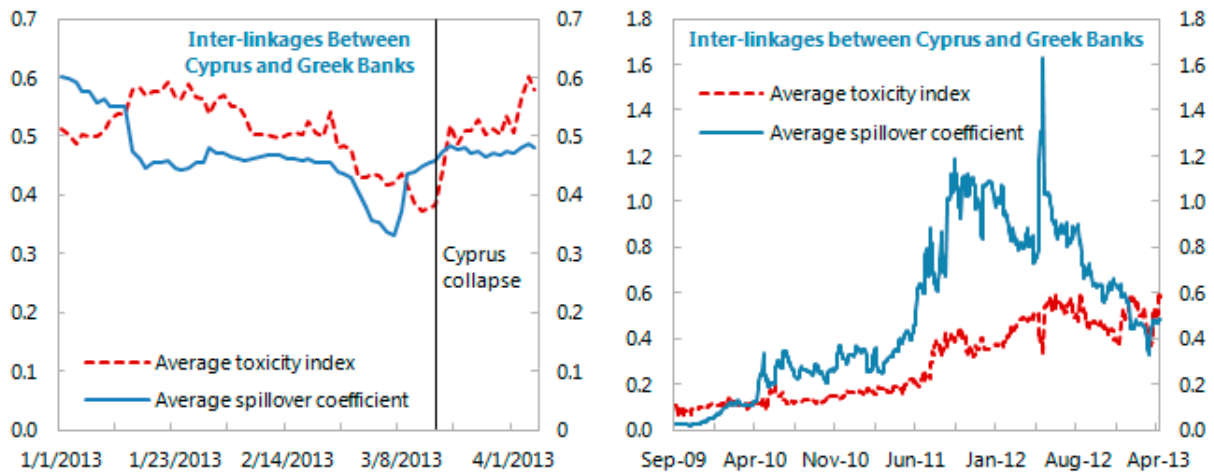
Direct spillover effects from the financial channel are expected to be limited.

- **Deposits of Greek households and financial corporations in Cyprus are relatively small (€3.2 billion), and the share that is subject to haircuts (above €100,000) is estimated to be low.** The exposure of the Greek banking system to Cyprus is also limited: assets of Greek banks in their subsidiaries in Cyprus account for around 4 percent of Greek banking system assets. Finally, according to a recent survey, Greek listed companies with exposure to Cyprus do not envisage any major impact from the crisis on their activity in Greece.
- **Spillovers from Cypriot bank branch operations in Greece have been contained through the branches' absorption into a Greek bank.** The agreement of March 26 between the Greek and Cypriot authorities included the acquisition by Piraeus (a core Greek bank) of the branch networks and operations of all Cypriot banks in Greece (Bank of Cyprus, Cyprus Popular Bank, and Hellenic Bank), which accounted for about 9 percent of the Greek banking sector deposits. This ensured that uninsured depositors in the Greek branches of Cypriot banks would not be subject to haircuts.

The largest risk from the Cyprus crisis is from indirect spillovers—in particular deposit outflows if perceptions take hold that uninsured depositors in undercapitalized Greek banks may also be subject to haircuts. The Cypriot crisis resulted in a reversal in April of the deposit recovery that had been in train since mid-2012, with outflows concentrated in banks with uncertain prospects for private sector recapitalization. Such outflows have been manageable so far (about €2 billion, compared to €19 billion in inflows from the mid-2012 trough through March 2013). With bank recapitalization in Greece nearing completion, the indirect spillover effects from the financial channel are expected to be contained in the short term, and once all Greek banks are fully recapitalized (or absorbed into fully capitalized core banks) using program resources, the adverse impact on confidence and deposit flows is expected to be reversed.

The evolution of the probability of default indexes suggest that risks for Greek banks from the Cypriot crisis, while increasing since the Cypriot program was announced, are below their mid-2012 elections peak. Two indicators—the toxicity index and the spillover coefficient—show that Cypriot risks for the Greek banks had been building for some time.¹ After peaking in May 2012, indicators of the level of Greek banks distress given Cyprus being under distress (i.e., toxicity) and the vulnerability levels of Greek banks (spillover effects) both had been on a downward trend, but jumped when the Cypriot program was announced (though they remain below their mid-2012 peak). Stock market losses and a hike in the GGB spread since the Cyprus crisis also suggest a negative impact on confidence.

Box 1. Greece: Spillovers from Cyprus (concluded)

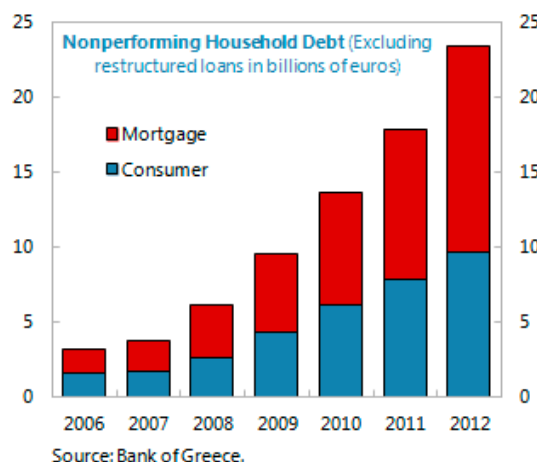


Source: IMF staff estimates.

¹ The toxicity index captures the expected conditional probability that banks in Greece fail under distress given Cyprus is in distress. The spillover coefficient, captures the banks' vulnerability to inward spillovers from the sovereign Cyprus. Both measures are based on 5-year CDS and stock prices for the sovereign Cyprus and Greek core banks. For more details, see on Caceres, Guzzo, and Segoviano (2010), "Sovereign Spreads: Global Risk Aversion, Contagion or Fundamentals?" International Monetary Fund, WP/10/120.

Box 2. Greece: Framework to Deal with Household Debt

The rapid increase in nonperforming loans (NPLs) has overwhelmed the normal restructuring framework, calling for a coordinated approach to facilitate more rapid loan restructuring. While NPLs have increased by almost seven-fold in the five years to December 2012, less than a third of these loans have been restructured. This suggests that the current restructuring framework is inadequate to deal with the impact of the current crisis on loan quality. Under normal circumstances, banks would deal with a nonperforming loan by modifying its terms or writing it off and taking any residual loss after recovering collateral. However, when the banking system faces a sudden systemic deterioration in loan quality, the capacity of banks to process individual loan restructuring tends to be overwhelmed, collateral values drop sharply, and banks may seek to defer action to avoid the impact on capital from recognizing losses. Moreover, weaknesses in existing personal insolvency laws in Greece and two blanket moratoria on auctions of repossessed assets (de facto preventing property foreclosures) risk undermining borrower repayment behavior. These problems need to be addressed to restore bank and household balance sheets, and ultimately to support the economic recovery.



International experience points to certain emerging best practices.¹ A wide range of resolution framework features have emerged across national borders with varying degrees of success.² Features that facilitate debt workouts while promoting the payment culture (such as adoption of standard loan restructuring tools for implementation by banks to assess borrowers' ability and willingness to pay, availability of affordable new loan terms, loan restructuring targets for banks, and the removal of legal impediments to resolution) have tended to contribute to positive outcomes. On the other hand, features that discourage engagement in the resolution process (such as forbearance available to all, restrictions on banks to contact delinquent borrowers, unconditional protection from foreclosure, and not addressing incentives to walk away) have been counterproductive.

Against this background, the Greek authorities have responded to rising NPLs by announcing a framework aimed at addressing the shortfalls and stemming the growth in NPLs using a three-tier approach:

- **Amending Law 3869/2010.** The 2010 law provided blanket protection to borrowers, including those who strategically choose not to honor their debt obligations. It also made it difficult for creditors to agree on a revised repayment schedule in an extrajudicial setting. These shortfalls, plus a number of other technical elements in the 2010 law will be addressed in amendments scheduled to be adopted in June 2013.
- **Introducing a new "facilitation program" to provide debt relief for households in financial difficulty.** This program, which will also be introduced in June 2013, is targeted at low-income households who are fully honoring their tax and debt obligations but face significant financial challenges. It is expected that more than 80 percent of taxpayers with mortgages could eventually be eligible for the program. Participants will benefit from a cap on repayments set at an affordable level relative to current income, for a period of up to four years. The program will be implemented by all banks, and is expected to be fully rolled out in the second half of 2013.

Box 2. Greece: Framework to Deal with Household Debt (concluded)

Greek "Facilitation Program" for Highly Indebted Borrowers

Eligibility Criteria:

- a. Available to employees, not the self-employed.
- b. Household's current on debt and tax obligations.
- c. All loans issued by credit institutions that are secured by a mortgage on a main residence where the debtor is registered for tax purposes.
- d. Households with post-tax income of up to €25,000 and 20 percent cumulative income loss since 2009.
- e. Total outstanding debt of up to €150,000.
- f. The fiscal value of main residence of up to €180,000.
- g. Immovable assets (that cannot be easily transferred out of the jurisdiction) of up to €250,000.
- h. Total savings and other financial assets not to exceed €10,000.

Key Repayment Features:

1. Repayments set to 30 percent of post-tax income for employed and retired with an annual post-tax income of between €15,000 and €25,000.
2. Repayments set to 30 percent of post-tax income with a cap on interest rate of (0.75 percent + ECB main refinancing rate) for employed and retired with annual household income of up to €15,000. Borrowers above the poverty line will continue to pay interest as per the terms agreed with their banks.
3. Unemployed with no income source other than unemployment benefit receive a cumulative 6-month grace period over the life of the program.

- **Introducing a legal framework to expedite loan modification for households.** The previous legislative framework provided debt resolution mainly via a court-led insolvency process. The Greek authorities will pass enabling legislation in June 2013 and will follow with secondary legislation by August 2013 to provide a wider set of tools to assess ability and willingness to pay, to restructure loans terms and to introduce loan restructuring targets for banks. These tools are necessary to achieve effective and expeditious resolution of nonperforming debt and will be incorporated into all debt resolution activities, including the facilitation program, bank-led initiatives and the personal insolvency process. The authorities will also take steps to reduce excessive court waiting times. Once these measures have been introduced, the two blanket moratoria on auctions of repossessed assets will be abolished.

¹ See "Working Group on NPLs in Central, Eastern and Southeastern Europe", European Banking Coordination "Vienna" Initiative, March 2012.

² See "Dealing with Private Debt Distress in the Wake of the European Financial Crisis: A Review of the Economics and Legal Toolbox," IMF Working Paper, WP/13/44.

Box 3. Greece: Exceptional Access Criteria

The program continues to satisfy the substantive criteria for exceptional access but with no margin. This assessment crucially depends on the euro area member states' commitment to support Greece and to undertake further debt relief as necessary to ensure debt sustainability.

- **Criterion 1.** The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current or capital account, resulting in a need for Fund financing that cannot be met within the normal limits. Balance of payments support beyond normal access limits continues to be required since external financing needs remain large and financial conditions remain adverse.
- **Criterion 2.** A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. However, in instances where there are significant uncertainties that make it difficult to state categorically that there is a high probability that the debt is sustainable over this period, exceptional access would be justified if there is a high risk of international systemic spillover. The baseline debt trajectory is sustainable in the medium term but subject to significant risks. In the near term debt will remain very high, giving rise to uncertainties that make it difficult to categorically affirm that debt is sustainable with a high probability. However, the risk of international systemic spillovers in case of a permanent interruption of the program remains high and justifies exceptional access.
- **Criterion 3.** The member has prospects for gaining or regaining access to private capital markets within the timeframe when Fund resources are outstanding. Prospects for market access exist conditional on successful program implementation and adequate support from Greece's European partners. Under this scenario, market financing would be adequate to secure repayments to the Fund.
- **Criterion 4.** The policy program of the member provides reasonably strong prospects of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment. Program implementation faltered in a difficult social and political environment but the authorities have demonstrated program ownership and policy resolve through the implementation of prior actions in key areas. Technical assistance from the EC and the IMF will continue to support the authorities' efforts. On this basis, staff assesses there is a reasonably strong prospect of success of the program.

Appendix I. Debt Sustainability Analysis

1. This appendix provides a brief update regarding staff's assessment of the sustainability of Greece's public and external debt. Results continue to suggest that the current program can place Greece's debt on a sustainable trajectory but that significant risks remain, particularly due to the significant and sustained primary adjustment required of Greece.¹

A. Key Inputs for the DSA

- 4. The macro, policy, and financing framework underlying the DSA is broadly unchanged:**
- **Output.** Staff continues to project further contraction in the economy before a mild recovery begins in 2014. Liquidity conditions and confidence have improved but the underlying balance sheet correction continues to weigh on demand. Recent events in Cyprus are poised to have a modest negative effect on growth in Greece, but are offset by stronger than expected tourist receipts.
 - **Fiscal adjustment.** The program remains based on 1.5 percent of GDP in headline primary adjustment per year culminating in a surplus of 4.5 percent of GDP in 2016. The DSA assumes Greece can maintain a primary surplus of 4 percent in the long run. Though some European countries (Belgium and Ireland) have sustained high primary surpluses in the past, this assumption is ambitious.
 - **Privatization proceeds.** The DSA continues to assume that the authorities can generate €22 billion from assets sales through 2020, down from the €45 billion assumed at the start of the EFF.
 - **Financing.** The financing relief measures committed by the Eurogroup in December that are relevant for debt projections have broadly taken hold: the interest margin on GLF loans was cut from 100bps to 50bps, the administrative fee on EFSF loans was eliminated, and income on SMP profits is expected to be transferred later this year. The DSA assumes any financing gaps that may exist are filled with additional financing from the EFSF at current terms.
 - **Other.** The DSA has unchanged assumptions regarding key issues of liquidity management in Greece. As agreed with the euro area member states, Greece has reduced outstanding T-bills to €15 billion and will maintain that stock over the program period rather than a more aggressive drawdown as originally envisioned. Meanwhile, the program continues to assume financing provided will be adequate to reduce arrears in net terms by €8 billion by end-2013 while maintaining adequate deposit buffers.

¹ For a detailed DSA see the accompanying Article IV staff report.

B. Public Sector DSA

5. **Baseline projections show that debt would decline to 124 percent of GDP in 2020** (Table AI.1). Due to small changes in the phasing of disbursements, debt now peaks in 2013 above 175 percent of GDP, before starting a sustained decline in 2015. In December 2012, euro area member states committed to provide further relief to Greece—once it reaches an annual primary surplus—to ensure that debt in 2020 is 124 percent of GDP in 2020 and substantially below 110 percent of GDP in 2022. On baseline projections, debt is expected to be around 113 percent of GDP in 2022.
6. **Stress tests suggest the baseline debt path is particularly vulnerable to growth and primary surplus shocks while being resilient to lower privatization or interest rate shocks.** This reflects the already low privatization assumptions and largely official sector debt.
 - If the primary surplus stays at the 2013 target level of 0, debt to GDP will reach 148 percent of GDP in 2020 and will be rising over the medium term.
 - If nominal growth averages 1 percent lower than the 4 percent baseline projection, debt will be 134 percent in 2020 with an only modest declining path thereafter.
 - If privatization receipts are half of the €22 billion expected, debt in 2020 would be only 4ppts higher than the baseline while maintaining a strong downward trajectory.
 - If EFSF interest rates are 1 ppt higher, debt would again be only 4 percentage points higher than the baseline. Shocks to market rates only affect debt slowly after 2020.
7. **The debt trajectory remains extremely sensitive to program delays.** To illustrate, an alternative scenario is presented in Table AI.2, modeled as: a protracted implementation of structural reforms, a two year delay in the fiscal adjustment path, privatization delivering half the projected amount, and lower growth via a delay in the recovery of confidence and investment. In this scenario, debt would only fall to 147 percent of GDP in 2020, about 23 percentage points higher than in the baseline scenario.

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

(Percent of GDP, unless otherwise indicated)

	Actual					Projections							Debt-stabilizing primary balance 9/
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020	2025	2030	
Baseline: public sector debt 1/	112.9	129.7	148.3	170.3	156.9	175.8	174.2	168.2	159.5	124.2	102.2	86.2	1.1
Of which: foreign-currency denominated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in public sector debt	5.7	16.8	18.6	22.0	-13.5	18.9	-1.6	-6.0	-8.7	-8.1	-3.4	-3.1	
Identified debt-creating flows (4+7+12)	5.5	16.5	16.6	20.1	65.3	17.7	0.2	-7.6	-8.0	-8.6	-3.6	-2.9	
Primary deficit	4.8	10.5	4.9	2.4	1.3	0.0	-1.5	-3.0	-4.5	-4.3	-4.0	-4.0	
Revenue and grants	40.7	38.3	40.6	42.4	44.1	44.3	43.7	42.7	42.0	42.0	42.0	42.0	
Primary (noninterest) expenditure	45.5	48.8	45.5	44.8	45.4	44.3	42.2	39.7	37.5	37.7	38.0	38.0	
Automatic debt dynamics 2/	0.5	6.2	11.2	16.9	18.0	12.9	4.4	-0.6	-2.6	-1.2	0.1	0.9	
Contribution from interest rate/growth differential 3/	0.5	6.2	11.2	16.9	18.0	12.9	4.4	-0.6	-2.6	-1.2	0.1	0.9	
Of which contribution from real interest rate	0.3	2.6	4.5	5.7	6.3	5.9	5.4	4.3	3.4	2.2	2.0	2.4	
Of which contribution from real GDP growth	0.2	3.6	6.7	11.2	11.7	7.0	-1.0	-5.0	-6.0	-3.3	-1.9	-1.6	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Other identified debt-creating flows	0.2	-0.1	0.6	0.8	46.0	4.8	-2.6	-4.0	-0.9	-3.2	0.3	0.2	
Privatization receipts (negative)	0.0	0.0	0.0	-0.5	-0.1	-1.4	-1.0	-1.1	-1.1	-1.8	0.0	0.0	
Recognition of implicit or contingent liabilities	0.2	-0.1	0.6	1.3	7.1	2.3	-1.6	-3.0	0.2	-1.4	0.3	0.2	
Other (Includes bank recap, PSI sweetener)	0.0	0.0	0.0	0.0	39.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including debt relief (2-3) 5/	0.1	0.3	2.0	1.9	-78.7	1.2	-1.8	1.7	-0.7	0.5	0.3	-0.2	
Public sector debt-to-revenue ratio	277.6	338.2	365.2	401.9	355.6	397.0	399.0	393.8	379.9	295.7	243.5	205.3	
Gross financing need 6/	9.9	15.6	19.6	27.5	18.9	21.1	25.1	18.6	11.7	8.7	5.4	4.0	
Billions of U.S. dollars	34.1	50.2	57.9	79.7	47.1	51.4	60.8	46.3	30.2	26.8	20.0	18.2	
Key macroeconomic and fiscal assumptions underlying baseline													
Real GDP growth (percent)	-0.2	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	2.9	3.7	2.6	1.9	1.8	
Average nominal interest rate on public debt (percent) 7/	5.0	4.5	4.4	4.6	2.7	2.5	2.7	3.0	3.2	3.5	4.1	4.9	
Average real interest rate (nominal rate minus change in GDP deflator, percent)	0.3	2.2	3.3	3.5	3.5	3.6	3.1	2.6	2.2	1.8	2.1	2.9	
Inflation rate (GDP deflator, percent)	4.7	2.3	1.1	1.0	-0.8	-1.1	-0.4	0.4	1.1	1.7	2.0	2.0	
Growth of real primary spending (deflated by GDP deflator, percent)	6.3	3.9	-11.3	-8.6	-5.1	-6.5	-4.2	-3.0	-2.1	2.6	1.9	1.8	

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

2/ Derived as $[(r - p(1+g) - g + ae(1+r))/(1+g+p+gp)]$ times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as $-g$.4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $ae(1+r)$.

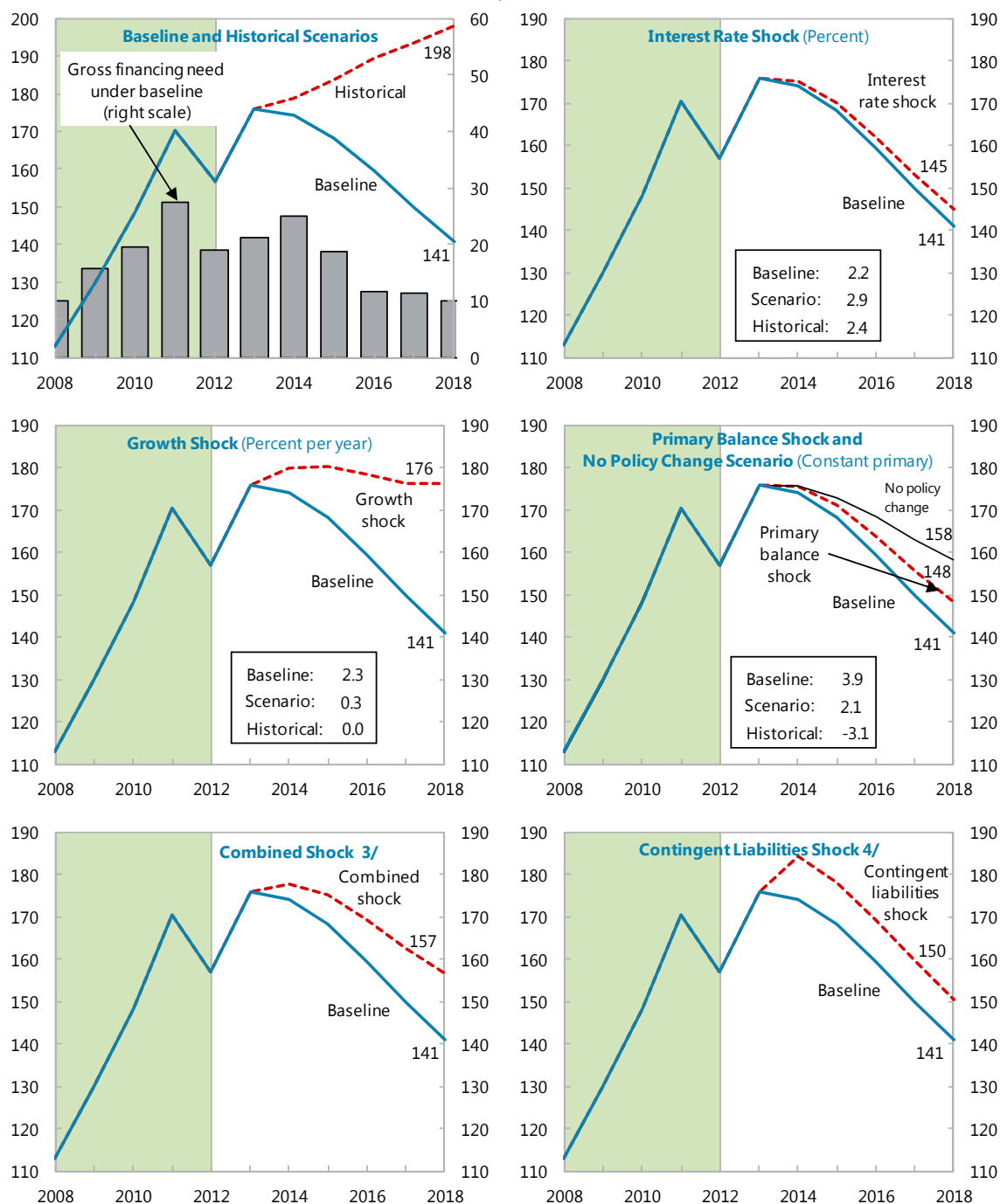
5/ For projections, this line includes exchange rate changes.

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

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

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

(Public debt in percent of GDP)



Sources: IMF staff estimates.

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

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

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

4/ 10 percent of GDP shock to contingent liabilities occur in 2010.

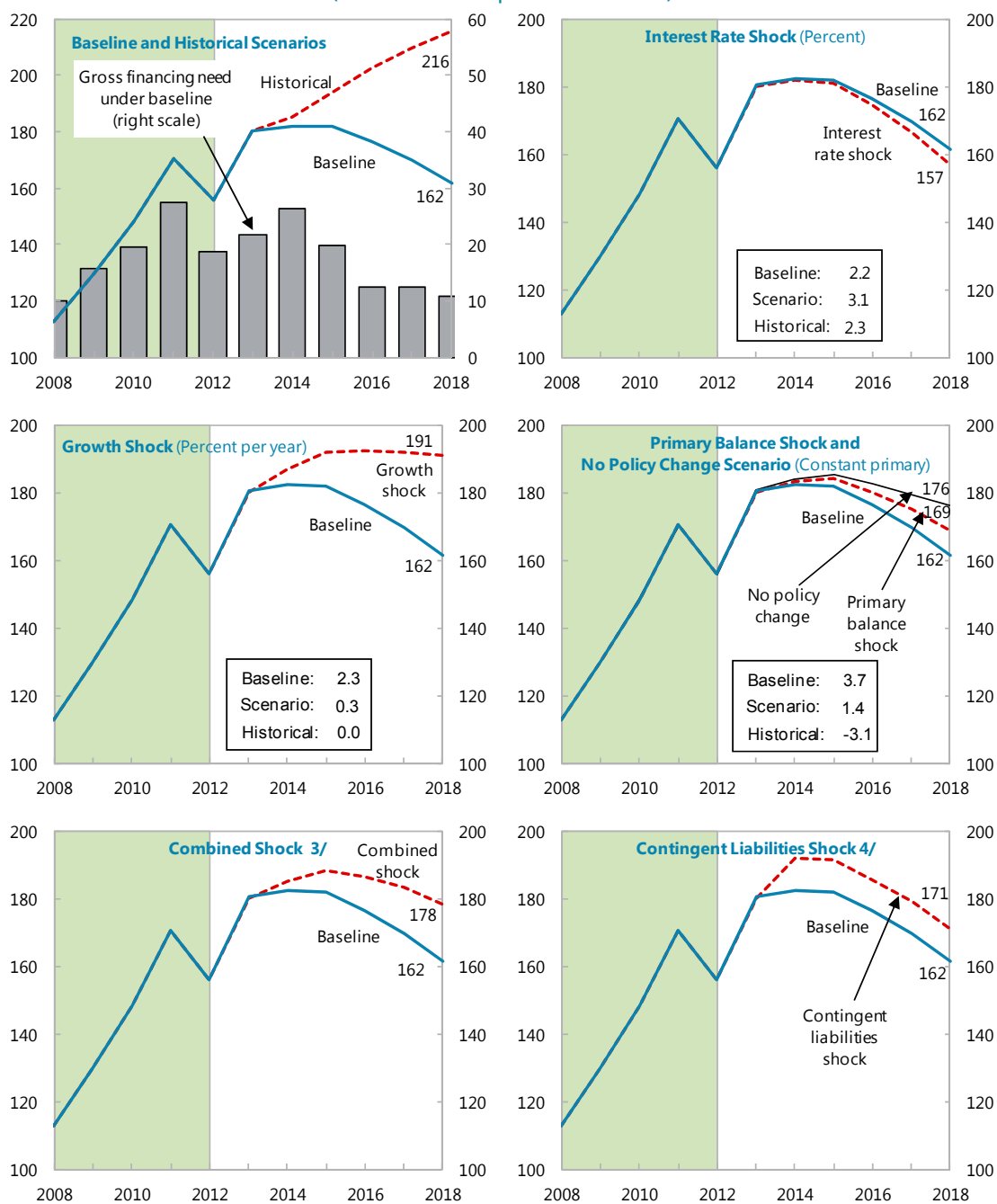
Table AI.2. Greece: Public Sector Debt Sustainability Framework: Alternative Scenario, 2008–30

(Percent of GDP, unless otherwise indicated)

	Actual					Projections									Debt-stabilizing primary balance 9/
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2020	2025	2030	
Baseline: public sector debt 1/	112.9	129.7	148.3	170.3	156.9	180.5	182.1	181.7	176.4	169.7	161.6	147.2	126.0	111.3	1.4
<i>Of which: foreign-currency denominated</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in public sector debt	5.7	16.8	18.6	22.0	-13.5	23.7	1.6	-0.5	-5.3	-6.7	-8.1	-6.6	-3.2	-2.8	
Identified debt-creating flows (4+7+12)	5.5	16.5	16.6	20.1	65.3	22.1	1.7	-6.3	-7.0	-9.9	-9.8	-9.2	-3.6	-2.6	
Primary deficit	4.8	10.5	4.9	2.4	1.3	0.0	-1.6	-2.0	-3.0	-3.5	-4.5	-4.3	-4.0	-4.0	
Revenue and grants	40.7	38.3	40.6	42.4	44.1	45.5	45.7	45.5	45.3	45.8	45.9	46.0	45.9	45.9	
Primary (noninterest) expenditure	45.5	48.8	45.5	44.8	45.4	45.5	44.1	43.5	42.3	42.3	41.4	41.8	41.9	41.9	
Automatic debt dynamics 2/	0.5	6.2	11.2	16.9	18.0	17.1	6.0	0.0	-3.0	-2.4	-2.1	-1.5	0.1	1.1	
Contribution from interest rate/growth differential 3/	0.5	6.2	11.2	16.9	18.0	17.1	6.0	0.0	-3.0	-2.4	-2.1	-1.5	0.1	1.1	
Of which contribution from real interest rate	0.3	2.6	4.5	5.7	6.3	10.0	7.1	5.2	3.5	3.5	3.3	2.4	2.5	3.1	
Of which contribution from real GDP growth	0.2	3.6	6.7	11.2	11.7	7.2	-1.1	-5.2	-6.5	-5.9	-5.3	-3.9	-2.4	-2.0	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.2	-0.1	0.6	0.8	46.0	5.0	-2.8	-4.3	-1.0	-4.0	-3.3	-3.5	0.3	0.3	
Privatization receipts (negative)	0.0	0.0	0.0	-0.5	-0.1	-1.4	-1.1	-1.1	-1.2	-1.2	-1.6	-1.9	0.0	0.0	
Recognition of implicit or contingent liabilities	0.2	-0.1	0.6	1.3	7.1	2.3	-1.7	-3.2	0.2	-2.8	-1.6	-1.5	0.3	0.3	
Other (Includes bank recap, PSI sweetener)	0.0	0.0	0.0	0.0	39.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including debt relief (2-3) 5/	0.1	0.3	2.0	1.9	-78.7	2.7	-0.1	5.8	1.7	3.2	1.7	2.6	0.4	-0.2	
Public sector debt-to-revenue ratio	277.6	338.2	365.2	401.9	355.6	396.9	399.0	399.0	389.3	370.9	352.2	320.0	274.4	242.5	
Gross financing need 6/	9.9	15.6	19.6	27.5	18.9	21.7	26.2	19.8	12.6	12.4	10.9	9.6	5.9	4.4	
Billions of U.S. dollars	34.1	50.2	57.9	79.7	47.1	51.4	60.8	46.3	30.2	30.8	27.9	26.8	20.0	18.2	
Key macroeconomic and fiscal assumptions underlying baseline															
Real GDP growth (percent)	-0.2	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3	2.6	1.9	1.8	
Average nominal interest rate on public debt (percent) 7/	5.0	4.5	4.4	4.6	2.7	2.5	2.7	3.0	3.2	3.4	3.5	3.5	4.1	4.9	
Average real interest rate (nominal rate minus change in GDP deflator, percent)	0.3	2.2	3.3	3.5	3.5	6.0	3.9	2.9	2.1	2.1	2.1	1.7	2.0	2.9	
Inflation rate (GDP deflator, percent)	4.7	2.3	1.1	1.0	-0.8	-3.5	-1.2	0.1	1.2	1.2	1.5	1.8	2.1	2.1	
Growth of real primary spending (deflated by GDP deflator, percent)	6.3	3.9	-11.3	-8.6	-5.1	-4.2	-3.4	0.1	-0.5	2.5	0.9	2.6	1.8	1.7	

1/ General government gross debt. Only intra-government holdings are netted out.
2/ Derived as $[(r - p(1+g) - g + ae(1+r))/(1+g+p+gp)]$ times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).
3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as $-g$.
4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $ae(1+r)$.
5/ For projections, this line includes exchange rate changes.
6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.
7/ Derived as nominal interest expenditure divided by previous period debt stock.

Figure AI.2. Greece: Public Debt Sustainability: Alternative Scenario, Bound Tests, 2008–18 1/ 2/
(Public debt in percent of GDP)



Sources: IMF staff estimates.
 1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
 2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
 3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.
 4/ 10 percent of GDP shock to contingent liabilities occur in 2010.

C. External Sector DSA

8. **External debt is expected to decline gradually.** Gross debt, currently at 233 percent of GDP, would peak at around 245 percent of GDP in 2013 and then decline to about 155 percent in 2020. Net debt would fall from about 130 percent of GDP in 2012 to around 75 percent in 2020. Several factors lie behind the projected improvement in external debt. Most importantly, the current account is projected to improve quickly as competitiveness is restored, and Greece continues to rely on official loans at relatively low interest rates. The agreed reduction in the GLF interest rate and EFSF fees, and the return of SMP profits will also contribute to the sharp improvement in the current account. FDI inflows related to privatization also remain an important non-debt-creating source of financing.

9. **Macroeconomic shocks and policy slippages could result in adverse dynamics:**
 - **Larger current account deficits.** Slow competitiveness improvements resulting from delayed structural reforms or a terms-of-trade shock could affect exports negatively and worsen the baseline current account projections by around 1.5 percent of GDP. The debt ratio would remain on a downward path, but would be 10 percentage points higher than in the baseline by 2020.
 - **Interest rate shock.** The effects of higher Greek sovereign spreads would be dampened by the almost exclusive reliance of Greece on official financing. Changes in the risk free rate would nevertheless impact Greece through the cost of official financing. A 100bps shock to Bund rates would worsen the income account and result in a 2020 debt ratio 8 percentage points above the baseline.
 - **Slippages in privatization.** Privatization delays that result in only about half of the projected privatization proceeds over the projections period would affect external debt dynamics by reducing non-debt-creating flows. The impact on the debt path would be modest since baseline privatization related inflows are small relative to the overall financial account balance. The debt ratio in 2020 would be around 3 percentage points higher than in the baseline.

10. **Debt dynamics would be significantly worse under a combined shock involving lagged program implementation, weak competitiveness, and higher interest rates.** The shocks above would likely be individually manageable, but would have a more substantial impact in an adverse scenario where they occur simultaneously. The net debt ratio would reach about 100 percent of GDP in 2020, 23 percent of GDP higher than in the baseline.

Table AI.3. Greece: External Debt Sustainability Framework, 2007–21

(Percent of GDP, unless otherwise indicated)

	Actual						Projections										Debt-stabilizing non-interest current account 7/
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Baseline: external debt	70.5	76.8	90.5	134.4	148.3	130.6	135.0	132.0	124.5	115.4	105.9	95.8	86.1	77.0	70.7	-5.1	
Change in external debt	6.7	6.4	13.7	43.9	13.9	-17.7	4.4	-3.0	-7.4	-9.1	-9.5	-10.1	-9.6	-9.2	-6.3		
Identified external debt-creating flows (4+8+9)	6.1	-1.9	9.2	12.6	16.7	12.2	4.9	-3.4	-8.2	-10.0	-10.1	-8.7	-8.5	-8.3	-7.0		
Current account deficit, excluding interest payments	9.8	9.1	6.0	4.9	3.7	-0.6	-3.8	-4.9	-5.5	-5.9	-6.3	-6.5	-6.6	-6.4	-6.0		
Deficit in balance of goods and services	11.2	11.5	7.8	6.8	6.0	2.5	0.2	-1.4	-2.4	-3.0	-3.5	-3.9	-4.3	-4.6	-4.5		
Exports	21.9	23.1	18.3	20.5	23.4	25.4	27.4	28.3	28.6	28.7	28.9	29.1	29.4	29.6	29.6		
Imports	33.1	34.6	26.2	27.3	29.5	27.9	27.6	26.9	26.2	25.7	25.4	25.2	25.1	25.0	25.2		
Net non-debt creating capital inflows (negative)	-2.4	-0.3	0.0	1.4	0.3	-1.1	-1.2	-1.0	-1.3	-1.5	-1.6	-2.0	-2.1	-2.3	-2.0		
Automatic debt dynamics 1/	-1.3	-10.7	3.2	6.3	12.7	13.9	9.9	2.5	-1.3	-2.6	-2.2	-0.3	0.1	0.4	0.9		
Contribution from nominal interest rate	2.6	2.5	2.5	2.6	3.9	2.6	2.6	2.8	3.0	3.1	3.2	3.0	2.8	2.6	2.4		
Contribution from real GDP growth	-1.8	-10.0	2.4	4.7	10.2	10.2	5.8	-0.8	-3.8	-4.4	-3.9	-3.3	-2.8	-2.2	-1.5		
Contribution from price and exchange rate changes 2/	-2.0	-3.2	-1.7	-1.0	-1.4	1.1	1.5	0.5	-0.6	-1.3	-1.5	-1.5	-1.6	-1.5	-1.4		
Residual, incl. change in gross foreign assets (2-3) 3/	0.6	8.2	4.5	31.2	-2.8	-29.9	-0.5	0.4	0.7	0.9	0.6	-1.4	-1.1	-0.9	0.7		
External debt-to-exports ratio (in percent)	321.8	332.6	494.5	655.3	633.2	515.2	492.3	466.2	435.3	402.6	366.8	328.6	293.3	259.9	238.6		
Gross external financing need (billions of euros) 4/	93.3	122.9	194.4	216.2	239.0	205.6	178.8	158.5	139.2	119.5	105.7	95.6	88.1	78.4	72.1		
Percent of GDP	41.9	52.7	84.1	97.3	114.6	106.1	97.5	86.2	73.2	60.0	50.6	43.6	38.4	32.7	28.9		
Scenario with key variables at their historical averages 5/	...	...	...	...	...	...	131.1	131.1	131.3	131.6	131.6	131.3	131.3	131.3	132.3	-6.7
Key macroeconomic assumptions underlying baseline																	
Real GDP growth (percent)	3.0	17.5	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3	3.0	2.6	2.0		
GDP deflator (change in percent)	3.3	4.7	2.3	1.1	1.0	-0.8	-1.1	-0.4	0.4	1.1	1.3	1.4	1.7	1.7	1.9		
Nominal external interest rate (percent) 6/	4.3	4.4	3.3	2.8	2.7	1.6	1.9	2.1	2.4	2.6	2.9	3.0	3.1	3.1	3.3		
Growth of exports (euro terms, percent)	9.6	10.4	-21.5	7.7	7.2	0.6	2.4	3.5	4.5	5.1	5.6	5.8	5.6	5.3	4.0		
Growth of imports (euro terms, percent)	14.3	9.6	-25.2	0.3	1.4	-12.1	-6.4	-2.3	0.7	2.9	3.7	3.9	4.2	4.1	4.6		
Current account balance	-14.6	-14.9	-11.2	-10.1	-9.9	-3.4	-0.8	-0.2	0.1	0.2	0.5	0.9	1.2	1.4	1.1		
Net non-debt creating capital inflows	2.4	0.3	0.0	-1.4	-0.3	1.1	1.2	1.0	1.3	1.5	1.6	2.0	2.1	2.3	2.0		

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

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

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

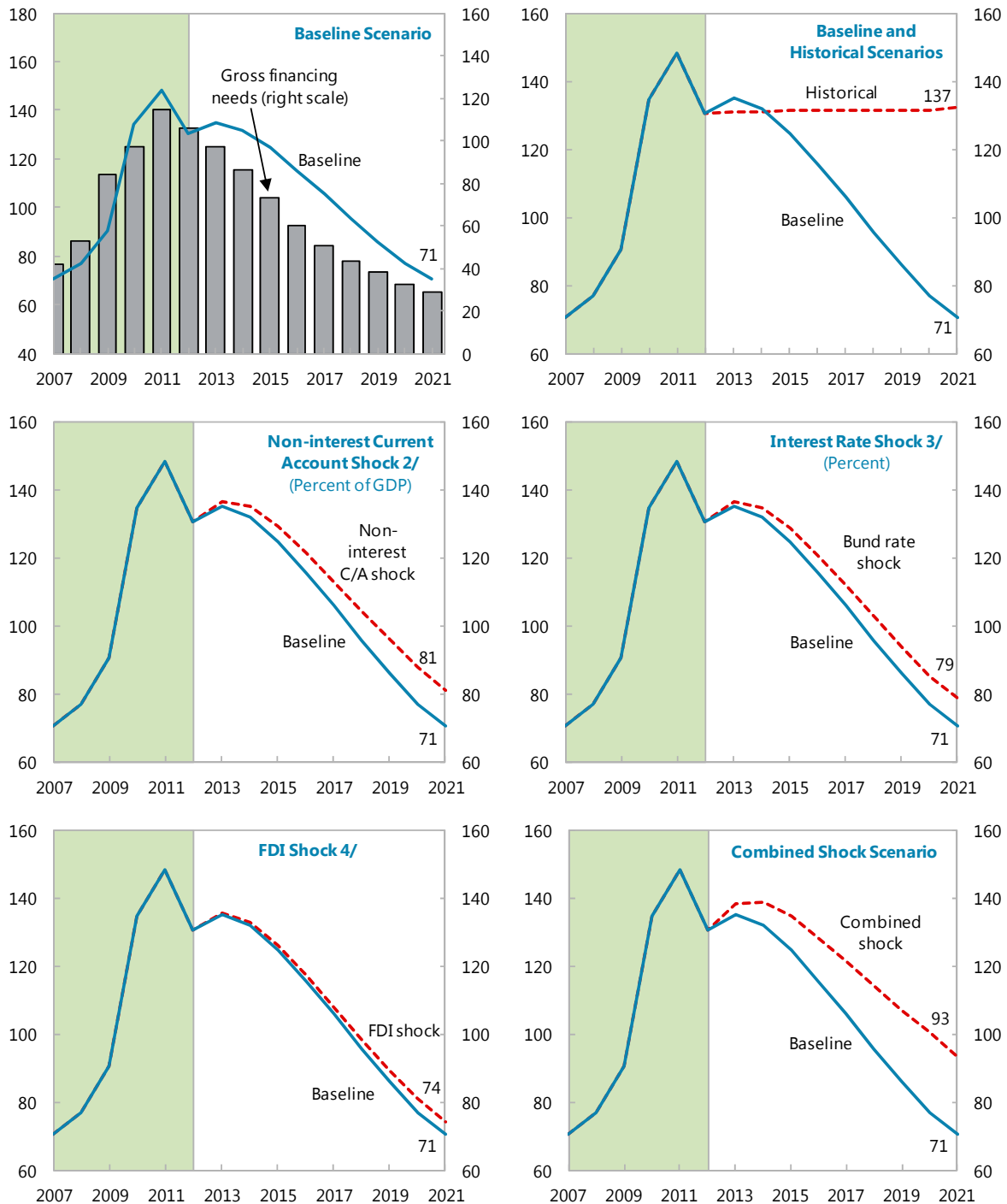
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

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

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

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

Figure AI.3. Greece: External Debt Sustainability: Bound Tests, 2007–21 1/
 (Net external debt in percent of GDP)



Sources: Greek authorities; and IMF staff estimates.

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

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

3/ Impact of 100bps shock to Bund rates on Greece's official interest rates and income balance.

4/ Decline in FDI due to reduced privatization receipts.

Appendix II. Fund Relations

(As of April 30, 2013)

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

Exchange Rate Arrangements: Greece's currency is the euro, which floats freely and independently against other currencies. It maintains an exchange system free of restrictions apart from those resulting from European Council regulations, which were last notified to the Fund in accordance with Decision 144 under EBD/08/35, 4/08.

General Resources Account:	SDR Million	Percent Quota
Quota	1,101.80	100.00
Fund holdings of currency	22,600.14	2,051.20
Reserve position in Fund	240.82	21.86

SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	782.36	100.00
Holdings	553.49	70.75

Outstanding Purchases and Loans:	SDR Million	Percent Quota
Stand-by Arrangements	17,541.80	1,592.10
Extended Arrangements	4,197.30	380.95

Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
EFF	Mar 15, 2012	Mar 14, 2016	23,785.30	4,197.30
Stand-By	May 09, 2010	Mar 14, 2012	26,432.90	17,541.80

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

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	1,471.81	6,277.79	7,299.09	2,609.70	466.37
Charges/Interest	532.65	658.44	364.27	129.96	61.73
Total	2,004.46	6,936.23	7,663.36	2,739.66	528.09

Implementation of HIPC Initiative: Not Applicable

Safeguards Assessment: An update safeguards assessment of the Bank of Greece (BoG) has been conducted in connection with the current Extended Fund Facility, and was finalized in

August 2012. The update assessment found that BoG has strengthened its safeguards framework since the 2010 assessment. Financial reporting and external audit practices adhere to international standards and recent amendments to the BoG's Statute are expected to enhance governance and the central bank's autonomy from private shareholders. Emergency lending operations are subject to established legal and control frameworks, but the assessment recommends a compliance review by the BoG's internal audit department.

Last Article IV mission: Discussions for the 2013 Article IV Consultation were held in Athens during April 3–15, 2013. The Staff Report for the 2013 Article IV will be considered by the Executive Board at the same time with the Staff Report for the third review under the Extended Arrangement on May 31, 2013. Article IV Consultations with Greece are currently held on a 24-month consultation cycle.

Third Review under the Extended Arrangement: Discussions for third review under the Extended Arrangement were held during February 26–March 14, and April 3–15, 2013. The mission met with the Prime Minister, Minister of Finance, Governor of the Bank of Greece, and other Cabinet Ministers; and staff in these and other ministries. The mission also met private banks, think tanks, and employer associations. The staff team comprised P. Thomsen (head), M. Flanagan, W. McGrew, G. Gottlieb, N. Hobdari, W. Maliszewski, and M. Shamloo (EUR); I. Petrova (FAD); S. Lanau and B. Rayner (SPR); O. Frecaut, M. Oliva, and D. Monaghan (MCM); and G. Esposito (LEG). B. Traa, S. Eble, M. Athanasopoulou, G. Gatopoulos, and M. Kalimeri (IMF resident representative office) assisted the mission. J. Manning and C. Piatakovas (EUR) assisted from headquarters.

Technical Assistance:

Department	Purpose	Date
MCM	Banking supervision	March 2010
FAD	Public financial management: initial analysis and priority reforms	April 2010
FAD	Revenue administration: initial analysis and reform priorities	April 2010
STA	Data quality and misreporting (K-1 Report)	April 2010
FAD	General tax policy	May 2010
MCM/FAD/LEG	Financial instruments	May 2010
FAD	Expenditure Policy	June 2010
FAD	Public financial management: follow-up on priority reforms	June 2010
LEG	Implementation of financial sector components of the SBA program	June 2010
MCM	Implementation of financial sector components of the SBA program	June 2010
FAD	Tax administration: design of the anti-evasion plan	July 2010
MCM	Implementation of financial sector components of the SBA program	September 2010
FAD	Tax administration: implementation of the anti-evasion plan	September 2010

Department	Purpose	Date
FAD	Public financial management: implementation status of priority reforms	September 2010
STA	Monitoring of fiscal data for the program	September 2010
FAD	Tax administration: anti–evasion and structural reforms	October 2010
FAD	Health system analysis and proposals	October 2010
STA	Government finance statistics	December 2010
FAD	Tax administration: anti–evasion and structural reforms	February 2011
FAD	Role of accounting officers	February 2011
STA/FAD	Government finance statistics/fiscal reporting	March 2011
FAD	Tax administration: strategic planning	March 2011
FAD	Public financial management: follow-up on implementation of priority reforms	April 2011
FAD/LEG	Tax administration: anti–evasion and structural reforms	April 2011
LEG	Legal framework for privatization	April 2011
MCM/LEG	Review of the Legal and Operational Framework for Bank Resolution	June 2011
FAD	Tax administration: strategic planning and taxpayer audit	June 2011
FAD	Tax administration: tax collection and tax administration reform	July 2011
LEG	AML and anti-tax evasion: strengthening BoG's supervisory process	September 2011
LEG	AML and anti-tax evasion: review of cross-border financial flows	September 2011
FAD	Safeguarding revenue and encouraging growth	September 2011
FAD	Modernizing the General Accounting office	September 2011
FAD	Preparing the 2012 budgets	September 2011
STA	TA Mission (Fiscal Reporting)	December 2011
FAD	Expenditure Policy: OECD Review of Social Programs	January 2012
FAD	Tax administration	January 2012
LEG	Reform of central bank governance for banking supervision and resolution	January 2012
LEG	AML and anti-tax evasion: strengthening BoG's supervisory process	January 2012
FAD	PFM: Accounting Officers and 2013 Budget Preparation	February 2012
FAD	Tax Administration: Collection and analyzing taxpayer compliance data	February 2012
STA	TA Mission (Fiscal Reporting)	February 2012
FAD	Expenditure Policy: Spending Review Mission	March 2012
FAD	Tax administration: Follow up	March 2012
FAD	Revenue Administration: Social contribution compliance	March 2012
LEG	AML and anti-tax evasion: strengthening BoG's supervisory	April 2012

Department	Purpose	Date
	process	
STA	TA Mission (Fiscal Reporting)	April 2012
STA	TA Mission (Fiscal Reporting)	June 2012
FAD	PFM: Discussions on PFM TA with the new Government of Greece	July 2012
FAD	Tax Administration	July 2012
FAD	Revenue Administration: Social contribution compliance	July 2012
FAD/LEG	Tax Policy: Technical consultations on tax policy reforms	September 2012
FAD	Revenue Administration: Social contribution compliance	September 2012
FAD	Tax Administration: IT Audit Techniques	September 2012
FAD	Tax Administration: Tax Audit Case Selection	September 2012
LEG	AML and anti-tax evasion: Strengthening BoG's supervisory process	September 2012
FAD	PFM: Reform implementation review	October 2012
FAD	Tax Administration: Follow up	October 2012
FAD/LEG	Tax Policy: Technical consultations on tax policy reforms	October 2012
FAD	Tax administration: Organizational Reform	October 2012
FAD	Tax Administration: IT Audit Techniques	October 2012
FAD	Tax administration: Organizational Reform	November 2012
LEG	AML and anti-tax evasion: Strengthening BoG's supervisory process	November 2012
STA	Balance of Payments Statistics	November 2012
STA	General Accounting Office: Fiscal Reporting	January 2013
FAD	Revenue Administration: Social contribution compliance	January 2013
FAD	Tax Policy: New income tax law and tax procedures code	January 2013
LEG	AML and anti-tax evasion: strengthening BoG's supervisory process	February 2013
FAD	Expenditure Policy: Social budgeting monitoring framework	March 2013
FAD	Tax policy: New income tax law and tax procedures code	April 2013

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

Appendix III. Letter of Intent

Athens, May 20, 2013

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington DC

Dear Ms. Lagarde:

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

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

The program is back on track, as evidenced by the fact that we met all end-March 2013 quantitative performance criteria, although one indicative target (on domestic arrears) was missed (Table 1a). However, some structural benchmarks were not observed (Table 2). We have stepped up program implementation, adopting key reforms, including as prior actions for this review (Table 3):

- Regarding fiscal policy, we over-performed on the cash fiscal deficit target for 2012 and the first quarter of 2013. Indeed, for 2012 in ESA-1995 terms, we over-performed the program fiscal deficit target by 0.2 percent of GDP despite the deep recession. As prior action for this review, we have taken a number of steps to ensure that we continue to meet our fiscal targets for 2013 and 2014. While we experienced delays in putting our domestic arrears clearance program in place, and missed the end-March 2013 indicative target, we have taken several measures to support accelerating their clearance, and remain committed to achieve the program schedule of eliminating the stock of arrears by end-2013.
- Concerning our fiscal-institutional reform efforts, while we did not achieve several end-2012 key performance indicators (structural benchmarks), we have stepped up reforms to bring revenue administration and public financial management reforms back on track. As a prior action for this review, we have passed legislation to move towards a semi-autonomous revenue administration, adopted key tax administration procedural reforms,

reformed installment schemes for taxes and social security contributions to bring them in line with international best practices; and met key performance indicators on public financial management and revenue administration for end-March and end-April respectively.

- We have further advanced in our efforts to restore a viable and well-capitalized banking system that will support the economic recovery and maintain the protection of depositors. In particular, the recapitalization of each of the four core banks has been approved by its shareholders and is in the process of being implemented (and we are committed to implement a comprehensive banking sector strategy aimed at promptly returning core banks to the private sector), the resolution of undercapitalized noncore banks is proceeding apace, we are strengthening the banks' governance framework (including appointment of monitoring trustees in all four core banks and additional independent board members in the HFSF), and we will soon finalize a new framework to restructure debts of financially distressed households, while remaining within our recapitalization envelope.
- Regarding structural reforms to improve Greek competitiveness, we have made further progress with liberalizing the economy and advancing privatization. Our reforms in recent months in this area have focused on further liberalizing the regulated professions, and preparing assets for sale in the context of the privatization program.
- While the reforms outlined above will support growth and employment, there is a need to assist the most vulnerable groups in the society to cushion the crisis impact. To that end, we are stepping up efforts to leverage EU structural funds to facilitate employment creation, especially among the young. In addition, we plan to expand the support programs for unemployed, within the existing overall budget envelope.

The program is fully financed through June 2014. Firm commitments are also in place thereafter from euro area members to provide adequate support during the program period and beyond, provided that we fully comply with the requirements and objectives of the program. In this regard, we are on track to receive the first phase of conditional debt relief from our European partners, as described in the Eurogroup statements on November 27 and December 13, 2012, and in the staff report for the first and second reviews of the EFF-supported program.

On this basis, we request completion of the third review under the EFF and the third purchase under this arrangement in the amount of SDR 1,506.8 million. We propose to establish quantitative performance criteria for end-September 2013 and end-December 2013, as well as quarterly indicative targets for mandatory exits and semi-annual targets for entrants into the mobility scheme (Table 1). As detailed below, we propose to add two structural benchmarks (on the revenue administration and financial sector), reset two structural benchmarks and to modify two others (Table 4). In view of the delay in completing the third review, we request a rephrasing of the fourth and fifth reviews and their associated purchases as indicated in Table 5.

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

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

/s/

Antonis Samaras
Prime Minister

/s/

Yannis Stournaras
Minister of Finance

/s/

George Provopoulos
Governor of the Bank of Greece

Appendix IV. Memorandum of Economic and Financial Policies

Outlook and Strategy

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

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

- **Improving tax administration.** Reforms in this area are an overarching objective of this review. They will help improve revenue collection, which is critical to distribute more fairly the burden of fiscal adjustment, and avoid the need for socially-difficult measures.
- **Supporting economic growth and employment.** Our efforts in this area focus on: advancing the clearance of spending and tax refund arrears to improve liquidity, adopting new frameworks for restructuring viable debtors, finalizing bank recapitalization and restructuring, and key structural reforms to improve competition, foster investment and strengthen competitiveness.
- **Strengthening the social safety net.** While our economic reforms are stabilizing the economy and laying the basis for recovery, unemployment will remain too high for some time. Thus, to enhance and better target the social safety net, in particular to facilitate employment creation, several measures have been developed using EU structural funds.

Fiscal Institutional Reforms

Revenue administration

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

- As a **prior action** for the review we will adopt legislation to: (i) transfer to the revenue administration the Ministry of Finance internal affairs department, and all tax and customs administration related functions within the General Secretariat for Information Systems and within the Corps for the Prosecution of Financial Crimes; (ii) create a five member advisory board comprised of high level experts to be appointed by the Minister of Finance (two of which will be persons with significant international experience working in tax administration); (iii) provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14 day time frame; (iv) enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP; (v) create a budget code that encompasses all organizational units of the revenue administration (to enable a separate and unified budget allocation for approval by parliament starting with the 2014 budget); (vi) establish a small financial management unit in the revenue administration to coordinate the preparation and implementation of the revenue administration's budget (while maintaining the role of the GDFS as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation); and (vii) authorize the SGPR to determine a grading and promotion system for the revenue administration, subject to the approval of the Minister of Finance. Finally, we will also reconvene the institutional reform working group (IRWG), which will be chaired by the SGPR, and whose reports will be shared with the Minister of Finance and the EC/ECB/IMF. The TMU (1128) specifies the prior action in more detail.
- To implement the reforms legislated through the prior action, we will:
 - By end-July (i) establish the mandate and composition for the advisory board and hold its first meeting; (ii) transfer all personnel functions and budget allocations of the IAD and the revenue-related departments of GSIS to the revenue administration, and draft and implement the service-level agreement between the SGPR and the GSIS; (iii) review the delegation of competencies to the SGPR and GDFS in the Ministry of Finance, and if necessary assign the authority to the SGPR to reallocate expenditures across budget lines in accordance with the general rules set out in Organic Budget Law 2362/1995; and (iv) complete the screening and adopt legislation to address the constraints to the autonomy of the revenue administration.
 - By end-October 2013, and as a **structural benchmark**, the SGPR will approve the new organizational structure, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration. Separately, by end-October 2013, we will transfer the revenue-related functions, personnel, and budget allocation of SDOE under the revenue administration.
 - By end-2013, approve the 2014 revenue administration budget—with full flexibility for the SGPR to reallocate funds among non-wage recurrent spending.
 - By end-March 2014, transition staff to the new organizational structure of the revenue administration.

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

- As a **prior action** for the review we will pass legislation to: (i) simplify the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt (subject to a joint decision with the Court of Audit for amounts more than €1.5 million); (ii) remove the legal requirement to audit all tax declarations for the previous 10 years, and allow audit cases to be selected on the basis of modern risk analysis; and (iii) implement indirect audit methods and allow their application to any open tax audit (to bring wealth and expenditures into the determination of taxable income); (iv) replace the quasi-judicial review committee with a full internal review process within the revenue administration (the Internal Review Unit will be operational by end-August 2013); and (v) reduce the payment requirement to file a VAT return to a minimum.
- We will revise the AML legislation by end-June 2013 to (i) ensure that the General Secretariat of public revenues (GSPR) is represented at the Board of the Financial Intelligence Unit (FIU); (ii) enable the GSPR to obtain from the FIU information relevant to individual tax audits and debt collection cases; (iii) require that information on relevant cases of failure to pay confirmed debt over €50,000 be transmitted to the FIU (for purposes of implementing the AML law); and (iv) require the FIU to promptly inform the GSPR when assets are frozen in relation to the laundering of proceeds of tax crimes.

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

- Regarding **audit activities**, we have expanded third party data collection to financial institutions to facilitate audit in past years. Alongside these efforts, we have consolidated the audit of capital remittance cases in the HWI unit, and have started targeted selection of cases. Finally, by end-June, all line ministries having a financial relationship with taxpayers or beneficiaries will utilize their tax identification number in financial transactions with them. The use of tax identification numbers will be made compulsory for all official transactions with the whole public administration by end-2013.
- Concerning the **collection of debts**, we have assigned additional staff, and have expanded the case base of the large debtor unit (LDU) to debts exceeding €1.5 million. Further, we will complete the consolidation of debt collection functions into the largest DOYs by end-September 2013. We will closely monitor the collection performance of the LDU, and once it performs effectively we will establish a second LDU. To increase the efficiency of enforced debt collection, we will complete the development of an IT system allowing immediate access to information about existence of bank accounts held by taxpayers, and about the current balance on the account, which we will implement on a pilot basis by end-July 2013, with full implementation by end-September 2013.

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

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

- **Elimination of the tax refund backlog.** The backlog of gross tax refund claims (including those made by general government entities) has reached €2.7 billion at end-February, well above the normal amount of float. To help reduce the backlog: (i) we have repaid €721 million since end-November 2012; and (ii) we will develop systems to process refund requests more quickly (beyond the new targeted audit case selection for validating VAT refund claims developed in March, we will develop systems for income taxes by July; and electronic submissions of VAT tax refund claims by August).
- **Revised installment schemes.** We remain committed to enforce collection of tax and social security contributions (SSC), and will not introduce any new amnesty schemes, nor extend any existing ones. We have made several changes, to strengthen our installment schemes:
 - **Basic installment plan.** The key features of this permanent scheme will include: (i) tightened eligibility (proof of viability and tax compliance will be required); (ii) payment of market interest rates plus a premium on outstanding balances; (iii) enforced collection upon default on a payment; and (iv) a maximum of 12 monthly installments (except for a specific list of taxes of a non-current or extraordinary nature for which installments of up to 24 months would be allowed).
 - **Fresh start plan.** On a one-time basis, in parallel to the normalization of the economic situation, we have made our framework for granting tax debt and SSC payment arrangements more flexible. Two key changes will be made. First, taxpayers will be allowed to pay pre-existing tax and SSC debts (not already subject to an installment arrangement), and to consolidate debt from other schemes. Payments will be in equal monthly installments not extending beyond June 2017. There will be a reduction in the surcharge by at most 50 percent upon full payment of the debt. This will accommodate viable taxpayers whose capacity to pay is temporarily affected by the current business cycle. Second, reduced documentation requirements will apply for tax and SSC debts below €75,000. Under this scheme, compliance with current tax and SSC obligations is mandatory, full collateral will be

required for large rescheduled amounts (over €300,000), and enforced collection upon default will apply.

- To implement these arrangements, as a **prior action** for this review we will adopt legislation that regulates the conditions of these installment schemes. The legislation will set the date of opening application into the new scheme no later than July 1, 2013. Entry into existing tax and SSC debt instalment schemes that do not extend past June 30, 2017 and do not offer more generous terms and conditions than the fresh start scheme (concerning the effective interest rate and the surcharge reduction), will be allowed up until June 30, 2013. The law will specify which schemes remain open until June 30, 2013. Entry into all other schemes will be discontinued upon submission of this legislation to parliament. Entry into these two installment schemes will be disallowed for debtors who are in default on another scheme after the submission of the law to parliament. We will include the provisions for the basic installment plan regarding taxes in the tax procedural code by end-June 2013. There will be no further changes in the terms and conditions of installment schemes, and no new special schemes will be introduced. To ascertain compliance with the agreed principles, by end-December 2013 we will conduct an audit of the implementation of installment schemes by the revenue administration.

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

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

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

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

Public Financial Management

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

- **Budgeting.** By August 2013, we will modify the organic budget law to strengthen medium-term budgeting (the MTFS), including by: (i) establishing three-year expenditure ceilings for line ministries and the health care sector (on a rolling basis and binding for the first two years); (ii) establishing binding annual budget balance targets for local governments; (iii) identifying performance targets for state enterprises; (iv) requiring that in future budgets 10 percent of discretionary state budget appropriations be frozen ex-ante (and released in the second half of the year provided general government fiscal targets are met), and (v) strengthening the functioning of commitment registers, including their treatment of carryover of end-year outstanding commitments. By end-June, we will issue a Joint Ministerial Decision indicating a common methodology for local government budget preparation and budget adoption by year-end and establishing a clear review process of local government budgets by the Observatory of Local Authorities, in order to ensure consistency with the MTFS targets.
- **Spending controls.** We continue to take steps that will limit the possibility of accumulation of arrears, including by: (i) expanding the number of entities with functioning commitment registers (focusing on all 41 social security funds) and expanding the registers to public investment budgets; (ii) finalizing by end-June 2013 with a joint ministerial decree the organizational structures of the General Directorates of Financial Services (GDFS) (as the next step, we will fully staff the GDFSs in all line ministries); and (iii) filling accounting officer positions that have recently become vacant. Furthermore, to strengthen commitment controls and maintenance of and reporting from commitment registers, by October we will issue a new circular to clarify issues and provide guidance on functioning of the system, including carry-over of end-year outstanding commitments to the following year.
- **Fiscal reporting.** We aim to strengthen fiscal reporting for the social budget and arrears. We are developing a social budget monitoring framework, which covers EOPYY, SSFs, hospitals, and the Manpower Agency. We will roll out the detailed fiscal reporting system to the SSFs by end-September and EOPYY by end-2013 to ensure GFSM- and ESA95-consistent fiscal reporting. In the area of arrears, from May, we will publish in the monthly general government budget execution bulletin the amount of disbursed tax refunds and payments on expenditure arrears as cash payments within the fiscal balance. In the third quarter of 2013 we will begin reporting to the EC/ECB/IMF (on accrual basis) all existing tax refund claims according to the date in which they were incurred.

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

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

Fiscal Policy

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

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

- We are committed to fully implement all other agreed fiscal measures for 2013–14 not yet in place (such as the solidarity contribution for the self employed in 2014), or to fully offset them if agreed during program reviews. In this context, we will remove all remaining ineligible pensioners from the pension rolls by end-June 2013.
- We will consider reduction in certain tax rates (e.g., VAT on food and catering), provided that over-performance generates sustainable fiscal space. The fiscal space for this measure will be assessed in the context of the next program review.

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

- As a **prior action** for the review, we will: (i) adopt consistent staffing plans for government entities covering 206,000 employees; (ii) approve quarterly plans for 15,000 mandatory exits cumulative through end-2014, including 4,000 by end-2013 (with a significant fraction frontloaded); (iii) approve annual overall employment ceilings for the general government through 2016 (consistent with the already approved MTF5); (iv) vote the necessary legislative changes in order to streamline and accelerate the disciplinary procedure to show the commitment of the government; (v) implement a permanent monitoring mechanism for the disciplinary procedure and provide data regarding the pending cases and the pace of dealing with the stock of cases; and (vi) eliminate any existing legal provision forcing the state to put personnel of legal entities of private law, whose positions are abolished, in the mobility scheme.
- Evaluation, rational reallocation of personnel through mobility, and quality renewal through exits are the tools in our efforts to improve the effectiveness of the public sector. Exits will be the result of (i) disciplinary cases; (ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment; (iii) evaluation of the personnel using the mobility scheme, including before any reallocation to a new position, to remove unmotivated or less qualified personnel; (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of retirement); and (v) the lapse of a 12-month period in the mobility scheme.
- To further advance our reform agenda during 2013, we will; (i) ensure that cumulatively 12,500 employees have been placed in the mobility scheme by end-June 2013; (ii) complete staffing plans for 450,000 employees (cumulative) by end-June; (iii) complete staffing plans for all general government entities by end-December 2013; and (iv) complete assessment of individual employees by end-2013. The quarterly targets for exits and entries into the mobility scheme are proposed to become **indicative targets** under the program (Table 1b).
- Our exit program will make room to hire new staff, and we will use this room to address areas where we face deficits of skilled staff. We will hire one new employee for each mandatory exit through the various channels noted above. If our assessment at any point shows that we are no longer on track to achieve our aggregate targets, we will reduce this hiring ratio. For all other

attrition, our hiring ratio will remain 1:5, as envisioned in the program. By end-June 2013, we will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF.

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

- **Employment programs.** We remain committed to expand public and social work programs and training programs to fight long-term and youth unemployment and support jobless households. We will both leverage EU funding and involve the private sector to the extent possible. Thus we introduced in April a youth internship and employment voucher program under the Youth Action Plan. The program, with €180 million co-funded by the European Social Fund, will support vocational training and internships for 45,000 individuals up to 29 years of age over a six-month period. In addition, we aim to increase the number of entrants into the apprenticeship and vocational training programs, such as the professional schools for apprenticeship of the Manpower Employment Organization (OAED).
- **Social protection.** We have passed legislation to launch two pilot programs, which will be implemented no later than 2014—an income-tested program that targets long-term unemployed and provides income payable for a year, and a minimum income guarantee scheme for families in areas with a difficult socioeconomic profile. We will implement the new child benefit law, and make the first payments no later than end-June 2013. We will launch in July 2013 a Health Voucher Program that will provide 100,000 long-term uninsured citizens with access to primary healthcare services, and, with funding from the European Social Fund, we plan to extend the program to more beneficiaries while expanding the coverage of healthcare services. We commit to fill any other gaps in social safety nets that become apparent, within the existing overall budget envelope, and to identify additional resources to frontload and expand the various programs.

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

- **Tax investment incentives.** We will streamline tax investment incentives, fold them into the income tax law through an amendment by September 2013, and incorporate their cost in the medium term fiscal framework. To this end, by end-July 2013, we will catalog and quantify all tax incentives currently existing in legislation and private contracts.
- **Subsidies.** We will establish sunset provisions for all earlier subsidy commitments if they have not been claimed within three years of approval, and put limits on the overall envelope of future subsidies.
- **Renewable energy.** While we have taken actions to reform our renewable energy policies (RES), costs are escalating faster than we had expected. To help eliminate the projected debt of €1.7 billion in the RES account by end-2014, as a **prior action**, we will adopt legislation to: (i) a reduce the feed in tariffs for photovoltaic renewables by at least 45 percent, (ii) increase the

solidarity contribution by an average of 7 percent for new projects; (iii) introduce new feed in tariffs for CHP systems (relevant MD to be issued by July 2013); (iv) introduce mandatory letters of guarantee (relevant MD to be issued by March 2014); (v) allow investors to receive back their letters of guarantee when they withdraw projects; and (vi) levy a fee on production licenses (relevant MD to be issued by April 2014). We will also increase on July 1, 2013 the RES Special Levy consistent with the provisions of the law requiring RES debt to be eliminated by end-2014. Separately, to improve liquidity in the electricity system, reduce arrears, and cut subsidies, we will fully liberalize low voltage end-user tariffs by July 1, as already agreed.

Financial Sector Policies

16. To finalize the framework for recapitalization, we have aligned our capital metrics to a minimum core tier I ratio of 9 percent of risk-weighted assets, which has become binding from end-March 2013.

As part of the recapitalization exercise, the share of deferred tax assets (which can count as core capital on the basis of expected future profits) will be limited to 20 percent of CT1 as calculated using EBA methodology. Banks initiated in April 2013 a new round of liability management exercises conducted in respect of the remaining subordinated instruments, as we committed last November to the Eurogroup. Through these means we will seek to provide additional private capital, which will not count as part of the minimum 10 percent of private sector capital subscription required to maintain private control.

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

- Each of the four core banks sent an invitation in April for its shareholders to join extraordinary general meetings, the purpose of which was to increase their capital separately in the amount notified by the Bank of Greece in December 2012 and within the other parameters of the existing recapitalization framework. All four meetings with quorum of shareholder attendance have taken place. Following the relevant approvals, the subscription period of 15 calendar days as prescribed by law will start.
- Two of the four core banks have informed the BoG that they expect to be able to raise 10 percent of the capital in the form of common shares from private sources, which will allow them to remain under private management per our recapitalization framework. A third one informed the authorities they would require the HFSF to fully subscribe the capital share increase. The private sector participation in the capital increase of the fourth core bank remains uncertain until the subscription period concludes. The management of all core banks has been informed by the BoG that they should henceforth focus on the finalization of the recapitalization process, and day-to-day management, until their recapitalization is finalized.

18. The next steps will be defined on the basis of a comprehensive financial sector strategy. As soon as feasible, and in any case no later than July 15, a comprehensive banking sector strategy (**structural benchmark**) will be developed by the HFSF, the BoG, and the MoF, in

cooperation with the EC/ECB/IMF. In the meantime, all four pillar banks will be able to continue to act as integrators of smaller domestic banks as appropriate. Only upon finalization of this banking sector strategy could any consolidation in the form of merger among the four pillar banks be considered. The strategy will include options and operational steps for the HFSF to promptly proceed with the disposal of the shares to the private sector of the core banks that will not have been able to remain under private control.

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

- **HFSF-controlled bridge banks.** In January 2013, we established a second bridge bank, the New Hellenic Postbank, with the HFSF being its sole shareholder. The HFSF is currently taking actions to make major reductions in the operational costs of the bank including through a significant reduction in the number of employees, and to restructure its loan portfolio, with the objective of making the bank attractive to potential purchasers and concluding its sale by July 15, 2013 (rephased **structural benchmark** from end-January 2013). Concerning the sale of Nea Proton bank, with the core banks currently focused on completing their recapitalization, we are shifting the sale deadline from May to July 15, 2013 to increase chances that it is acquired through an open bid process.
- **Other undercapitalized noncore banks.** Our timeline for resolution of undercapitalized non-core banks remains unchanged. Specifically, for those noncore banks that have not met their capital requirement, the Bank of Greece will take appropriate measures in coordination with the HFSF. They will assess options to minimize the cost to taxpayers, including purchase and assumption transactions by any of the four core banks, while guaranteeing the security of depositors.
- **Cooperative banks.** To support our strategy in this sector, by end-September 2013 we will revise our legal and regulatory frameworks for cooperative banks to align it with the best international practices.

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

21. The BoG will continue with enhanced supervision of banks. This will also apply to resolved banks and those that have been placed under public control, including any core banks that fail to show their ability to receive sufficient private investment to remain under private control. In addition, we will ensure that banks will not take any discretionary corporate action that would increase their capital needs.

22. We are preparing for the stress testing envisaged to be completed by end-2013 under the program. To that end, we will finalize by end-July a new stress testing methodology,

determined in consultation with the EC/ECB/IMF, with specific focus on the adequacy of loan loss provisioning.

23. We are committed to preserve sufficient banking system liquidity in line with Eurosystem rules:

- The BoG, following the procedures and rules of the Eurosystem, stands ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed.
- The BoG will request banks to provide standardized quarterly balance sheet forecasts (funding plans). The banks' funding plans will be based on the program macroeconomic forecasts. Banks shall set out a path towards achieving a sustainable funding model by means of broadening their funding base and reducing over time their reliance on extraordinary central bank liquidity support. Funding plans will serve as a tool for the BoG to monitor this process and assess whether the banking system's plans at the aggregate level are consistent with the program's macroeconomic framework.

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

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

- By end-June 2013, pass legislation to introduce a new "Facilitation Program" targeted at low-income individuals in deep financial distress to facilitate the resolution of unsustainable household debt. Key features of this new scheme will include: (i) eligibility criteria that take into account the debtor's income and assets (supported by verification procedures); (ii) oversight of the facilitation program by the BoG; (iii) borrower repayment defined using criteria based on affordability; (iv) periodic review of the financial conditions of participating debtors to assess their continued eligibility and proper level of payments; (v) a clear timetable to close the window

of the program. The BoG will assess the implementation of this program within six months of its adoption.

- By end-June 2013, revise law 3869/2010 to address the implementation shortfalls identified during its first three years of enactment. In particular, we will introduce a definition of acceptable living expenses for use as guidance by the judiciary, mediators, and the banks and a standard definition of cooperating borrowers, which will be used to provide protection only to those borrowers who are fully cooperating in the resolution process.
- By end-June 2013, adopt enabling legislation to establish a framework, consistent with the recapitalization framework for banks that will provide long-term solutions for over-indebted borrowers (including for those viable borrowers who are not eligible to participate in the facilitation program). It will include initiatives (to be specified further in regulations by end-August) to: (i) address shortfalls in existing laws that limit the effectiveness of debt resolution activities; (ii) standardize the assessment procedure for borrower cases; (iii) introduce a standard list of loan restructuring tools to be used by banks; (iv) enhance access to free budgeting and legal advice services for citizens; and (v) encourage borrowers and lenders to participate in debt resolutions through non-judicial means. We shall also introduce steps to reduce excessive court waiting times, and to ensure that eligible debtors will choose to participate in the facilitation program.

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

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

- **HFSF governance structure.** The authorities support the HFSF in its efforts for an ambitious and swift operational restructuring of all banks in which it has a significant stake, with the aim to reduce operational costs and increase profitability, thereby fulfilling its mandate to minimize costs for the taxpayer. HFSF governance reforms have been adopted by parliament to add 2 independent members to the HFSF General Council, increasing the number of its members from 5 to 7 (**prior action**). In addition, the HFSF internal regulations will be amended to rationalize the division of tasks and responsibilities between the General Council and the Executive Board. Furthermore, in order to strengthen HFSF independence, the legislation will be amended to clarify the non-public nature of the Fund.

- **Relationship frameworks between the HFSF and banks.** We will publish the relationship frameworks between the HFSF and banks that have received capital infusion from the HFSF, as soon as the amount of the injection will be known, upon completion of the subscription period, and in any case no later than May 31st. The frameworks define the role of HFSF as a shareholder on the basis of best international practices. They ensure that the HFSF has limited influence in the bank's commercial decisions, and clearly define the responsibilities of managers and the HFSF's veto rights. For banks that do not remain under private management, the relationship frameworks aim at ensuring that each bank remains a separate economic unit with independent powers of decision.
- **Clarifying competencies and responsibilities.** We will develop and publish no later than end-May 2013 a memorandum of understanding governing the relationship of the HFSF as a shareholder and the BoG's role regarding the oversight of banks that have received state aid.
- **Due diligence.** The BoG will adopt measures to address the governance weaknesses identified in the due diligence of core banks. Banks will submit to the BoG in end-May 2013 plans to address identified operational governance weaknesses—including safeguards on loans to related parties and risk concentration. These plans will include clear timetables for full implementation by end-December 2013. In the event plans are inadequate, the BoG will take measures that may include the removal of board members and managers, and/or suspension of private shareholders (which would prevent them from participating in bank recapitalization).

Structural Reforms

28. We will continue to adjust our labor market policies to increase flexibility, reduce administrative burdens, and reduce unemployment. We will adopt before end-May a framework for future statutory minimum wage setting, in line with program commitments. Looking forward, to reduce the administrative burden on businesses we will significantly streamline labor reporting requirements by end-September, following a comprehensive review to be completed by end-July. In the context of this work we will adjust sanctions for violations of labor law by end-July, by better linking punishments to the severity of violations, and will focus detection on more severe cases. Finally, in light of the many recent labor reforms introduced during the program, we will compile a Labor Code by end-2013, which will eliminate possible inconsistencies and increase transparency.

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

- **Regulated professions.** We made substantial additional progress towards meeting the end-2012 structural benchmark on regulated professions. We have eliminated in this context restrictions including minimum fees, specific entry restrictions, and the mandatory use of services, for several important professions and economic activities (including for bake-off installations, welfare units, outdoor trading, and tourist guides). In addition, we will adopt by end-June 2013 a new Code of Lawyers, which will include a removal of the reference to "exclusivity" for the research of mortgage books and land registry, and liberalize trading

petroleum; as well as by mid-July issue secondary legislation to liberalize chartered valuers and actuaries. During the second half of 2013 we will also take steps to liberalize the engineering professions. The government will not introduce additional restrictions in regulated professions, and will guard against any decisions by the public administration that effectively restores them. We remain committed to complete by July 2013 a study of the 20 largest professions examining the degree to which they have been liberalized, including results with respect to new entrants and price changes.

- **Transportation services.** This is a key service sector for Greece in light of the country's large shipping fleet, and large tourism industry. To assist the shipping sector, we will clarify by end-June in a circular that individual labor contracts can be negotiated freely, once the collective agreement has expired. To help strengthen the competitiveness of our tourism sectors, for domestic ferry services we have increased the flexibility of routing, reduced manning obligations, and by end-June will reduce and limit to fewer categories mandatory ticket discounts. By end-October, we will assess the impact of these reforms, and adopt further steps to increase the competitiveness of the sector. In addition, as part of our national airport strategy, we have placed a cap on the airport fees for the regional airports that are slated for privatization, to keep their fees in line with regional competitors. We will continue to work on improving the effectiveness of Athens airport.
- **Retail trade.** By end-June we will: (i) adopt a new law that will further liberalize the retail market, including by removing restrictions against discounts outside sale periods, and increasing flexibility in retailers' opening days; and (ii) for over-the-counter (OTC) products, replace the current system of fixed margins with maximum ones. In addition, by end-September 2013, we will allow the sales of selected products (e.g., vitamins) in other points than pharmacies.
- **Reducing red tape.** To address border-related red-tape, on a pilot basis we have increased working shifts in the Athens airport to 24/7 and expanded service in Piraeus port to two shifts for exports, and will do the same for imports in July 2013. We have simplified export and custom procedures, utilizing risk based audits in line with EU best practices, and will extend the risk based audits to imports in November. Also, the e-customs system already supports the electronic submission of all export declarations, for which we will now introduce e-signature, and we will also implement the same system for imports by November 2013. We will also continue our effort to reduce regulatory barriers to competition, and based on an OECD assessment, will prepare in parallel draft legislative amendments by end-September 2013 covering construction materials, retail and food processing industries, as well as the tourism sector. In addition, based on the results of the application of the Standard Cost Model (SCM) by the OECD in 13 key sectors, we will propose by end-October 2013 the needed legislative amendments to reduce administrative burdens.

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

- **Judicial reforms.** We have made progress in this area including by reducing the administrative case backlog at the Council of State (including tax cases), publishing quarterly information on

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

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

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

- The government has made progress in preparing assets for sale, including by finalizing the regulatory frameworks for airports and water, and transferring a further 250 real estate plots to the Fund. As next steps, the government will aim to complete the state aid clearance for the ports, and DEFSA. Further, we have adopted a plan for the full ownership unbundling of ADMIE and PPC, the creation and privatization of a new electricity company based on some PPC assets, and the privatization of PPC itself with a view to starting the process within 2013 and completing it by January 1, 2016. In addition, the HRADF will tender the 40 real estate assets that were transferred to the Fund in early 2013.
- To compensate for delays in finalizing some envisaged transactions, the HRADF will: (i) accelerate other sales (which could include buildings and certain land plots, as well as moving forward some of the tenders, e.g. small ports and marinas); and (ii) take steps to expedite approvals by working with the Court of Auditors, Council of State, and Competition Committee to reduce required time.
- We will examine the scope for raising private sector funds by targeting international investors through the securitization of real estate assets. The assets examined for such operations will fall outside the universe of those foreseen for privatization through 2020. Moreover, it will be ensured that such securitizations do not in any way slow down the privatization process foreseen in the current program.
- To increase transparency in the privatization process, we have published the quarterly financial statement of the HRADF together with its balance sheet.

Table 1a. Greece: Quantitative Performance Criteria

(Billions of euros, unless otherwise indicated)

	2012		2013	
	Dec-12		Mar-13	
	Progr.	Actual	Progr.	Actual
Performance criteria				
1. Floor on the modified general government primary cash balance 1/	-3.8	-2.8	1.5	1.7
2. Ceiling on state budget primary spending 1/	56.8	55.4	13.9	11.8
3. Ceiling on the overall stock of central government debt	340	311	347	313.3
4. Ceiling on the new guarantees granted by the central government 2/	0.2	0.1	0.2	0.2
5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/	0.0	0.0	0.0	0.0
6. Ceiling on the Stock of Domestic Arrears (narrow definition)	3.6	2.9	3.0	2.6
Indicative targets				
7. Ceiling on the Stock of Domestic Arrears (General Government Definition)	8.0	7.6	4.5	7.0
8. Floor on privatization receipts 4/	3.20	0.00	0.1	0.1

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

2/ Applies cumulatively from Oct 1, 2012.

3/ Applies on a continuous basis from program approval.

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

Table 1b. Greece: Program Quantitative Performance Criteria

(Billions of euros, unless otherwise indicated)

	2013			2014	2015
	Jun-13	Sep-13	Dec-13	Dec-14	Dec-15
Performance criteria					
1. Floor on the modified general government primary cash balance 1/	-1.2	-0.8	-0.3	...	...
2. Ceiling on state budget primary spending 1/	26.0	38.8	53.2	...	...
3. Ceiling on the overall stock of central government debt	347	335.0	335.0	...	...
4. Ceiling on the new guarantees granted by the central government 2/	0.0	0.0	0.0	...	...
5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/	0.0	0.0	0.0	...	...
6. Ceiling on the stock of domestic arrears (narrow definition)	2.0	1.0	0.0	...	...
7. Floor on Privatization Receipts 4/	...	1.8	...	...	...
Indicative targets					
1. Floor on the modified general government primary cash balance 1/	...	...	...	2.0	3.6
2. Ceiling on state budget primary spending 1/	...	...	...	49.4	46.3
3. Ceiling on the overall stock of central government debt	...	...	...	330	330
4. Ceiling on the new guarantees granted by the central government 2/	...	...	...	0.0	0.0
5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 3/	...	...	...	0.0	0.0
6. Ceiling on the stock of domestic arrears (narrow definition)	...	...	...	0.0	0.0
7. Ceiling on the stock of domestic arrears of the general government	3.0	1.5	0.0	0.0	0.0
8. Floor on privatization receipts 4/	1.1	...	2.5	4.3	6.3
9. Mandatory Exits (head count, in thousands) 4/ 5/	...	2.0	4.0	15.0	...
10. Transfers to the Mobility Scheme (head count, in thousands) 4/	12.5	...	25.0	...	...

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

2/ Cumulative from April 1, 2013.

3/ Applied on a continuous basis since program approval.

4/ Cumulative from January 1, 2013.

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

Table 2. Greece: Structural Benchmarks, December 2012 – April 2013

Measure	Status
End-December 2012	
1. Government to meet quantified quarterly performance indicators for revenue administration.	Not observed. See prior action (Table 3).
2. Government to meet quantified quarterly performance indicators for public financial management.	Not observed. See prior action (Table 3).
3. Government to complete the screening and cleaning of existing legislation covering the list of professions and economic activities covered in Annex II of KEPE's "Second Report on the Impact of Liberalizing Regulated Professions."	Not observed. A few actions pending for engineers, lawyers, pharmacies and petroleum traders.
4. Government to reform the governance of the BoG, to provide for collegial decision-making at the level of executives (Governor and Deputy Governor) and expanded internal oversight by nonexecutive of the exiting General Council and to revise the structure and rights of BoG shareholders to eliminate possible conflicts of interest in the Bank of Greece's public policy role.	Observed.
End-January 2013	
5. Hellenic Postbank to be resolved with the transfer of its good assets, all deposits and ECB/ELA financing to a core bank (via a P&A), and weak assets to be left in a bad bank.	Not observed. Structural benchmark reset (See Table 4 and ¶19).
End-February 2013	
6. Adopt a law establishing a new semi-autonomous tax agency, which will specify the degree of autonomy, the governance framework, accountability, and initial staffing of the organization.	Not observed. See prior action (Table 3)
7. Government to complete staffing plans for line ministries and utilize these to identify redundant positions and employees, and on this basis to set quarterly targets for mandatory exits through end-2014.	Not observed. See prior action (Table 3)
8. All four core banks to meet the capital requirements set by the Bank of Greece. (IMF country report No 13/20, MEFP ¶19).	Not observed (due to technical/legal requirements). Completion expected before 4 th review.

Table 3. Greece: Prior Actions

Measure	Macro critical relevance
Fiscal institutional reforms	
1. Government to meet end-April quantified key performance indicators for revenue administration (Annex I).	• Fiscal sustainability (revenue)
2. Government to meet end-March quantified key performance indicators for public financial management (Annex III).	• Fiscal sustainability (budget)
3. Adopt legislation on key tax administration procedural reforms to: suspend collection activities on uncollectable debt, remove the legal requirement to audit all tax declarations for the previous 10 years; and implement indirect audit methods (¶14).	• Fiscal sustainability (revenue)
4. Issue a ministerial decision that regulates the conditions of the existing basic and a new transitional installment scheme for tax and social security contributions debt (¶16).	• Fiscal sustainability (revenue)
5. Adopt legislation to achieve a semi-autonomous revenue administration (¶13, TMU¶127).	• Fiscal sustainability (revenue)
Fiscal measures	
6. Adopt legislation to extend collection of the real estate tax through 2013 via PPC (¶12)	• Fiscal sustainability
7. Government to adopt staffing plans, approve quarterly targets on mandatory exits, approve annual overall employment ceilings for the general government through 2016; and adoption of legislation to streamline and accelerate the disciplinary procedure, and remove restrictions for placing in the mobility scheme personnel of legal entities of private law whose positions are abolished (¶13).	• Fiscal sustainability (spending) and government efficiency
8. Adopt legislation to introduce measures to eliminate by end-2014 the debt in the RES account (¶15).	• Fiscal sustainability (contingent liabilities)
Financial sector	
9. Add 2 independent members to the HFSF General Council (¶127).	• Financial stability

Table 4. Greece: Existing and Proposed Structural Benchmarks

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

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

Measure	Macro critical relevance
End-September 2013	
8. 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).	<ul style="list-style-type: none"> • Growth/competitiveness (business environment)
End-October 2013	
9. Approve the new organizational structure of the Revenue Administration, staffing numbers, grading system, and classification, and qualification and appointment processes of the revenue administration (¶13). Proposed.	<ul style="list-style-type: none"> • Fiscal sustainability (revenue)
End-November 2013	
10. 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).	<ul style="list-style-type: none"> • Growth/competitiveness (business environment)
End-December 2013	
11. Government to meet quarterly performance indicators for revenue administration (¶18, Annex II).	<ul style="list-style-type: none"> • Fiscal sustainability (revenue)
12. Government to meet quarterly performance indicators for public financial management (IMF country report No. 13/20, MEFP ¶41).	<ul style="list-style-type: none"> • Fiscal sustainability (budget)
13. 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).	<ul style="list-style-type: none"> • Financial sustainability
14. 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).	<ul style="list-style-type: none"> • Fiscal sustainability (debt)

Table 5. Greece: Schedule of Proposed Purchases Under the Extended Arrangement, 2012–16

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

Source: IMF staff projections.

1/ Exchange rate of January 5, 2012.

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

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

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

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

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

Source: IMF staff.

1/ Cumulative audits from end-2012.

Annex II. Key Performance Indicators on Tax Administration

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

Source: Ministry of Finance; and IMF staff.

1/ Cumulative audits from January of each year.

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

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

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

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

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

Indicator	Target
	End-March 2013
<p>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.</p>	
2012 entity coverage 1/	91%
New entities 2/	55%
<p>b. Discrepancy between the total arrears to third parties of non-state general government entities reported under the E-Portal of GAO using data from commitment registers and the total arrears reported through monthly surveys, i.e. the sum across all entities of the absolute value of (arrears monthly survey less arrears E-portal) divided by total arrears multiplied by 100, is below target.</p>	
2012 entity coverage 1/	2%
New entities 2/	30%

Source: IMF staff.

1/ Includes old entities with 2011 spending above €1 million.

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

Annex IV. Key Performance Indicators on Public Financial Management

Indicator	2012 Target	2012 Actual	2013 Target	
	End-Dec.	End-Dec.	End-Jun.	End-Dec.
a. Percent of institutional units (State and general government entities) reporting on the E-portal of GAO total budget allocations (including any revisions), pending outstanding commitments, unpaid commitments, and arrears data (for both ordinary and investment) at the end of each month, based on data from their commitment registers, is above the target.				
2012 entity coverage 1/	90%	85%		
2013 entity coverage 2/			80%	97%
b. Discrepancy between the total arrears to third parties of non-state general government entities reported under the E-Portal of GAO using data from commitment registers and the total arrears reported through monthly surveys, i.e. the sum across all entities of the absolute value of (arrears monthly survey less arrears E-portal) divided by total arrears multiplied by 100, is below target.				
2012 entity coverage 1/	1%	4%		
2013 entity coverage 2/			10%	1%
c. Percentage of institutional units (State and general government entities) reporting on the E-portal of GAO all the prescribed items with financial information of the circular on commitment registers at the end of each month, based on data from their commitment registers, is above the target.				
2013 entity coverage 2/			65%	93%
Source: Ministry of Finance; and IMF staff.				
1/ Includes old entities with 2011 spending above €1 million.				
2/ Includes new entities in the end-Septemeber 2012 ELSTAT register with spending above €1 million.				

Appendix V. Technical Memorandum of Understanding

May 20, 2013

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the indicators subject to quantitative targets (performance criteria and indicative targets), specified in the tables annexed to the Memorandum of Economic and Financial Policies. It also describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. We will provide the European Commission, ECB and the International Monetary Fund with the necessary information for program monitoring.
2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at “program exchange rates” as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on January 31, 2012. In particular, the exchange rates for the purposes of the program are set: €1 = 1.3176 U.S. dollar, €1 = 100.63 Japanese yen, and €1.1772 = 1 SDR.

General Government

3. **Definition:** For the purposes of the program, the general government includes:
 - The central government. This includes:
 - The entities covered under the State Budget as defined in Chapter 2 of the Law 2362/1995 as being modified by Law 3871/2010 regarding “Public Accounting, Auditing of Government Expenditures and Other Regulations,” and other entities belonging to the budgetary central government.
 - Other entities or extra-budgetary funds (EBFs) not part of the State budget, but which are, under European System of Accounts (ESA95) rules (“*ESA95 Manual on Government Deficit and Debt*”), classified under central government. This includes the Green Fund and the HRADF.
 - The following state enterprises and organizations included by the National Statistical Service (ELSTAT) under the definition of central government (ATTIKO METRO, OSY, ELGA, HELLENIC DEFENCE SYSTEMS S.A., OSE, TRAINOSE, ERT, ELECTROMECHANICA KYMI LTD, OPEKEPE, KEELPNO, EOT, GAIAOSE, ERGOSE, INFORMATION SOCIETY IN GREECE, Unit for the Organization and Management of Development Projects S.A.).

- Local government comprising municipalities, prefectures, and regional governments including their basic and special budgets, including all agencies and institutions attached thereto, which are classified as local governments according to ESA 95.
- Social security funds comprising all funds that are established as social security funds in the registry of ELSTAT.
- Other extra budgetary entities included by ELSTAT under general government, which are not yet counted under central government.
- This definition of general (central) government also includes any new funds, or other special budgetary and extra budgetary programs that may be created during the program period to carry out operations of a fiscal nature. The government will inform IMF, European Commission and ECB staff of the creation of any such new funds, programs, or entities immediately.
- **Supporting material:** The Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign cash balances of the central government at the central bank of Greece, all other sources of financing including capital transactions, and arrears of the general government. The Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures for local governments, as collected in the Ministry databank. The Minister of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures in main social security funds (including IKA, OGA, OAEE, OAED) and the central healthcare fund (EOPYY). The Bank of Greece will provide detailed monthly data on assets and liabilities of local authorities, social security funds, the Green Fund (and other extra-budgetary funds), and state enterprises included in the definition of general government in line with monetary survey data. Data will be provided within four weeks after the closing of each month.

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

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

4. **Definition:** The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus interest payments by the state budget. The MGGCB is defined as the sum of the cash balances of the ordinary state budget, the cash balance of the public investment budget, the change in net financial assets of local government, the change in net financial assets of social security, the change in net financial

assets of the Green Fund, the change in net financial assets of reclassified public enterprises (RPEs) minus guarantees called to entities within the general government. Privatization receipts, as defined below and the proceeds from the sale of land and buildings will be excluded from cash receipts. Net lending operations by the state budget will be recorded as cash expenditures.

- **The cash balance of the ordinary state budget.** The cash balance of the ordinary state budget will be measured from above the line, based on: (i) gross ordinary budget revenues (recurrent revenue plus non-recurrent revenue, minus tax refunds (excluding any payments for the clearance of tax refunds in arrears); minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the ordinary state budget. Ordinary budget expenditures will exclude amortization payments, but include: salaries and pensions; grants to social security funds, medical care and social protection; operational and other expenditure; returned resources; payments in exchange of claims of insurance fund for the personnel working in the Public Electricity Company; the reserve, interest payments; transfers for the settlement of past debt, payments for military equipment procurement on a cash basis; NATO expenses, capital transfers to social security funds or other entities by bonds; and called guarantees where the state or central government assumes payments on behalf of entities outside of the general government.
- **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures of the investment state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.
- **The change in net financial assets of local governments** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of local authorities adjusted for valuation changes by the Bank of Greece.
 - Financial assets include (but are not limited to) deposits of local governments in the Bank of Greece and deposits of local governments in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.
 - Financial liabilities include (but are not limited to) short- and long-term loans from domestic credit institutions to local governments, measured at face value, consistent with recording for monetary survey data.
- **The change in net financial assets of social security funds** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of social security funds, adjusted for valuation changes by the Bank of Greece.

- Financial assets include
 - Deposits of social security funds in the Bank of Greece and deposits of social security funds in the domestic credit institutions and deposits held either directly or indirectly through the IKA mutual fund. Deposits are measured at face value excluding accrued interest, consistent with reporting requirements for monetary survey data.
 - Holdings of shares quoted on the Athens Stock Exchange held by social security funds either directly or indirectly through the IKA mutual fund.
 - Direct or indirect holdings of Mutual Fund units issued by Greek management companies (other than the IKA mutual fund).
 - Holdings of central government bonds, including short and long-term securities issued domestically, long-term securities issued abroad operated from Bank of Greece accounts, and indirect holdings through the IKA mutual fund. Holdings will be measured at nominal value.
 - Holdings of bonds issued abroad and other foreign assets.
 - Financial liabilities include the short and long term loans from domestic credit institutions to the social security funds, measured consistently with monetary survey data.
- **The change in net financial assets of the Green Fund** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of the Green Fund, adjusted for valuation changes by the Bank of Greece.
 - Financial assets include
 - Deposits of the Green Fund in the Bank of Greece and in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.
 - Holdings of shares, held by the Green Fund, quoted on the Athens stock exchange.
 - Holdings of Mutual Fund units issued by Greek management companies.
 - Holdings of central government bonds.
 - Holdings of other bonds issued abroad.
 - Financial liabilities include the short and long term loans from the domestic credit institutions to the Green Fund, measured consistently with monetary survey data, or other lending from the Bank of Greece.

- **The change in net financial assets of reclassified public enterprises (RPEs)** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of RPEs, adjusted for valuation, minus the amount of guarantees called from entities which are consolidated within the general government. RPEs will include the following organizations: ELGA, KEELPNO, OPEKEPE (excluding the account ELEGEP), EOT, ATTIKO METRO, HELLENIC DEFENCE SYSTEMS S.A., ERT, TRAINOSE, ERGOSE, GAIAOSE, OSY, ELECTROMECHANICA KYMI LTD, INFORMATION SOCIETY IN GREECE, MANAGEMENT ORGANISATION UNIT, TAIPED (HRADF) and OSE.
 - Financial assets include
 - Deposits of RPEs in the Bank of Greece and deposits of RPEs in the credit institutions (domestic and foreign). Deposits will be measured at face value excluding accrued interest.
 - Holdings of shares, held by RPEs quoted on the Athens Stock Exchange.
 - Holdings of Mutual Fund units issued by Greek management companies.
 - Holdings of central government bonds.
 - Holdings of other bonds issued abroad.
 - Financial liabilities include the short and long term loans from the domestic credit institutions to RPEs, measured consistently with monetary survey data. They also include short and long term loans from the foreign banking system, as well as loans from the EIB or other official lenders, as measured by the difference between new loans granted to these entities (as approved by the GAO in line with the Fiscal Responsibility Act) and amortization of these loans through called guarantees of the government or amortization of these loans made by actual payments by the companies themselves, upon monitoring and information provided by the General Accounting Office (D25).

5. Other provisions for the purposes of the program.

- The MGGPCB will also exclude all transfers related to the Eurogroup decisions of February 21, 2012 and November 26, 2012 in regards to income of euro area national central banks, including the BoG, stemming from their investment portfolio holdings of Greek government bonds.
- Receipts from privatization are excluded from cash general government revenue receipts. However, for the entire program period where this is applicable, sales of those gaming licenses, telecom licenses, sales of aircrafts, and extension of the airport concession that were established in the context of the May 2010 SBA program or the 2011 budget (Second Review) discussions will be recorded as cash revenue receipts and taken into account for the

MGGPCB criterion, irrespective of whether the realized proceeds accrue to the privatization agency or not.

- The primary expenditure of the central government excludes payments related to bank support. Transactions that may be excluded from the balance include loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; purchases of troubled assets, and operations related to the FSF. Any financial operation by central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to IMF, European Commission, and ECB staff.
- The primary revenue of the central government will exclude any cash payments from loss-making banks beyond those which would accrue from the ELA guarantee fee structure existing on November 30, 2012 (25 basis points).
- Capital transfers to social security funds or other entities by bonds shall exclude bond issuance for settlement of end-2009 health related arrears, and the settlement related to the judiciary liabilities.

Supporting material.

- Data on cash balances of the ordinary and state budgets will be provided to the European Commission, ECB and IMF by the General Accounting Office in the Ministry of Finance within three weeks after the end of each month. Data will include detailed information on revenue and expenditure items, in line with monthly reports published on the official website of the Ministry of Finance. Data will also include data on capital transfers to social security funds or other entities in bonds and called guarantees.
- Data on net financial assets of local authorities and social security funds, extra-budgetary funds including the Green Fund, AKAGE, and reclassified public enterprises will be provided to the IMF, European Commission and ECB by the GAO in cooperation with the Statistics Department of the Bank of Greece within four weeks after the end of each month.

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

6. Definition. The state budget primary spending consists of state budget spending (spending of the ordinary state budget plus spending of the public investment budget) minus interest expenditures paid by the state budget, minus any arrears payments made. Ordinary state budget spending includes called guarantees to entities inside the general government (as opposed to the definition of the modified general government primary cash balance criterion above that excludes this spending item). Primary expenditure of the central government that is monitored for the Performance Criterion excludes any cash payments related to bank restructuring, when carried out under the program's banking sector restructuring strategy. Costs that may be excluded from the balance include loans to financial institutions and investments in equity of listed and non-listed financial institutions (requited recapitalization); unrequited

recapitalization; and purchase of troubled assets. However, any financial operation by central or general government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to European Commission, ECB and IMF staff.

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

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

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

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

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

10. Definition. For the purpose of the program, domestic arrears of the general government are defined as: (i) unpaid invoices of general government entities that are 90 days past their due date; plus (ii) tax refunds for which a refund document "AFEK" has been issued and cleared but have not been repaid to the taxpayer. In case no due date is specified on the supplier contract,

an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. The stock of all general government arrears excludes: (i) the arrears accumulated by the Civil Servants' Welfare Fund; and (ii) hospital arrears to pharmaceutical companies which were incurred by end-2009 (€113 million as of November 30, 2012). Beginning July 1, 2013, the definition will include the change in the stock of tax refund claims that have not been assessed within 90 days (cumulative from July 1); and beginning January 1, 2014, it will include all tax refund claims that have not been assessed within 90 days. In both cases refund claims that are under legal dispute will be excluded.

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

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

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

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

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

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

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

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

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

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

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

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

19. Definition. Privatization proceeds will be defined as the cash receipts from the asset sales to be carried out by the privatization agency (HRADF), cash receipts from direct

government sales, and cash receipts from the eventual sale of any bank participations through the HFSF, the HRADF, or from the government directly. These will include, but not be limited to, the sale of equity of listed or non-listed companies and banks, shareholdings in public infrastructure, shareholdings in SPVs, leasehold in commercial real estate and publicly held land, sale-lease back operations, securitization of asset-related cash streams, or other assets incorporated in the authorities' privatization program, as well as sale of rights and concessions (including securitization of the proceeds of concessions). Proceeds will be valued in euro and reported on a gross basis, excluding any associated capital expenditure or other restructuring costs as well as the operating costs of the HRADF including the fees of advisors related to the specific privatization. Proceeds will be measured as the inflows of cash received by the HRADF as deposited in the Segregated Account at the Bank of Greece within 10 days after the settlement of the transaction.

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

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

L. ESA “Program” Deficit and Overall Monitoring and Reporting Requirements

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

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

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

Source: Greek authorities, ECB, IMF staff estimates.

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

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

M. Floor on Mandatory Exits (Indicative target)

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

Annual Overall Employment Ceilings for the General Government					
(persons)					
	2012	2013	2014	2015	2016
General Government	727,458	691,493	664,950	643,367	624,000
Ordinary staff	628,412	608,383	588,174	569,502	552,854
Other staff	71,503	56,089	50,398	48,122	46,074
Chapter A entities	24,914	24,392	23,749	23,114	22,443
Chapter A fixed term contracts	2,629	2,629	2,629	2,629	2,629

Source: MAREG.

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

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

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

Note 4. The above ceilings are based on GAO projections and reflect the measures of the MTF5 2013-2016 as well as other assumptions that may be updated in cooperation with the EC/ECB/IMF.

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

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

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

27. Supporting material. The Ministry of Public Administration Reform (MAREG) will report on a monthly basis (15 days after the closing of each month) for the mobility scheme on entrants (number, entity they previously belonged to, reason for entry) and departures (number, reasons for departure, new entity transferred to/exits), and the stock of employees currently in the scheme. Further, MAREG will report monthly (15 days after the closing of the month) on exits, the number, the general government entity they came from, the reason for the exit, , if any. 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.

O. Prior Actions

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

- Transfer to the revenue administration the following units:
 - Ministry of Finance internal affairs department.
 - All functions, personnel, and budgets allocations associated with the following departments of GSIS: Directorate 30, including (i) the department for taxation, income, capital and vehicles, including transfers taxation, inheritances, donations and property taxation (Department A); (ii) the department for VAT and special taxes (Department B); (iii) the customs department (Department C); (iv) all revenue-related functions of the department for general application (Department F); and all departments of the directorate for inputs and control of computer data (Directorate 32).
 - All the tax and customs administrative functions, personnel, and budget allocations necessary to exert the competences specified in case β' par. 2 and cases α' and δ' of par. 5, article 30 of L. 3296/2004, including: (i) preemptive checks and temporary tax audits, especially for withholding and imposed taxes, focusing on Value Added Tax (VAT); (ii) checks of transit, imports and exports, trading, supply and distribution of products subject to Special Consumption Tax (Excise Duty); (iii) checks in customs warehouses; (iv) checks the goods under special duty-suspension procedures and implementation of customs legislation in general; (v) checks in means of transportation, shops, warehouses, etc; and (vi) Confiscation of books, documents, goods, means of transportation and other evidence.
- Create a five member advisory board comprised of high level experts to be appointed by the Minister of Finance (two of which will be selected among persons with significant international work experience in revenue administration). The SGPR will be an ex-officio member of the board. The advisory board will report to the Minister of Finance, give advice on major matters of revenue administration strategy including human resource issues, monitor performance of the revenue administration against plans and targets, support the revenue administration in managing external stakeholders, and provide assurance that the SGPR is exercising powers appropriately. The Board will have no role in taxpayer specific issues, and will not have access to any specific taxpayer information. A ministerial decision will determine the qualifications, duration of appointment and compensation for the board members and will specify the rules for dealing with conflict of interest, reporting to the Minister, and administrative support for the board. The Board members term will be three years.
- Provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14-day time frame.

- Enable the SGPR to determine the conditions for hiring under the control of ASEP.
- Create a budget code for budget approval by parliament that encompasses all organizational units of the revenue administration (to enable a separate and unified budget allocation starting in.
- Establish a small financial management unit in the revenue administration that manages its budget (while maintaining the role of the GDFS as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) and has the following functions: (i) coordinates the preparation of the revenue administration's budget; (ii) follows up its implementation; and (iii) proposes reallocations of non-wage recurrent spending in line the organic budget law.
- Authorize the SGPR to determine a grading and promotion system for the revenue administration subject to approval by the Minister of Finance.
- The MoF will restart the institutional reform working group (IRWG), which will be chaired by the SGPR, and whose reports will be shared with the Minister and Troika. The IRWG will analyze and map the constraints to the operational and administrative autonomy of the SGPR and propose immediate solutions. Though not limited to the following matters the IRWG examination will incorporate any limits to autonomy within:
 - Revenue laws (income tax, VAT, property tax, customs and excise and other taxes administered by the SGPR).
 - Other general laws related to human resources and financial management within the civil service.
 - Powers delegated to the SGPR.

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

Monitoring of Structural Benchmarks

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

30. Definitions:

- A **completed audit** is defined as an audit reported as formally finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the taxpayer assessment has been issued, or the audit report states that no underpayment has occurred.
 - Audit reports which are brought to the Tax Dispute Administration Resolution Committee (Article 70A Committee) for settlement after 1 January 2013 are defined as a completed audit when the case is submitted to the committee.
 - High Wealth Individual (HWI) audits carried out on a legal person owned or controlled by the high wealth individual will also be regarded as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual.
- The **assessment amounts** from the audit reports submitted to the Article 70A committee are included when reporting on the assessment performance for HWI and Large Taxpayer Unit (LTU) audits. The assessment amount is only included for reporting on the LTU and HWI audit case collection performance when the final assessment is issued following the decision of the committee. These amounts shall be adjusted for any difference between the audit report assessment amount and the final assessment amount.
- **Risk-based audits** for large taxpayers are defined as audits selected on a risk basis using the ELENXIS audit management system.
- **Collection** on HWI and LTU full scope audits and temporary audits are amounts collected in the year from such LTU and HWI audits completed during the year or previous years.
- **Collection of tax debt** does not include debts such as calls on loan guarantees, fines, etc., of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities.
- In 2013, **new tax debt collection** includes collection of debt accrued in the month of December, 2012.
- An **audit of assets of a manager, director or auditor** includes an audit of all assets, both movable and immovable, including those of his/her spouse. This will include but will not be limited to an examination of all his/her financial accounts for a period of up to 10 years from a current date, all immovable assets compared against information from State registries and of the acquisition of all moveable assets. The purpose of this audit will be to trace and justify the legal acquisition of these assets. These audits will be conducted annually by the Internal Affairs Directorate of the MoF.

31. Supporting material. Monthly information on risk-based full-scope audits and temporary audits of large taxpayers, self employed and high wealth individuals, and VAT non-

filers, collection of assessed taxes and penalties, collection of tax debt, and audits of asset declarations from auditors and managers of local tax offices will be made available by the Minister of Finance no later than two weeks after the end of each month. The monthly submission will also include, for each local tax office and special unit, the number of audits, hours spent on audits, assessed tax specified for income tax and VAT, assessed penalties and surcharges, collected tax amount from assessments, collected penalties and surcharges from assessments, specified for temporary and full scope audits.

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

33. Definition. For the purpose of the 2012 target, the reporting institutional units (State and general government entities) include any unit under the general government as defined in paragraph 32 of the March 2012 TMU. For the purpose of subsequent target, the reporting institutional units (state and general government entities) include any unit under the general government as defined by ELSTAT as of end-September 2012 whose overall annual spending exceeded €1 million in 2011. From March 2013, entries under the e-portal will include all fields with financial information as prescribed in the GAO circular of Dec 29, 2010 (protocol number 2/91118/0026); this includes inter alia cumulative appropriations released, commitments made, the sum of invoices received, and payments made.

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

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

HELLENIC REPUBLIC

Athens, 10 May 2013

Mr. Jeroen Dijsselbloem,
President,
Eurogroup,
Brussels.

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

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

Dear Messrs Dijsselbloem, Rehn and Draghi,

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

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

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

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

several measures to support accelerating their clearance, and remain committed to achieve the program schedule of eliminating the stock of arrears by end-2013.

- Concerning our fiscal-institutional reform efforts, while we did not achieve several end-2012 key performance indicators, we have stepped up reforms to bring revenue administration and public financial management reforms back on track. As a prior action for this review, we have passed legislation to move towards a semi-autonomous revenue administration, adopted key tax administration procedural reforms, reformed instalment schemes for taxes and social security contributions to bring them in line with international best practices; and met key performance indicators on public financial management and revenue administration for end-March and end-April respectively.
- We have further advanced in our efforts to restore a viable and well-capitalized banking system that will support the economic recovery and maintain the protection of depositors. In particular, the recapitalization of each of the four core banks is at an advanced stage (and we are committed to implement a comprehensive banking sector strategy aimed at promptly returning core banks to the private sector), the resolution of undercapitalized noncore banks is proceeding apace, we are strengthening the banks' governance framework (including appointment of monitoring trustees in all four core banks and additional independent board members in the HFSF), and we will soon finalize a new framework to restructure debts of financially distressed households, while remaining within our recapitalization envelope.
- Regarding structural reforms to improve Greek competitiveness, we have made further progress with liberalizing the economy and advancing privatization. Our reforms in recent months in this area have focused on completing the liberalization of the closed professions, and preparing assets for sale in the context of the privatization program.
- While the reforms outlined above will support growth and employment, there is a need to assist the most vulnerable groups in the society to cushion the crisis impact. To that end, we are stepping up efforts to leverage EU structural funds to facilitate employment creation, especially among the young. In addition, we plan to expand the support programs for unemployed, within the existing overall budget envelope.

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

The implementation of our program will be monitored through quantitative performance criteria and structural benchmarks as described in the attached MEFP, MoU and Technical Memorandum of Understanding (TMU). The quarterly reviews will assess progress in implementing the program and reach understandings on any additional measures that may be needed to achieve its objectives.

GREECE

On this basis, we request the disbursement of the amount of EUR 7.5 billion stemming out of the financing arrangements by the EFSF supporting the Second Adjustment Program for Greece. This letter is being copied to Ms Lagarde.

	_____/s/_____ <i>Antonis Samaras</i> Prime Minister	
_____/s/_____ <i>Yannis Stournaras</i> Minister of Finance		_____/s/_____ <i>George Provopoulos</i> Governor of the Bank of Greece

Appendix VII. Memorandum of Understanding on Specific Economic Policy Conditionality

GREECE

Memorandum of Understanding on Specific Economic Policy Conditionality

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

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

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

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

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

GREECE

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1 Achieving sound public finances

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

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

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

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

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

Fiscal consolidation

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

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

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

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

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

Prior to the disbursement the Government will:

- a. adopt legislation to extend collection of the real estate tax through 2013 via PPC. The legislation will introduce four changes: (i) a reduction of 15 percent in the rate; (ii) imposition of the tax on buildings not legally exempted from municipal duties; (iii) calculation of tax on buildings outside urban planning zones on a different basis (based on average legal value for the relevant municipality); and (iv) implementation of the tax on all buildings which are leased to the state by non-exempted private owners. Separately, a new law on taxation of real estate will be adopted by end-June for 2014 onwards. The new real estate taxation regime, which will consolidate a number of now separate taxes, will be designed to be budget neutral ensuring a annual revenue of at least EUR 2.7 billion.
- b. fully implement all other agreed fiscal measures for 2013 not yet in place.

Additional Measures:

1. Following a decision on the final details of the planned direct income tax reforms, the authorities will review the fiscal outlook for 2014 and agree with the EC/ECB/IMF on measures needed to close any residual gap for 2014, **in the context of the next review of the programme.**
2. To the extent that a fiscal gap in 2015-16 remains, the authorities could pursue several strategies to close this, including improving revenue by broadening the tax base through further reduction in exemptions and deductions; extending measures that are expiring; and targeted cuts in current expenditure. There are also opportunities to refocus the investment programme for more effective support to growth. The authorities will specify concrete plans for 2015 no later than **end-August 2013**, when they will formulate a detailed fiscal programme for 2014-2015 consistent with a primary surplus of 3% by 2015.

2 Structural reforms with budgetary relevance

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

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

The provision of basic public goods and services by privatized industries will be fully safeguarded, in line with the national policy goals and in compliance with the EU Treaty and appropriate secondary legislation rules.

Actions to be taken by the Government include the following:

1. Rapid adoption of necessary primary and secondary legislation and implementation decisions, in consistency with the required actions for implementing the Privatisation Plan. The Authorities must proceed swiftly to establish the regulatory framework in those areas which are necessary for the privatisation process (airports, ports, water, lotteries), consistent with EU legislation, taking into account international best practises. Transferring of assets to the HRADF quickly will facilitate the privatisation process and will signal the clear intention of the authorities to bring the privatisation process forward. The authorities should take immediate actions to address the state-aid related issues pending, which is a pre-condition for proceeding with the privatisation of these assets. All government actions pending in these three areas are listed in Annex 9.1.
2. Privatisation of real estate assets is of utmost importance in this process. High priority should be given in the preparation of assets (title clearance, licencing etc.) given the time lags involved in such a process and the need to secure a sufficient number of assets in the privatisation pipeline. Hence, the authorities should proceed with:
 - i. The transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF **(by end-2013)**.
 - ii. The transfer will be done in four phases, based on concrete interim targets of 250 real estate assets per quarter **(counting from January 2013)**.
3. Currently some 80,000 public properties are under the management of ETAD. Additional properties are under management by different ministries. The status of these properties in many instances is unknown, or unverifiable. This implies waste and limits possibilities for developing public property and deriving income from it. In order to enhance of asset management capacity of Hellenic Republic, the Authorities:
 - i. propose a plan to prepare the remaining (not in the privatisation pipeline) real estate assets owned by the Hellenic Republic, and managed by ETAD, for securitisation or direct privatisation. Other properties under the management of other ministries (Agriculture, Defence etc.) should be brought under the scope of this work. This plan should contain analysis of the status of properties and the steps needed to quickly prepare properties for exploitation by the State. **(November 2013)**.

- ii. In view of this plan, ETAD will present proposals to improve its governance, effectiveness and ability to carry out these tasks to be completed in stages and according to plan **by November 2013**.
4. The Authorities will bring all remaining (non-operational) properties (e.g., those under the Ministry of Defence, Agriculture) under the management of ETAD in steps, to be completed by **December 2013**; a first progress report to be prepared by **June 2013** on the numbers of properties by Ministry/Public Entity, the nature, state and of these properties and providing detailed information, where applicable, to its current use; a second progress report with the number already transferred to ETAD by **August 2013**; a third progress report with the number already transferred to ETAD by **October 2013**; and a final report by **December 2013**.
 5. The Authorities will ensure that there will be no transfer or withholding of any real estate assets, without prior consultation and agreement with the HRADF and the EC/IMF/ECB, to entities other than the HRADF, including to municipalities and the recently established pension fund SPV or other dedicated legal entities, or until such time as the assets necessary to supply the privatisation plan have been secured (**Continuous**).
 6. The HRADF, drawing in particular from a report to be prepared by the ESM, will assess the possibility of raising additional revenues from the private sector, with a focus on international investors, by means of securitisation of assets, through the exploitation of assets not yet included in its privatisation plan and specified in paragraph 2.1.9 (**continuous**).
 7. The HRADF will continue to be tasked with selling assets as quickly and effectively as possible. In particular, there will be no further political review once an asset has been transferred to the HRADF (**Continuous**).
 8. The HRADF will publish quarterly reports on its steps to facilitate privatisations, financial accounts, including a profit and loss statement, a cash flow statement, and a balance sheet, no later than 60 days after the conclusion of every calendar quarter (**Continuous**).
 9. Securing privatisation receipts which, cumulatively since June 2011, should be at least EUR 1.6 billion by **end-2012**, EUR 4.2 billion by **end-2013**, EUR 6.5 billion by **end-2014**, EUR 7.7 billion by **end-2015**, EUR 11.1 billion by **end-2016**.

2.2 Tax policy reform

1. By **June 2013**, the Government makes fully operational a standard procedure for revision of legal values of real estate to better align them with market prices that will be in place for the purposes of capital taxation for the fiscal year 2014.
2. The Authorities will adopt a unified and simplified income tax code (**June 2013**).
3. The Authorities will develop the tax policy capacity in the policy unit of the Ministry of Finance with appropriate and adequate legal and economic expertise for the development, economic impact, and revenue assessment of new tax policy initiatives (**September 2013**).

2.3 Revenue administration reforms

A strong and focused reform programme undertaken in the coming months must continue to address all the weaknesses in the existing system and support the fight against tax evasion and corruption. The Government will continue to reform the current institutional framework in line with that in many other

EU and OECD economies to ensure more autonomy for the tax administration department, especially for day-to-day operations, while leaving policy matters in the hands of the Government. The reform must be undertaken in a gradual way after assessing carefully the impact of each step undertaken:

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

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

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

- a. Enacts the legal framework necessary to transfer to the revenue administration the Ministry of Finance internal affairs department, and all tax and customs administration related functions within the General Secretariat for Information Systems (GSIS) and within the Corps for the Prosecution of Financial Crimes (SDOE);
- b. Simplify the procedure to classify debt as uncollectable, and suspend collection activities on uncollectable debt (subject to a joint decision with the Court of Audit for amounts more than €1.5 million);
- c. Abolish the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years.

The Government undertakes the following reforms:

2.3.1 Organization

1. Increase autonomy of the revenue administration by the following actions:
 - i. Transfer all personnel functions and budget allocations of the Internal affairs department and the revenue-related departments of GSIS to the revenue administration, and draft and implement the service-level agreement between the SGPR and the GSIS (**July 2013**);
 - ii. Transfer of the revenue-related functions, personnel, and budget allocation of SDOE under the revenue administration is completed (**October 2013**);
 - iii. Provide that any advice of MAREG to the revenue administration on organizational matters has to be given within a 14 day time frame (**May 2013**);
 - iv. Enable the Secretary General for Public Revenue Administration (SGPR) to determine the conditions for hiring under the control of ASEP (**May 2013**);
 - v. Create a budget code that encompasses all organizational units of the revenue administration (to enable a separate and unified budget allocation for approval by parliament starting with the 2014 budget) (**May 2013**);
 - vi. Establish a small financial management unit in the revenue administration to coordinate the preparation and implementation of the revenue administration's budget (while maintaining the role of the General Directorate for Financial Services (GDFS) as overall budget coordinator and financial controller for the Ministry of Finance's aggregate budget appropriation) (**May 2013**);
 - vii. Review the delegation of competencies to the SGPR and GDFS in the Ministry of Finance, and if necessary assign the authority to the SGPR to reallocate expenditures across budget lines in accordance with the general rules set out in Organic Budget Law 2362/1995 (**July 2013**);
 - viii. Authorize the SGPR to determine a grading and promotion system for the revenue administration, subject to the approval of the Minister of Finance (**May 2013**);
2. Continues to centralise and merge local tax offices leaving:
 - i. about 140 functioning offices (**June 2013**);
 - ii. 120 when payment through banks is operational all over the territory (**September 2013**).

2.3.2 Fight against tax evasion, money laundering and corruption

1. The Authorities submit proposals for further simplification and improvement of the Code of Tax Recording of Transactions (formerly code of books and records) and corresponding amendments required in the commercial and accounting legislation (**October 2013**);
2. The revised Code of Tax Recording of Transactions will come into effect by **1/1/2014**.
3. Reduce payment requirement to file a VAT return to a minimum (**May 2013**).

4. Take all appropriate measures to complete the certification of 2000 tax auditors by **July 2013**.
5. The SGPR provides a plan, including training, for the integration of new staff in the administration (**May 2013**).
6. Complete the external hiring of the additional 200 auditors (**July 2013**).
7. Ensure that all staff are assessed for their performance on a bi-annual basis under the new assessment system (**Continuous**).
8. Ensure an adequate number of supervisors in the High Wealth Individual and High Income Self Employed (HWI-HISE) and Large Tax Payers Unit (LTU), including through reallocation from other activities (**Continuous, starting June 2013**).
9. The SGPR issues a decision to enhance targeted auditing based on risk assessment techniques (**May 2013**).
10. The Authorities implement indirect audit methods and allow their application to any open tax audit (which will bring wealth and expenditures into the determination of taxable income) (**May 2013**);
11. The SGPR issues a circular introducing the modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption (**May 2013**).
12. Appoint the national coordinator for anti-corruption, the coordination committee and its chairman, and the advisory committee, and second the eight staff provided for by the law. (**May 2013**).
13. The Authorities revise legislation to enable prosecution for major tax evasion regardless of the tax payer paying the tax assessment in cases of settlement (**May 2013**).
14. The authorities complete the development of an IT system allowing immediate access to information about existence of bank accounts held by taxpayers, and about the current balance on the account, which will be implemented on a pilot basis. (**July 2013**)
15. A full implementation of the action specified in (2.3.3.16) (**September 2013**).
16. Ministries and State Owned Enterprises (SOEs) which have a fiscal relationship with taxpayers and beneficiaries utilize their tax identification number for financial transactions with them (**June 2013**).
17. The Authorities make compulsory the use of tax identification numbers for all official transaction with the whole public administration (**December 2013**)
18. The Authorities introduce a system to consolidate and link all of the different identification numbers now used across various government agencies (**June 2014**).

2.3.3 Tax and revenue collection

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

2. The Authorities will present a plan for providing a compulsory professional training programme for debt management staff (**May 2013**).
3. The SGPR completes a review of the policy and procedures to write off tax debts (**June 2013**).
4. The Authorities introduces the possibility of direct debiting of bank accounts for taxpayers in arrears (**September 2013**).
5. The Authorities take necessary steps to replace payments in cash and cheque in tax offices with bank transfers (**June 2013**).
6. The Authorities Commit not to adopt new tax amnesties, or extend existing amnesties for the collection of taxes and social contributions during the years covered by the economic adjustment programme (**Continuous**).
7. The Authorities will establish a special working group to examine the arrears stock across the four largest Social Security Funds (SSFs), to assess collectability, and identify collectible arrears for transferring them to the new single collection entity by (**June 2013**).
8. The working group will develop a framework for coordination and integration of tax and social security contributions (SSC) arrears collection (**September 2013**).
9. The Authorities will introduce a revised surcharge regime for late payment of SSC by **June 2013** that combines a penalty and an above market interest rate.
10. The Authorities repeal the application of the Code for Collection of Public Revenue for collection of social security contributions, and enact a new legal framework for public revenue collections in line with international best practice (**February 2014**).
11. The Authorities enact the new legal framework for instalment schemes for debt related to tax and for social security contributions (**June 2013**):
 - i. The legislation will set the date of opening application into the new scheme no later than **July 1, 2013**. Entry into existing tax and SSC debt instalment schemes that do not extend past June 30, 2017 and do not offer more generous terms and conditions than the fresh start scheme (concerning the effective interest rate and the surcharge reduction), will be allowed up until June 30, 2013. The law will specify which schemes remain open until June 30, 2013. Entry into all other schemes will be discontinued upon submission of this legislation to parliament. Entry into these two installment schemes will be disallowed for debtors who are in default on another scheme after the submission of the law to parliament.
 - ii. The key features of the basic permanent instalment scheme will include: (i) tightened eligibility (proof of viability and tax compliance will be required); (ii) payment of market interest rates plus a premium on outstanding balances; (iii) enforced collection upon default on a payment; and (iv) a maximum of 12 monthly instalments (except for a specific list of taxes of a non-current or extraordinary nature for which instalments of up to 24 months would be allowed).
 - iii. However, on a one-time basis, in parallel to the normalization of the economic situation, the framework for granting tax debt and SSC payment arrangements will be temporarily made more flexible through the adoption of a "Fresh start scheme" open to settle debt existing at end 2013 for debtors current in 2013 payments. Two key changes will be made. First, taxpayers will be allowed to pay pre-existing tax

and SSC debts (not already subject to an instalment arrangement), and to consolidate debt from other schemes. Payments will be in equal monthly instalments not extending beyond June 2017. There will be a reduction in the surcharge by at most 50 percent upon full payment of the debt. This will accommodate viable taxpayers whose capacity to pay is temporarily affected by the current business cycle. Second, reduced documentation requirements will apply for tax and SSC debts below €75,000. Under this scheme, compliance with current tax and SSC obligations is mandatory, full collateral will be required for large rescheduled amounts (over €300,000), and enforced collection upon default will apply.

2.3.4 Tax dispute

1. The Internal Review Unit will be operational by **(August 2013)**

2.3.5 Management of the State Revenue Service

1. The SGPR replaces managers who do not meet performance targets (**Continuous**);
2. The Authorities launch an easily accessible website to enforce accountability to the public through publication of summary statistics on key performance indicators, the number of tax evasion cases sent to the FIU and to prosecution by the tax administration (**May 2013**).

2.3.6 Tools

1. The Authorities adopt a new Single Tax Procedures Code (**June 2013**). This code should aim to reduce the costs of administration and compliance and will incorporate procedural reforms in all major administrative areas that are necessary to support modern tax administration (e.g., tax filing, audit and penalties, enforcement powers and debt collection.)
2. The SGPR ensure the use of a number of functions in ELENXIS (tax payer profile) for all tax units that perform audits and full use in certain key offices (LTU, HWI-HISE). (**June 2013**).
3. The new ELENXIS system will be operational in major tax offices and audit centres by (**December 2013**). The National Centre for Public Administration and Local Government (EKDAA) will provide the necessary support.
4. The new TAXIS system is operational in tax offices as follows:
 - i. In 50 tax offices covering 70% of revenues by **June 2013**;
 - ii. in all tax offices by **October 2013**.

2.4 Public Financial Management Reforms

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

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

One important area where significant progress must be made is in preventing the build-up of arrears, both on the tax and expenditure sides. The significance of a timely transposition and implementation of the Late Payment Directive has been highlighted in the Communication on Action for Stability, Growth and Jobs that reflects the role of the Directive in restoring normal lending to the economy: 96% of bankruptcies are due to late payments or other objective problems. In the current economic situation it is ever more relevant that the problem of late payment is addressed; implementation of the Directive requires payment of invoices within 30 days in principle, or 60 days in exceptional cases. In Greece the transposition and implementation of the Directive is particularly challenging as late payment, both in business-to-business (B2B) transactions and in transactions between public authorities and businesses (PA2B), ranks amongst the highest in Europe, according to the European Late Payment Index of Intrum Justitia. A timely and precise transposition and implementation of Directive 2011/7/EU will correct also some current discrepancies between European and Greek legislation closing two pending cases of infringements if article 1 of Law 3068/2004, as amended by Article 20 of Law 3301/2004 (which implies that a title which in Greek law is formally called "enforceable title" is not enforceable against Greek "State bodies and bodies governed by public law") and Article 27 of Law 2867/2010 (which obliges suppliers to public hospital to surrender any claims for statutory interest due to late payment in order to be paid) are amended and/or repealed as part of the Greek transposing measures for Directive 2011/7/EU.

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

Prior to the next disbursement the Government will:

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

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

1. In order to fully comply with the late payment directive, notably compliance with the deadlines set in this Directive, the Government will propose by **June 2013** a realistic action plan and a timetable for progressing with reforms in Public Finance Management with a view to streamline payment processes and shorten payment periods. The action plan shall contain:
 - i. the different steps that need to be accomplished by the Greek government in order to simplify the processes related to payments in the public sector.
 - ii. It shall provide for specific deliverables within set deadlines in order to allow for monitoring of progress made in its completion.
 - iii. It shall contain proposals in order to reduce significantly the number of parties involved at each step of the process, and provide for the concrete deadlines that need to be respected for each step to be completed.

In producing the action plan the Greek government shall take into account the technical assistance already received and further assistance made available by TFGR and other

experts and the timetable already outlined for the completion of the Enterprise Resource Planning (ERP) project.

2. In parallel with the ERP project GAO will engage in discussions with the Hellenic Court of Audit (HCA) on further streamlining the pre-audit process by the HCA. GAO will propose to the HCA an increase in the ceilings for mandatory pre-audits, and below the ceiling the introduction of risk-based pre-audits rather than 100% pre-audit. GAO will ask the HCA to develop an action plan for inclusion in the economic adjustment program (**June 2013**)
3. To address problems still lying in the extra-budgetary funds and in the social security sector, especially in relation to the transfer of competencies from SSFs to EOPPY, despite the progress in the setting-up of the commitment/co-payment registries, the Government will:
 - i. ensure that commitment registers are in operation in 80 per cent of general government entities based on 2013 entity coverage (**June 2013**).
 - ii. monitor the effectiveness of the commitment registers by conducting regular targeted inspections in the public entities covered by the system (**Continuous**).
 - iii. enforce the obligation of accounting officers to report commitments by enacting sanctions to entities not submitting needed data, though disciplinary action for accounting officers, and by strengthening the role of GAO in providing support and guidance to Accounting Officers (**Continuous**)
 - iv. take actions as soon as significant deviations from yearly targets of EOPYY become evident (**Continuous**).
 - v. Ensure that all the 41 SSFs report on the e-portal (**June 2013**).
4. To address other problems still lying in the central government sector the Government will:
 - i. will adopt a Ministerial Decision to ensure that any change to the projects decided by the Regional authorities is timely recorded in the MIS database (**May 2013**). This Decision provides for a fully-fledged monitoring system for implementation of the PIB. Until then, the modifications of the financial data of the projects will continue to be entered to the existing monitoring information system under the responsibility of the Directorate of Public Investments (**May 2013**).
 - ii. The Government ensures that the responsibility of the functioning of PIB commitment registers is always linked to the responsibilities of allocating the available resources among projects (**continuous**)
 - iii. completes the reorganization of the GDFS through the adoption of a Joint Ministerial Decision (**June 2013**).
 - iv. establishes procedures for identifying fully qualified senior financial managers for the Accounting Office positions (**June 2013**).
 - v. Appoints the Accounting Officers based on these new procedures. (**September 2013**).
 - vi. The MoF/GAO and MAREG, in consultation with the Accounting Officers of the Ministries, ensure adequate staffing for the financial functions in line ministries and develop training material and a training scheme for GDFS staff (**continuous**).
5. To clear expenditure arrears and tax refunds, the conditions for a government unit to meet to allow funds for arrears clearance to be disbursed will include, for expenditure arrears: (i) establishment by the unit of a fully functioning commitment register and (ii) reporting of at least three months of consistent data on commitments, payments, and arrears (2 months for EOPYY); and, for both expenditure arrears and tax refunds: (iii) verification of claims.

Subvented agencies which meet these conditions can clear their arrears even if their parent agency does not meet the conditions. Arrears should not delay the execution of the pharmaceutical spending clawback or any related measure. The Government will:

- i. Ensure the administrative capacity to make the clearance of arrears effective by staffing the necessary units (**June 2013**)
6. Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated (**Continuous**).
7. Start reporting (on accrual basis) of all existing tax refund claims in fiscal accounts according to the year in which they were incurred. Furthermore, the monthly General Government budget execution bulletin starting in April will report the amount of disbursed tax refunds and payments on expenditure arrears as cash spending (**Continuous**).

2.5 Safeguards for the delivery of fiscal commitments

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

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

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

2.5.2 Budget preparation and implementation

The Government will:

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

2.5.3 Monitoring and reporting

The Government will:

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

2.5.4 Corrective and sanctioning mechanisms

The Government will:

1. Ensure a continuous balance between pension contributions and benefits, by bringing forward to June 2014 the entry in force of the binding mechanism (for auxiliary pensions) already legislated to enter in force as of 2015. (**September 2013**)
2. Strengthen HRADF's governance and independence and implement an automatic correction mechanism, should there be any difficulties in the privatisation process or slippages in the targets, by (**quarterly**):
 - i. Reviewing the functioning of the recently amended privatisation law, through specific QPCs to be enforced the moment the privatisation plan derails.
 - ii. Taking, in cooperation with EC/ECB/IMF, appropriate steps, including changes in existing legislation and/or in the composition of the Board, to safeguard and strengthen the independence and the functioning of the HRADF, if targets for the sale of assets to be privatised were missed substantially for two consecutive quarters. In all circumstances, the HRADF remains fully accountable to parliament on an ex-post basis for the integrity of every privatisation sale.
 - iii. Increasing automatically the primary surplus target, should there be a shortfall of privatisation proceeds due to the delay in sales of specific assets compared to programme targets for two consecutive quarters. Any shortfall in privatisation proceeds ceteris paribus increases the financing need and the debt ratio. To mitigate this undesirable outcome, unless other adjustments are agreed with the EC/ECB/IMF, the primary surplus target would be raised with immediate effect by 50 percent of the shortfall in proceeds, and should be achieved by means of current expenditure cuts in the general government. The adjustment within any year would be capped at €1 billion.
3. Enhance the corrective mechanism for local governments by:
 - i. Issuing Joint Ministerial Decision providing guidelines for the Observatory's assessment of the local government's budgets (**May 2013**);
 - ii. Establishing a review process of LG's budgets by the Observatory of local authorities, in order to ensure consistency with the overall MTFs targets for LGS to be completed. (**June 2013**)

2.5.5 Transparency, accountability and oversight

The Government will:

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

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

2.5.6 Debt servicing account

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

2.6 Other institutional requirements

1. Central State Aid Unit (CSAU):
 - i. The Government adopts the law creating a Central State Aid Unit CSAU and setting the general principles concerning State aid **(May 2013)**.
 - ii. The Government launches the call for interest in order to appoint the Director, and relevant officials of the CSAU. The Central State Aid Unit is responsible for screening all measures, from across the Government, for their compliance with State aid rules, before they are implemented. The Central State Aid Unit will be the only contact point for the Commission on all State aid matters, including for notifications. The aim is to ensure a timely and effective clearance of state aid issues. **(June 2013)**
 - iii. The Government amends the law concerning recovery of illegal State aid with a view to clearly excluding any possibility of recovery in instalments. Indeed, Article 22.1.b of the law 4002/2011 currently states that recovery may take place in instalments and refers to the Code of Collection of Public Revenues, which also foresees this possibility. The updated law should exclude the possibility of recovery in instalments while, possibly, maintaining reference to the above-mentioned Code for other procedural aspects **(May 2013)**.
2. All actions attributable to public authorities should be in compliance with the rules on free movement of capital (TFEU, Article 63) **(Continuous)**.

2.7 Making the public administration more efficient and effective

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

2.7.1 Reforming the public administration

In order to achieve a leaner and more efficient state, the Government initiates a rigorous evaluation of administrative structures and personnel, in order to maintain the right skill mix of employees over time. Entity closures are pursued and employees are either transferred to the mobility scheme or dismissed. This reform process is extended to extra budgetary funds and regional and local administrations in 2013.

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

Prior to disbursement the Authorities:

- a. adopt consistent staffing plans for government entities covering at least 206,000 employees;
- b. approve quarterly plans for 15,000 exits cumulative through end-2014, including 4,000 by end-2013 (with a significant fraction frontloaded);
- c. approve annual overall employment targets for the general government through 2016 (consistent with the already approved MTFs);
- d. vote the necessary legislative changes in order to streamline and accelerate the disciplinary procedure to show the commitment of the government;
- e. implement a permanent monitoring mechanism for the disciplinary procedure and provide data regarding the pending cases and the pace of dealing with the stock of cases; and
- f. eliminate any existing legal provision forcing the state to put personnel of legal entities of private law, whose positions are abolished, in the mobility scheme.

1. To further advance the reform agenda **during 2013**, the Authorities will:
 - i. ensure that cumulatively 12,500 employees have been placed in the labor mobility scheme by end-June 2013 and 25,000 employees by **December 2013**;
 - ii. complete staffing plans for 450,000 employees (cumulative) by **June 2013**;
 - iii. complete staffing plans for all general government entities by **December 2013**;
 - iv. involve the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement when taking related decisions (**continuous**);
 - v. complete assessment of individual employees by **December 2013**.
 - vi. the quarterly targets exits and entries into the mobility scheme will become indicative targets under the program. Overall, this should help reduce the public sector workforce by 150,000 **by 2015**, relative to the end-2010 level.
2. The consolidation program will make room to hire new staff, and this room will be used to address areas where we face deficits of skilled staff.
 - i. The Government will hire one new employee for each exit as a result of (i) disciplinary cases; (ii) due diligence evaluation of legal entities of public and private law leading to mergers and abolishment; (iii) evaluation of the personnel using the mobility scheme, including before any reallocation to a new position; (iv) voluntary exits from the mobility scheme (excluding personnel within 3 years of

retirement); and (v) the elapse of a 12-month period in the mobility scheme. **(continuous)**.

- ii. If the assessment (to be provided to EC/IMF/ECB **monthly**) at any point shows that the plans are no longer on track to achieve our aggregate targets, the authorities commit to reduce the 1:1 hiring ratio for exits mentioned under (i.) **(continuous, monthly)**.
 - iii. For all other exits than those mentioned under (i.), the hiring ratio will remain 1:5, as envisioned in the program **(continuous)**.
 - iv. By **June 2013**, we will define detailed hiring plans for 2013, in consultation with the EC/ECB/IMF.
3. The Authorities will define a human resources strategy in order to: (i) identify the weaknesses of the public service management of human resources; (ii) identify the best possible way to modify recruitment procedures, appointments, trainings, as well as mobility. This strategy is reflected in legislation (**June 2013**). This legal act will provide a basis for evaluating the competences of the senior management.
 4. The Authorities will assess the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management (**June 2013**). This assessment will lead to an amendment of the current legislation, by clarifying and framing the relationship between the political level, the management positions and the services. Within this framework, the number of advisors will be reduced and constrained, and each advisor will have a specific job description. The aim is to ensure institutional continuity and higher levels of efficiency in the public administration (**June 2013**).

2.7.2 Fighting corruption

1. The Government will by **June 2013**:
 - i. present draft legislation to bring the anti-corruption legal framework in line with relevant international standards;
 - ii. initiate the implementation of the relevant actions contained in the action plan

2.8 Avoiding waste and increasing quality through sound public procurement

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

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

The Government:

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

2.8.1.2 To increase the efficiency of procurement processes:

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

Agora portal

1. Following the adoption of the JMD on the Agora Portal for contract transparency:
 - i. publishes data on contract notices on supplies, services and works and on the number of contracting authorities uploading information on the AGORA portal starting with contracts above €30,000. **(June 2013)**
 - ii. facilitates compliance, by reviewing standard documents and providing support to contracting authorities. **(Continuous)**

Central Purchasing Bodies (CPB):

2. Adopts decisions leading to the creation of a Central Purchasing Body at the General Directorate for the procurement of goods and services. In particular, the Government:
 - i. draws a list of supplies and services where the requirements of multiple contracting authorities can be standardised into a limited number of alternatives. The list includes items, such as, office equipment, furniture, supplies and stationery, IT equipment, telecommunications, transport vehicles, travel services, etc. **(May 2013)**
 - ii. draws framework contracts for the procurement of the abovementioned standardised supplies and services through the CPB. **(Continuous)**
 - iii. issues legislation mandating the purchase of the identified standard supplies and services through the CPB for all central government entities, with no monetary thresholds and with transitory periods agreed with the Commission services. Military purchases of standardised civil supplies and services (not falling under the scope of Directive 2009/81 on procurement in the fields of defence and security) are also carried out through the CPB. **(June 2013)**
 - iv. tenders at least three framework contracts used in frequently purchased supplies or services at central government level through the CPB. **(December 2013)**

Framework contracts:

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

Reform of public procurement legislation:

3. Undertakes to adopt **by December 2013** a reform of the public procurement system including works, supplies and services under the coordination of the SPPA with a view to:
 - i. simplifying, streamlining and consolidating the body of public procurement legislation;
 - ii. rationalising the administrative structures and processes in public procurement to desired procurement results in terms of efficiency and efficacy;

- iii. improving national review procedures, including the reduction of delays triggered by the redress system and assessing the role to confer to the SPPA in the area of redress (remedies and judicial protection).
4. Proceeds with the reform of the public procurement legislation, in accordance with the action plan submitted to the Commission services in February 2013. The drafts of all legislative and organisational measures implementing the above-mentioned Action Plan are presented to the European Commission by **September 2013**.

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

The Government:

1. Refines, in consultation with the European Commission, the existing *plan* for the development of the e-procurement platform by (**May 2013**) including, among others, measures and deadlines for:
 - i. the operation of supplies, services and public works procurement contracts through the e-procurement platform;
 - ii. the 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;
 - vi. the interaction of the platform with the planned simplification of procurement legislation;
 - vii. the means to facilitate access and use to the platform by users, including easy to use e-signature and e-ID solutions.
2. In the *development* of the e-procurement platform, commits to:
 - i. run supplies and services contracts for the Central Government on a pilot basis through the e-procurement platform throughout the **1st half of 2013**.
 - ii. ensure that the e-procurement platform is fully operational and ready for use by the Central Public Administration for supplies and services contracts in **July 2013**.
3. Ensures the use of the platform as follows:
 - i. the Central Purchasing Bodies (CPBs) manage the e-procurement platform for all their tendering procedures. (**June 2014**)
 - ii. the whole public sector in Greece uses the e-procurement platform for commonly bought supplies and services by **December 2015**.
4. Submits to the Commission services the data of the *monitoring* activities covering year 2013 against the target user levels. (**1st half of January 2014**) In addition, it presents data on:
 - i. the number of calls for tender published electronically (in absolute terms and as a percentage of total number of published calls for tender);
 - ii. the number of tenders with specifications published online;
 - iii. the number of contracts carried out electronically relative to the total number of contracts.
 - iv. the types of purchases carried out with the e-procurement platform.
 - v. the number of contracting authorities using e-procurement.

2.9 Completing the pension reform to secure sustainability

The Government:

1. Ensures that all social security contributions to ETEA will be recorded electronically by **(June 2013)**.
2. Ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts; starting in **March 2013** and to be finalised by **December 2013**.
3. Produces a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions. (Continuous, **next report, June 2013**)

2.10 Modernising the health care system

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

The programme measures aim at achieving savings in the purchasing (accrual basis) of outpatient medicines to reach spending of about EUR 2.440 billion and inpatient to reach spending of about EUR 0.66 billion in 2013 (accrual basis). The goal is to bring public spending on outpatient pharmaceuticals to about 1 percent of GDP i.e. around EUR 2 billion euro (in line with the EU average) in 2014. Total (outpatient plus inpatient) public expenditure on pharmaceuticals should be no more than 1.5 per cent in 2013 and 1.3 per cent in 2014.

2.10.1 Governance

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

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

2.10.2 Controlling pharmaceutical spending

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

2.10.2.1 Contingency measures to deliver the overall targets

1. The government applies an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets (**Continuous**). A note on the collection of claw back for 2013 for the first half of 2013 is submitted by **September 2013**.
2. Activates contingency measures (including e.g. across-the-board cut in prices or entry fee for the positive list), if, for any reason, the claw-back is not able to achieve the target. Such measures produce an equivalent amount of savings. (**October 2013**).
3. In addition and if necessary, EOPYY introduces additional incentives and mechanisms, including a prescription quota system for physicians, to ensure generic substitution (**September 2013**).

2.10.2.2 Pricing of medicines

The Government:

1. Revises downward the price of medicines, based on the three EU countries with the lowest prices (**quarterly update** of price list in line with the provisions of Council Directive 89/105/EEC, next list to be published **by June 2013**).
2. On the basis of the report on the impact of the new profit margins of pharmacies, reduce the profit margins down to 15% by **June 2013**.
3. Ensures that EOPYY negotiates a 5% discount through price-volume agreements on expensive medicines (200 medicines) sold in EOPYY pharmacies (**Continuous for 2013 and 2014**).

2.10.2.3 Prescribing and monitoring

The Government will,

1. Update the positive list of reimbursed medicines and the list of OTC medicines. These lists must be updated at least twice a year (**next update June 2013**).
2. Ensures full coverage of e-prescription to doctors, outpatient facilities and providers contracted by EOPYY and to all NHS facilities (health centres and hospitals) by **June 2013**. E-prescribing is made compulsory and must include at least 90 percent of all outpatient medical acts covered by public funds (medicines, referrals, diagnostics).
3. Finalise the implementation of the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA. (**December 2012, New Deadline May 2013**).
4. Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory (**Continuous**).
5. Enforce the application of prescription guidelines through the e-prescription system starting with at least 5 therapeutic groups by **June 2013**.
6. Further develop the e-prescription system by introducing compulsory ICD-10 by May 2013 and SPC filters in the e-prescription system (**October 2013**).
7. Enhance monitoring and assessment through:
 - i. detailed monthly auditing reports on the use of e-prescription in NHS facilities and by providers contracted by EOPYY. These reports are shared with the European Commission, ECB and IMF staff teams. (**Continuous**);
 - ii. regular assessment of the information obtained through the e-prescribing system. (**Continuous**);
 - iii. detailed quarterly reports on pharmaceutical prescription and expenditure which include information on the volume and value of medicines, on the use of generics and the use of off-patent medicines, and on the rebate received from pharmacies and from pharmaceutical companies. These reports are shared with the European Commission, ECB and IMF staff teams. (**Continuous, Quarterly, new report July 2013**);
 - iv. detailed reporting on individual prescription behaviour to each physician relative to the average of comparable (specialty, patient workload) physicians (both in NHS facilities and contracted by EOPYY and other social security funds until they merge) and signals when they breach prescription guidelines. This feedback is provided at least every month and a yearly report is published covering: 1) the volume and value of the doctor's prescription in comparison to their peers and in comparison to prescription guidelines; 2) the doctor's prescription of generic medicines vis-à-vis branded and patent medicines and 3) the prescription of antibiotics. (**Continuous**);

8. Enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines **(Continuous)**;
9. Electronic monitoring and the introduction of cancellation mechanisms to barcodes of pharmaceutical products should be finalized by collaboration of EOF and IDIKA **(September 2013)**.

2.10.2.4 Increasing use of generic medicines

Prior to the disbursement, the Government:

- a. Ensures the application of compulsory prescription by international non-proprietary name (INN) for an active substance notably by putting in place an automatic blockage mechanism once prescription by branded name reaches 15% of the overall prescription value of each doctor in real time.
- b. Prices the large backlog of generic medicines waiting for a price in compliance with EU Transparency Directive at a pace of 400 per month, with 400 medicines priced prior to disbursement.

The Government also:

1. Increases the share of the generic medicines in total outpatient and reimbursed medicines to reach 60 percent (in volume) by **December 2013**. This will be achieved by:
 - i. automatically reducing the maximum price of originator medicines when their patent (exclusivity period) expires (off-patent branded medicines) to 50 percent of its price at the time of the patent expiry. Further reduction will be achieved by linking off-patent products to the average of the three lowest prices in the EU, to be revised periodically with price list. Producers can offer lower prices, thus allowing an increased competition in the market. **(September 2013)**;
 - ii. setting the maximum price of the generic to 40 percent of the price of the originator patented medicine with same active substance at the time its patent (exclusivity period) expired. After this first reduction, the price of the generic medicine is set to 80% of the downward revised price of the off-patient products (when the exclusivity period expires) which is to be set on the basis of the average of the three lowest prices in the EU as defined in point i. Producers are allowed to offer lower prices, thus allowing an increased competition in the market. **(September 2013)**;
 - iii. ensuring dynamic competition in the market for generic medicines through a) speeding up administrative and legal procedures, in line with EU legal frameworks; b) applying price reductions of at least 10 percent of the maximum price of each three new generic producer entering the market, according to existing regulation **(May 2013)**
 - iv. deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC. **(Continuous)**;
 - v. excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria. **(Continuous)**;
 - vi. in the frame of the Administrative Reform process of EOF, set up scientific capacity in order to include cost effectiveness criteria in the reimbursement and licensing process.

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

2.10.3 Reviewing the provision of medical services contracted by EOPYY

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

2.10.4 National Health System (NHS) service provision

2.10.4.1 Reorganisation and management of the health care sector

The Government:

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

2.10.4.2 Accounting, costing, control, IT and monitoring systems

The Government ensures that:

1. The allocation of internal controllers to all hospitals is finalised and that all hospitals adopt commitment registers. **(December 2012, New deadline May 2013)**
2. EOPYY publishes a monthly report with analysis and description of detailed data on healthcare expenditure with a lag of three weeks after the end of the respective month. This report will make possible the more detailed monitoring of budget execution, by including both expenditure commitments/purchases (accrual basis) and actual payments (cash basis). The report will also (1) describe performance on the execution of budget and accumulation of arrears, and (2) recommend remedial actions to be taken. **(Continuous)**
3. Further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through:
 - i. the introduction of analytical cost accounting systems, with the implementation of the respective action plan, due to be finalised, with complete hospital coverage, by **November 2013**;
 - ii. the regular annual publication of balance sheets in all hospitals. **(June 2013)**;
 - iii. the introduction of the uniform coding system for medical supplies developed by the Health Procurement Commission (EPY) and the National Centre for Medical Technology (EKEVYL) and the use of the observe.net system to monitor the procurement and use of tenders for medical supplies. **(Continuous)**;
 - iv. the introduction of inbound hospital logistics and warehouse management systems using barcode scanning systems for pharmaceuticals and medical consumables. **(December 2013)**;
 - v. implement necessary action to ensure timely invoicing of full treatment costs (including staff payroll costs) - i.e. no later than 2 months to other EU countries and private health insurers for the treatment of non-nationals/non-residents. **(Continuous)**;
 - vi. enforcing the collection of co-payments and implementing mechanisms that fight corruption and eliminate informal payments in hospitals. **(Continuous)**.
4. ELSTAT starts providing expenditure data in line with Eurostat, OECD and WHO databases i.e. in line with the System of Health Accounts (joint questionnaire collection exercise). **(May 2013)**
5. The programme of hospital computerisation allows for a measurement of financial and activity data in hospital and health centres. Moreover, the Minister of Health defines a core set of non-expenditure data (e.g. activity indicators) in line with Eurostat, OECD and WHO health databases, which takes account of the future roll-out of DRG (diagnostic-related groups) schemes in hospitals. **(Continuous)**
6. The government starts to develop a system of patient electronic medical records. **(May 2013)**
7. The Government, with technical assistance from experts across EU, continues to improve the existing KEN/DRG system, with a view to developing a modern hospital costing system for contracting (on the basis of prospective block contracts between EOPYY and NHS). The existing set of KEN/DRGs is used in all hospitals The KEN/DRG Management Institute is established by **June 2013**. DRGs will include a detailed item on costs of personnel. **(Continuous)**
8. A follow up analysis of how hospital accounting schemes integrate DRGs at hospital level in view of future activity-based cost reporting and prospective budgets payment for hospitals will be submitted by **September 2013**

2.10.5 Centralised procurement

1. The Government increases substantially the number of expenditure items and therefore the share of expenditure covered by centralised tender procedures through EPY up to 45% of all the expenditure in medicines and medical devices by 2014. This share goes up to 60% in 2015. The Government ensures the use of such tender procedures. **(Continuous)**
2. EPY will undertake tender procedures for framework contracts for the most expensive medicines sold in EOPYY pharmacies. **(Continuous)**

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

2.11 Upgrading the education system

1. The Government implements the Action Plan for the improvement of the effectiveness and efficiency of the education system and regularly reports on the progress of its implementation including on the results of the external evaluation of high education institutions (Continuous, **June and December of each year**).
2. On higher education: the provisions of the laws 4009/2011 and 4076/2012 are fully and promptly implemented including:
 - i. The external evaluation of the higher education institutions by the Quality Assurance Authority is completed. **(December 2013)**;
 - ii. The organisation charts and internal regulations of the Higher Education Institutions are completed **(March 2014)**;
 - iii. Update on the progress of the on-going consolidation/merging of departments of universities and technological institutes (ATHINA Project) **(September 2013)**.
3. On primary and secondary education, the new policy of evaluation of schools (including the schools' self-assessment) and educational staff starts being implemented. **(September 2013)**. The first cycle of evaluation of the educational staff according to the new policy is completed **(December 2013)**.

3 Stabilising the financial system

The government ensures that:

1. By **end-June 2013**, the banks will also complete a new round of liability management exercises conducted in respect of the remaining subordinated instruments.
2. No state aid will be granted to banks before it is approved by the EC under state aid rules.
3. Except for the HFSF, no entity belonging to the general government purchases bank shares during the capital increase exercise of Greek banks or directly or indirectly supports third parties by providing loans/guarantees/subsidies to purchase bank shares.

The MoF and the BoG commit to:

4. Develop a comprehensive banking sector strategy in cooperation with the HFSF and the EC/ECB/IMF staff **by July 15 2013**. In the meantime, all four pillar banks will be able to continue to act as integrators of smaller domestic banks as appropriate. The strategy will include options and operational steps for the HFSF to promptly proceed with the disposal of the shares to the private sector of the core banks that will not have been able to remain under private control.
5. Only **upon finalisation** of this banking sector strategy any consolidation in the form of merger among the four pillar bank can be considered.

3.1 Framework for restructuring and strengthening of the banking system

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

1. Regarding the New Hellenic PostBank, the HFSF is currently taking actions to make major reductions in the operational costs of the bank, including through a significant reduction in the number of employees, and to restructure its loan portfolio, with the objective of making the bank attractive to potential purchasers and concluding its sale by **July 15 2013**.
2. Concerning the sale of Nea Proton bank, the sale deadline is being shifted from May 2013 to **July 15 2013** in order to increase chances that it is acquired through an open bid process.
3. The BoG will apply appropriate measures to those non-core banks that have not met the capital requirements set by the supervisor, or earlier if there is evidence that the bank will not be able to raise the needed capital (June 2013).
4. The BoG, in coordination with the HFSF, will assess the alternatives aimed at minimising the cost to taxpayers, including a Purchase and Assumption transactions (P&A) with any of the four core banks, while guaranteeing the security of depositors (**June 2013**).
5. The BoG will revise the legal and regulatory frameworks for cooperative banks by **end-September 2013** in order to align it with international best practices.

3.2 Funding

The BoG commits to:

1. Request banks to provide standardised quarterly balance sheet forecasts (funding plans) (**continuous**). The banks' funding plans will be based on the programme macroeconomic forecasts. Banks shall set out a path towards achieving a sustainable funding model by means of broadening their funding base and reducing over time their reliance on extraordinary central bank liquidity support. Funding plans will serve as a tool for the BoG to monitor this process and assess whether the banking system's plans at the aggregate level are consistent with the programme's macroeconomic framework.
2. Stand ready, following the procedures and rules of the Eurosystem, to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed (**continuous**).

3.3 State-owned preference shares of the banks

The Government commits to:

1. Not take any fiscal policy actions that would undermine the solvency of banks (**continuous**).
- The Law 3723/2008 has been amended to ensure that the banks will not be required to pay any dividends on the preference shares, or fees in lieu of this, unless the banks are profitable.

3.4 Adaptation of banking supervision

The BoG commits to:

1. Continue with enhanced supervision of resolved banks and of those that have been placed under public control, including any core banks that fail to show their ability to receive sufficient private investment to remain under private control (**continuous**).

The Government will:

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

3.5 Follow up stress testing

The BoG will:

1. Make the necessary preparations for stress testing to be completed by **end-2013**.
2. Finalize by **end-July 2013** a new stress testing methodology, determined in consultation with the EC/ECB/IMF staff.

3.6 Management of assets under liquidation

The BoG commits to:

1. Revise by **May 2013**, in consultation with the HFSF, the regulatory framework and remove the operational restrictions identified in the end-February 2013 assessment report of Bain&Company published by the BoG.
2. Adopt by **June 2013** amendments to the existing special liquidation laws, following consultation with the EC/ECB/IMF staff.
3. Adopt a reporting framework with quarterly updates on progress made **starting in June 2013**.

3.7 Review of legal insolvency frameworks

The Government commits to:

1. Enhance the legal regime for household insolvency to provide for more effective resolution of bad debts while protecting the payment culture and avoids unnecessary losses.

2. Establish, by **end-June 2013** and in consultation with EC/ECB/IMF staff, a framework to assist distressed borrowers. It will take effect as soon as the necessary regulations to implement it can be put in place (at the latest by end-August 2013).
3. Introduce, in consultation with the EC/ECB/IMF staff and **as soon as possible**, measures aimed at deterring applications for court cases under Law 3869/2010, and borrowers who are subject to the provisions of laws 3869/2010 and 4128/2013 will be subject to the new framework for distressed borrowers, once it has been implemented.

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

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

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

- Assess the implementation of this framework **within six months of its adoption**.
5. Revise law 3869/2010 by **end-June 2013**, to address the implementation shortfalls identified during its first three years of enactment.
 6. Adopt legislation to establish by **end-June 2013**, a framework consistent with the recapitalization framework for banks that will provide long-term solutions for over-indebted borrowers (including for those viable borrowers who are not eligible to participate in the facilitation program).
 7. It will include initiatives (to be specified further in regulations by **end-August 2013**) to:
 - (i) address shortfalls in existing laws that limit the effectiveness of debt resolution activities;
 - (ii) standardize the assessment procedure for borrower cases;
 - (iii) introduce a standard list of loan restructuring tools to be used by banks;
 - (iv) enhance access to free budgeting and legal advice services for citizens; and
 - (v) encourage borrowers and lenders to participate in debt resolutions through non-judicial means.
 8. Introduce steps to reduce excessive court waiting times, and to ensure that eligible debtors will choose to participate in the facilitation program.

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

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

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

2. Establish key performance indicators (KPIs) covering the troubled assets portfolio status, the operational response by banks and follow-up resolution actions. KPI definitions will be set no later than **August 2013** and bank reporting will start by **October 2013 and on a quarterly-basis**.
3. Closely monitor banks' NPL resolution strategy, policy and operational targets, and intervening where necessary, in order to ensure that distressed borrowers receive prompt and sustainable long-term solutions.

3.9 Governance of financial institutions

The authorities will:

1. Ensure banks' continued viability and protection of taxpayer interest by strengthening the governance framework of financial institutions.
2. Support the HFSF in its efforts for an ambitious and swift operational restructuring of all banks in which it has a significant stake, with the aim to reduce operational costs and increase profitability, thereby fulfilling its mandate to minimize costs for the taxpayer (**continuous**).

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

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

The Government will also:

3. Invite the HFSF to amend their internal regulations in order to rationalise the division of tasks and responsibilities between the General Council and the Executive Board (**June 2013**).
4. Amend the legislation in order to clarify the non-public nature of the fund (**June 2013**).

The BoG will:

5. Develop, in coordination with the HFSF, and publish by **end-April 2013** a memorandum of understanding governing the relationship of the HFSF as a shareholder and the BoG's role regarding the oversight of banks that have received state aid.
6. Adopt measures to address the governance weaknesses identified in the due diligence of core banks. Banks will submit to the BoG by **end-May 2013** plans to address identified operational governance weaknesses—including safeguards on loans to related parties and risk concentration. These plans will include clear timetables for full implementation by **end-December 2013**.

The MoF will:

7. Invite the HFSF to publish on their website the relationship frameworks with each bank as soon as the amount of the injection will be known, upon completion of the subscription

period, and in any case by **end-May 2013**. The relationship frameworks with all banks define the role of the HFSF as a shareholder on the basis of best international practices.

3.10 Loan and Consignment Fund

The Government commits to:

1. Ensuring that the Loan and Consignment Fund is not crowding out competition in the financial sector. The commercial activities will continue to be in a gradual run-off and no more new business will be conducted (**continuous**).
2. Agree with the EC by **end-May 2013** on the remit of activities of the reserved sector to ensure that they act only in case of market failure.

4 Strengthening labour market institutions and promoting employment

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

The Government will continue promoting an efficient wage-setting system, reducing non-wage labour costs, fighting undeclared work and informality, also by streamlining administrative burdens and increasing the transparency and enforceability of the labour law. Last but not least, the Government will enhance policies in order to help the unemployed remaining attached to the labour market and to improve affordable social safety nets. Reforms in labour legislation will be implemented in consultation with social partners, and in respect of EU Directives and Core Labour Standards.

4.1 Reforms in the wage-setting system

The reform of the statutory minimum wage framework at national level continues in order to help ensure that wage dynamics support employment while setting a floor for labour income. Thus, the Government:

1. presents a proposal for the decision making mechanism on the annual update of the statutory minimum wage rates that will prevail after the end of the Programme period once the current freezes cease. It will define how the economic and labour market situation and prospects will be factored into the decision process in order to ensure that the objectives of supporting employment and safeguarding labour income are achieved in a balanced way. It will also establish the role of consultation with social partners, other stakeholders and independent experts **by May 2013**.
2. Reviews the structure of the minimum wage system, taking stock of the present reform, with a view to possibly improve its simplicity and effectiveness to promote employability and fight unemployment and help the competitiveness of the economy **by March 2014**.

4.2 Reducing non-wage labour costs

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

1. adopts legislation **by November 2013** reforming the system of social contributions in a revenue-neutral way, inter alia by broadening the base for contribution, simplifying the schedule across the various funds, shifting funds away from nuisance taxes and onto contributions, and reducing average contributions rates by 3.9 percentage points from their current levels, which will be phased in over 2014, 2015 and 2016.
2. As intermediate steps, studies of possible changes in the system of social contributions will be carried out and action plans proposed **by September 2013**.
3. Carries out studies of first-pillar pension schemes in companies where the contributions for such schemes exceed social contribution rates for private sector employees in comparable firms/industries covered in IKA and presents options for the reduction of social contribution rates **by September 2013**.
4. Based on these studies of first-pillar pension schemes, and together with the reform of the system of social contributions, reduces the rates mentioned in the previous entry that are found to be too high and adjusts benefits in a fiscally-neutral manner **by December 2013**.

4.3 Lowering compliance costs, fighting undeclared work and informality

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

1. starts implementing a detailed action plan aimed at strengthening the fight against undeclared work and raising the effectiveness of the Labour Inspectorate. Prioritising the activities of the Inspectorate and fostering the detection of the most severe cases of labour law violations are expected to be at the core of those changes (**Continuous**).
2. Streamlines the reporting by employers and employees by **September 2013**.
3. Revises the sanctions for violations of the labour law by **July 2013** at the latest in order to be incorporated in the Labour Code that is being compiled.

4.4 More transparent and enforceable labour law

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

1. compiles **by December 2013** all existing legislation relevant for labour and industrial relations into a single Labour Code.
2. The Government shall prepare a report on the structure of the Labour Code (**May 2013**).

4.5 Support to the unemployed

The Government steps up efforts to prevent unemployment becoming permanent and to mitigate the hardship of unemployment, by focusing on: promoting the integration of the long-term unemployed, young people and disabled to the labour market; easing labour market mismatches and facilitating the transition of workers across occupations and sectors; improving the quality of training policies; promoting the employability of the disadvantaged groups; targeting segments of the population at risk of poverty and with the strongest need of income support. In these efforts, the government will aim at involving the private sector to the maximum extent possible. The government will improve its ability to assess labour market needs and measure social impacts in order to strengthen the monitoring, evaluation, and co-ordination of labour market and social policies.

1. To this end, and in order to provide continuing support to the labour market policies, the Government adopts an Action Plan by **May 2013** focusing on:
 - i. Expanding short-term public work programmes for the long-term unemployed and young people not in education, employment or training as a measure of emergency and temporary nature while labour demand remains sluggish (development by June 2013). Municipalities and other public authorities may participate directly in such public works programmes only under the full adequate and transparent control of such programmes (open calls, internet publication of projects with full details, and reporting helpline);
 - ii. Preventing the erosion of the human capital of the unemployed and enhancing the effectiveness and adequacy of measures for training and re-skilling the unemployed and young people, including by promoting the training of the unemployed by potential future employers in the private sector through a youth voucher scheme;
 - iii. Supporting job matching between the unemployed and potential employers and activation of the unemployed through the reform of the Public Employment Service, including by developing a wide range of partnerships to deliver quality training, mentoring and employment services;
 - iv. Options on how to significantly improve and expand the current range and quality of apprenticeships and vocational training services and their linkage with employers. To be further developed in a position paper to be presented by June 2013;
 - v. Strengthening social economy, e.g. in relation to childcare and care of the elderly.

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

2. The Government will produce a position paper on social protection and policy by **June 2013**. It will enhance unemployment benefits to support the long-term unemployed and specific categories of workers without entitlement to unemployment insurance, notably by putting in place an unemployment assistance scheme for the long-term unemployed targeted to the poor by January 2014. A specific position paper on this scheme shall be prepared also by **June 2013**. That paper should also elaborate on the articulation of this scheme with the minimum income scheme that is also to be created on a pilot basis by January 2014 and with other active and passive policies labour market policies and social transfers. Such an integrated approach is necessary to foster fairness as well as effectiveness in supporting the needed. The early preparation will facilitate a front-loaded implementation of these scheme shall the fiscal space be found within the existing overall budget envelopes
3. To provide health insurance access to uninsured citizens, the Authorities prepare an action plan in cooperation with foreign experts (**to be finalized in the second half of 2013**), and work with the European Social Fund with the aim of extending the program's coverage to more beneficiaries and include more healthcare services (**continuous**).

5 Creating favourable conditions for economic activity

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

5.1 Promoting an efficient and competitive business environment

5.1.1 Rationalising / eliminating quasi-fiscal charges

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

5.1.2 Reducing procedural and other administrative burden

1. To further reduce the time for and the cost of company creation, the Government, among others:
 - i. Takes additional measures by **June 2013** at the latest, to reduce by 50% the cost of starting a business, as measured by the World Bank's *Starting a Business* sub-indicator. The results will be monitored in the World Bank's 2014 edition of Doing Business.
2. To implement law 3982/2011 on the **fast track licensing procedure** for technical professions, manufacturing activities and business parks and other provisions, the Government issues the Presidential Decrees provided for in:
 - i. Art. 4.4, on preconditions for obtaining a licence for electricians, to reduce the number of specialisms, increase the mobility of electricians within the same level category and provide for the institution of private certification bodies. **(May 2013)**
 - ii. Art. 24.5, laying down the requirements for Citizens Service Centres' (KEP) for integrated electronic application among licensing bodies and for modalities of processing demands through it. **(May 2013)**
3. **To implement Law 4014/2011 on environmental licensing of projects and activities**, the Government issues:
 - i. the Ministerial Decision provided for in Art. 8.3, on environmental licensing of projects and activities (other than industrial activities), laying down the standard environmental commitments of projects and activities in category B. **(May 2013)**
 - ii. a detailed timetable, including all intermediate steps and milestones for the remaining implementation legislation, including on Art 11.4 on the content of the Environmental Impact Assessment (EIA) reports, in consultation with the EC **(May 2013)**.
4. To tackle the investment barriers caused by multiple and fragmented establishment and operating permits, the Government presents a strategic vision and an evaluation of investment licensing procedures in **June 2013**, followed by a roadmap in **September 2013**, with the objective of introducing more efficiency, transparency and clarity in investment licensing. The implementation of the strategy should lead to a large reduction in the number of licenses required by the public administration, with a view to replacing them, if needed, by less demanding instruments such as declarations or notifications, and to a rationalisation of the processes and responsibilities for issuing permits.
5. To simplify **export and import procedures**, the Government:

- i. Launches a pilot enabling 24/7 customs operations for exports in the Athens airport and Piraeus Port (**May 2013**) and for imports by **July 2013**;
 - ii. The results of the pilot will be assessed in **November 2013** with a view of applying it permanently in the Athens airport and Piraeus Port and to all other customs offices by **December 2013**.
 - iii. Having reviewed the risk assessment system for exports, with recommendations for improvement in order to align it with best practices in EU Member States the level of controls converges to the average level of controls in the EU by **September 2013**.
 - iv. Reviews and streamlines pre-customs and customs procedures for selected pilot products (fresh vegetables fruits, white cheese) according to EU regulations and best practices and presents an approach for extending the simplification process to a wider set of frequently exported / imported products. (**May 2013**)
 - v. Ensures that the e-customs system supports the electronic submission of export declarations (DONE) and the submission of documents and electronic payments (**June 2013**). Ensures that the e-customs system supports the electronic submission of import declarations, including the submission of documents and electronic payments, at the pilot customs office by **July 2013** and in all custom offices by **November 2013**.
 - vi. Implements automatic clearance for low risk declarations, based on EU best practices. (**December 2013**)
6. To identify and eliminate unnecessary **reporting requirements** for businesses:
- i. The Government presents the results of the application of the Standard Cost Model (SCM) in 13 key sectors to identify administrative burdens for businesses (**June 2013**).
 - ii. Following the identification of administrative burdens the Government completes the amendments to sector specific legislation (**September 2013**).
7. To facilitate **spatial planning** including through an effective **land registry**, the Government:
- i. adopts legislation to:
 - a. simplify and reduce the time needed for town planning processes (**June 2013**);
 - b. update (**June 2013**) and;
 - c. codify legislation on forests, forest lands and parks (**September 2014**);
 - d. It also licenses at least two disposal sites for hazardous waste (**June 2013, and September 2013**).
 - ii. completes the revision of the spatial plan for South Aegean to make it compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy. The first phase of this revision is completed (September 2013)
 - iii. Second wave of reforms. These will be followed by:
 - a. a second phase for modifications (**May 2013**),
 - b. a third phase for the formulation of proposals (**September 2013**) and
 - c. a fourth phase for the legislation of the final proposal (**December 2013**).

8. In view to establish a modern complete cadastre by 2020 the Government should:
 - i. Put in place a clear and streamlined single political authority to oversee and coordinate the completion and operation of a modern, efficient and fully accessible nationwide Cadastre by 2020 (**June 2013**).
 - ii. Shorten the time of judicial referrals concerning the legal validation of the property rights in the cadastral projects to come from ten to maximum five years. (**June 2013**).
 - iii. transfer to Ktimatologio SA the exclusive competence for all issues related to development, establishment and operation of the cadastre and cadastre offices (**June 2013**)
 - iv. transform the temporary cadastre offices into final ones in the capital of the regions where cadastre is operational
 - v. ensure that cadastre offices and notaries send electronically to the data base of Ktimatologio SA and the ministry of Finance all real estate acts they process on the basis of an IT platform provided by Ktimatologio SA (**June 2013**). Legally validate the forest maps and the coastal zone of the entire country on the basis of the respective maps of the Ktimatologion SA delivered in 2009 (**December 2015**).
 - vi. Proceed with the awarding of the seven (7) million active property rights tendered since December 2011 (**March 2014**); tender out all remaining rights (ca. 15 million). (**June 2013**) and complete the unfinished cadastral projects in the 106 areas for which rights were tendered in 2008 (**December 2015**).
 - vii. Make it compulsory to include the single Cadastre code number of each parcel in tax declarations (all E9) of real estate. (**March 2014**)
 - viii. Establish a business plan to ensure the financial viability of the operation of the Cadastre. (**March 2014**)

5.1.3 Enhancing competition and promoting better regulation

1. The Government, assisted by the OECD, completes a preliminary assessment through the application of the Competition Assessment Toolkit in sectors such as food processing, retail trade, building materials and tourism to identify unnecessary restraints on these market activities and to develop alternative, less restrictive measures that still achieve the government policy objectives. (**June 2013**)
2. Following the completion of the analysis referred above, the Government will prepare the legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit (**September 2013**).
3. The new legislation will be enacted in **November 2013**.
4. To implement law 4048/ 2012 on regulatory governance: principles, procedures and tools of good law making, the Government issues the Presidential Decrees provided for in Art. 21 of that law, providing for the setting up of the better regulation structures (i.e., the Better Regulation Offices, the Legislative Initiative Offices of the Ministries and the Inter-ministerial Sector for Better Regulation). (**September 2013**)
5. The Government presents an annual better regulation plan (as provided for in Art. 15 of law 4048/2012) with measurable objectives to simplify legislation (including through codification) and to eliminate superfluous regulations. (**December 2013**)

5.1.4 Growth Strategy

1. The government will commission two reports analyzing the framework of a new growth model for Greece. One report should follow a microeconomic approach, providing for sectoral actions and legislation, based on the given funding possibilities and their optimal use. The second report should analyze the macroeconomic environment and identify any horizontal policies needed (**May 2013**).

5.2 Reforming the judicial system to support economic activity

To improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy, and without prejudice to the constitutional principles and the independence of justice, the Government: (i) ensures effective and timely enforcement of contracts, competition rules and judicial decisions; (ii) increases efficiency by adopting organisational changes to courts; (iii) speeds up the administration of justice by eliminating backlog of court cases and by facilitating out-of-court settlement mechanisms.

In designing and implementing the measures below, the Government consults the EC/IMF/ECB.

5.2.1 Review of the code of civil procedure

The Government commits to review the Code of Civil Procedure in accordance with the roadmap defined in section 9.3 of this Memorandum, which defines intermediate steps towards its completion by **March 2014**.

5.2.2 Judicial statistics

In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4 of this Memorandum. (**Quarterly**)

5.2.3 Tax case backlog reduction

Building on the 2012 Administrative Courts data reports and reports by the General Commission for the Administrative Courts, the Government by **June 2013**:

1. Prepares an assessment of the impact of all the past measures aimed at the reduction of the backlog in the administrative courts.
2. Prepares a study leading to the reallocation of the positions of administrative court judges, as from September 2013, to those administrative courts where the backlog is higher.
3. Presents an action plan with structural measures aiming at reducing the backlog of tax cases pending in courts.

5.2.4 Non-tax case backlog reduction

1. Based on the study on the backlog of non-tax cases in courts conducted by an external body of experts, the Government prepares by **July 2013** an Action Plan with specific measures aiming at continuously reducing the number of civil and commercial cases pending in Courts. This should include short term and longer term actions.
2. The Authorities prepare draft legislation providing for compulsory mediation for small claims (under 5.000,00 €) in civil cases; and Draft legislation providing for compulsory mediation in household insolvency cases (Law 3869/2010). The compulsory mediation to

be introduced, ensures that this measure is in accordance with the right of to an effective remedy and to a fair trial as provided for in the Charter of Fundamental Rights of the European Union. The new legislation is enacted by **June 2013**.

5.2.5 Development of e-justice applications in courts

1. The Government updates, further refines and operationalizes the e-justice Action Plan (**Continuous**, on a **quarterly basis**). Updated versions are to be submitted within 15 calendar days from the expiration of the relevant quarter.
2. The action plan will include additional actions as follows:
 - i. An evaluation of the use of IT systems in courts (**March 2014**);
 - ii. a timetable, including proposed deadlines, for the extension of case e-registration and e-tracking to all courts (**March 2014**).
3. Short term actions within the framework of the E-Justice Action Plan:
 - b. By **June 2013**, the Government:
 - i. announces a call for tenders for the creation of the E-docket at the Athens Court of First Instance.
 - ii. presents draft legislation on the e-filing of judicial documents before the Council of State and the Administrative Courts.
 - iii. presents draft legislation on the e-filing of the pleadings as well as of the evidence and the rest of the relevant file documents before the Civil Courts.
 - iv. presents draft legislation on the use of videoconference before the Civil Courts.
 - c. By **September 2013**, the Government ensures the full operation (for all types of civil procedures, except of those for which this is not feasible due to jurisdictional/procedural rules/reasons i.e. payment orders, interim measures, provisional orders) of the e-filing project at the Athens Court of First Instance
 - d. By **December 2013**, the Government completes the pilot implementation of e-filing in the Piraeus and Thessaloniki Courts of First Instance (provided that the respective Bar Associations co-operate with the MoJ to meet the above deadline).
4. Implementation of integrated e-justice systems within the Framework of the E-justice Action Plan:
 - e. **By December 2015**, the Government completes the implementation of integrated e-justice applications, enabling e-filing, e-registration and e-tracking for courts that cover the **majority** of the total in flow of cases in the country:
 - i. the Magistrate Courts, Civil and Criminal Courts of First Instance & the Courts of Appeal of Athens, Piraeus, Thessaloniki & Chalkida, including the respective Prosecutors Offices
 - ii. All the Administrative Courts

- f. The Government completes the extension of the above applications to the other courts (**December 2017**).
5. The Government ensures consistency of the e-Justice action plan with the national e-government strategy. (**Continuous**)

5.2.6 Promotion of pre-trial conciliation and mediation

1. By **September 2013**, the Government conducts an assessment of whether the enactment of Law 3898/2010 on mediation in civil and commercial matters has delivered the results which the legislation intended to achieve, and presents data and analyses concerning costs, time and success rates arising from alternative dispute resolution.
2. By **December 2013**, the Government presents a legislative proposal for the effective opening of the mediator's profession to non-lawyers.
3. The Ministry of Justice updates on a monthly basis the list of the Accredited Mediators and the Mediators' Training Centres on its website (**Continuous**).

5.2.7 Other measures on judicial reform

1. Assessment of the Law on fair trial and conciliation (4055/2012): The Government conducts an assessment whether the enactment of Law 4055/12 has delivered the results which the legislation intended to achieve, in particular as regards civil courts, improved case processing in multi-member first instance courts, the speeding-up of the issue of provisional measures, the strengthening of the institution of 'voluntary jurisdiction' in certain matters at the level of the magistrates' courts and efficiency gains in enforcement proceedings, and as regards administrative courts, the strengthening and general application of pilot proceedings in the Council of State and the speeding-up of the issue of provisional measures. An interim assessment is presented by **July 2013**, in order to assess the Law after a six-month regular operation of the courts¹, and the final assessment is presented by **January 2014**, that is after a twelve month of regular operation of the courts.
2. Administrative review of cases: The Government prepares, in accordance with Law 4048/2012 on better regulation, draft legislation providing for, where appropriate, a compulsory administrative review before an independent committee before a case may be brought before the administrative courts and submits it to the Greek Parliament. (**September 2013**)
3. Study on the costs of civil litigation: the Government completes a study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, together with recommendations. (**June 2013**)

¹ *Three months for the Magistrate Courts.*

6 Efficient Network Industries and Services

6.1 Energy policy

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

Prior to the disbursement, the Government

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

The execution of the plan will be made in strict adherence to the announced timetable, and in full agreement with the European Commission services so as to ensure consistency with the relevant EU legislation and best practice and with the current fiscal programme and financing targets.

6.1.1 Unbundling effectively network activities from supply activities

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

6.1.2 Provisions regarding the privatisation of PPC and DESFA:

1. The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC. (**Continuous**)

6.1.3 Ensuring that electricity prices reflect costs

2. The Government takes measures for the gradual phasing out of regulated electricity prices for all but vulnerable customers by **June 2013**.
3. In addition, the Government assesses best practices with a view to charging royalties for the use of hydro and lignite and publishes its report. (**June 2013**)

6.1.4 Providing for a financially sustainable development of renewable energy sources

The Authorities commit to design and implement a comprehensive reform of renewable energy policies, also taking into account proposals in Ministry's "Plan to Reform the Sector of Renewable Energy Sources (RES)" and the view of industry, to provide long-term sustainability at zero average deficits.

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

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

- a. initiates negotiations with the industry to introduce permanent adjustments to existing power purchasing contracts, in particular for PV installations, with a view to align rates of return to sustainable EU average levels, considering Greek-specific conditions. The results of the negotiations will have to provide the financial sustainability of the RES account after the current provisions on a solidarity contribution on incentives will have expired;
- b. publishes a detailed report on incentives to PV rooftops installations, stating inter alia average incentives per installation, average capacity, and average energy produced, and on this basis assesses the possibility to introduce permanent adjustments to existing power purchasing contracts, and align their rates of return to sustainable EU average levels, considering Greek-specific conditions;
- c. assesses and reports on the effects on the revenues of the RES account of a possible increase in the levy imposed on electricity produced with lignite and of the introduction of a levy on electricity produced with large hydro;
- d. corrects distortions in the current mechanism of contribution of suppliers to the RES account, that provides for a contribution based only on the system marginal price and not on the entire cost of energy paid by consumers, therefore ensuring the elimination of windfall profits;

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

Other Actions

The Government:

1. Completes by **September 2013** the negotiations with the industry for introducing permanent adjustments to existing power purchasing contracts, in particular for PV installations
2. Completes an action plan for introducing possible adjustment to rooftop PV installations incentives in order to align their rates of return to sustainable, EU average levels, considering Greek-specific conditions (**July 2013**).
3. To ensure the financial sustainability of the RES account, and ensure that no excessive burdens are put on consumers, introduces constraints that will cap the newly-installed PV capacity receiving incentives, effective 1st of January 2014. Until then new sales contracts and connection contracts are suspended.
4. Ensures that LAGIE, RAE, and the Ministry of Energy, publish monthly data on the evolution of the RES account with projections over the following 24 months from the date of publication. (**Monthly**) These projections will have to provide a baseline and a normative scenario to bring the debt down to zero by end-2014.
5. Shall complete and make operational a comprehensive electronic registry of all RES installations (**June 2013**).
6. Adjusts the RES levy every six months (July 2013, January and July 2014) to eliminate the projected RES account debt by end-December 2014 (**continuous**).
7. Assesses and reports on the legal possibility to impose a validity period on outstanding production permits without an allocated capacity; and proceeds if possible to impose such validity period (**May 2013**).
8. With a view to a complete clearing of existing arrears in the energy markets, the Ministry of Energy, in close cooperation with ADMIE and LAGIE, will publish the (aggregate) gross debt and credit positions of all participants in such market on a monthly basis, starting from May 2013 (**continuous**).
9. The Ministry of Energy, in close cooperation with RAE, will promote, and facilitate through intermediation, the clearing of existing obligations among energy market participants, while encouraging them for a fair sharing of the outstanding debt (**continuous**).
10. Effective May 1st, RAE will implement and monitor adequate regulatory provisions for netting of credit and debt positions by all actors in the energy markets, including, inter alia, terms for clearance of debts and payment of interest and penalties in line with Directive 2011/7/EU on late payments, and Regulatory provisions will have to ensure equal treatment for all participants, avoiding any distortion or unjustified advantage coming from the belonging to vertically integrated companies (**continuous**).

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

1. Building upon the report of RAE published in December 2012 and RAE recommendations, the authorities will present to the EU Commission Services by **May 2013** for consultation a detailed action plan with identified time bound steps and a date for its substantial completion, for the transition of the electricity market to the EU Target Model. This plan will establish competition, stimulate entry, reflect the reforms of PPC, and remove market distortions; and it will not entail State Aid. (**May 2013**). This plan will entail inter alia,
 - i. fostering competition by stimulating entry through:
 - The auctioning of a significant amount of PPC produced electricity (at least 1600 MW) with characteristics reflecting PPCs generation portfolio;
 - Pricing of auctioned products will take into account the need to avoid a price squeeze at retail level;
 - To foster entry, eligible bidders in the auction will be electricity suppliers only;
 - The plan is to remain in place for a set duration. The plan will however include a mechanism for RAE to revise and/or extent it with a view to (i) ensure it remains in place until competitive conditions are satisfactory (ii) improve its continuing effectiveness in creating competitive conditions (iii) ensure that investment incentives are not unduly affected (iii) ensure it converges to the EU target model.
 - ii. Removing market distortions through:
 - A review to modify/phase out the variable cost recovery mechanism (30% rule) ensuring that the most efficient power plants are dispatched at all times;
 - A review of the capacity reserve system with a view to create incentives to retire inefficient power plants and/or incentivise investments herein;
 - The development of a balancing market. Industrial users should participate to this system. Rewards must be based on their objective contribution to system stability.
2. The plan is adopted in **June 2013**, after incorporating any comments by the European Commission.

6.1.6 Fuel distribution

1. To remove regulatory restrictions that hinder competition in the *wholesale* fuel sector, the Government, as per Opinion no. 29/VII/2012 of the Hellenic Competition Commission:

- i. assesses minimum capital requirements and adjusts them downwards in accordance with best practices and taking into account the relevant Opinion of the Hellenic Competition Commission (**June 2013**);
 - ii. mandates the conclusion of written contracts between fuel wholesalers and retailers, including the obligation to state the duration of the discounts offered on the payment documents (**June 2013**);
 - iii. provides in legislation for the installation of inflow-outflow systems throughout the refining and wholesale trading supply chain; new legislation to be put into force (**June 2013**);
 - iv. removes the restriction that a wholesaler's storage facility needs to be accessible by either the sea, railway network, or through a refinery(**June 2013**);
 - v. abolishes the mandatory storage of at least two categories of fuel products, as a condition to wholesale licensing issued by them. (**June 2013**)
2. To enhance competition in the *retail* fuel sector, the Government, as per the same opinion of the Hellenic Competition Commission:
 - i. mandates gas stations to state the price and quantity of liquid fuel on all receipts issued by **March 2014** (Athens-Thessaloniki August 2013, other urban areas by September, remaining March 2014) ;
 - ii. completes the installation of inflow-outflow systems by **March 2014** (Athens-Thessaloniki August 2013, other urban areas by September, remaining March 2014)
 - iii. abolishes the possibility to impose a minimum price on the sale of fuels to consumers. (**June 2013**)

6.2 *Electronic communications*

The switch-over from analogue to digital TV technology will release a significant amount of high quality radio spectrum which will be free for the deployment of new services and new technologies. This 'digital dividend' can boost both the broadcasting sector and the wireless communication industry, make a major impact on competitiveness and growth, and provide a wide range of social benefits. The items below provide a roadmap for the release of the digital dividend in Greece.

1. Regarding the **release of Digital Dividend**, the Government (and/or EETT) undertakes to:
 - i. Adopt necessary secondary legislation for the assignment of licenses for broadcasting and for the establishment of licensing procedures. (**June 2013**)
 - ii. launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services, in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. (**March 2014**) (*)
 - iii. resolve cross-border coordination issues with neighbouring countries, if any. If difficulties on international coordination make this date unfeasible, the frequency and broadcasting plans might indicate alternative channels for re-location of broadcasters, while continuing negotiations with third countries in view of the final assignment of frequencies to broadcasters and mobile operators. (**Continuous**)
 - iv. Adopt secondary legislation that defines a mandatory date for the switch-off of analogue broadcasting and a technologically neutral utilisation of the 800MHz

band after the switch off, taking also into account the provisions of the draft Radio Spectrum Policy Programme (RSPP). (**June 2013**)

- v. launch the tender for the assignment of rights of use for broadcasting transmission. (**June 2013**)
- vi. proceed to the tender procedure for the assignment of frequencies of the digital dividend, allocating and authorising the use of the digital dividend (800 MHz band) to Electronic Communications Services in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. (**October 2014**). The obligation to ensure the 800 MHz band can actually be used for electronic communications other than broadcasting from 1 November 2014 (*)

(*) The deadlines for steps (ii) and (vi) might be amended according to the Decision of the European Commission on the request for derogation from the deadline provided by Art. 6.4 of the Radio Spectrum Policy Programme submitted by the Greek Government on 15 May 2012.

6.3 Transport

The opening of the road haulage and occasional passenger transport is completed. Therefore, priorities now shift to measures that will help promote tourism and investment, particularly with respect to road (limousines and shuttle services), maritime and port activities (domestic ferry and port services) and aviation. Specific actions are expected to lead to the reduction of operating costs of service providers, while increasing consumers' choice. The gradual restructuring of railways should also lead to its effective privatisation.

6.3.1 Road

1. Having completed the report on the functioning of the regular passenger services and the follow up strategy for the effective opening of the sector, the Government approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators (**May 2013**).

6.3.3 Aviation

1. Having submitted the National Airport Policy strategy, the Privatisation Fund (HRADF) carries out the appropriate process leading to the privatisation of regional airports. Any State Aid issues must be clarified. The concession agreements must take into account the current best practices, including capping levels for airport charges and imposed taxes, facilitating investment approval, and allowing for transparent and swift dispute resolution mechanisms (**Continuous**).
2. The Government ensures full implementation of EU Regulation (EU 691/2010) referring to the performance of air traffic management (**Continuous**).
3. The Government takes decisive measures to ensure that the Hellenic Slot Coordinator Authority (HSCA) is functionally and financially independent, sufficiently staffed, and able to carry out its functions (**December 2013**). To this end the government submits all necessary draft legislation (**June 2013**), adopts legislation (**September 2013**) and fully implements the relative legislation by **December 2013**.

6.3.4 Railways

1. The Government implements the spin-off of ROSCO (Maintenance Unit), GAIAOSE (Real Estate), and the transfer of the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan (**June 2013**).
2. The function of award authority for public service contracts for rail passenger transport according to Regulation 1370/2007/EU, is integrated into the new authority for contracting land passenger (both intercity bus and rail) services. The new legislation:
 - i. adopted by **May 2013** and,
 - ii. for full implementation by **December 2013**.
3. The renewal of the current public service contract for rail passenger transport is to be completed by direct award by end April 2014 and should have a maximum duration of five years. Public service contracts concluded in 2014 or later will be awarded by means of competitive tender. The rent contracts concerning all rolling stock, employed in every public service contract are synchronized both in terms of their duration and to allow for any reallocation of rolling stock as it may become necessary when amending these public service contracts. (**continuous**). The rent contract between TRAINOSE and the State will be initially synchronized with the 5 year PSO contract including one additional renewal option of five year maximum duration. Contracts will be awarded at market prices.
4. OSE publishes its network statement for 2013 and 2014 in at least two official languages of the EU. It shall include full information on infrastructure as it is available and will be available, notably the rail link to Piraeus port. OSE concludes track access contracts with the railway undertakings using its network (**June 2013**).
5. The State adopts legislation to allow the rail regulatory authority RAS to exert its right of imposing fines, notably (1) amending law L3891/2010 granting RAS the right to perform hearings, (2) granting RAS the right of adopting a hearing regulation and (3) granting RAS the right to adopt and publish in the Official Gazette regulatory acts and decisions on all matters of its competence. To this end, the government:
 - iii. submits draft legislation by **May 2013** and
 - iv. adopts it by **July 2013**.
6. The National Safety Authority establishes the examination of at least five examiners for train drivers according to the EU Regulation and publication of register of examiners on the web. The safety authority publishes the conditions and procedures to recognize drivers as well as all other accredited persons as required under Article 20.3 of the train driver Directive 2007/59/EC (**May 2013**).
7. The function of safety authority is transferred to an independent authority. (**May 2013**).
8. The HRADF launches tender procedure for Trainose (**June 2013**).

6.3.2 Maritime Activities and Ports

The Government:

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

2. On the basis of the new ports strategy and organisational model for ports, the Privatisation Fund (HRADF) defines a concrete privatisation strategy mainly through concessions (which also includes the sale of the master concessionaire port companies) with the objective of making the best use of the ports (**May 2013**) and launches the appropriate call(s) for tender (**June 2013**).
3. The government revises the legal framework governing port labour relations (see Annex 9.5 for a non-exhaustive list of labour regulations for ports). This revision provides, among others, for the training and certification of cargo-handling employees. The draft law proposal also foresees the integration into the scheme of the cargo-handling employees of Piraeus and Thessaloniki. To this end the government submits draft legislation by **May 2013** and adopts the new legal framework by **June 2013**.

6.4 The Retail Sector

On retail, the selected measures aim at allowing a wider class of goods to be sold by more efficient retailers, and reduce their operating costs. Measures not only look into retail specific regulations (such as rules on pricing, sales and labelling) but also, into the rules on licensing applicable to retail outlets. Combined, the measures should help contribute to lower prices and more choice for consumers.

The Government:

1. adopts a Ministerial Decision repealing Market Regulation 7/2009, following the results of the notification procedure provided for in Directive 98/34 one month after the end of the standstill period. (**June 2013**)
2. reviews and amends the Market Policing Code (Law 136 /1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012. In addition, this should include (i) removal of restrictions in order to permit more freely discounts, promotions, and offers outside and during sale periods, more sales periods combined with more flexibility in the duration of the sales, (ii) increased flexibility in retailers' opening hours by, inter alia, giving all shops the option to remain open at least seven Sundays per year, especially during holiday seasons. Trading on Sundays is likely to increase retail activity and competition and boost growth and employment, especially in small and medium enterprises. (**June 2013**)
3. reviews and simplifies the licensing procedure for the establishment and operation of retail outlets. This exercise should lead to a significant reduction in the number of authorisations requested by the public administration for the opening and operation of shops, which should be replaced, if needed, by less demanding instruments such as declarations or notifications. The results and recommendations of the review are presented in **June 2013**, and adopted before **December 2013**.
4. to enhance competition in the market for over-the-counter (OTC) products:
 - i. replaces the current system of fixed margins with maximum ones (**June 2013**), and
 - ii. allows the sales of selected products (e.g., vitamins) in other points than pharmacies (**September 2013**).

6.5 *Regulated professions, professional qualifications and provision of services*

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

1. For professions and economic activities included in Section 9.2, the Government prepares draft provisions amending sector specific legislation as per the opinions of the Hellenic Competition Commission and other specifications listed thereof. The legislation is adopted by **May 2013**, with the exception of 9.2.16 where the legislation will be set in force after period of four months and in accordance with the relevant HCC opinion.
2. A report on the implementation of Law 3919/2011 is published on the Government's website (**June 2013**). The report:
 - i. summarises the list of all professions/economic activities falling under the scope of that law and the restrictions and formalities eliminated as per Arts. 2 and 3 of the same law;
 - ii. specifies whether the access to and exercise of a regulated profession or economic activity is subject to an authorisation procedure, to a declaration or to the holding of a professional identity card;
 - iii. specifies whether access to a profession or economic activity requires the registration in a professional association and or to a professional registry;
 - iv. specifies whether the exercise of the profession is conditional on the periodic renewal of authorisations.
3. To reinforce **transparency** in the functioning of professional bodies: Legislation is adopted mandating the publication on the webpage of each professional association the following information (**May 2013**):
 - i. the rules regarding incompatibility and any situation characterised by a conflict of interests involving the members of the Governing Boards.
4. To assess the proportionality and justification of **activities reserved** to specific regulated professions, the Government:
 - i. draws an exhaustive list of activities reserved (in exclusivity or not) to the different types of engineer, architect, geologist and land surveyor professions. (**June 2013**)
 - ii. organises a mutual evaluation exercise, whereby representatives of the abovementioned professions assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. The assessment excludes the requirements applicable to their own profession. (**June 2013**)
 - iii. Presents a proposal of which activities could be reserved (in exclusivity) to specific professions. (**June 2013**)
 - iv. Sends draft legislation to Parliament amending unjustified or disproportionate requirements reserving certain activities to specific professions. (**December 2013**)

6.5.2 Additional measures

1. A draft code revising Legislative Decree 3026/1954 is adopted by **June 2013**. The new code should, among others:
 - i. ease the re-entry into the legal profession;

- ii. repeal age limits to take the Bar examinations
 - iii. abolish total bans on commercial communications;
 - iv. provide for licenses of unlimited duration;
 - v. remove the reference to "exclusivity" for lawyers for the research of books of mortgage and land registry;
 - vi. clarify the nature of lawyers' fees provided for in current legislation. Fees are freely determined through a written agreement between lawyers and clients. In case there is no written agreement for court appearances, the fees shall be determined through reference fees;
 - vii. eliminate any kind of minimum wages for salaried lawyers working in the private sector.
2. The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or court appearance by a lawyer, which is not linked to a specific 'reference amount'. **(May 2013)**
 3. It also de-links contributions paid by lawyers from lawyer's reference amounts for contracts and eliminates those reference amounts. **(June 2013)**
 4. The Government takes additional measures by **June 2013** at the latest, to reduce by 50% the cost of registering property, as measured by the World Bank's *Registering Property* sub-indicator. The results will be monitored in the World Bank's 2014 edition of *Doing Business*. **(November 2013)**
 5. To confirm progress in the area of regulated professions, the Government completes a study of the 20 largest professions examining the degree to which they have been liberalized, including results with respect to new entrants and price changes. **(July 2013)**

6.5.3 Easing the recognition of professional qualifications

Measures are taken to ensure the effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings. In particular, the Government:

1. continues to update the information on the number of pending applications for the recognition of professional qualifications, and sends it to the European Commission. **(Quarterly)**
2. ensures the implementation of PD 38/2010 (as amended by law 4093/2012) and the recognition of qualifications derived from franchised degrees from other Member States to access to or exercise of an economic activity and to ensure that holders of franchised degrees from other Member States have the right to work in Greece under the same conditions as holders of Greek diplomas. **(Continuous)**

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

The Government ensures:

1. that there is adequate connection between the PSC and other relevant authorities (including one-stop shops, professional associations and the recognition of professional qualifications) and that the submission of on-line applications as regards the recognition of professional qualifications is fully operational, through removal the obligation from legislation to present paper originals. **(June 2013)**

7 Increasing the impact of structural and cohesion funds

1. The Government meets targets for payment claims in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data.

Targets for **payment claims** in the absorption of Structural and Cohesion Funds
(programming period 2007-2013) to be submitted in 2013
(EUR million)

	2013
European Regional Development Fund (ERDF) and Cohesion Fund	3,000
European Social Fund (ESF)	890
Target of first half of the year	1,284
Target of second half of the year	2,606
Total annual target	3,890

2. The Government submits complete applications for all remaining major projects for which a Commission decision under Article 41 of Regulation (EC) No 1083/2006 has to be adopted. (December 2013). Out of these applications, 6 applications are submitted by June 2013 and 6 applications **by September 2013** and the remaining **by December 2013**.
3. In deciding the "Public Investment Budget" allocation, the Government ensures that the necessary national contribution remains available in order to complete the unfinished ERDF, ESF and Cohesion Fund projects of the 2000-2006 programming period and to cover the required national contribution including non-eligible expenditure under the Structural Funds and Cohesion Fund rules in the framework of the 2007-2013 programming period.
4. The Government takes measures in order to accelerate the implementation of the projects which should be completed by December 2015, especially in particular those which are critical for the development of the country — as the functional review of the public administration, the "Elenxis" project for the tax control services, the land register, the solid waste management infrastructures, the railway projects, the e-prescription, the e procurement, the development of a social economy sector and the national registry. On top of the 24 priority projects, already finished and the 3 priority projects cancelled, the Government takes measures in order to ensure completion of 27 priority projects by end 2013, of 20 priority projects by end 2014 and of 70 priority projects by end 2015. The Greek authorities take necessary measures to limit the number of the priority projects that will be phased.
5. Within the review of the public procurement regulations (cfr. section 2.7.2.2.3), standardised tendering documents per category of works are set up in view to simplify procedures on contract awarding. (**September 2013**)

6. The monitoring tool for expropriations is completed and operational and the data are made accessible to the public. **(July 2013)**
7. The Government consolidates the simplification initiative by reviewing the "implementation trail" and the mapping of competences of the involved entities, permits and deadlines needed for the implementation of the main categories of projects supported by the Structural Funds and the Cohesion fund (e.g. transport, waste management, social infrastructure, entrepreneurship, ICT). It lifts the unnecessary steps, simplifies the implementation processes and sets reasonable deadlines. In particular, the Government establishes an alternative to the function of "ypologos" procedure for the EU co-funded projects and establishes the electronic payment **(June 2013)**. The ypologos should be abolished by December 2013. Periodically and until the end of the programming period 2007-2013, it reviews the "sleeping" projects, un-activated delegations and "sleeping" contracts and informs the Commission on those eliminated.
8. The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund **(June 2013)**.
9. The Government reports the Commission monthly on the progress of the Financial Engineering Instruments. If necessary and where appropriate, it proposes a rationalisation of the current allocations and instruments. **(September 2013)**
10. The Government establishes an efficient inter-service consultation procedure for the EU co-financed projects supported by an electronic system. An integrated project will be fully operational for the EU co-financed projects by end of 2013 **(December 2013)**.

8 Monitoring

8.1 Statistics

1. Government will fully honour the Commitment on Confidence in Statistics signed in February 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility. **(continuous)**
2. Legal amendment will be introduced to ensure that ELSTAT will have access to the tax information (including tax registration number), at individual level, of legal entities under private law, associations of individuals and natural persons, notwithstanding tax confidentiality, so that it can carry out its statistical work for the production of official statistics, as it is provided for in Law 3832/2010 as in force, and is specifically set out in the Regulation on Statistical Obligations, while at the same time ELSTAT safeguards the confidentiality of personal records. **(May 2013)**
3. Government respects the independence of ELSTAT in carrying its tasks and providing high quality statistics. In this regard it fully respects the financial independence of ELSTAT, and provides all the necessary resources in a timely manner, as approved in the annual budget of ELSTAT, for the agency to complete uninterrupted its tasks. In this respect, Government cannot invoke art. 1 of Legal Act of 18/11/2012 and the Ministerial Decree 2/91674 of 201/12/2012, while, at the same time, ELSTAT provides to the Hellenic Parliament information for monitoring the execution of its budget as provided for in the Regulation of the Parliament (Article 31A) and the Statistical Law of Greece (Article 16). **(continuous)**
4. Government will facilitate ELSTAT to complete, as soon as possible, the acquisition of qualified staff under way for staffing essential positions in its central office, as well as receive additional qualified staff through transfers from other government entities for addressing urgent staffing needs in prefecture offices and the central office, as reflected in the Medium term plan of ELSTAT submitted in the context of the preparation of the MTFs preparation and incorporated in the latter. **(September 2013)**

9 Annexes

9.1 Privatisation plan and intermediate steps

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

Source: HRADF update on projects under development.

1/ ESCHADA = zoning and land planning permit.

9.2 Regulated professions: regulated professions / economic activities whose regulatory framework needs to be adjusted to applicable opinions of the Hellenic Competition Commission and other requirements

1. **Professions under the Greek Ministry of Citizen Protection:** i) sale of revolvers, pistols and target-shooting weapons; ii) preparation of explosives; manufacture, conversion, assembly, finishing and repair of firearms, and charging/recharging of firearm cartridges; iii) charging cartridges for hunting weapons for sale; iv) sale of fireworks and flare launchers; v) manufacture of fireworks and flare launchers; vi) operation of private security firms; vii) work by security staff of private security firms; viii) operation of private investigation offices; ix) work by staff of private investigation office: *Cfr.* HCC Opinion no. 13/VI/2012.
2. **Dealers in antiques and more recent artifacts and restorers of fine art and antiquities:** *Cfr.* HCC Opinion no. 18/VI/2012. The revision eliminates the geographical restrictions on antique dealers and provides for other ways of acquiring professional experience other than in a Greek antique shop (e.g., experience in other antique shops abroad or in museums).
3. **Professions / economic activities under the Greek Ministry of Citizen Protection – harbour guard:** i) Organisations certifying divers; ii) Suppliers of recreational diving services; iii) Rental of means of marine recreation; iv) Service boat operations; v) Towing operations; vi) Licensing for outdoor trading (stands or itinerant) on board ships; vi) Operation of casinos on board passenger vessels flying the Greek flag on international voyages; vii) Lifeguards: (i) Operation of public health establishments on anchored or floating craft and (ii) Operation of public health establishments on seafaring vessels: *Cfr.* HCC Opinion no. 22/VII/2012.
4. **Professions / economic activities under the Ministry of Labour, Directorate-General for Welfare:** i) Creative activity centres for children; ii) Creative activity centres for children with disabilities; iii) Nurseries and kindergartens; iv) Private childrens' camps; v) Child welfare institutes: *Cfr.* HCC Opinion no. 25/VII/2012.
5. **Petrol sellers, shottfirsers, blasters and natural gas sales.** *Cfr.* HCC Opinion no 26/VII/2012
6. **Actuaries:** review the regulatory framework governing the examination process so as to prevent the Hellenic Actuarial Society (HAS) from determining indirectly the number of successful candidates in the examinations in the interest of the incumbents (*cfr.* HCC opinion no. 14/VI/2012).
7. **Selling and production of reproductive material for agricultural plant species and selling of fertilisers** (*cfr.* HCC opinion no. 19/VI/2012).
8. **Oenologists:** abolish minimum fees
9. **Oenology labs:** remove geographical restrictions for establishing multiple labs and administrative license
10. **Veterinarians:** remove the legal form requirement and allow any legal person, irrespective of the shareholders, to open a veterinary clinic long as the activity is being performed by veterinarians. Subject the licensing of such veterinary clinics to Art. 3 of Law 3919.
11. **Accountants:** abolish the four different classes of accountants and the activities reserved to each class.
12. **Private education establishments.** Adopt secondary legislation provided for in paragraph I.3.15 and 16 of law 4093/2012, spelling out the details of the licensing procedure of private schools and providing for the approval procedure for programs of study.
13. **Tourist guides:** Amend legislation to allow educational entities other than universities to offer accelerated training courses for candidate tourist guides.
14. **Stevedores at ports and for land operations.** Adopt secondary legislation referred to in section K7 of law 4093/2012 providing for the creation of the National Stevedores Registry, for the accreditation of stevedores, on special issues related to the organization and operation of control procedures on matters of health and safety at work of stevedores, providing for a new regulation on fees and remunerations for Port Funds and shipping agents, and providing for the terms and procedures for dock workers to enter the area of the port.
15. **Sworn in valuers:** Adopt law and necessary secondary legislation (3 MDs on the examination committee, code of ethics and on disciplinary committee) to reflect abolished restrictions in November 2012 (i.e. fixed fees, numerus clausus, nationality requirement etc) and include (i) replacement of the current system of certification with a system of prior declaration that allows professionals to exercise activities unless the

administration notifies against it; and (ii) reduction to 2 years in required professional experience to become a sworn-in valuer. .

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

9.3 Agreed roadmap between the Greek Ministry of Justice and the EC/IMF/ECB for the review of the code of Civil Procedure

9.3.1 Code of civil procedure

1. **By end May 2013**, the Task Force for the review of the Code of Civil Procedure presents to the Government an initial draft of the Code. Within 15 days, the Code of Civil Procedure is presented to the EC/IMF/ECB for comments.
2. On the basis of the above cooperation, the Task Force presents to the Government, **by end October 2013**, a revised version of the draft Code of Civil Procedure. The Government carries out a broad public consultation, including EC/IMF/ECB, on the draft law bringing the Code of Civil Procedure in line with international best practice.
3. The Government submits the final draft Code to the Hellenic Parliament by March 2014.

9.3.2 Study on cost of litigation

The Government finalises the study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, and publishes the study **by June 2013**.

9.4 Statistics to be published by the Ministry of Justice

1. Every quarter, for civil and administrative first instance court, court of appeal as well as the Supreme Court and the Council of State) tables published will provide for:

- the number of judges and administrative staff²,
- 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 period³
- the stock of cases at the end of the period.

The tables will also include the following data:

- i. For the tax and customs cases, the data will also include the inflow of the new cases with a breakdown above and under 150 000 euros.
 - ii. For civil and commercial courts, the data for stock and flows of cases will also show the corporate insolvency cases.
 - iii. For administrative Justice, specific data, provided in another table, will include a breakdown by year of registration of the stock of cases for which no hearing date has been fixed yet. This will be provided for beginning and for end period. The table will also show the total number of cases with a hearing date.
2. For some of the most relevant courts, defined in agreement with EC, IMF and ECB, the Ministry of Justice will also publish by quarter, or by semester or year if so agreed by EC-IMF/ECB:
 - i. The stock of cases (both at beginning and at end period), with a breakdown by year of registration.
 - ii. for civil and commercial Justice, more detailed information on corporate insolvency cases including:
 - a more detailed breakdown by value⁴, defined in agreement with EC, IMF and ECB,
 - a more detailed breakdown by sector (e.g., agriculture, construction, manufacturing, and services), defined in agreement with EC, IMF and ECB,

3. Ministry of Justice and General Secretariat for public revenue:

² At the end of the period.

³ A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

⁴ "Value" of the case could correspond to the value of the liabilities of bankruptcy, as this appears after the 3-months period of the submission of announcements by the debtors has expired.

- i. The General Secretariat for public revenue will conduct and publish by September 2013 one study based on small but random sample, in order to gather information on recovery rate for tax and customs cases.
 - ii. The Ministry of Justice will try and propose a method to get relevant information on recovery rates for corporate insolvency cases.

4. When the IT system will be fully in place, the Ministry of Justice will publish:
 - i. Tables showing:
 - the number of judges and administrative staff⁵,
 - the stock of cases at the beginning of the period,
 - the inflow of cases registered during the period,
 - The outflow of cases closed during the period⁶,
 - the stock of cases at the end of the period.

 - ii. The stock of cases at beginning and at end period will be broken down by year of registration,
 - iii. The stock of cases at beginning and at end period and the flow of cases will be broken down by categories of litigations,
 - iv. The average duration of the outflow cases during the period.

⁵ At the end of the period.

⁶ A case is considered closed, and registered in the outflow, at the moment the full decision is published (and its content is available to the parties).

9.5 Non-exhaustive list of regulations on port work for review under the new port strategy

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

9.6 Provision of Data

During the programme, the following data shall be made available to the European Commission, the ECB and the IMF staff on a regular basis.

These data should be sent to the following e-mail address:

ecfin-greece-data@ec.europa.eu

This address should also be used for the transmission of other data and reports related to the monitoring of the programme.

To be provided by the Ministry of Finance	
<p>Preliminary monthly data on the state budget execution (including breakdown by main categories of revenue and expenditure and by line ministry).</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.</p>
<p>Updated monthly plans for the state budget execution for the remainder of the year, including breakdown by main categories of revenue and expenditure and by line ministry.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, 30 days after the end of each month.</p>
<p>Monthly data on the public wage bill (of general government, including a breakdown in nominal wage and allowances paid to government employees per line ministry and public entity), number of employees (including a breakdown per ministry and public entities outside the central government) and average wage (including the relative shares of the base wage, allowances and bonuses).</p> <p><i>(Data compiled by the Ministries of Interior and Finance)</i></p>	<p>Monthly, 30 days after the end of each month.</p>
<p>Preliminary monthly cash data on general government entities other than the state.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision.</p>
<p>Monthly data on staff: number of employees, entries, exits, transfers among government entities; and from and into the mobility and exit scheme, per entity.</p> <p><i>(Data compiled by the Ministries of Administrative Reform and E-Governance and of Finance)</i></p>	<p>Monthly, 30 days after the end of each month.</p>
<p>Weekly information on the Government's cash position</p>	<p>Weekly on Friday,</p>

with indication of sources and uses as well of number of days covered. <i>(Data compiled by the Ministry of Finance)</i>	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 (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>	Quarterly, within 55 days after the end of each quarter.
Data on use of international assistance loans split among following categories: Financial stability fund, segregated account, debt redemption, interest payments, other fiscal needs, building of cash buffer; per quarter and cumulative	Quarterly, by the end of each quarter.
Data on public debt and new guarantees issued by the general government to public enterprises and the private sector. Data on maturing debt (planned redemptions per month, split between short-term (Treasury bills and other short-term debt) and long-term (bonds and other long-term) debt). Data on planned monthly interest outflows. <i>(Data compiled by the Ministry of Finance)</i>	Monthly, within one month.

Data on assets privatised and proceeds collected. <i>(Data compiled by the Ministry of Finance)</i>	Monthly.
Data on state-owned enterprises: revenue, costs, payroll, number of employees and liabilities (including maturities of public enterprises' debts) <i>(Data compiled by the Ministry of Finance)</i>	Monthly, within three weeks of the end of each month for the ten largest enterprises. Quarterly within three weeks of the end of each quarter for the other enterprises. Quarterly for the maturities of state-owned enterprises' liabilities.
Monthly statement of the transactions through off-budget accounts. <i>(Data compiled by the Ministries of Finance and Education, Religious Affairs, Culture and Sport)</i>	Monthly, at the end of each month.
Monthly statement of the operations on the special accounts. <i>(Data compiled by the Ministry of Finance)</i>	Monthly, at the end of each month.
Report on progress with fulfilment of policy conditionality. <i>(Report prepared by the Ministry of Finance)</i>	Quarterly before the respective review starts.
Monthly data on health care expenditure by the social security funds with a lag of three weeks after the end of the respective quarter. <i>(Data compiled by the Ministries of Labour and Health)</i>	Monthly, within three weeks of the end of each month.

To be provided by the Bank of Greece

Assets and liabilities of the Bank of Greece.	Weekly, next working day.
Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions.	Monthly, 30 days after the end of each month.
Evolution of the external funding provided by Greek banks to their subsidiaries abroad.	Monthly, 15 days after the end of each month.
Report on banking sector liquidity situation.	Weekly, next working day.
Report on the evolution of financial stability indicators.	Quarterly, 30 days after the publication data of each quarter.
Report on results from the regular quarterly solvency assessment exercise.	Quarterly, 15 days after the end of each quarter depending on data availability.
Weighted average of Loan-to-value (LTV) ratio for new loans with real estate collateral	Yearly.

To be provided by the Hellenic Financial Stability Fund

Detailed report on the balance sheet of the Hellenic Financial Stability Fund with indication and explanation of changes in the accounts.	Monthly.
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Abbreviations

ASEP	Supreme Council for Staff Selection
ADMIE	Independent Power transmission operator
CPB	Central Purchasing Bodies
DEPA	Public Gas Corporation
DOY	
DRG	Diagnostic-Related Group
DSO	Distribution System Operator
EBFs	Extra budgetary Funds
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EETT	Hellenic Telecommunications and Post Commission
EFSF	European Financial Stability Facility
EKDAA	National Centre for Public Administration and Local Government
EKEVYL	National Centre for Medical Technology
ELENXIS	
ELSTAT	Hellenic Statistical Authority
EOF	National Organisation for Medicines
EOPYY	National Organisation for the provision of Health services
EPY	Health Procurement Commission
ERDF	European Regional Development Fund
ERP	Enterprise Resource Planning
ESA	European System of Accounts
ESF	European Social Fund
ESY	National Health System
ETEA	
EU	European Union
GAIA OSE	Real estate agency
GAO	General Accounting office
GDFS	
GDP	Gross Domestic Product
GEMI	General Commercial Registry
GSIS	General Secretariat for Information Systems
HCA	
HCAA	Hellenic Civil Aviation Authority
HFSF	Hellenic Financial Stability Fund
HRADF	Hellenic Republic Asset Development Fund
HSCA	Hellenic Slot Coordinator Authority
HWI-HISE	High Wealth Individual and High Income Self Employed
ICD – 10	International Classifications of Diseases
IDIKA	E-governance of social insurance
IMF	International Monetary Fund
JMD	Joint Ministerial Decision
KEN-DRGs	Diagnosis Related Groups
KPI	Key performance indicators
KTEL	Joint Fund for Bus Receipts

LAGIE	Operator of electricity market
LG	Local Government
LNG	Liquefied Natural Gas
LTU	Large Tax Payers Unit
LTV	Loan-to-value
MAREG	Ministry of Administrative reform and Electronic governance
MD	Ministerial Decision
MEFP	Memorandum of Economic and Financial Policies
MIS	
MTFS	Medium-Term Fiscal Strategy
NHS	National Health System
NPL	Non-performing loans
OASA	Athens Urban Transport Organisation
OECD	Organisation for Economic Cooperation and Development
OGA	Agricultural Insurance Organisation
OSE	Railway Organisation of Greece
OTC	Over - the – counter
OTE	Hellenic Telecommunication Company
PIB	Public investment budget
PPC	Public Power Corporation
PSC	Point of Single Contact
QV	
RAE	Regulatory Authority for Energy
RAS	Regulatory Authority for Railways
ROSCO	Rolling Stock & Railroad Maintenance business unit
RSPP	Radio Spectrum Policy Programme
SDOE	Corps for the Prosecution of Financial Crimes
SOE	State Owned Enterprises
SPA	Single Payment Authority
SPC	
SPPA	Single Public Procurement Authority
SSC	Social security contributions
SSF	Social Security Funds
TAP	trans-Adriatic pipeline
TAXIS	
TEN-T	Trans European Transport network
TSO	Transmission System Operator
WHO	World Health Organisation

Statement by the Staff Representative on Greece
May 31, 2013

All nine prior actions have been completed (Table 1). Data releases and developments since the issuance of the Staff Report do not affect the thrust of the staff appraisal.

- Consistent with the program's macroeconomic framework, new flash estimates show a moderate slowing in the pace of contraction, with GDP declining by 5¼ percent y/y in Q1 2013 (compared to 5½ percent projected in the program), down from a 5¾ percent drop in Q4 2012.
- Budget execution for the State remains on track, with revenues through April in line with program projections, and some temporary under-execution of spending, particularly investment.
- Investor sentiment has continued to recover: confidence indicators have improved further in May (although from a low base), and Greek banks and the covered bonds issued by them were upgraded by Fitch, on account of improved fundamentals and progress on bank recapitalization.

Table 1. Greece: Prior Actions

Measure	Status
Fiscal institutional reforms	
10. Government to meet end-April quantified key performance indicators for revenue administration (MEFP Annex I).	Met (see Table 2).
11. Government to meet end-March quantified key performance indicators for public financial management (MEFP Annex III).	Met (see Table 3).
12. Adopt legislation on key tax administration procedural reforms to: suspend collection activities on uncollectable debt, remove the legal requirement to audit all tax declarations for the previous 10 years; and implement indirect audit methods (MEFP ¶14).	Met.
13. Issue a ministerial decision that regulates the conditions of the existing basic and a new transitional installment scheme for tax and social security contributions debt (MEFP ¶16).	Met.
14. Adopt legislation to achieve a semi-autonomous revenue administration (MEFP ¶13, TMU¶27).	Met.
Fiscal measures	
15. Adopt legislation to extend collection of the real estate tax through 2013 via PPC (MEFP ¶12)	Met.
16. Government to adopt staffing plans, approve quarterly targets on mandatory exits, approve annual overall employment ceilings for the general government through 2016; and adoption of legislation to streamline and accelerate the disciplinary procedure, and remove restrictions for placing in the mobility scheme personnel of legal entities of private law whose positions are abolished (MEFP ¶13).	Met.
17. Adopt legislation to introduce measures to eliminate by end-2014 the debt in the RES account (MEFP ¶15).	Met.
Financial sector	
18. Add 2 independent members to the HFSF General Council (MEFP ¶27).	Met.

Table 2. Prior Action: Key Performance Indicators on Tax Administration 1/

Indicator	End-April 2013	
	Target	Actual
Debt collection		
Collection of new debts in the current year (percent of new debt in the year)	11.0%	13.0%
Tax audits and collection of large tax payers		
Number of risk-based full scope audits in the year	66	85
Number of risk based temporary audits in the year	134	184
Audits and collection of high wealth individuals		
Number of completed risk-based audits in the year	146	168

Source: IMF staff.

1/ Cumulative audits from end-2012.

Table 3. Prior Action: Key Performance Indicators on Public Financial Management Reforms

Indicator	End-March 2013	
	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.		
2012 entity coverage 1/ New entities 2/	91%	95%
	55%	65%
b. Discrepancy between the total arrears to third parties of non-state general government entities reported under the E-Portal of GAO using data from commitment registers and the total arrears reported through monthly surveys, i.e. the sum across all entities of the absolute value of (arrears monthly survey less arrears E-portal) divided by total arrears multiplied by 100, is below target.		
2012 entity coverage 1/ New entities 2/	2%	1.8%
	30%	10%

Source: IMF staff.

1/ Includes old entities with 2011 spending above €1 million.

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



INTERNATIONAL MONETARY FUND



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IMF Completes Third Review Under Extended Fund Facility Arrangement for Greece, Concludes 2013 Article IV Consultation

The Executive Board of the International Monetary Fund (IMF) today completed the third review of Greece's performance under an economic program supported by an Extended Fund Facility (EFF) arrangement. The completion of this review enables the disbursement of SDR 1.5 billion (about €1.74 billion or US\$2.26 billion), which would bring total disbursements under the arrangement to SDR 5.7 billion (about €6.57 billion or US\$8.55 billion).

The EFF arrangement, which was approved on March 15, 2012 for a total amount of about €28 billion (see [Press Release No. 12/85](#)), is part of a joint package of financing with euro area member states amounting to about €173 billion over four years. It entails exceptional access to IMF resources equivalent to about 2,159 percent of Greece's quota.

Against the backdrop of a still contracting economy and very high unemployment, the Greek authorities have pressed forward with implementing their economic program, with a focus on restoring fiscal sustainability, reforming tax collection, boosting competitiveness through structural reforms, and recapitalizing the banking sector. The economic downturn is expected to bottom out this year, with a gradual recovery taking hold in 2014.

The Executive Board also concluded today the 2013 Article IV Consultation with Greece, which discusses policies from a longer-term perspective. A Public Information Notice (PIN) on the Board's assessment of the Consultation will be released separately.

Following the Executive Board's discussion, Ms. Christine Lagarde, Managing Director and Chair, stated:

“The Greek authorities have made commendable progress in reducing fiscal and external imbalances and in restoring competitiveness. The authorities remain committed to make rapid progress on productivity-enhancing structural reforms and on tax and public administration reforms.

“Greece is well underway to complete its ambitious fiscal adjustment plan, and is on track to meet its 2013 fiscal targets. A critical priority is to tackle tax evasion by pressing forward rapidly with reform of the revenue administration to improve operational independence and make the burden of adjustment more equitable. Pressures to reduce taxes using the space from any fiscal over-performance should be resisted. Decisive steps are needed to reform public administration, including through targeted staff reductions, to lower costs, improve efficiency, and increase fairness.

“Efforts continue in earnest to address external imbalances and restore competitiveness, notably through far-reaching labor market reforms, which have increased wage flexibility. Broader structural reforms to enhance productivity and improve the business environment need to be accelerated, including the liberalization of regulated professions and other product and service markets. Such reform is essential to reduce costs, improve efficiency, and ensure that the burden of adjustment falls not just on wages.

“The recapitalization of core banks and resolution of non-core banks are nearing completion. The authorities must reinforce the governance framework and return to the private sector the stakes in banks that are under the government’s control at an early time. The authorities are reforming the insolvency and non-performing loan resolution frameworks, to facilitate the repair of balance sheets and restoration of credit growth.

“Public debt is projected to remain high well into the next decade. The assurances from Greece’s European partners that they will consider further measures and assistance, if necessary, to reduce debt to substantially below 110 percent of GDP by 2022, conditional on Greece’s full implementation of all conditions contained in the program, are welcome. Their continued commitment to provide adequate financial support to Greece during the life of the program and beyond until it has regained market access, provided that Greece complies fully with the program, is also essential.”

**Statement by Thanos Catsambas, Alternate Executive Director for Greece
May 28, 2013**

THE THIRD REVIEW OF THE EFF-SUPPORTED PROGRAM

Economic Developments and Prospects. Greece is currently in its sixth year of recession: GDP declined by 6.4 percent in 2012 for a cumulative contraction of 22 percent between 2008 and 2012; it is forecast to decline further by 4.2 percent in 2013. The unemployment rate is close to 27 percent and youth unemployment now exceeds 60 percent. Inflation is anticipated to be steadily lower than the euro area average for both 2013 and 2014. The current-account deficit has declined from 11.2 percent of GDP in 2009 to 3.4 percent in 2012, and is expected to decline further to 0.8 percent in 2013.

These outcomes are the result of an unprecedented adjustment effort, which began strongly in 2010, continued at a slower pace in 2011, was bolstered with the PSI in early 2012, and was reinvigorated under the government of Prime Minister Samaras that has been in power since last June. Thanks to the determined efforts by the authorities, the economic outlook during the last review remained largely unchanged from the previous review, with continued prospects for a gradual return to growth in 2014, supported by inflation well below the euro area average and improved wage flexibility, both of which are helping to restore the competitiveness of the Greek economy.

Fiscal Policy and Management. Fiscal performance is on track to meet the program targets, and the government is committed to fully implement all agreed fiscal measures for 2013-14 that are not yet in place; recent legislation extended the collection of the real estate tax through 2013 via the Public Power Company to ensure an uninterrupted stream of good revenue performance. A very important step towards enhancing the revenue collection mechanism, which the authorities recognized as a weak link in the adjustment effort, was a major reform of the revenue administration to provide it with significantly more autonomy, powers and resources, and the adoption of more effective and enforceable installment schemes. The authorities share the staff views that improved tax collections and minimization of tax evasion and corruption are essential ingredients for a more balanced and fair distribution of adjustment, which would generally enhance the ownership of the adjustment program.

The Banking Sector. Most systemic banks completed the basic steps of the recapitalization process at the end of April; the subscription process is expected to be finalized in the coming weeks. The recapitalization included the purchase of branches of three Cypriot banks that had come under distress in recent months by one Greek bank. The funds provided by the Hellenic Financial Stability Fund should provide adequate capital, even under a significantly adverse scenario, and will thus ensure the safety and soundness of the banking system and its deposits. More generally, the authorities have undertaken to develop a comprehensive strategy for the banking sector following recapitalization by July 15, 2013; the strategy will address, *inter alia*, the issue of possible further mergers among the four systemic banks and the timetable for disposing the shares held by the Hellenic Financial Stability Fund to the private sector.

Structural Reforms. With the macroeconomic adjustment under control, the authorities are turning their attention to deeper structural reforms, which have been under consideration since the beginning of the program, and which required rigorous analysis and extensive consultations with social partners. One important commitment that had lagged behind is well under way: the administrative reform to improve the quality of the public service and to strengthen accountability by streamlining its structures, removing positions, and reallocating staff. This major reform includes dismissals that are targeted at disciplinary cases and cases of demonstrated incapacity, absenteeism, and poor performance, or that result from closure or mergers of government entities. Other areas of continued structural reforms are (a) continued liberalization of product and service markets, including transport and retail trade, private education, fuel distribution; and (b) electricity sector reforms to ensure financial sustainability and promote competition and efficiency.

Safety Net. The government is committed to protect the most vulnerable segments of the population during these turbulent times. The government is making progress in strengthening the social safety net, including through targeted employment and training programs supported by the EU, pilot programs to extend unemployment benefits and provide minimum income support, a program to provide access to primary health care for the uninsured, and a scheme to reduce the financial burden on indebted low-income households which have been severely affected by the crisis.

In sum, this review succeeded in shifting the focus from further macroeconomic adjustment through recessionary channels to the prospect of viable growth through extensive structural reforms, which will help achieve an annual primary surplus at an early time. When this is realized, the authorities look forward to earlier commitments by Euro Area Member States to consider further initiatives and assistance, if necessary, for achieving an additional and credible reduction of the Greek debt-to-GDP ratio, which should help ensure the long-term sustainability of Greece's public debt.

THE 2013 ARTICLE IV CONSULTATION

Areas of Agreement. My authorities are grateful to the staff for the comprehensive and rigorous Article IV consultation report. They consider it a useful and important supplement to the program discussions. They also appreciate the analytical chapters in the Selected Issues paper, which they consider important contributions to the debate about the development model of Greece "the day after".

My authorities agree with most conclusions in the staff appraisal, and appreciate the emphasis on three major achievements accomplished by Greece: exceptional fiscal adjustment in a short period of time, fundamental changes in the labor market, and preservation of banking sector stability. Combined, progress in these areas has improved Greece's competitiveness and has contained the runaway increase in public debt. With the help of the Fund and its European partners, Greece has begun the process of (re)gaining sustainability within the Euro zone and is now looking forward to reaching a sustainable growth path based on an economically viable model.

Some Amplification to Staff Conclusions. While the authorities agree with the thrust of the staff remarks and recognize that major challenges remain ahead, they wish to qualify some of the conclusions that are presented in the staff analysis regarding structural reforms.

First, as a matter of general principle, structural reforms are more difficult to implement than macroeconomic adjustment measures, not only because of political considerations but also due to severe capacity constraints. The latter, which should not be underestimated during the early phases of the program, are gradually being overcome thanks to massive technical assistance from Fund staff, the European Task Force, and several bilateral donors. As a result, progress under the coalition government that came to power one year ago has been steadfast: the Spring 2013 Update of the Euro Plus Monitor, produced by Berenberg Bank and the Lisbon Council, *placed Greece on the top spot of its Adjustment Progress Indicator*. In addition, Greece has been ranked as the country with *the highest responsiveness to OECD recommendations between 2010-12*.

Second, the authorities would qualify the characterization that “limited progress has been made in tackling Greece’s notorious tax evasion” as follows: while tax compliance and collections remain a formidable challenge, in the past six months there are weekly reports about individuals who have been arrested for major tax evasion offenses. More generally, tax compliance is expected to be strengthened considerably with the January appointment of an independent General Secretary of public revenues, who, as noted earlier, was vested with more autonomy, power and resources to carry out effectively the tax collection process. However, resolution of tax offenses lies with the tax courts, which are beyond the reach of the executive branch, and the government has identified this as an area for further improvement. As staff acknowledges in the Article IV report (para. 33), the authorities, while mindful of the huge task of reforming tax administration within a short time horizon, have “emphasized their political commitment to see the process through”.

Third, the authorities recognize the considerable delays in the implementation of employment reforms in the public sector. However, with the April 29 passage of the Omnibus Law, which included quarterly plans for 4,000 mandatory exits in 2013 and 15,000 cumulative through end-2014, the taboo against dismissals in the public sector has in principle been lifted, and the door has been opened for mandatory redundancies. The government sees this new avenue as a long-overdue opportunity to revamp the quality of public services through the replacing of laid-off public servants with qualified staff in key areas such as bank supervision and tax administration.

Doing Business, Privatizations, and the Banking Sector. Beyond tax administration and public sector reforms, the government intends to focus on invigorating Greece’s export and import competing industries. The government is committed to reduce barriers to entry into various markets, including opaque and lengthy licensing procedures, and, more generally, to improve the business environment. *The World Bank Group Doing Business Report has raised the rank of Greece to 78 in 2013 from 89 in 2012.*

The privatization process has picked up. The Hellenic Republic Asset Development Fund recently approved the sale of a 33 percent stake in the Football Betting Organization to a private concern for over €700 million. Other privatizations recently completed are State Lotteries (€190 million), Mobile Telephony Licenses (€381 million) and the International Broadcasting center

(€81 million). There are also 14 privatizations in the final stages of completion, including the National Gas Utility Corporation, for which established foreign companies have tendered bids. In sum, since the beginning of the program the authorities expect cumulatively €4.2 billion privatization receipts by end-2013, €6.5 billion by end-2014, €7.7 billion by end-2015 and €11.1 billion by end-2016.

The authorities recognize the importance of effective financial intermediation in achieving a strong recovery and a viable growth path. The large injection of public capital to the systemic banks is understood as a temporary measure and the government intends to implement re-privatization at the earliest possible stage. More generally, the authorities are working on a reinforced governance framework, supporting strong oversight and supervision, which would also eliminate undue Government interference and attendant problems of directed credit. Moreover, a key priority for the banking system will be to contain and reverse the mounting tide of non-performing loans. The authorities are committed to put in place a framework for dealing with distressed household borrowers. In addition, deposits are replenished through cash that had been removed from the banking system: Greek private-sector bank deposits are 9 percent up from last June's lows and stabilized in May after some outflows in April on Cyprus fears.

Green shoots. While in several areas the picture is mixed, the government believes that 2013 will be the last year of retrenchment and the recession will bottom out in the next few months. Several recent developments point to hopeful signs for economic recovery. First, the real economy is set to acquire much needed liquidity: the government has paid off €2.2 billion of an outstanding €9 billion in arrears to suppliers and the stock of T-bills held by the banking sector declined, thus releasing resources for the financing of private sector activities. Second, work on some major infrastructure projects is restarting, potentially creating thousands of jobs. Third, tourist spending during the upcoming summer season may rise, as the Association of Greek Tourism Enterprises are anticipating 17 million tourist arrivals in 2013, one million more than in 2012. Fourth, two weeks ago the rating company FITCH upgraded both the sovereign rating and the rating of Greece's four systemic banks by one notch (with a stable outlook), stating that "clear progress has been made towards eliminating the twin fiscal and current account deficits and that 'internal devaluation' has at last begun to take hold".

Growth and the Role of Confidence. The authorities fully share the staff's view that restoring growth remains the overarching precondition for the success of the three-year old adjustment effort. In turn, growth cannot be achieved without improvement in sentiment. The authorities' top priority is to continue to enhance confidence in the government's resolve to forge ahead with the required reforms, so as to secure broad political stability and thus elicit domestic and foreign investments. The April 29 Omnibus Law mentioned earlier is a testimonial to the support that the government now enjoys among large strata of the population. The passage of the bill in parliament, despite its far reaching implications for civil servants, has been received only with muted protests, and certainly without vocal street confrontations.

Confidence is rising. The latest euro-zone Economic Sentiment Indicator for Greece rose to 89.2, above the euro-zone average, and the Purchase Managers' Index showed considerable improvement in April (45, up from 42.1 in March), which was the highest level since July 2011. Such improvement in sentiment, coupled with the European partners' commitment to deal

effectively with Greece's debt overhang, is the best assurance to dispel Euro exit fears and set the stage for a new page in the country's growth path.

THE EX-POST EVALUATION (EPE) OF THE 2010 STAND-BY ARRANGEMENT

The authorities have found the analysis in the paper insightful and balanced; essentially, following initial resistance by European partners, who had considered the Greece problem an "internal affair" of the Euro zone, the SBA was put together in a very short period of time, without adequate political dialogue and, more importantly, with insufficient contributions by the authorities to tailor conditionality to the peculiarities of the economy and the Greek public administration. Moreover, an ex-ante (or, at least, early) debt restructuring that would have helped mitigate the depth of adjustment and the severity of the recession, was ruled out by Greece in agreement with Euro zone partners. In a nutshell, as the EPE report aptly remarks, the SBA-supported program turned out to be a holding operation until the PSI became inevitable and an EFF-supported program replaced the original arrangement.

The authorities' official and detailed comments appear in Appendix I. They found the concluding section "Possible Lessons" reasonable and constructive, and would like to emphasize the following two areas for future consideration by staff and management:

- Although fiscal adjustment was necessary and structural reforms were essential, especially in the absence of monetary and exchange rate policies, the detailed conditionality in many program areas was at times overwhelming. Going forward, it would be helpful always to ensure that prior actions, not only in fiscal policy and management but in all areas with structural conditionality, are macro-critical for the achievement of the program objectives. At the same time, the authorities acknowledge that the TA provided by Fund staff, especially in fiscal management, has been tailored to the needs of a system that required hands-on assistance and has been important to help them improve much needed capacity for implementation; they hope to continue the strong TA engagement with the Fund.
- Relations with Troika members have generally been smooth, and the authorities acknowledge both the synergies in areas of shared expertise and the respective comparative advantage in structural issues. Based on these considerations, the authorities fully endorse the recommendation for streamlining procedures and documents among the Fund staff and EC and ECB officials.