

DRAFT : 27 November 2012

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.

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1 Achieving sound public finances

The fiscal adjustment path has been revised to take into account the deeper-than-expected economic recession. Maintaining the original two-year fiscal adjustment path of the second programme would have implied a need to find measures for the period 2013-14 amounting to €20.7 bn compared with €11.5 bn envisaged in March.

The two-year extension of the adjustment period will mitigate the impact on the economy, while securing a sustainable fiscal position. Under the revised adjustment path the primary balance targets have been set at 0%, 1.5%, 3% and 4.5% of GDP for the four-year period 2013-2016, respectively.

The extension of the adjustment period should not be seen as a way to reduce the effort, thereby weakening the credibility of the programme. To the contrary, the fiscal efforts needed to achieve the target remain very large in 2013-14, and heavily frontloaded. Although the primary balance is only expected to improve by 1.5% of GDP per year, the cyclical adjusted primary balance (CAPB) is expected to increase by at least 2% of GDP in 2013, as the economic recovery is not expected to materialise until the end of 2013. Hence, even if the improvement in the nominal primary balance target is less ambitious than in March, the deeper recession means that the adjustment effort is equally strong.

The measures needed to reach the revised primary balance targets in the central macroeconomic scenario amount to €9.2 bn and €13.5 bn in 2013-14, respectively. The revised path for the primary balance means that the general government budget balance will fall below 3% of GDP in 2016, two years later than originally envisaged.

Prior to the disbursement the Government:

- a. Adopts the budget for 2013.
 - b. Adopts additional measures (see Annex 9.6) with the aim of reducing the primary deficit to EUR 2925 million in 2012, EUR 0 million in 2013, and ensure a primary surplus of 2774 million in 2014, 5727 million in 2015 and 9005 million in 2016.
 - c. Adopts the medium-term fiscal strategy (hereinafter MTFS) through 2016 and the respective implementing bill. The MTFS elaborates on the permanent fiscal consolidation measures, which ensure that the deficit ceilings for 2013-16 as established by the Council Decision are not exceeded, and that the debt-to-GDP ratio is put on a sustainable downward path.
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 program**.
 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 program 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 program 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, with the aim of collecting EUR 50 billion, even if the sale of assets goes beyond the duration of the Economic Adjustment Programme. Within this context, the Government is committed 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.

Prior to disbursement, the Government:

Strengthens the institutional framework for privatisation by:

- a. Presenting an updated Privatisation Plan to Parliament with the 2012-2016 MTFS.
- b. Publishing a semi-annual update of the Asset Development Plan, which will include a Portfolio Overview with a description of the privatisation assets, a timeline of planned tenders and targeted total receipts for the current and next year.
- c. Amending the Articles of Association of the HRADF (Article 16.3.) in order to stipulate that the “due cause” required for substituting members of the Board of Directors is defined in particular by the undue suspension or by the intentional compromising of the objectives of the HRADF with acts or omissions of its Board members.
- d. Amending Law 3986/2011 to require the publication of quarterly reports of the HRADF on activities and financial accounts, including a detailed profit and loss statement, a cash flow statement, and a balance sheet, within 60 days of the end of each quarter.

Transfers ownership of assets to the HRADF by:

- e. Transferring to the portfolio of privatisation assets of the HRADF the full and direct ownership (shares or concession rights) of: Egnatia Motorway and the regional ports of Elefsina, Lavrio, Igoumenitsa, Alexandropolis, Volos, Kavala, Corfu, Patras, Heraklion, and Rafina.
- f. Signing the contract between HRADF and the Ministry of Finance for the use of the voting rights for ELVO.
- g. Issuing an Inter-Ministerial Decision that secures that the proceeds of the sales of the Digital Dividends are transferred to the HRADF.
- h. Having the line ministries and other relevant entities providing the General Secretariat for Public Property with full access to the inventory of all real estate assets owned by the State.

Eliminates the legal obstacles for the sale of assets by:

- i. Amending/repealing statutory provisions of companies that diverge from private company law (PPC, OLP and OLTH port authorities, HELPE, EYATH and EYDAP, ports, etc.), regarding any restrictions on voting rights of private shareholders
- j. Launching the process to obtain the zoning and land planning permits (ESCHADA), i.e., submit the environmental and zoning study for Afantou and Kassiope.

Proceeds with the appointment of advisors by:

- k. Launching tenders for the appointment of advisors for EAS, ELVO, South Kavala Natural Gas, Trainose, being consistent with the existing procurement rules.

Other 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 a swift Privatisation Plan (see Annex 9.1).
2. The establishment of a regulatory framework for airports (**January 2013**), the State Lottery, ports (**March 2013**) and water companies (**December 2012**).
3. The submission of a pre-notification to the Commission services with respect to the definition of the universal postal services and the compensation of the Universal Service Provider (**December 2012**).
4. The launch for tender of Egnatia Motorways (**January 2013**).
5. Trainose is transferred to the HRADF (**March 2013**) and the tender for its sale is launched (**June 2013**).
6. Transfer of forty new real estate assets (identified as "real estate assets lots 2 and 3" in the Privatisation Plan) to the HRADF (**March 2013**).
7. Full identification and description of all the remaining real estate assets in the pool of 3,150 assets that have been preselected and pre-valued by the HRADF (**December 2013**).
8. Transfer of full and direct ownership of 1000 commercially viable real estate assets to the HRADF (**by end-2013**). The transfer will be done in four phases, based on concrete interim targets of 250 real estate assets per quarter (**starting in January 2013**).
9. Ensuring that there will be no transfer or withholding of any real estate assets, without prior consultation and agreement with the HRADF and the EC/IMF/ECB, to entities other than the HRADF, including to municipalities and the recently established pension fund SPV or other dedicated legal entities, or until such time as the assets necessary to supply the privatisation plan have been secured (**Continuous**).
10. Amendment, upon privatisation, of all statutory provisions (including on labour relations) to fully align them with private sector law (**Continuous**).
11. The HRADF will continue to be tasked with selling assets as quickly and effectively as possible. In particular, there will be no further political review once an asset has been transferred to the HRADF. To ensure that the HRADF is accountable in this role we will enhance the transparency of its operations. To this end, the HRADF will publish quarterly reports on its steps to facilitate privatisations, financial accounts, including a profit and loss statement, a cash flow statement, and a balance sheet, no later than 60 days after the conclusion of every calendar quarter (**Continuous**).
12. Securing privatisation receipts which, cumulatively since June 2011, should be at least EUR 1.6 billion by **end-2012**, EUR 4.2 billion by **end-2013**, EUR 6.5 billion by **end-2014**, EUR 7.7 billion by **end-2015**, EUR 11.1 billion by **end-2016**.

2.2 Tax policy reform

1. The Government will prepare a tax reform that aims at simplifying the tax system, eliminating exemptions and preferential regimes, thus broadening bases, and allowing a gradual reduction in tax rates as revenue performance improves. This reform relates to the personal income tax and corporate income tax. The reform will be adopted in **December 2012** to entry into force in 2013.
2. By **November 2012**, the Government will announce the full schedule of intermediate steps — including legislative actions as well as technical steps needed — until the new tax system becomes effective. These intermediate steps will include public consultation and appropriate review by the European Commission, ECB and IMF staff.
3. By **March 2013**, the Government makes fully operational a standard procedure for revision of legal values of real estate to better align them with market prices under the responsibility of the Directory of Capital Taxation.

2.3 Revenue administration reforms

A strong and focused reform programme to be undertaken in the coming months must address all the weaknesses in the existing system and support the fight against tax evasion and corruption. The Government will reform the current institutional framework in line with that in many other OECD and EU 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 can be undertaken in a gradual way after assessing carefully the impact of each step undertaken:

- The re-organisation of tax offices must take place to increase the efficiency of audits and tax collection, by creating specialised units to deal with specific taxpayer groups (e.g., large taxpayer unit, high wealth individual unit, and large debtor unit), regrouping local offices into more efficient offices, and tackling potential corruption.
- Methods must be improved to focus audits on substantial issues in order to detect tax evasion and not on mere observance of formal rules. This implies the replacement of the Code of Books and Records by a more modern and substantially simpler set of rules for tax record keeping. A new single tax procedure code will be created. Additionally, compulsory auditing of all tax declaration should be abolished, and efforts concentrated on high yield audits, targeted in using risk assessment techniques.
- Collection of taxes should be reinforced. At the local level, groups of specialized and dedicated staff will be put into place in larger DOYs. Besides, rules to write-off non-collectable debts in line with international best practice have to be introduced.
- The management will be improved, under the leadership of a new Secretary General with increased powers. Managers and auditors should be subject to performance targets and regular assessment. The Secretary General must have the capacity to replace non-performing managers and auditors. Besides, the regular rotation of managers has to become a rule.
- Fighting tax evasion and corruption is a priority in this effort. Progress made so far did rely on useful but piecemeal measures. Fight against corruption, especially in the tax sector, must use new tools, making full use of the will of the people to fight it.
- 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.

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

- a. Adopts legislation to define the role and qualifications of the Secretary General. Concerning qualifications, this will be a person with senior management experience, expertise in tax matters, and an impeccable reputation (including a strong tax compliance history).
- b. Adopts interim legislation, and the Minister of Finance will use this to delegate decision making powers to the Secretary General. These powers will include the competence to make operational decisions, direct and control local offices, manage human resources, replace underperforming senior managers, manage the budget of the tax administration, and manage all information with due confidentiality;
- c. Adopts legislation to deploy experienced tax auditors towards activities serving the immediate revenue imperative, making fully operational key enforcement areas as the large taxpayer unit by transferring 100 auditors, establishing one functional unit for high-wealth individuals and high-income self-employed and staffing the unit with 50 experienced tax auditors directly accountable to the Secretary General of the tax administration;
- d. Establishes procedures for the rotation of managers in critical tax offices on a periodic basis.
- e. Replaces the Code of Books and Records by significantly simpler legislation in line with international standards;

The Government undertakes the following reforms:

2.3.1 Organization

1. Appoints a new Secretary General of the tax administration (**December 2012**);
2. Adopts legislation to establish a significantly more autonomous tax administration and specify the degree of autonomy, governance framework, accountability, legal powers of the head of the administration and initial staffing of the organization by **February 2013**. In **March 2014** the new agency will become fully operational;
3. Continues to centralise and merge local tax offices leaving about 120 functioning offices (**June 2013**);

2.3.2 Fight against tax evasion, money laundering and corruption

1. The revised Code of Books and Records enters into force (**1st January 2013**);
2. Steps up the hiring procedure and simplifies the reassessment process of the tax auditors with the objective to achieve the target of 2 000 tax auditors fully operational by **June 2013**;
3. Introduces, at least, twice-yearly performance assessments for tax auditors (**December 2012**);
4. Issue an administrative circular to enhance targeted auditing based on risk assessment techniques (**December 2012**).

5. Abolish the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years (**January 2013**).
6. Adopts legislation in order to introduce a modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption (**March 2013**);
7. Appoints a national coordinator for anti-corruption action (**April 2013**);
8. Enacts the appropriate legal framework to create a secure direct or indirect central register of bank accounts (**January 2013**);
9. Requires that all Ministries which have a fiscal relationship with taxpayers utilize their tax identification number for financial transactions with them (**June 2013**).
10. Introduces a central agency to consolidate and link all of the different identification numbers now employed across various government agencies (**June 2014**);

2.3.3 Tax and revenue collection

1. Establishes specialist debt management units in larger local tax offices and allocating at least 10 percent of local staff to this function (**December 2012**);
2. Completes a review of the policy and procedures to write off tax debts, and prepare recommendations to facilitate actively managing tax debt with real prospect of collection and explore ways to deal with the non-collectable part (**February 2013**);
3. Replaces payments in cash and cheque in tax offices with bank transfers, to discourage corruption and free up staff time for higher value added work (audit, collection enforcement and taxpayer advice) (**December 2012**);
4. Commits not to adopt new tax amnesties, or extend existing amnesties for the collection of taxes and social contributions during the years covered by the economic adjustment programme (**Continuous**);
5. Integrates the collection of social security contributions into the tax administration (**March 2014**).

2.3.4 Tax dispute

1. Puts in place a mandatory administrative review procedure (**Q2 2013**). The aim is to design a mandatory administrative appeal procedure in line with international best practice to allow a distinct and higher level body within the Ministry of Finance, staffed with specialists in tax dispute matters, to re-examine tax decision taken by the DOYs or auditors before going to court.

2.3.5 Management of the State Revenue Service

1. Replaces managers who do not meet performance targets (**Continuous**);
2. Launches 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 (**December 2012**).

2.3.6 Tools

1. Adopts 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). It will also incorporate a new streamlined administrative dispute resolution process;
2. Puts in place a new IT system that interconnects all tax offices (**March 2013**);

The preparation of the new IT system involves the following main steps in relation to the new data centre, web-facing and back-office applications:

3. 20 more new electronic services and enhancements (**December 2012**). These concern mainly taxes withheld at source;
4. 8 remaining new electronic services and enhancements (**December 2012**). These concern forms filed late with a fine, real-estate tax, and VAT administration;
5. system and user tests, user training, and migration of all tax offices to the centralized database (**December 2012**);
6. operational use of the new IT infrastructure by all tax offices (**March 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 enact reforms for strengthening the framework both within the GAO and line ministries.

Prior to the next disbursement the Government will,

- a. adopt the 2013-16 Medium term fiscal strategy
- b. ensure that EOPYY reports for at least two consecutive months (retroactive reports included) from its commitment register through the e-portal.

Further actions include:

1. The Government adopts an administrative calendar for the update of the medium-term fiscal strategy. (**February-2013**)
2. 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 **by December-2012** commitment registers are in operation in 90 per cent of general government entities.
 - 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. ensure **by December 2012** that EOPYY monthly budget execution is published on the website with a lag of four weeks after the end of the respective month, providing detailed data on both expenditure commitments/purchases (accrual basis) and actual payments (cash basis), current performances against yearly budget allocation and accumulation of accounts payable (and arrears). As soon as significant deviations from yearly targets become evident, remedial action should be taken at the same time.
3. To clear expenditure arrears and tax refunds, the conditions for a government unit to meet to allow funds for clearance to be disbursed will include, for expenditure arrears: (i) establishment by the unit of a fully functioning commitment register and (ii) reporting of at least three months of consistent data on commitments, payments, and arrears (2 months for EOPYY); and, for both expenditure arrears and tax refunds: (iii) verification of claims. Subvented agencies which meet these conditions can clear their arrears even if their parent agency does not meet the conditions. Arrears should not delay the execution of the pharmaceutical spending clawback or any related measure. The Government will:
 - i. Prepare and publish **by November 2012** a plan for the clearance of arrears owed to suppliers by public entities and of tax refunds (to be done by GAO in liaison with GSIS and other relevant authorities).
 - ii. Ensure the administrative capacity to make the clearance of arrears effective through different means, including re-allocation of at least 30 employees with relevant competences from other social security funds to EOPYY (**November 2012**)
 4. Once the clearance of all verified arrears is achieved, the Government ensures that no new arrears are accumulated (**Continuous**).
 5. The GSIS designs a risk-based assessment procedure for verification of VAT refunds (**March 2013**).

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.

The Government will, **prior to disbursement**:

- a. Adopt a Council of Ministers act (replacing the Council of Ministers act adopted on 29 October 2012, aiming at strengthening the Budget execution and enhancing the sound fiscal management), and including, beyond the provisions in the original Council of Ministers act, additional provisions:
 - i. establishing that Memoranda of Cooperation are signed **by end-December** of each year between the Ministry of Finance and the other Ministries or between the Ministries and managers of the supervised entities (thus covering the entire General Government). The Memoranda aim at enhancing the current monitoring and

introducing corrective mechanisms, such as: quarterly budget execution targets, corrective actions in case of deviations from targets and further actions in case of non-compliance with the corrective actions.

- ii. Strengthening the current balanced budget constraints for Local Governments in order to be more effective, but also including corrective and sanctioning mechanisms.
- iii. Strengthening the current monitoring system for SOEs, introducing an enforcement mechanism in case of deviations from the specific targets identified for each SOE.
- iv. Setting the framework for defining specific targets for the coverage of operational commitment registers for LG and SOEs to be established by December of each year.
- v. Setting up a framework for correcting transfers from central government to address deviations from targets within the year and possibly in the following years while ensuring that arrears are not increasing. Improvements in operational terms should be integrated in the relevant legislation, including inter alia triggering circumstances, criteria for graduation from suspension to outright reduction of transfers, and timing issues.
- vi. Making it explicit that the proceeds from the privatisation of government assets are paid directly into the account referred to in section 2.5.6.
- vii. Set automatic cuts in expenditures to be applied as a rule when targets are missed, while ensuring that arrears are not increasing.
- viii. Reinforce centralisation of budget planning and implementation. This will include further strengthening of the Ministry of Finance vis-à-vis line ministries, notably with the introduction of an effective top-down budgeting, including a veto role of the Minister of Finance, monthly submission to the supervising Director General of Financial Services (DGFS) and the GAO (depending on the size of their budget) of the budget execution programme and actual execution, and the power to take corrective measures if appropriate at the implementation stage, with bodies failing to comply with their obligations being brought under the direct supervision of the Ministry of Finance.

1. The Council of Ministers act referred to in paragraph a. shall be converted into law by **end-December 2012**.

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. Introduce three-years binding expenditure ceilings per subsectors (at least for the central government and the health sector) for 2013, in order to strengthen the implementation of the MTFS, as follows: ceilings for the first two years would be considered fixed and used as such in the following budget planning exercise although with some flexibility within the ceiling as long as the general target is met to leave some space of action to the administration; ceilings for the last year of the three-year period may be updated annually. This measure will be adopted within an update of the MTFS to be done by **January 2013**.

2. Modify the organic budget law by **August 2013** to introduce:
 - i. The three-years binding expenditure ceilings (as in paragraph 2.5.1) on a permanent basis as part of the rolling MTFS.
 - ii. 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.
 - iii. A revenue rule for the general government, according to which at least 30% of windfall revenues 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 (**March 2013**).
2. Extend e-prescription to illness benefits provided by EOPYY to strengthen the monitoring among others of Diagnostic Tests, Inpatient Care and Rest Provision. (**June 2013**)

2.5.4 Corrective and sanctioning mechanisms

The Government will:

1. Ensure a continuous balance between contributions and benefits, by bringing forward by one year the entry in force of the binding mechanism (for auxiliary pensions) already legislated to enter in force as of 2015. (**March 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.

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. (**March 2013**)
2. Resume and enhance the operation of the existing Parliamentary Budget Office (**June 2013**) and take steps to strengthen its reputation, 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

Prior to the disbursement, the Government:

- a. Adopts the legal act harmonising the entrance fees for all casinos in Greece and all necessary actions are taken toward full and effective recovery of the illegal state aid from all Casinos, including Casino Mont Parnes.
- b. Identifies the assets and production units of LARCO assets and rights that belong to the Agios Ioannis/Larymna concession in view of their sale after the current concession of LARCO.
- c. Amends the current requirement in the existing ETEAN law of providing government bonds at market value to banks when guarantees are called. Instead the State will provide ETEAN with cash against ETEAN holdings of government bonds to pay banks for the guarantees called.

Other Actions

1. The Government identifies the assets and production units of the Hellenic Defence Systems to be privatised. (**December 2012**)
2. The Government creates a Central State Aid Unit responsible for screening all measures, from across the Government, for their compliance with State aid rules, before they are

implemented. **(January 2013)**. 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.

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

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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 dismissed or transferred to the mobility scheme. This reform process is extended to extra budgetary funds and regional and local administrations in 2013.

Prior to disbursement:

- a. The Government ensures that at least 2,000 staff will be moved to the mobility scheme.

2.7.1.1 Institutional reforms

1. The assessment of the institutional setting of two pilot ministries (Ministry of Administrative Reforms and Ministry of Environment) is completed (**October 2012**).
2. The assessment of the institutional setting of all ministries is finalised (**December 2012**), while the assessment of the performance of civil servants is completed (**December 2013**).
3. The first draft of the two pilot staffing plans is finalised (**November 2012**); the other ministries' staffing plans are completed (**January 2013**).
4. Develop an action plan for the assessment of all public entities, including all Extra-Budgetary Funds and SOEs under Chapter A (**December 2012**). The action plan will focus on their mandate and activities, their staffing, the level of State subsidies and their overall budget. The pilot assessment of two major public entities is completed by **February 2013** and a complete assessment of all public entities is completed by **December 2013**.
5. Based on the different assessments, the Council of Reform approves the transformation scenarios for each ministry (**January 2013**). A precise roadmap on how these structures are created must be published **two months after** the approval of the transformation scenarios.
6. The Government monitors progress on the inter-ministerial coordination, whereby the Coordinator is appointed (**November 2012**) and full implementation of the process is ensured (**January 2013**).
7. The Government involves the Commission services with respect to the assessment of structures and staffing linked with the implementation of the Cohesion Policy (NSRF Operation Programmes) and will seek its agreement when taking related decisions (**Continuous**).
8. Prepares and makes public a fully-fledged anti-corruption plan for the civil service, including special provisions for the tax and customs administration (**February 2013**).

2.7.1.2 Mobility scheme and human resources management

In order to ensure that the Government's efforts to redeploy and reduce personnel are effective, that the recruitment and evaluation process are improved, and that the performance and motivation of

personnel increases, concrete steps will be made to: limit and improve the quality of hiring at the selection, limiting the intake into public service academies by 30 percent, removing job guarantees for private sector teachers; put a sunset to existing lists of eligible graduates; establish clear guidelines for the regular assessment of personnel run by managers. The Government will:

1. Combine the assessment of the institutional setting with mobility, attrition, reduction of temporary contracts, disciplinary procedures and mandatory redundancies. This should help reduce the public sector workforce by 150,000 **by 2015**, relative to the end-2010 level.
2. Place 25,000 government employees in the mobility scheme in 2013, with half of them by **mid-2013**. The government's mobility scheme, where transferred personnel can remain for up to one year with a reduced rate of pay (substituting for severance payments), while they seek new employment and they are re-trained, will help the transition across job positions, if necessary towards the private sector.
3. **By end-February 2013**, the staffing plans for line Ministries will be completed and these will be used to identify redundant positions and employees, and on this basis set quarterly targets for mandatory exits through end-2014..
4. Adopt the law on mobility between ministries in the interest of the services (**November 2012**).
5. Defines a human resources strategy in order to: (i) identify the weaknesses of the public service management of human resources; (ii) identify the best possible way to modify recruitment procedures, appointments, trainings, as well as mobility. This strategy is reflected in legislation (**January 2013**). This legal act will provide a basis for evaluating the competences of the senior management.
6. Assesses the mandate, roles and responsibilities of all senior managers, including the politically appointed and the senior public service management (**February 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 (**May 2013**).

2.7.2 Avoiding waste and increasing quality through sound public procurement

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

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

The Government:

1. **By December 2012**, it issues the following implementing legislation of Law 4013/2011 on the Single Public Procurement Authority, providing for:
 - i. the SPPA's financial management rules (Art. 4).
 - ii. the SPPA's structure and remit of its services and any other matters pertaining to its organisation (Art. 4).

- iii. the SPPA's Rules of Procedure (Art. 7).
- iv. the Agora Portal for contract transparency (Art. 11).

The above legislation shall enter into force at the latest by **December 2012**.

- 2. Ensures that the SPPA is adequately staffed so that it fulfils its mandate, objectives, competences and powers as defined in the implementing regulations, of the law on the SPPA and in the Action Plan agreed with the European Commission in November 2010. (**December 2012**)
- 3. The SPPA ensures coordination and coherence of the functioning of the Central Purchasing Bodies, of the reform of the Greek public procurement regulations and of the e-procurement framework with the overall public procurement system and strategy. (**Continuous**)

2.7.2.2 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 uses framework contracts and reviews the public procurement legislation including works, supplies and services. In particular the Government:

Central Purchasing Bodies (CPB):

- 1. Presents a plan for the development of CPBs (such as the Greek General Secretariat for Commerce -for supplies and services- and EPY -for health procurement-) to the Commission Services by **December 2012**. The plan identifies all contracting authorities procuring supplies and services at the Central Government level and overviews their procurement needs, with a view to gradually increasing the share of supplies and services procured through those CPBs. Similarly, a plan to establish CPB at regional/local level is also submitted to the Commission services by **December 2012**.

Framework contracts:

- 2. Submits by **December 2012** to the Commission services for evaluation two and one framework contracts used in frequently purchased supplies or services at central government and regional level, respectively, and mandates the relevant administration to source via those contracts. (**April 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. reducing the 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. Develops an Action Plan for the reform, in agreement with the European Commission. (**January 2013**). It will include an analysis of the state of play (flowcharts, procedural phases, actors involved, timelines, statistics etc.) and factors in the results of the study on the Greek public procurement system commissioned by the EC.
5. The drafts of all legislative and organisational measures implementing the above-mentioned Action Plan are presented to the European Commission in **September 2013**.

2.7.2.3 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 **December 2012**, 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. complete the e-procurement infrastructure for supplies and services contracts by **December 2012**.
 - ii. run supplies and services contracts for the Central Government on a pilot basis through the e-procurement platform throughout the **1st half of 2013**.
 - iii. 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 Government procures at least 25% of its supplies and services' needs (in terms of contract value) through the e-procurement platform by **December 2013**.
 - ii. the Central Purchasing Bodies (CPBs) use the e-procurement platform for all their tendering procedures. (**June 2014**)
 - iii. the whole public sector in Greece uses the e-procurement platform 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**)

2.8 Completing the pension reform to secure sustainability

Prior to disbursement

- a. The age of retirement is increased by 2 years, starting from (1 January 2013). The increase is applied to the statutory retirement age and any other retirement age for special groups and to the minimum requirement for getting a pension.

Other actions

The Government:

1. Finalises the implementation of the reform of the functioning of secondary/supplementary public pension funds and ensures the unification into ETEA of all existing funds, which are considered to be in the domain of public sector according to ESA95 national account definition. **(Q4-2012)**
2. Ensures that the new single fund ETEA sets up, in a cost effective way, a computerised system of individual pension accounts; starting in **Q1 2013** and to be finalised by **Q4-2013**.
3. Identifies the schemes for which lump sums paid on retirement are out of line with contributions and adjusts the payments. A new, actuarially neutral, formula to calculate lump sum, including a sustainability factor to avoid any future imbalances, is designed in consultation with the European Commission, ECB and IMF staff. **(Q4-2012)**
4. Will produce a regular quarterly report of the activities of the Health Committee, aimed at monitoring and revising the disability status and ensure that disability pensions correspond to not more than 10 percent of the overall number of pensions. **(next report, Q1-2013)**

2.9 Modernising the health care system

The Government continues to implement the comprehensive health sector reform with the objective of stabilising public health expenditure at, or below 6, percent of GDP, while 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 of about EUR 1 billion in 2012 compared to 2011 and to reach spending of about EUR 2.440 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.

2.9.1 Governance

- a. **Prior to the disbursement**, to strengthen health system governance, improve health policy coherence, reduce fragmentation in the purchasing of health services and reduce administrative costs, the Government finalises the concentration of all health-related decision making procedures and responsibilities (including payroll expenditures) under the Ministry of Health by merging all health insurance funds, without exception, into EOPYY.
1. From **January 2013**, hospital services will be purchased directly by EOPYY through prospective budgets based on KEN-DRGs costing procedure (and payroll costs, should be at least reported).
2. EOPYY ensures that the number of doctors is reduced in headcount compared to June 2012 by at least 10% by **December 2012** and by a further 10% **in 2013**.

2.9.2 Controlling pharmaceutical spending

In order to achieve EUR 1 billion of reduction in outpatient pharmaceutical spending in 2012 and 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.

2.9.2.1 Contingency measures to deliver the overall targets

Prior to the disbursement, the Government:

- a. adopts legislation which activates contingency measures (including e.g. a cross-the-board cut in prices or entry fee for the positive list), if, for any reason, the claw-back is not able to achieve the target. Such measures produce equivalent amount of savings.
 - b. sets, through Ministerial decree, the new claw back threshold for 2013, based on the above mentioned targets (Euro 2.44 billion for outpatients).
1. The Government revises the co-payment structure for medicines to exempt from co-payment only a restricted number of medicines related to specific therapeutic treatments. **(Q4-2012)**

2.9.2.2 Pricing of medicines

- a. **Prior to the disbursement**, the Government repeals the current provision of the law which hampers the collection of the rebate from pharmacies in case of delays in payments on the part of EOPYY.

In addition, the Government:

1. Revises downward the price of medicines, based on the three EU countries with the lowest prices. In addition, the government re-prices medicines now cheaper than 10 EUR, including implementing a 10% price reduction in the prices of these medicines (**quarterly update of price list - next published by December 2012**)
2. 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**).
3. Produces an implementation report on the impact of the new profit margins of pharmacies by **Q1-2013** and shares it with the European Commission, ECB and IMF staff. If it is shown that this new model to calculate profit margins does not achieve the expected result of a reduction of profit margins down to 15%, the regressive margin will be further revised.
4. Ensures that EOPYY negotiates a 5% discount through price-volume agreements on medicines (200 medicines) (**Continuous for 2013 and 2014**)
5. Extends the application of the 5% rebate on pharmaceutical companies (which exists for hospital-priced medicines) to all products sold in EOPYY pharmacies (legislation adopted by Q4-2012).

2.9.2.3 Prescribing and monitoring

- a. **Prior to the disbursement**, the Government updates the price list and the positive list of reimbursed medicines notably by reimbursing only the cost-effective packages for chronic diseases, by moving medicines from the positive to the negative and OTC lists and introducing the reference price system developed by EOF. **These lists must be updated at least twice a year.**

The Government will,

1. Extend the current e-prescribing to all doctors, health centres and hospitals. E-prescribing is made compulsory and must include at least 90 percent of all medical acts covered by public funds (medicines, referrals, diagnostics, surgery) in outpatient facilities and providers contracted by EOPYY and the other social security funds. (**Q4-2012**); the extension to NHS facilities will be finalised by **Q2-2013**.
2. Implement the system (API) whereby pharmacies electronically register any residual manual prescriptions from doctors into the e-prescription application established by IDIKA. (**Q4-2012**);
3. Continue publishing prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory (**Continuous**);
4. Enforce the application of prescription guidelines through the e-prescription system. (**Q2-2013**);
5. Further develop monitoring and control of e-prescription by introducing ICD-10 and SPC filters in the e-prescription system (**Q2-2013**);

6. Produce detailed monthly auditing reports on the use of e-prescription in NHS facilities and by providers contracted by EOPYY. These reports are shared with the European Commission, ECB and IMF staff teams. **(Continuous)**;
7. Continue to provide a regular assessment of the information obtained through the e-prescribing system. **(Continuous)**;
8. Produce detailed quarterly reports on pharmaceutical prescription and expenditure which include information on the volume and value of medicines, on the use of generics and the use of off-patent medicines, and on the rebate received from pharmacies and from pharmaceutical companies. These reports are shared with the European Commission, ECB and IMF staff teams. **(Quarterly updates)**;
9. Provide detailed reporting on individual prescription behaviour to each physician relative to the average of comparable (specialty, patient workload) physicians (both in NHS facilities and contracted by EOPYY and other social security funds until they merge) and signals when they breach prescription guidelines. This feedback is provided at least every month and a yearly report is published covering: 1) the volume and value of the doctor's prescription in comparison to their peers and in comparison to prescription guidelines; 2) the doctor's prescription of generic medicines vis-à-vis branded and patent medicines and 3) the prescription of antibiotics. **(Continuous)**;
10. Enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines **(Continuous)**;
11. Select a number of the most expensive medicines currently sold in pharmacies, to be sold in hospitals or EOPYY pharmacies. **(Q4-2012)**.
12. Implement a mechanism to reduce off-label prescription **(Q4-2012)**

2.9.2.4 Increasing use of generic medicines

Prior to the disbursement, the Government:

- a. Makes it compulsory for physicians to prescribe by international non-proprietary name for an active substance, with no reference to any brand name on the prescription form. This constitutes a major health reform. To avoid any potential risk to the health of the patient, brand name prescription will, however, be allowed in limited and duly motivated cases. The share of branded name prescriptions can be no more than 15% of the overall prescriptions of each doctor and the doctor needs to provide the relevant justification in each case. A strict control of the prescription of each doctor is implemented through the e-prescription monitoring system, using warning mechanisms to each doctor for when the prescription level by branded name is getting closer to the target. Prior to disbursement, a ministerial decree will explicitly define the exceptions to INN prescription, which must cover a very limited group of products (e.g. with narrow therapeutic index) and known sensitivities of the patient, according to international standards and best practices.
- b. Mandates the substitution of prescribed medicines by the lowest-priced product of the same active substance in the reference category by pharmacies (compulsory "generic substitution").

The Government also:

1. Increases the share of the generic medicines to reach 35 percent of the overall volume of medicines sold by pharmacies by **end-2012** and 60 percent by **end-2013**. This will be achieved by:

- i. setting the maximum price of the generic to 40 percent of the price of the originator patented medicine with same active substance at the time its patent (exclusivity period) expired. After this first reduction, when exclusivity period expiry, further reductions are achieved through external reference pricing based on the three EU countries with the lowest prices. This will be done also by linking off-patent (when exclusivity period expires) products to the average of the three lowest prices in the EU and the price of the generic to 80% of the downward revised price of the off-patient. Further reductions are achieved through external reference pricing based on the three EU countries with the lowest prices. Producers are allowed to offer lower prices, thus allowing an increased competition in the market. **(Continuous)**;
 - ii. automatically reducing the maximum price of originator medicines when their patent (exclusivity period) expires (off-patent branded medicines) to 50 percent of its price at the time of the patent expiry. Further reduction will be achieved by linking off-patent products to the average of the three lowest prices in the EU, to be revised periodically with price list. Producers can offer lower prices, thus allowing an increased competition in the market. **(Continuous)**;
 - iii. creating dynamic competition in the market for generic medicines through price reductions of at least 10 percent of the maximum price of each new generic producer entering the market. **(Q4-2012)**;
 - iv. introducing (EOPYY) additional incentives and mechanisms, including a prescription quota system for physicians, to ensure generic substitution **(Q4-2012)**;
 - v. deciding about the reimbursement of newly patented medicines (i.e. new molecules) on the basis of objective and strict medical and cost-effective criteria and, until internal capacity is in place, by relying on best practice health technology assessment of their cost-effectiveness carried out in other member states, while complying with Council Directive 89/105/EEC. **(Continuous)**;
 - vi. excluding from the list of reimbursed medicines those which are not effective or cost-effective on the basis of objective criteria. **(Continuous)**;
2. Takes further measures to ensure that at least 50 percent of the volume of medicines used by public hospitals is made up of generics with a price below that of similar branded products and off-patent medicines. **(Continuous)**
 3. Makes it compulsory for all public hospitals to procure at least 2/3 of pharmaceutical products by active substance, using the centralised tenders procedures developed by EPY and by enforcing compliance with therapeutic protocols and prescription guidelines. **(Q4-2012)**
 4. Adopts, with the pharmaceutical companies and physicians, a code of good conduct (ethical rules and standards) regarding the interactions between pharmaceutical industry, doctors, patients, pharmacies and other stakeholders. This code will impose guidelines and restrictions on promotional activities of pharmaceutical industry representatives and will forbid any direct (monetary and non-monetary) sponsorship of specific physicians (sponsorship should be attributed through a common and transparent allocation method), based on international best practice. **(Q4-2012)**
 5. Speeds up administrative and legal procedures, in line with EU legal frameworks for the entry of cheaper generic medicines in the market. **(Q4-2012)**

2.9.3 Reviewing the provision of medical services contracted by EOPYY

- a. **Prior to the disbursement**, to improve the current financial situation of EOPYY and ensure that the budgetary execution is closer to a balanced budget in 2012 and 2013, a set of measures will be implemented, including:
 - i. restricting the benefit package;
 - ii. increasing cost-sharing for private care;
 - iii. negotiating price-volume agreements and revising case-mix agreements with private providers;
 - iv. revising the fees for and number of diagnostic and physiotherapy services contracted by EOPYY to private providers with the aim of reducing related costs by at least EUR 80 million in 2013.
 - v. introducing a reference price system for reimbursement of medical devices.
 - vi. progressively increasing the contributions paid by OGA members to the average of those paid by other members of EOPYY.
1. The government starts publishing a quarterly report on the prescription and expenditure of diagnostic tests. (**quarterly updates** - next report **Q4-2012**)

2.9.4 National Health System (NHS) service provision

2.9.4.1 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. This implies reducing hospital operating costs by 8 percent **in 2012** and an additional 5% **in 2013** and reducing beds substantially, as legislated by MD OG1681/B (28-7-2011). This is to be achieved through:
 - 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 structures;
 - 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**)
3. Updates a report on human resources for the whole health care sector annually and uses it as a human resource planning instrument. (**Continuous**)

2.9.4.2 Accounting, control, IT and monitoring systems

The Government ensures that:

1. Internal controllers are assigned to all hospitals and all hospitals adopt commitment registers. **(Q4-2012)**
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, by **December 2012**) 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 **(Continuous)**;
 - ii. the regular annual publication of balance sheets in all hospitals. **(Q2-2013)**;
 - 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 stock management **(Q4-2013)**
 - v. timely invoicing of full treatment costs (including staff payroll costs) - i.e. no later than 2 months to other EU countries and private health insurers for the treatment of non-nationals/non-residents. **(Q4-2012)**;
 - 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). **(Q4-2012)**
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. **(Q1-2013)**
7. In all NHS hospitals, the Government, with technical assistance from experts across EU, continue piloting a set of DRGs, with a view to developing a modern hospital costing system for contracting (on the basis of prospective block contracts between EOPYY and NHS). DRGs include a detailed item on costs of personnel. **(Continuous)**
8. An analysis will be made of how hospital accounting schemes integrate DRGs at hospital level in view of future activity-based cost reporting and prospective budgets payment for hospitals **(Q4-2012)**

2.9.5 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. **(Continuous)**

2. EPY will undertake a major effort to utilise tender procedures for framework contracts for the most expensive medicines used in the outpatient context so as to substantially reduce the price paid by EOPYY. (**Q4-2012**)
3. In compliance with EU procurement rules, the Government conducts the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system) including the full and integrated system of hospitals' IT systems. (**Continuous**)

2.10 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 (**December 2012**).
2. On higher education: the provisions of the laws 4009/2011 and 4076/2012 are fully and promptly implemented including:
 - i. the activation of the Quality Assurance Authority (**December 2012**);
 - ii. the constitution of the Council of Higher Education Institutes is completed (**March 2013**), with the respective organisation charters and internal regulations completed (**September 2013**);
 - iii. the election of the new Rectors (**December 2012**). The procedure on the consolidation/merging of departments of universities and technological institutes (ATHINA Project) starts to be implemented (**March 2013**).
3. On primary and secondary education, progress on the implementation of the school and teacher evaluation policy including the schools' self-assessment project is reported on a quarterly basis (as of **Q1 2013**). In addition, more flexibility is introduced by **end-December 2012** in the adjustment of tuition fees by private schools, as per Opinion 20/VI/2012 of the Hellenic Competition Commission.

3 Stabilising the financial system

3.1 Recapitalisation of the banking sector

The Bank of Greece (BoG) completed a strategic assessment of the banking sector in March 2012, assisted by an international consultancy firm. The study assessed the viability of the banks based on quantitative and qualitative criteria. This study identified four core banks accounting for approximately 75 percent of banking sector assets.

The authorities have reviewed their estimate of resources needed to fully recapitalize the Greek banking system. Based on the strategy laid out below, they estimate that the funds required will still amount to €50 billion, which is fully accounted for in updated estimates of program financing.

3.1.1 Identification of capital needs

- a. **Prior to the disbursement**, the BoG has informed all banks, of their individual capital needs and has requested that they finalize the capital raising process by end-April 2013. The capital needs account for the impact of the valuation losses on new Greek government bonds, and results of a stress test exercise with a 3-year horizon (which took into account BlackRock credit loss projections and banks' future pre-provisioning results).
1. **By Q4-2012**, the Government and the Bank of Greece will align capital metrics to the minimum core tier I capital ratio of 9 percent of risk-weighted assets set out in the European Banking Authority (EBA) recommendation on capital buffers. Banks will also have to meet the requirements set by the BoG under Pillar II (to maintain a 7 percent core tier 1 capital ratio under a 3 year adverse stress scenario).
2. The BoG will publish a detailed report on the individual banks' capital needs, recapitalization process and the methodology followed **by Q4-2012**.

3.1.2 Recapitalization process

Current or new shareholders will have control of the core banks, provided they are deemed fit and proper as already envisaged in the regulatory framework, and have subscribed no less than 10 percent of the capital to be raised by way of common shares. While existing shareholders will be diluted during the recapitalization process, they or new investors will be allowed to participate in the rights issuance and should the above 10 percent threshold of private sector participation be reached, will receive warrants to acquire the remaining shares from the HFSF within five years.

Subsidiaries have been recapitalized by their parent banks. Agreements have been reached on the acquisition of Emporiki and Geniki by Alpha Bank and Piraeus Bank, respectively, with a view to achieve further consolidation of the banking system while protecting the public sector from potential losses. It is expected that the authorities will approve these acquisitions subsequent to the completion of the due diligence process. These acquisitions will not require injection of additional public funds.

- a. **Prior to disbursement**, the legal framework for recapitalisation is put into place.
1. The recapitalization process of *core banks* will involve three broad steps:
 - i. First, the Hellenic Financial Stability Fund (HFSF) will provide sufficient funds in the form of bridge capital to bring the core banks up to the minimum level of 9 percent CT1

under Pillar 1 by **end-December 2012**. The HFSF will also issue a commitment letter to subscribe to 100 percent of the remaining capital needs.

- ii. In the second step, by **end-January 2013**, the HFSF will subscribe to 100 percent of any convertible instruments that the banks will decide to issue.
 - iii. In the third stage, by **end-April 2013**, the core banks will complete the rights issue and any shares not subscribed by the private sector will be acquired by the HFSF subscription to the common equity.
2. The recapitalization strategy for remaining undercapitalized *non-core banks* has also been finalized. The strategic assessment of the authorities shows that these institutions are less suitable candidates for public money. These banks must be fully capitalized by **end-April 2013**. They may also merge with other banks if they can demonstrate a credible business plan, meet recapitalization needs by **end-April 2013** and address all viability challenges.
 3. The authorities are developing a strategy to address the on-going challenges for the *cooperative banks*. By **end-February 2013** the BoG will complete its assessment of this sector and issue a final report. Based on this report, by **end-May 2013**, the authorities will set out a comprehensive strategy to implement its recommendations.

3.2 Framework for restructuring and strengthening of the banking system

The government of Greece has established a framework to ensure continued restructuring and strengthening of the banking system after the recapitalization process is complete. Banks that receive state-aid will need to provide clear and realistic business plans for their restructuring:

1. *Operational restructuring*. Following the recapitalization of the core and non-core banks, all institutions should update their restructuring plans and submit them for validation by the EC. These should be finalized by **Q2-2013**. However, banks that acquire other institutions through P&A transactions sponsored by the HFSF will have to submit such revised plans by **end-July 2013**. The restructuring plans should take into consideration the updated macroeconomic framework set out in the most recent program review. The HFSF will continuously monitor banks' adherence to their restructuring plans and report to the EC/ECB on progress on a semi-annual basis.
2. *NPL resolution*. The HFSF will request that banks assess whether their established frameworks and policies to deal with troubled assets are effective by **June 2013**. International work-out specialists should be invited to assist in the process.
3. *Funding*. As part of the new restructuring plans, banks will set out their intentions to broaden their funding base and reduce over time their reliance on emergency liquidity provided by the central bank. The BoG, following the procedures and rules of the Eurosystem, will stand ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed. **(Continuous)**
4. The authorities will take no fiscal policy actions to increase the burden for the programme, and in particular will adjust the structure of outstanding government-owned bank capital instruments (preferred shares) to ensure that they can continue to be counted as bank capital. A one-time €550 million fee, to be received from banks in 2012 in return for the provision of bridge capital, will be earmarked to the HFSF and placed in the HFSF intermediate account. **(Continuous)**

3.3 Resolution of undercapitalized banks

1. The authorities will *complete the resolution* of undercapitalized banks **by mid-June 2013** and establish a framework to manage the assets of banks under liquidation:
 - i. *State-owned banks.* ATE bank was resolved in July through a promptly conducted Purchase and Assumption (P&A) transaction with Piraeus Bank. The final resolution cost will be defined by an external audit of the transferred assets and liabilities. Additionally, Piraeus Bank has presented to the EC a restructuring plan to demonstrate that the new integrated firm will enhance its viability and its cost-efficiency. Regarding Hellenic Postal Bank, the authorities have initiated its orderly resolution with the aim to do so via a P&A transaction to be completed no later than **end-December 2012**. Finally, the authorities will complete Nea Proton's restructuring by May 2013 under the sponsorship of the HFSF.
 - ii. *Other undercapitalized non-core banks.* If the shareholders or new investors are unable to support these institutions as required above by **end-April 2013** the authorities plan to complete the resolution of these institutions by **end-June** via P&A transactions with well capitalized banks, or, as a second best, the establishment of a bridge bank. To prevent market distortions and unsound banking activities, the BoG has placed all undercapitalized non-core banks under enhanced supervision.
4. Greek authorities will ensure that the assets of banks under liquidation are *managed* on the basis of best international practices. This includes the bad assets of banks that are resolved as part of the restructuring process. To this end, **by end-February 2013** the BoG will publish an assessment report prepared by an international expert regarding policies and procedures required to ensure effective bank asset management and recovery. The report will identify the areas that could require further strengthening to maximize loan collection and help reduce bank resolution costs.

3.4 Safeguards to ensure stability and viability of the financial system

The authorities are committed to ensure that the financial system operates with maximum safeguards to ensure stability and continued viability.

Prior to disbursement:

- a. The HFSF will complete the due diligence of core banks and any findings of interest to the supervisor will be communicated to the BoG. The due diligence will, inter alia, focus on a review of governance including loans to related parties, asset quality, and risk concentration. The BoG will address these findings promptly, including suspension of private shareholders (which would prevent them from participating in bank recapitalization framework) and/or removal of board members and managers.
- b. The authorities agree with the EC/ECB/IMF the terms of reference for the monitoring trustee and have communicated them to the banks with instructions for the trustees to begin work no later than mid-January 2013.
- c. The authorities will amend the HFSF by-laws to clearly stipulate that the HFSF Board, including the EC and ECB observers at the HFSF, must be informed of all decisions of the core banks having an impact on the HFSF's rights as a shareholder/investor. This information, as soon as received by and through the senior executive of the HFSF, is to be provided within one day of receipt.

1. **By Q1-2013** banks will submit to the BoG plans to address identified *operational governance weaknesses* with clear timetables for full implementation **by Q4-2013**.
2. *Monitoring trustees* will be appointed in all banks under restructuring to submit quarterly reports on governance and operations, as well as ad-hoc reports as needed. The monitoring trustees:
 - i. Will work mainly under the direction of the EC, within the terms of reference agreed with the EC/ECB/IMF and will liaise closely with the EC/ECB observers at the HFSF and share their report with the HFSF. In line with the EU state aid rules the trustees will be responsible for overseeing the implementation of restructuring plans, including verifying proper governance and the use of commercial basis criteria in key policy decisions.
 - ii. Will follow closely the banks' operations and shall have permanent access to Board meetings' minutes, and be observers at the executive committees, and other critical committees including risk management and internal audit functions.
 - iii. Shall be a respected international auditing or consulting firm (that will include the participation of overseas based partners and managers) which needs to be endorsed by the EC on the basis of its competence, its independence from the banks and the absence of any potential conflict of interest.
3. The authorities will ensure adequate *reporting of HFSF operations*, and enhance the role of EC and ECB observers' access to information at the HFSF. Starting **by end-January 2013**, the HFSF will initiate semi-annual public reporting on its main activities.
4. The authorities will ensure *arms-length governance* of core banks' business activities. **By Q1-2013**, the HFSF will publish relationship frameworks with each bank on the basis of best international practices, with a view to define the responsibilities of bank managers and board members and the role of HFSF as a shareholder, to ensure the core banks are run on a commercial basis. A draft for discussion based on international best practices will be developed with the EC, ECB, and IMF staff **by end-January 2013**.

3.5 Adaptation of banking supervision

The BoG and the Government have maintained the stability and adequate supervision of the financial sector. With a view of adapting the supervision of the Greek banking sector to the changed banking environment the BoG are taking further important steps.

1. *Updating the supervisory model*. The BoG will complete a review of its supervisory approach in light of the new challenges ahead, **by Q2-2013**, with technical support provided by a banking supervision expert. Key enhancements will include: (i) the refocusing of off-site analytical capacity to assess the business models of the core banks and be able to monitor and critically analyse the implementation of their business plans and the direction that banks may be taking; (ii) updating onsite supervisory procedures and prudential regulation in light of the findings of the ongoing reviews; and (iii) an action plan to monitor credit risk concentration, in line with best practices, such as enhancing the monitoring of large business groups (including those related to bank owners) **by end-July 2013**.
2. *Standardizing asset quality disclosure*. To enhance information available on banks' asset quality, provisioning and income recognition, the BoG and the Hellenic Capital Markets Commission (HCMC) will issue guidelines in accordance with their respective competences, in order to align banks' disclosure practices to international best practices.

This is particularly relevant regarding the accounting for provisioning and the reporting of restructured loans. **By end-August 2013** with the assistance of a leading consulting firm, such practices will be benchmarked against those followed by top European institutions and will be reflected in the banks' end-2013 financial statements.

3. *Undertaking a Basel Core Principles (BCP) assessment.* The authorities will request the IMF to undertake a stand-alone assessment by **Q4-2014**. The BoG will prepare in advance by **end-June 2014** a self-assessment of compliance with the BCP with the support of independent experts **by Q2-2014**.
4. *Clarifying competences and responsibilities.* The authorities will develop and publish a memorandum of understanding governing the relationship of the HFSF as a shareholder and the BoG's role regarding the oversight of banks that have received state aid.

3.6 Review of insolvency frameworks

The authorities will strengthen the insolvency framework.

1. In consultation with the EC/ECB/IMF staff, the authorities will, **by Q4-2012**, on the basis of best international practices, review the insolvency framework of households and SMEs as well as the framework for out of court negotiations between banks and troubled borrowers, and prepare an assessment identifying areas for improvement. The aim will be to achieve predictable, equitable and transparent allocation of risks among all interested parties and maximizing value for the economy in general.
2. **By end-February 2013**, the authorities will revise, with technical support of international experts, the existing framework to facilitate workouts with over-indebted household borrowers that preserves bank solvency and credit discipline, avoids the use of fiscal resources to protect private borrowers and minimizes moral hazard by targeting borrowers that are in real need. The authorities will refrain from supporting initiatives that may undermine the payment culture in Greece.

3.7 Follow up stress testing

1. To ensure that the system remains sufficiently well-capitalized, the BoG will conduct a new stress test exercise, based on end-June 2013 data, using a methodology determined in consultation with the EC/ECB/IMF, **by Q4-2013**.

4 Strengthening labour market institutions and promoting employment

The Government will build upon the recent labour market reforms, by promoting an efficient wage-setting system, reducing non-wage labour costs and creating more options for the adaptability of working hours. These reforms should support the on-going adjustment of the labour market, with the aim of reducing nominal unit labour costs in the economy by 15 per cent over the period 2012-14, and thus help restore cost-competitiveness and boost employment in the medium to long term.

The Government will fight undeclared work and informality, also by streamlining administrative burdens and increasing the transparency and enforceability of the labour law, and enhance policies in order to help the unemployed returning to paid jobs, while developing adequate and affordable social safety nets. In addition, within the context of the product and service market reforms in order to help the latter to succeed, labour legislation treating preferentially some sectors or professions will be brought in line with general standards applicable to the rest of the economy as presented in Section 6.

Reforms in labour legislation will be implemented in consultation of social partners as a rule, and in respect of EU Directives and Core Labour Standards.

4.1 Reforms in the wage-setting system

The wage setting framework at national level will be reformed in consultation with social partners to help ensure that wage dynamics support employment while setting a floor for labour income.

The reform shall aim at establishing a statutory minimum wage system as the nation-wide legally binding minimum floor for wage setting. Negotiations for labour agreements and contracts of any type and level shall take into consideration the binding floor of the statutory minimum wage rate. As of the enactment of this reform, the National General Collective Labour Agreement binds only the signatory parties, regarding wages, allowances and any other direct remuneration clauses. The minimum wage rate shall be legislated by the Government after consultation with social partners, other stakeholders and independent experts, taking into account the economic and labour market situation and prospects. The reform will also define how the economic and labour market situation and prospects will be factored into that process in order to ensure that the objectives of supporting employment and safeguarding labour income are achieved.

Prior to the disbursement,

- a. The Government adopts the framework provisions for the reform of the minimum wage framework as described above, with the view of having the necessary changes finalised by Q1-2013 at the latest.
 1. With this reform, the base wage and the maturity allowances currently linked to the National General Collective Labour Agreement will start by being set in a statutory way without exceeding their current level over the Programme period, with no other statutory minimum allowances. The statutory minimum wage system is expected to come **by Q1-2013**.
 2. **By Q1-2014**, the Government will review the minimum wage system, with a view to possibly improve its simplicity and effectiveness to promote employment and fight unemployment and help the competitiveness of the economy.

4.2 *Adaptability of working hours arrangements*

Work schedules shall be made more flexible in order to allow working hours to better adjust to demand and production patterns that may vary over time as well as over sectors and firms, and thereby help employment and competitiveness.

Prior to the disbursement,

- a. The Government makes it possible - and in full respect of the current limits on the duration of the working week (including the 40-hours working week as a reference) and of minimum rests due to health reasons for specific categories of workers - to: (i) on a contractual basis, apply the general rules on the number of maximum workdays to sectors not now covered by the general rules; (ii) set the minimum daily rest at 11 hours; (iii) allow in seasonal sectors the consecutive minimum two week leave requirement to be taken anytime during the year.

4.3 *Reducing non-wage labour costs*

Prior to disbursement,

- a. the Government reduces the maximum dismissal notification period to 4 months and caps statutory severance pay at 12 months (while preserving the existing link between tenure and severance for tenures with severance below the cap). If the cap has already been surpassed on the date of the reform, the amount accrued will be grandfathered in case of future dismissal any time thereafter, subject to a cap of EUR 2000 per month for the number of months exceeding 12. Occupations for which statutory severance costs are in excess of the rule just described, the compensation for severance will be aligned with the latter.

With a view to foster employment creation, the Government:

1. adopts legislation **by November 2013** reforming the system of social contributions, 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, which will be phased in over 2014, 2015 and 2016. The reform will be revenue neutral and preserve the actuarial balance of the various funds.
2. As intermediate steps, actuarial studies of possible changes in the system of social contributions will be carried out and action plans proposed **by September 2013**.
3. Carries out actuarial 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 Q2-2013**.
4. Based on these studies of first-pillar pension schemes, and together with the reform of the system of social contributions, reduces social contribution for these companies and adjusts benefits in a fiscally-neutral manner **by Q4-2013**.

4.4 *Lowering compliance costs, fighting undeclared work and informality*

The Government streamlines reporting requirements on firms internal work arrangements in order to reduce the administrative burden — thereby lowering the costs of compliance and helping formality in labour arrangements, and reforms the Labour Inspectorate.

Prior to disbursement, the Government:

- a. eliminates the obligations: i) to ex-ante submit work schedules to the Labour Inspectorate; ii) to require pre-approval by the Labour Inspectorate of: overtime work, itinerary books of trucks and buses, the work book of daily employment of construction workers, and split of annual leave. These changes shall not apply in the cases of underage employees and workers. Employers will be obliged to record this information and make it available to the Labour Inspectorate for checks whenever requested.
- b. undertakes an independent external assessment of the Labour Inspectorate, to be completed by **Q4-2012**, on: (a) the mandate, activities and structure of the Labour Inspectorate with a view to increase its effectiveness and efficiency in fighting undeclared work while keeping administrative burdens for firms contained; and (b) the enforcement and penalty structure for infringements of labour arrangements (including undeclared work).

To implement the reform of the Labour Inspectorate:

1. The Government, based also on the external assessment of the Labour Inspectorate, shall present and start implementing a detailed action plan **by February 2013**, aimed at strengthening the fight against undeclared work and raising the effectiveness of the Labour Inspectorate. The plan should focus on: strengthening the mandate and effectiveness and efficiency of the Labour Inspectorate; amending monetary and legal penalties for infringement of law and regulations; streamlining the reporting by employers and employees; and reinforcing anti-fraud and anti-corruption mechanisms.

4.5 More transparent and enforceable labour law

1. The Government adopts **by Q4-2013** a single Labour Code compiling all existing legislation relevant for labour and industrial relations. This should ease interpretation, reduce compliance costs and increase enforceability of labour law. **By Q1-2013** the Government shall prepare a report on the structure of the Labour Code.

4.6 Support to the unemployed

1. The Government will seek to prevent unemployment becoming permanent and to mitigate the hardship of unemployment, by focusing on: facilitating the transition of workers across occupations and sectors; improving the quality of training policies; promoting the employability of the disadvantaged groups; targeting segments of the population with the strongest need of income support. To this end, an Action Plan should be adopted **by Q1-2013** aiming at:
 - i. Supporting job matching and activation of the unemployed by reforming and broadening the role of the Public Employment Service and by introducing short-term public work programmes where feasible and appropriate;
 - ii. Enhancing the effectiveness and adequacy of measures for re-skilling the unemployed, including by promoting the training of the unemployed by firms;
 - iii. Facilitating the combination of reduced working time schedules with training in case of temporary reductions in activity;
 - iv. Enhancing unemployment benefits to help mitigate the short-term impact of unemployment and supporting the long-term unemployed and specific categories of workers without entitlement to unemployment insurance.

The action plan should provide a description of the programmes currently in force and plans for their rationalisation as well as an indication on sources of financing.

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 further refines by **November-2012** the list of non-reciprocating charges in favour of third parties presented to the Commission services in November 2011 by i) identifying beneficiaries; ii) specifying the legal base of each contribution and iii) quantifying contributions paid by consumers in favour of those beneficiaries.
2. **Within the preparation of the 2013** budget, the Government ceases to earmark and directs:
 - i. the 0.5 percent charge provided for in the Emergency Statute 788/48 and in Law 3883/1958 on the value of all imported merchandise in favour of the National Technical University of Athens, the University of Thessaloniki, the Athens Academy and for the promotion of exports.
 - ii. the non-reciprocating charge calculated on the fuel price in favour of Mutual Distribution Fund of the Oil-Pump Operators of Liquid Fuel.
3. The Government eliminates the vast majority of the quasi fiscal charges in a budget neutral way in the 2014 budget. (**October 2013**)

5.1.2 Reducing procedural and other administrative burden

1. To further **simplify time for and reduce the cost of company creation**,:

Prior to the disbursement, the Government,

- a. removes the mandatory presence of a lawyer to draft the articles of association of companies with capital in excess of €100,000 (cfr. Art. 42.1 of law 3026/1954).

The Government, among others:

- i. Eliminates the prior check carried out by the One Stop Shop (OSS) on outstanding social security and health payments by founders, members, and directors of the new company, so that it does not cause a potential blockage to company formation. Instead, and after company formation, the OSS would notify IKA and / or OAEE of the company number and founders information, so that IKA and / or OAEE can take any further actions that they deem necessary. (**December 2012**)
- ii. Eliminates the ex-ante requirement for company seal and perforation of documents (books) as per the Code of Books and Records. (**November 2012**)
- iii. Enables the Ministry of Development to issue a Ministerial Decision providing for draft model company statutes without the prior proposal of the chambers of notaries and lawyers (cfr., Art. 12.2 of Law 3853/2010) (**December 2012**) and publishes the model company statutes in **January 2013**.

- iv. Reduces the minimum capital requirements of new companies to levels comparable with "best practice" Member States and within the limits of the second Company Law Directive. **(December 2012)**
 - v. Pass legislation making voluntary the registration of companies with the chambers of commerce as of January 2015. **(December 2012)**
 - vi. 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*. **(November 2013)**
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 of the same law, regarding preconditions for obtaining a licence for industry technicians, plumbers, liquid and gaseous fuel technicians, cooling technicians and machine operators in constructions. **(December 2012)**
 - ii. Art. 4.4, on preconditions for obtaining a licence for electricians, to reduce the number of specialisms, increase the mobility of electricians within the same level category and provide for the institution of private certification bodies. **(February 2013)**
 - iii. Art. 27.4, on Certified Inspectors. **(February 2013)**
 - iv. Art. 24.5, laying down the requirements for Citizens Service Centres' (KEP) for integrated electronic application among licensing bodies and for modalities of processing demands through it. **(March 2013)**
 - v. Art. 27.4, defining the fees paid for establishment and operating licenses. **(December 2012)**
 - vi. Art. 35.2, providing for the certification of the licensing service of the Chamber of Engineers. **(December 2012)**
3. To implement Law 4014/2011 on **environmental licensing of projects and activities**, the Government issues the Ministerial Decisions provided for in:
- i. Art. 2.13, to further specify the procedure and specific criteria for environmental licencing. **(December 2012)**
 - ii. Art. 8.3, on environmental licensing of projects and activities (other than industrial activities), laying down the standard environmental commitments of projects and activities in category B. **(January 2013)**
4. To simplify **export and import procedures**, the Government:
- a. **Prior to disbursement**, amends the regulatory framework of custom brokers to, among others i) eliminate the limitation of customs brokers' services to natural persons and to legal partnerships; ii) allow legal persons to represent others at customs, authorise companies (natural and legal persons) to complete customs formalities (for themselves or for other companies) without employing the services of a customs broker; iii) lift geographical restrictions, nationality requirements, the age limit to sit the examinations for customs brokers; iv) increase the frequency of examinations; v) review the system of annual renewal of licenses and to vi) repeal minimum fees.

In the short term, the Government:

- i. Publishes a National Trade Facilitation Strategy **(October 2012)** with time bound quantitative performance indicators to streamline pre-customs and

- customs procedures according to best practices and EU regulations. The overall goal of the strategy is (i) to establish an electronic single window for exports providing for a single entry point for exporters for all products and destinations and (ii) to achieve 50% reduction in the time needed to export by Q4 2015.
- ii. Launches in **November 2012** a review of the customs office as a pilot to optimise operations, reduce the number of physical and documentary controls, reassess the organization of labour, sequencing of procedures and work shifts and to enable 24/7 trade. The review is completed in **March 2013** and is applied to Athens airport and Piraeus Port by (**March 2013**) and all other customs offices by December 2013.
 - iii. Reviews the risk assessment system for exports, with recommendations for improvement in order to align it with best practices in EU Member States. (**December 2012**) 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. (**December 2012**)
 - v. Ensures that the e-customs system supports the electronic submission of all import and export declarations, including the possibility of submitting documents and making payments electronically. (**June 2013**)
 - vi. Implements automatic clearance for low risk declarations, based on EU best practices. (**December 2013**)
 - vii. Ensures that the trade facilitation strategy is supervised and coordinated by an inter-ministerial steering committee, to be appointed by **December 2012**.
5. To identify and eliminate unnecessary **reporting requirements** for businesses:
- i. The Government, assisted by the OECD, starts applying the Standard Cost Model (SCM) to identify administrative burdens for businesses in 13 key sectors, with a view to reducing administrative burdens by at least 20 percent (compared with the baseline year 2008). (**December 2012**)
 - ii. The sectors are the following: Agriculture and agricultural subsidies, Annual accounts/company law, Energy, Environment, Fisheries, Food safety, Pharmaceutical legislation, Public procurement, Statistics, Tax law (VAT), Telecommunications, Tourism, Working environment/employment relations.
 - iii. Following the identification of administrative burdens (by **June 2013**), the Government completes the amendments to sector specific legislation by **September 2013**.
7. To facilitate **spatial planning** including through an effective **land registry**, the Government:
- i. adopts legislation to (i) simplify and reduce the time needed for town planning processes (**January 2013**); (ii) update (**March 2013**) and codify legislation on forests, forest lands and parks (**September 2014**). It also licenses at least two disposal sites for hazardous waste (**June 2013**).
 - ii. completes the revision of the 12 regional spatial plans to make them compatible with the sectoral plans on industry, tourism, aquaculture and renewable energy. The first phase of this revision is completed (**December 2012**), followed by a second phase for modifications (**May 2013**), a third phase for the formulation of

proposals (**September 2013**) and a fourth phase for the legislation of the final proposal (**December 2013**).

- iii. accelerates the completion of the land registry, with a view to:
 - a) tendering out all remaining rights (ca. 15 million) and awarding cadastral projects for 7 million rights. (**December 2012**)
 - b) digitalising the operations of all mortgage and notaries' offices and conveying all newly registered deeds to the cadastre by **2015**.
 - c) exclusively-operating cadastral offices for large urban centres by **2015**.
 - d) establishing a complete cadastral register and exclusively operating cadastral offices nationwide by **2020**.

5.1.3 Enhancing competition

1. With the help of the Hellenic Competition Commission, the Government will screen the restrictions in the air transport services (including airport services) and maritime transport (including seaport services) and will prepare by **end-January 2013** a set of measures to promote competition in those sectors and facilitate price flexibility.
2. The Government, assisted by the OECD, starts applying the Competition Assessment Toolkit in sectors such as food processing, retail trade, building materials and tourism to identify unnecessary restraints on market activities and develop alternative, less restrictive measures that still achieve government policy objectives. (**December 2012**)
3. Immediately upon completion of the analysis (**June 2013**), the Government will prepare the legislative amendments to remove disproportionate regulatory restrictions identified by the Competition Assessment Toolkit, with a view to having them adopted by **September 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:

- ensures effective and timely enforcement of contracts, competition rules and judicial decisions;
- increases efficiency by adopting organisational changes to courts;
- 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

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

5.2.2 Judicial statistics

1. In order to facilitate the implementation of a performance and accountability framework for courts, the Government will compile and publish on its website the information indicated in Section 9.4 of this Memorandum. (**Quarterly**)
2. It also establishes an interservice group between the Ministry of Justice, Transparency and Human Rights, the Ministry of Finance and the Hellenic Statistical Authority to cooperate in the compilation and publication of the data in Section 9.4 of this Memorandum and the establishment and updating of a database with case data for each court. This cooperation takes into consideration current and future e-justice applications. (**November 2012**)

5.2.3 Tax case backlog reduction

1. Following the submission of the work plan for the reduction of the backlog of tax cases in all administrative tribunals and administrative courts of appeal in January 2012 and its first update in July 2012, which provides for the intermediate target for reducing the backlog by at least 80 per cent by end-December 2012 and for the *full clearance* of the backlog by end-July 2013, the Government, by **end-October 2012** and thereafter once a quarter:
 - i. presents updated and further refined work plans (ensuring that priority is placed on high value tax cases – i.e., exceeding €1 million);
 - ii. takes remedial action in case of anticipated or actual deviations, and
 - iii. publishes reports on progress in backlog reduction.

5.2.4 Non-tax case backlog reduction

1. The Government presents to the EC/IMF/ECB and publishes the study of the backlog of non-tax cases in courts conducted jointly with an external body of experts. (**December 2012**)
2. By **end-January 2013**, the Government presents to EC/IMF/ECB, based on the above-mentioned study, an action plan with specific measures for a reduction of such backlog of at least 50 per cent by **end-July 2013**.

5.2.5 Reorganization of the magistrates' court

1. As publicly announced, the Government adopts a Presidential Decree providing for the rationalisation and reorganisation of the magistrates' courts and the allocation of appropriate human resources and infrastructure for the new structure of magistrates' courts resulting from this reform making the most effective use of the existing resources available within the system. (**October 2012**) The Presidential Decree on the reform of the magistrates' courts is implemented by **March 2013**.

5.2.6 Development of e-justice applications in courts

1. By **end-December 2012**, the Government updates, further refines and operationalises every quarter the e-justice work plan of December 2011 and its first update of July 2012 for the use of e-registration and e-tracking of the status of individual cases in all courts covered by the action plan and for e-filing.
2. The updates will contain an evaluation to be completed by **end-March 2013** of the e-filing pilot project at the Athens Court of First Instance, an evaluation to be completed by **end-**

March 2014 of the level of integration of IT systems achieved at that time in all courts of the country, and a timetable with proposed deadlines aiming at the extension of e-registration and e-tracking to all courts by **end-2015**. The Government ensures consistency of the e-Justice action plan with the e-government strategy.

5.2.7 Promotion of pre-trial conciliation and mediation

1. By **end-October 2012**, the Government develops its strategy on the active promotion of pre-trial conciliation, mediation, and arbitration, with a view to ensuring that a significant amount of citizens and businesses make use of these modes of alternative dispute resolution. In order to implement this strategy, the Government, *inter alia*, applies to obtain funding under the Operational Programme ‘Human Resource Development’ by **end-November 2012**.
2. By **end-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 analysis concerning costs, time and success rates associated with the enforcement of agreements arising from alternative dispute resolution as compared with the enforcement of judicial decisions.
3. By **end-December 2013**, the Government presents a legislative proposal for the effective opening of the mediator’s profession to non-lawyers.

5.2.8 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. **(December 2012)**
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. **(June 2013)**
3. **Study on household and corporate insolvency**: the Government evaluates existing law and practice in this area and prepares a paper assessing the areas for improvement to bring the Greek insolvency law and practice in line with international best practices with a focus on:
 - i. allocating risks between debtors and creditors in a transparent, predictable and equitable manner;
 - ii. supporting the early rescue of financially stressed but economically viable businesses, with a particular focus on SMEs (e.g., through out-of-court restructuring, pre-insolvency reconciliation or fast track court approval procedures), whilst maintaining safeguards against the abuse of these procedures;

- iii. ensuring efficient liquidation to facilitate swift exit of non-viable firms;
- iv. allowing flexibility in the modality for the sale of a debtor's estate (e.g., going concern sale) to maximize the value for all interested parties;
- v. providing sufficient publicity of decisions relating to insolvency procedures;
- vi. ensuring adequate training of the principal parties involved in resolving insolvency (e.g. judges, receivers, administrators, liquidators) and
- vii. addressing cross-border insolvency outside the scope of Regulation (EC) No 1346/2000 to mitigate delays of insolvency proceedings involving multinational entities or groups of enterprises and facilitate their reorganization. **(February 2013)**

4. **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)**

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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.

6.1.1 Unbundling effectively network activities from supply activities

1. Legislation is passed providing for the details of the ITO-option for the gas TSO. (**end-November 2012**)
2. DESFA applies for certification to RAE. (**December 2012**)
3. The unbundled gas TSO is certified by the Greek energy regulator. (**March 2013 or prior to the clearance of the privatisation of DEPA, whichever date comes earlier**)

6.1.2 Provisions regarding the privatisation of PPC and DESFA:

1. The Government submits a plan for the restructuring of PPC with a view to preparing the company for privatisation and to allowing PPC to be competitive with other firms in a liberalised electricity market. The plan shall specify which parts of PPC should be privatised and within which timeframe. The plan shall also include provisions for the divestment of lignite-fired and hydro electricity generation capacity currently managed by PPC and evaluate the possibility of ownership unbundling of ADMIE. (**November 2012**)
2. The Government undertakes that whichever the outcome of the privatisation process the gas industry and electricity industry structure will be fully compliant with Directive 2009/73/EC and 2009/72/EC. (**Continuous**)

6.1.3 Ensuring that electricity prices reflect costs

1. The Government takes measures for the gradual phasing out of regulated electricity prices for all but vulnerable customers by **June 2013**. In this respect:
 - i. it issues a Ministerial Decision to adjust end-user prices for low voltage customers, effective as of January 2013. (**December 2012**)
 - ii. as necessary, it issues a Ministerial Decision by **end-March 2013**, effective as of May 2013, to further set low voltage end user prices at cost recovery.
 - iii. it removes regulated tariffs for all but vulnerable consumers. (**June 2013**)
2. In addition, the Government assesses best practices with a view to charging royalties for the use of hydro and lignite. (**March 2013**)
3. To evaluate the incumbent electricity company's operating costs the Government submits to the EC/IMF/ECB and publishes a study by a specialist of European standing to compare PPC worker's remuneration with best-practice European electricity companies, by

comparable job assignments and productivity per employee. Remuneration and promotion schemes also to be assessed against practices in private Greek companies. **(December 2012)**

6.1.4 Implementing smart metering systems

1. The Government issues a Ministerial Decision, based on the advice of RAE, on the large-scale replacement of existing systems with smart metering systems and explores assistance from EU structural funds and/or the EIB to conduct this strategic investment. **(end-December 2012)**

6.1.5 Providing for a financially sustainable development of renewable energy sources

Within a short term perspective, the Government:

1. Ensures that from **January 2013** onwards, LAGIE publishes monthly data on the evolution of the RES account with projections throughout 2013. **(Monthly)**
2. Takes measures to reduce the accumulation of licences issued for renewable energy installations, but not implemented. **(December 2012)**
3. Adjusts the RES levy every six months (**January** and **July 2013**) to eliminate the projected RES account debt by **end-December 2013**.

To achieve a long-lasting reform of renewable support schemes, the Government:

4. Submits to the Commission services a **detailed plan for the reform** of the renewable energy support schemes such that they are more compatible with market developments and are subject to budgetary discipline. **(December 2012)** The reform should look into:
 - i. options applicable to the support scheme, including market elements such as forward looking tariff digression and feed-in-premia, combined with a ceiling on the number of licenses, volume of capacity supported or overall subsidies to be provided per technology/tariff category.
 - ii. current and expected trends in costs for all relevant technologies.
 - iii. a sustainable and transparent framework for the regular adjustment of the RES levy.
5. Caps temporarily new connections of rooftop PV systems. **(March 2013)**
6. Adopts the reform of the renewable energy support schemes as specified in paragraph 4. **(June 2013)**

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

1. A detailed plan and roadmap to change the market model is presented to the Commission services, including measures to have effective competition in generation and supply, the development of a power exchange, introducing an intra-day market and implementing market coupling with neighbouring markets. **(end-December 2012)**
2. The study also presents a time bound roadmap and estimation of costs of connecting Crete to mainland Greece. **(end-December 2012)**

6.1.7 Fuel distribution

1. To facilitate the **import and trade of oil and oil products**, in the transposition of Directive 2009/119, the Government creates the framework for setting up of a Central Stockholding Entity (CSE), within the meaning of the Directive. In addition, the transposition law will grant economic operators, on which it imposes stockholding obligations, the right of delegation of such obligations with:
 - i. the CSE in Greece (should there be one) or to other economic operators within Greece which have surplus stocks or available stockholding capacity, without quantitative restrictions, and /or
 - ii. the CSEs of other EU Member States up to a percentage of the stockholdings obligations imposed on them, upon the entry into force of the transposition law, and /or
 - iii. economic operators abroad which have surplus stocks or available stockholding capacity up to a percentage of the stockholdings obligations imposed on them, upon the entry into force of the transposition law.

The percentage of cases (ii) and (iii) is at least 30%. **(December 2012)**

2. To eliminate **restrictions on public and private use trucks** for fuel distribution:

Prior to the disbursement, the Government takes measures to:

- a. allow independent gas stations to own or rent tanker trucks of any capacity provided that safety standards for the transportation of fuel are respected.
- b. allow independent gas stations to hire public-used tanker trucks for fuel transportation without needing to qualify for their own private used tankers.
- c. allow any tanker truck, regardless of its capacity, to enter the refineries and customs installations to transport fuel under their own brand name/trademark, provided that safety standards for the transportation of the fuel are respected.

3. To improve **monitoring systems**, prevent **illegal trade and tax evasion** in fuel distribution:

Prior to the disbursement, the Government:

- a. issues technical specifications and next steps for the implementation of the input-output measurement system in all fuel stations;
- b. issues a Ministerial Decision providing for the installation of GPS systems, as provided for in Art. 320 of law 4072/2012.

6.2 *Electronic communications*

The switchover 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. amend the frequency and the broadcasting plans, taking into consideration the state of play of international coordination, allocating and authorising the use of the digital dividend to Electronic Communication Services. (**December 2012**)
 - ii. adopt necessary secondary legislation for the assignment of licenses for broadcasting and for the establishment of licensing procedures. (**March 2013**)
 - iii. launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services, in line with EC Decision 2010/267/EU and in respect of the deadlines and procedures of the RSPP. (**December 2012**) (*)
 - iv. 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**)
 - v. Adopt secondary legislation that defines a mandatory date for the switch-off of analogue broadcasting and a technologically neutral utilisation of the 800MHz band after the switch off, taking also into account the provisions of the draft Radio Spectrum Policy Programme (RSPP). (**March 2013**)
 - vi. launch the tender for the assignment of rights of use for broadcasting transmission. (**March 2013**)
 - vii. 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. (**June 2013**) (*)

(*) The deadlines for steps (iii) and (vii) 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 allow for higher levels of 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

Prior to disbursement, the Government adopts all necessary measures to:

- a. Remove restrictions on the rental of pickup trucks, vans and chauffeur services;
- b. Allow shuttle services by hotels and tour agencies using small vehicles (less than 12 seats) and tour packages for small vans and off-terrain vehicles.

1. After having completed the report on the functioning of the regular passenger services, the Government:
 - i. Defines a follow up strategy for the effective opening of the sector in line with state aid rules and EU Legislation on awarding contracts of passenger transport services, while ensuring continuity of service provision and identifying concrete options for public transportation in remote areas (**December 2012**).
 - ii. Approves the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators (**March 2013**).

6.3.2 Maritime Activities and Ports

1. The Government:
 - i. Launches (**October 2012**) a consultation procedure to review the legal framework of the domestic ferry industry, with a view to strengthening the growth potential of the tourist sector. Particular attention is given, inter alia, to increasing the flexibility of (i) manning requirements of vessels outside the minimum routing obligations and (ii) approving changes in the timetables and vessel size for ferry services.
 - ii. Make a concrete amendment of Law 2932/2011 building on this consultation (**February 2013**).
 - iii. Launches the social dialogue, following the Maritime Labour Convention (2006) principles, in order for labour arrangements to respond to the current economic context and future developments (**October 2012**).
2. Following the first submitted version of the port national strategy, the Government adopts a five-year port national strategy that ensures connectivity of ports with the overall transport network, specifying concrete projects, deadlines for implementation and a financial plan. The strategy will be coherent with TEN-T priorities and principles, such as the smooth operation of the internal market, the mobility of persons and goods and the economic, social and territorial cohesion of the European Union, the efficient use of the assigned Structural and Cohesion Funds and in line with State aid rules (**December 2012**).
3. In alignment with the new ports strategy and organisational model for ports, the Privatisation Fund (HRADF) defines a concrete privatisation strategy mainly through concessions with the objective of making the best use of the ports (**February 2013**) and launches the appropriate call(s) for tender (**March 2013**).
4. The Government revises the legal framework governing port labour relations and the administrative functioning of ports and sends a draft proposal to the Commission services (see Annex 9.5 for a non-exhaustive list of labour regulations for ports) (**December 2012**). This revision complies with the EU social *acquis* and provides, among others, for the training and certification of cargo-handling employees, and defines a competitive model for ports and terminal operators. The new legal framework is adopted (**March 2013**).

5. The Government examines compatibility with Community legislation and in particular State aid rules and amends as necessary provisions concerning Piraeus Port (OLP) and Thessaloniki Port (OLTH), in particular **(December 2012)**:
 - i. Law 2688/1999:
 - a. Chapter A, Article Second, paragraph 2;
 - b. Chapter A, Article Third, article 5, paragraph 5;
 - c. Chapter B, Article Seventh, paragraph 2;
 - d. Chapter B, Article Eighth article 5, paragraph 5.
 - ii. Law 2937/2001: Article 34.

6.3.3 Aviation

1. After having submitted the National Airport Policy, the Privatisation Fund (HRADF) launches the appropriate process leading to the privatisation of regional airports **(December 2012)**.
2. The Government submits legislation for the restructuring of the Hellenic Civil Aviation Authority (HCAA), which strengthens its regulatory role and implements the full separation between Regulation and Management from Operation. The Government ensures improvements in the performance of air traffic management delivery through adherence to the relevant EU Regulation (EU 691/2010) **(December 2012)**. Public airports that will not be privatised will be formed under a public body and their management and operation will be totally separated from the HCAA. New legislation is adopted **(January 2013)**.

6.3.4 Railways

1. The Government spins-off ROSCO (Maintenance Unit), GAIOSE (Real Estate), transfers the leasing of the rolling stock activities from the OSE Group to the State, and provides an updated TRAINOSE Business Plan **(November 2012)**.
2. The Government amends the law such that the fee of charges for obtaining a license or a safety certificate does not exceed the average European charge. All operators are awarded safety certificates on the basis of published, simple and transparent rules for the duration of five years **(December 2012)**.
3. The rolling stock that is not used/needed by TRAINOSE is transferred to a body that leases it on market conditions, including winners of such tenders **(December 2012)**.
4. The Government establishes independent award authorities for passenger services by rail that can organize competitive tenders **(January 2013)**. Contracts concluded in 2014 or later will generally be awarded by means of competitive tender. The National Safety Authority establishes the examination of five examiners for train drivers according to the EU Regulation and publication of register of examiners on the web. The safety authority publishes the conditions and procedures to recognize drivers **(March 2013)**. The Government amends the safety legislation to establish a right of any company on access to train driver facilities and examiners **(April 2013)**.
5. Tariffs in OSE Group and TRAINOSE **(June 2013)** and OASA Group **(October 2013)** increase by at least 25 percent.

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 transport and healthcare provisions applicable to retail outlets. Combined, the measures should help contribute to lower prices and more choice for consumers.

Prior to the next disbursement, the Government:

- a. eliminates the requirement of minimum space for the sale of food products.
- b. allows mixed shops to sell goods other than food, subject to hygiene and food and safety standards.
- c. allows supermarkets the sale of pre-packaged meat, cheese and fish products;
- d. liberalizes sale in supermarkets of infant milk (i.e., 0-6 months)
- e. allows a delink of the working hours of all employees in establishments (as defined in Law 1037/1971 and related implementing legislation) from opening hours of the establishment.
- f. adjusts the law to clarify that shift breaks are allowed in all retail establishments (including those with continuous working schedule).

In addition, the Government:

1. applies the same standards for transporting perishable goods to private-use trucks as those applicable to public-use trucks. (**December 2012**)
2. carries out a proportionality analysis of the restrictions applied on outdoor / ambulant trade for social policy criteria. (**December 2012**)
3. completes the revision of Ministerial Decision A2-3391/2009 on market regulations and submits it to the Commission services, in accordance with the notification procedure provided for in Directive 98/34. (**October 2012**) The revised Ministerial Decision on market regulations is adopted one month after the reply from the Commission services, following the notification process.
4. reviews and amends the Market Policing Code (Law 136 /1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012. (**January 2013**)

6.5 Regulated professions, professional qualifications and provision of services

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

- a. **Prior to the disbursement**, the Government amends specific legislation to lift the restrictions in the professions and economic activities listed in Section 9.2.1 of this Memorandum.
1. For professions and economic activities included in Section 9.2.2, the Government prepares draft provisions amending sector specific legislation as per the opinions of the Hellenic Competition Commission. The legislation is adopted by **December 2012**.

2. A report on the implementation of Law 3919/2011 is published on the Government's website (**December 2012**), including:
 - i. the list of all professions/economic activities falling under the scope of that law.
 - ii. the list of all remaining professions/economic activities that have not been treated beforehand. For these, the Government ensures that the regulatory framework is fully in line with chapter A of law 3919/2011 and the opinions (if applicable) of the Hellenic Competition Commission (HCC) by (**December 2012**).

3. To reinforce **transparency** in the functioning of professional bodies: Legislation is adopted mandating the publication on the webpage of each professional association the following information (**December 2012**):
 - i. the annual accounts of the professional association.
 - ii. the remuneration of the members of the Governing Board broken down by function.
 - iii. the amounts of the applicable fees broken down by type and type of service provided by the professional association as well as the rules for their calculation and application.
 - iv. statistical and aggregate data relating to sanctions imposed, always in accordance with the legislation on personal data protection.
 - v. statistical and aggregate data relating to claims or complaints submitted by consumers or organisations and the reasons for accepting or rejecting the claim or the complaint, always in accordance with the legislation on personal data protection.
 - vi. any change in the professional codes of conduct, if available.
 - vii. the rules regarding incompatibility and any situation characterised by a conflict of interests involving the members of the Governing Boards.

4. To **de-link minimum fees** for professional services from taxation and contributions to social security funds and professional associations:
 - i. The Government issues a Presidential Decree, which sets a system of prepaid fixed/contract sums for each procedural act or appearance by a lawyer, which is not linked to a specific 'reference amount'. (**November 2012**)
 - ii. Within the context of the tax reform, it also identifies ways of de-linking taxation from engineers legal fees and from lawyers legal fees / reference amounts. (**December 2012**) This reform becomes operational upon the entry into force of the tax reform in **January 2013**.

5. To assess the proportionality and justification of **activities reserved** to specific regulated professions:
 - i. The Government updates the study of the regulations of the professions submitted to the Commission services in July 2012, to assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. (**November -2012**)
 - iii. Draft legislation is sent to Parliament amending unjustified or disproportionate requirements reserving certain activities to providers with specific professional qualifications, starting from the main regulated professions (i.e., lawyers, engineers, accountants, sworn-in valuers, energy / building inspectors, etc.). (**March 2013**)

6.5.2 Additional measures

Prior to disbursement, legislation is adopted to:

- a. repeal the mandatory involvement of a lawyer for transactions on ships with immediate effect and for the drawing up of real estate transactions with an immediate effect for the seller and with an effect from 31-12-2013 for the buyer, with the relevant thresholds immediately raised to €80,000 for the entire country;
- b. repeal the presence of a lawyer (with immediate effect) for the contracts for the distribution or exchange of real estate property as well as for the gratuitous legal transactions, such as donations;
- c. repeal the scale of minimum monthly amounts that are due to private sector lawyers remunerated for services rendered with a fixed periodic fee. This is without prejudice to having fee regulations for trainee lawyers and the minimum wage for private sector workers provided for in law 4046/2012.

Other actions

1. A draft code revising Legislative Decree 3026/1954 is submitted to the Commission services by **end-November 2012** and adopted by **December 2012**. The new code should, among others, abolish total bans on commercial communications, repeal age limits to take the Bar examinations, ease the re-entry into the legal profession and clarify the nature of lawyers' fees provided for in current legislation.
2. 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**)
3. 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. (**September 2013**)

6.5.3 Easing the recognition of professional qualifications

1. Measures are taken to ensure the effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings (*inter alia*, related to franchised diplomas). In particular, the Government:
2. continues to update the information on the number of pending applications for the recognition of professional qualifications, and sends it to the European Commission. (**Quarterly**)
3. adopts legislation to i) remove the prohibition to recognise the qualifications derived from franchised degrees to access or exercise an economic activity and to ii) ensure that holders of franchised degrees from other Member States have the right to work in Greece under the same conditions as holders of Greek degrees. (**November 2012**)

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

The Government ensures:

1. that the Point of Single Contact (PSC) is fully operational in all sectors covered by the Services Directive. **(December 2012)**
2. that the PSC distinguishes between procedures applicable to service providers established in Greece and those applicable to cross-border providers (in particular for the regulated professions). **(December 2012)**
3. that there is adequate connection between the PSC and other relevant authorities (including one-stop shops, professional associations and the recognition of professional qualifications) and that the submission of on-line applications as regards the recognition of professional qualifications is fully operational. **(December 2012)**

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7 Increasing the impact of structural and cohesion funds

1. The Government meets targets for payment claims and major projects in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data. **(Q4 2012)**

Table 1: Targets for payment claims in the absorption of Structural and Cohesion Funds (programming period 2007-2013) to be submitted through 2013

(EUR million)

	2012	2013
European Regional Development Fund (ERDF) and Cohesion Fund	2,850	3,000
European Social Fund (ESF)	880	890
Target of first half of the year	1,231	1,284
Total annual target	3,730	3,890

2. 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.
3. The Government continues to monitor on a quarterly basis the implementation of the priority projects, certain of which — as the functional review of the public administration, the "Elenxis" project for the tax control services, the land register, the solid waste management infrastructures, the railway projects, the e-prescription, the e-procurement, the development of a social economy sector and the national registry — are critical for the development of the country. For priority projects in delay, a method for closer monitoring should be agreed **(Q4 2012)** in order to allow the adoption of the necessary measures on time. The priority projects should be completed by the **end of 2015**.
4. Support to SMEs managed at central and regional level is targeted to directly contribute to the development of the economy and the creation of sustainable employment, in particular for young people. Guidelines are issued for the definition of the conditions of granting state aid and its monitoring. **(Q4 2012)**
5. Within the review of the public procurement regulations (cfr. section 2.7.2.2.3), legislation is adopted, and immediately implemented, to shorten deadlines and simplify procedures on contract award. **(Q1 2013)**
6. The monitoring tool for expropriations is completed and operational and data are made accessible to the public. **(Q1 2013)**
7. Following the simplification initiative launched in May 2010 the Government takes measures to speed up absorption, accelerate payments to beneficiaries and simplify the management and project implementation on the basis of issues raised by the Commission

and any other additional issues which may be proposed. In particular, the Government reviews the "sleeping" projects, un-activated delegations and sleeping contracts and informs the Commission on those eliminated. **(Q4 2012)** Similar exercises are periodically repeated until the expiry of the programming period.

8. The Government adopts measures and starts implementing an anti-fraud strategy in the field of the Structural Funds and the Cohesion Fund **(Q2 2013)**. The Government establishes an efficient inter-service consultation procedure supported by an electronic system. For this, an integrated project will be set up and implemented with the exploitation of the existing infrastructure. **(Q1 2013)**

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8 Monitoring and Technical assistance

8.1 Statistics

High quality statistics are key for effective economic surveillance and policy design, and for the proper monitoring and execution of the budget. Significant progress has been made in improving the quality and coverage of statistics in Greece during the past two years.

The Government commits to continue supporting the work of ELSTAT, and to honour its "Commitment on Confidence" signed by the Prime Minister of Greece on 29 February 2012 and which states among other things that " The Hellenic Republic ...makes the solemn commitments to fully respect the international and European standards for statistical data quality....to guarantee and defend the professional independence of the...Hellenic Statistical Authority...and to defend [it] against any efforts to undermine [its] credibility...and secure adequate and stable resources [for it]"

1. The Government, as stated in the aforementioned "Commitment on Confidence", further commits to decouple the budget of ELSTAT from that of the Ministry of Finance in line with the existing procedures and involving the Hellenic Parliament and the Court of Audit. From January 1st 2013 onwards, ELSTAT as a legal entity under Greek public law will get budgetary execution autonomy in accordance with the relevant legal framework, in particular Law 4072/2012, article 323. The Authorities commit to complete all actions needed to establish budgetary execution autonomy to ELSTAT in line with Law 4072/2012, article 323.
 - i. To achieve this, the Government amends the Law 3832/2010 regarding the non-applicability to ELSTAT of the provisions of article 25 of Law 2362/1995 and, more broadly, of any other provision the implementation of which is not consistent with the independence of ELSTAT (**November, 2012**).
2. **Prior to disbursement**, and to ensure a smooth and effective transition toward the new framework, the Authorities commit to clear all arrears toward ELSTAT for the financial years 2011 and 2012. Those arrears will be paid at the expense of ELSTAT's 2012 budget.

9 Annexes

9.1 Privatisation plan and intermediate steps

Greece--Hellenic Asset Development Fund: Projects Under Development 2012-14

Timing of Privatisation Project (Launch of Tender)		Transferred to HRADF	Advisors contracted	Intermediate Steps
I. State-owned enterprise/share sale				
---	OTE	✓	n.a.	Done.
---	4 Airbus	1/	✓	Delivery of aircrafts pending.
2012 Q1	Public Gas (DEPA)	✓	✓	Non-binding bids (November 2012). Modification of statutory provision at time of privatisation.
Q1	Public Gas (DESFA)	✓	✓	State aid clearance (January 2013). Law for certification of transmission operator (November 2012) and security of gas supply (not a necessary condition for DESFA's privatisation).
Q4	Football Prognostics Organization (OPAP)	4/	✓	VLT regulation issuance and notification to EU (November 2012). Law on new tax provisions for state aid clearance (December 2012).
2013 Q1	Horseshoe Betting Organization (ODIE)	✓	✓	Pending state aid clearance, adopt legislation for the granting of the new license and the subsequent liquidation of the company (January 2013).
Q1	Hellenic Post (ELTA)	2/ 3/	✓	Ministerial decisions for (i) the determination of the content of universal service and (ii) the compensation mechanism for USP drafted and prenotified to DGComp.
Q1	Hellenic Vehicle Industry (ELVO)	2/ 3/	✓	Transaction structure to be determined and agreed (February 2013).
Q2	Thessaloniki Water (EYATH)	✓	✓	Establish regulatory framework (December 2012). Establish pricing policy and amend the license (May 2013).
Q2	Hellenic Petroleum (HELPE)	✓	✓	Following divestment of DEPA.
Q2	Athens Water (EYDAP)	✓	✓	Establish regulatory framework (December 2012). Establish pricing policy and amend license (September 2013). Settlement of receivables from the State (September 2013).
Q2	Mining and Metallurgical Company (LARCC)	✓	✓	Law for establishing a new company (November 2012).
Q2	Athens Airport (AIA)	3/ 4/	✓	Re-approach Hochtief Airports (November 2012).
Q2	Hellenic Defense Systems (EAS)	1/	Pending	Clearance by Ministry of Defense (November 2012). Identify assets for privatisation (December 2012).
Q2	Railways (Trainose)	1/	Pending	Remaining problems in Trainose will be resolved (February 2013). Trainose will then be transferred to the HRADF (March 2013).
Q3	Public Power Corporation (PPC)	2/ 3/	✓	MoEnergy to issue Energy Policy Objectives (December 2012), and approval of restructuring plan (December 2012).
Pending court decision Casino Mont Parnes		1/	✓	Pending legal action for the recovery of the state aid taken by the Ministry of Culture (November 2012). Harmonisation of entrance ticket prices (November 2012).
II. Concessions				
---	OPAP 1	✓	n.a.	Done.
---	OPAP 2	✓	n.a.	Done.
	Mobile Telephony	✓	n.a.	Done.
n.a.	Hellenic Motorways	✓	✓	Negotiations for the restart of projects currently in progress; ratification of reset agreement by Parliament (December 2012).
2012 Q4	State Lottery	✓	✓	Binding offers (November 2012). Submission to Court of Auditors (December 2012).
2013 Q1	Egnatia Odos	2/	✓	Launching of tender process dependent on: a) agreement/finalisation with Ministry of Development on key commercial, legal and technical characteristics of the concession and consequently conclusion of business plan, b) decision on tolling policy and toll collection system to be applied, c) treatment of Piraeus loan granted to Egnatia Odos SA and d) successful reset of the 4 Motorway concession projects
Q1	Small ports and marinas	✓	✓	Resolve issues related to urban zoning (December 2012).
Q1	Regional airports	✓	✓	National Airports Policy defined. Establish regulatory framework (January 2013).
Q2	Thessaloniki Port (OLTH)	✓	✓	Issue national port strategy (November 2012) and establish regulatory framework (April 2013). State aid clearance (March 2013).
Q2	Piraeus Port (OLP)	✓	✓	Issue national port strategy (November 2012) and establish regulatory framework (April 2013). State aid clearance (March 2013).
Q2	Large regional ports	2/	✓	Issue national port strategy (November 2012) and establish regulatory framework (April 2013). State aid clearance (March 2013).
Q3	South Kavala Gas Storage	✓	✓	Decision on the best exploitation option (December 2012).
Q4	Digital Dividend	n.a.	n.a.	National policy defined (last October 2012). Issue MD (November 2012) so that proceeds are transferred to the HRADF. Pass law to finalise licensing of TV stations and digital broadcasting (December 2012).
n.a.	Mining rights			-
III. Real Estate				
2011 Q4	Hellenikon 1	✓	✓	Transfer of Hellenikon SA ownership to HRADF (November 2012). Launch Phase B of tender process (November 2012).
2012 Q1	IBC	✓	✓	Issue PD for ESCHADA (November 2012) and have approval from Court of Audit (December 2012).
Q1	Cassiopi	✓	✓	Declassification of Naval outpost (November 2012). ESCHADA already submitted (last October 2012).
Q1	Lot 1 (Afantou)	✓	✓	ESCHADA already submitted (last October 2012).
Q4	Sale/repo 28 buildings	✓	✓	Issue MD with list of buildings to be transferred to HRADF (November 2012). Amended law on public leases (last October 2012).
2013 Q1	Astir Vouliagmenis	1/	✓	Negotiations ongoing with NBG. ESCHADA to be submitted (January 2013). Process led by NBG.
Q1	Real Estate lot 2	1/	✓	40 properties to be identified (December 2012) and transferred to HRADF (March 2013).
Q4	Real Estate lot 3	1/	✓	At least 1,000 real estate properties to be transferred to HRADF (December 2013).

Source: HRADF update on projects under development.

1/ Transfer of assets/rights at the point of privatisation.

2/ HRADF has been granted the right to exercise the voting rights attached to the shares owned by the Hellenic Republic. Transfer of shares has not taken place.

3/ Contract signed by Ministry of Finance is required for HRADF to exercise the voting right.

4/ Only partial transfer of shares.

5/ ESCHADA = zoning and land planning permit.

9.2 Regulated professions

9.2.1 List no. 1: list of restrictions on selected regulated professions to be repealed prior to the next disbursement

1. **Stevedores for land operations and at ports:** simplify declaration procedures, repeal fixed fees for loading and unloading services and allow stevedores to be employed under private sector law.
2. **Sworn-in valuers:** Issue new legislation to eliminate the applicable fees, the system of *numerus clausus*, the nationality requirement, allow legal entities to pursue the profession and open up the areas reserved in exclusivity to this profession.
3. **Accountants and tax consultants:** clarify in circular 26801/DIOE 654 of 13 June 2012 that the professional identity card will be issued automatically within the three months period; ii) clarify that it is SAEP the body responsible for the recognition of professional qualifications; iii) amend Ministerial Decision POL 1166/2011 to abolish the certification procedure provided for thereof, which is applicable to legal entities and natural persons; iv) include in the text of the circular references to the legal text of accountants/ tax advisors that have been abolished by law 3919/2011. In addition, amend sector specific legislation to eliminate inconsistencies with the 2011 law on regulated professions.
4. **Temporary employment companies (TEC):** amend sector specific law to i) reduce the minimum capital of €176.083 (Art.123.1 of law 4052/2012); ii) two eliminate / reduce the amounts of bank guarantees (Art. 126); iii) to lift the requirement of having a minimum number of employees; iii) extend the scope of temporary employment agencies to cover, among others, the provision of consulting and training services.
5. **Private labour consultancy offices (PLCO):** amend sector specific law to i) allow employers of PLCOs – other than its director, to undertake mediation; ii) lift requirements on built in infrastructure and on technical equipment; iii) lift requirement provided for in Art. 104.2 of law 4052/2012, whereby if the registered office of the PEA or its branch has changed, the procedure regarding start of PEA activity /occupation under Art. 101 of the same law shall apply; iv) allow PEAs to do activities other than intermediation in the premises where the PEA operates.
6. **Real estate brokers:** Amend sector specific law to drop the probationary period before an applicant can become a real estate broker (Art. 199 of law 4072/2012).
7. **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 (*cf.* the Hellenic Competition Commission's opinion no. 14/VI/2012).
8. **Tourist guides:** provide that the professional ID card will be issued within the three months period or earlier) and amend sector specific law to open the profession to holders of related university degrees.
9. **Energy inspectors:** amend sector specific law to repeal minimum fees for energy inspection services and to simplify licensing.
10. **Private providers of primary care services:** amend sector specific law to eliminate inconsistencies with Law 3919/2011 law on professions.
11. **Customs brokers:** *cf.* section on trade facilitation.
12. **Kiosks and cantinas in public buildings:** remove restrictions for licenses in favour of specific groups.
13. **Tourist offices:** eliminate prior authorization scheme, minimum office space requirements, applicable quasi-fiscal charges and reduce the amount of bank guarantees or require touristy offices to get insurance.
14. **Teaching at private tuition establishments and foreign language schools and teaching at home:** remove the need for prior licence and replace it by a notification of commencement of activity. Remove the need to renew the licence every year.
15. **Private primary and secondary schools:** abolish the nationality requirement to get an establishment licence, amend the requirement for formal qualifications to the founder of a private school; abolish shareholding capital requirements, the ban on more than one establishment, minimum distances, the need to

renew licenses annually; remove prohibitions to licensing to relatives of private primary and secondary schools license holders.

16. **Private tuition establishment and foreign language schools:** Amend the requirement for formal qualifications to the founder of a private tuition establishment and foreign language schools and remove prohibitions to licensing to relatives of license holders.
17. **Vocational training institutes (VTI):** Allow the advertising of VTI without the approval of the E.O.P.P.E.P.
18. **Vocational training centres (VTC):** Amend sector specific legislation to base the accreditation of a VTC on the basis of an integrity check of objective statutory requirements; ii) to allow private individuals to establish legal entities; iii) to renew the accreditation in the form of notification under Art. 3 of Law 3919/2011, by uncoupling it from the scoring system.
19. **Post-secondary education centres:** repeal the prohibition that post-secondary education centres cannot be established by shareholders or partners of the legal entity which applied for an establishment and operating licence; to renew operating licences in the form of notification under Art. 3 of Law 3919/2011; allow post-secondary education centres to recruit off-register staff notified to the supervising authority, as in the case of VTC; repeal the need to submit a letter of guarantee for the opening of a post-secondary education centre.
20. **Accredited study centres:** Amend the regulation on renewing licenses, so that licenses renewals are limited to the notifications under Art. 3 of law 3919/2011.
21. **Press distribution agencies:** remove prior authorization scheme and expand the number of economic activities carried out.

9.2.2 List no. 2: regulated professions / economic activities whose regulatory framework needs to be adjusted to applicable opinions of the Hellenic Competition Commission

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.
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 Health and Social Solidarity, Directorate-General for Welfare:** i) Care units for old people; ii) Day care centres for old people; iii) Creative activity centres for children; iv) Creative activity centres for children with disabilities; v) Nurseries and kindergartens; vi) Private childrens' camps; vii) Child welfare institutes: *Cfr.* HCC Opinion no. 25/VII/2012.
5. **Petrol sellers, shotfirers, blasters and natural gas sales.** *Cfr.* HCC Opinion no 26/VII/2012

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

1. By **end-October 2012**, the Taskforce on the review of the Code of Civil Procedure ("the Taskforce") prepares a briefing paper for its foreign expert members appointed by other EU Member States to assist its work. The objective of the briefing paper is to enable these foreign expert members to fully participate in its work, including developing alternative legal solutions to the identified reform needs based on cross-country experience in other Member States.
2. Starting from **October 2012**, the Taskforce also provides monthly updates by the end of each month on progress towards preparation by end-March 2013 of a detailed paper outlining the main proposals for amendments to the Code of Civil Procedure in line with the objectives defined in previous versions of this Memorandum. The detailed paper is presented to the EC/IMF/ECB shortly after its completion.
3. By **end-March 2013**, the Taskforce prepares a detailed paper outlining the main proposals for amendments to the Code of Civil Procedure in line with the objectives set out in previous versions of this Memorandum.
4. By **end-May 2013**, the Government holds a series of workshops to discuss the findings and proposals in the detailed paper prepared by the Taskforce. These workshops will allow for broad consultation with domestic stakeholders and participation from recognised international experts in the field of civil procedure. On the basis of the outcome of this consultation, the Taskforce presents a revised version of the detailed paper to the EC/IMF/ECB and submits the revised paper, after reflecting comments from the EC/IMF/ECB, to the Government.
5. By **end-June 2013**, the Taskforce presents a detailed work plan, which provides for the preparation of the draft law by end-January 2014 and contains specific deadlines and deliverables for the chapters of the draft law, and implements the plan with immediate effect. At the end of each month the Ministry of Justice, Transparency and Human Rights assesses compliance with the detailed work plan and takes immediate remedial actions in case of anticipated or actual deviations.
6. Starting from **July 2013**, the Taskforce prepares the draft law on the basis of the above-mentioned detailed paper and work plan, and provides monthly updates by the end of each month on progress towards preparation by **end-January 2014** of the draft law. The monthly updates describe the outcomes of the assessments of compliance with the detailed work plan and, if necessary, any remedial actions taken. The Ministry of Justice, Transparency and Human Rights holds at least three EC/IMF/ECB expert meetings throughout the drafting process: **July 2013, October 2013 and January 2014**. The meetings will allow for expert input in the drafting process and feedback on preliminary drafts of the legislation under preparation.
7. The Government finalises the study on the costs of civil litigation, its recent increase and its effects on workload of civil courts, together with recommendations, ensures that the recommendations are reflected in the draft law prepared by the Taskforce on the review of the Code of Civil Procedure and publishes the study. (**December-2013**)
8. The Government carries out a public consultation on the draft law bringing the Code of Civil Procedure in line with international best practice and submits the draft law to the Greek Parliament. (**March-2014**)

9.4 Statistics to be published by the Ministry of Justice or Ministry of Finance

- (a) *by end-October 2012*, for each administrative tribunal, court of appeal and the supreme administrative court:
 - (i) the number of judges and administrative staff, with a breakdown for judges working in tax chambers or dealing primarily with tax cases;
 - (ii) the number of all cases;
 - (iii) the number of cases carried over from 2011;
 - (iv) the number of cases filed in the first two quarters of 2012;
 - (v) the number of tax cases, with a breakdown according to case value (up to EUR 150,000, between EUR 150,001 to EUR 300,000 and above EUR 300,000);
 - (v) the number of tax cases carried over from 2011;
 - (vi) the number of tax cases filed in the first two quarters of 2012;
 - (vii) the recovery rate for all tax cases, which for the purposes of the MoU, shall mean the ratio of the amount collected by the creditor in enforcement proceedings – following the issuance of an enforceable title – to the amount adjudicated by the court.
- (b) *by end-October 2012*, for each civil court, court of appeal and the supreme civil court:
 - (i) the number of judges and administrative staff;
 - (ii) the number of all cases;
 - (iii) the number of cases carried over from 2011;
 - (iv) the number of cases filed in the first two quarters of 2012;
 - (v) the number of dormant cases on 30 June 2012, i.e. cases brought before the civil courts in which the relevant court's file records that they have been postponed or never received a hearing date and no party activity for receiving a hearing date has taken place for at least 18 months.
- (c) *by end-October 2012*, at the first instance, court of appeal level and the supreme civil court:
 - (i) the number of all corporate insolvency cases;
 - (ii) the number of corporate insolvency cases carried over from 2011;
 - (iii) the number of corporate insolvency cases filed in the first two quarters of 2012
 - (iv) the average duration of corporate insolvency cases;
 - (v) a break-down of insolvency cases by sector (e.g., agriculture, construction, manufacturing, and services).
- (d) *by end-December 2012*, quarterly updates of the information in (a) to (c) above relating to the previous quarter.
 - (iii) the number of corporate insolvency cases filed in the first two quarters of 2012;
 - (iv) the average duration of corporate insolvency cases;
 - (v) the recovery rate for all corporate insolvency cases, which for the purposes of the MoU, shall mean the ratio of the amount collected by all creditors in reorganisation, debt enforcement or liquidation proceedings to the total amount owed by the company;
 - (vi) a break-down of insolvency cases by sector (e.g., agriculture, construction, manufacturing, and services).
- (d) *by end-December 2012*, quarterly updates of the information in (a) to (c) above relating to the previous quarter.

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

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9.6 Additional fiscal measures for 2012 and Medium-Term Fiscal Strategy 2013-16

The additional measures included in the medium-term fiscal strategy (MTFS) through 2016 will include the following:

1. Rationalisations in **wage bill** by at least EUR 1,100 million in 2013, and additional EUR 247 million from 2014 onwards through:
 - further reduction by 10 percent of fixed term contracts;
 - the rationalization of the State wage bill (including reduction the wage bill for consultant doctors, and an hiring freeze at the Ministry of Citizen protection and at the Ministry of Education);
 - progressive cuts in the monthly wages of employees under special wage regimes (judges, diplomats, doctors, professors, armed forces and police, airport personnel, and general secretaries) with effect by August 1, 2012, with the following marginal reduction schedule: 2 percent below EUR 1000; 10 percent for EUR 1000-1500; 20 percent for EUR 1500-2500; 30 percent for EUR 2500-4000; and 35 percent above EUR 4000)
 - elimination of automatic wage promotions for the armed forces by 2014 yielding yearly at least EUR 88 million net of taxes and contributions
 - elimination of seasonal bonuses of employees at the state and local governments, and at legal entities of public and private law,
 - application of the uniform wage grid for public servants to the parliamentary staff (measure to be completed by December 2012),
 - abolition of exceptions from the public sector wage grid reform introduced in 2011,
 - suspension throughout 2016 of fiscal and performance bonuses for public sector employees,
 - reduction in the local government wage bill,
 - reductions in Members of Parliament compensations and other allowances
 - reductions in cost for wages related to non-permanent secondary level teachers
 - reduction in non-permanent teachers in universities and technical colleges
 - reduction of intakes into professional academies,
 - extension of the 1:5 hiring rule (according to which 1 employees could only be hired against 5 retirees) for the General Government through 2016
 - placing 2,000 civil service employees into the mobility and exit scheme, by abolishing positions of specialized employees, addressing disciplinary cases (including via outright dismissals) and by abolishing positions associated with closed entities.
2. Savings in **pensions** by at least EUR 4 800 million in 2013, and additional EUR 423 million from 2014 onwards, through
 - the anticipation of the full effects of the pension reform in 2013,
 - the increase of the general pensionable age from 65 to 67 and of all age limits for particular types of pensions while maintaining the current number of contributions required to qualify for the full pension at 40 years,
 - cuts in new lump-sum benefits for public employees and for all Social Security Funds,
 - the reduction of the overall monthly pension incomes (main and supplementary pensions) per pensioner (between €1000-€1500 by 5 percent; €1500-€2000 by 10 percent; €2000-€3000 by 15 percent and above €3000 by 20 percent),

- cuts in pensions for special wage regimes equivalent to the cuts to wages in special wage regimes,
 - cuts in pensions of military and police due to elimination of automatic wage promotions,
 - increase in healthcare contributions for farmers
 - elimination of seasonal bonuses for main and supplementary pensions (exceptions allowed for people with disabilities),
 - means-testing pensions for specific categories of beneficiaries,
 - elimination of special pension benefits of trade unionists and cross-checks to abolish ineligible pension benefits in 2013,
 - reduction of pensions of elected staff.
3. Cuts in the **state's operational expenditures** by at least EUR 239 million in 2013 and additional EUR 285 million from 2014 onwards, through the gradual implementation of e-procurement for all public administration, 25 percent reduction in discretionary non-wage spending, reduction in subsidies to internal ferry boats and in grants to entities outside the general governments, elimination of grants to farmers' trade unions linked to assistance in applying for EU financial aid and tightening spending rule for the Green Fund in 2014 (at 2.5 percent of the stock of deposits).
 4. Cuts in **education-related expenses** by at least EUR 86 million in 2013, and additional EUR 37million from 2014 onwards, through reduction in grants to entities outside the General Government for education, merger of universities and reduction in expenses for central and regional Units.
 5. Savings in **state-owned enterprises** by at least EUR 249 million in 2013 and additional EUR 123 million from 2014 onwards, through increase in revenue, reduction in transfers from the State budget to entities outside the General Government, operational and personnel expenses (harmonization of the wage grid of all state-owned enterprises in Chapter A with the uniform wage grid for state employees reducing average wages to no more than €1900 per month). In order to enforce the achievement of those savings, a new institutional framework is introduced by 2013 fixing the fiscal target for the overall sector in line with the MTFs, bettering the current monitoring system and introducing an enforcement mechanism in case of deviations from the target.
 6. Cuts in **operational defense-related expenditure** producing savings by at least EUR 303 million in 2013, additional EUR 100 million from 2014 onwards through reduction in expenditures for military procurement by EUR 340 million in 2013-14, reduction in operational expenditures, closure of military camps and reduction of intakes into military academies.
 7. Savings in **healthcare and pharmaceutical expenditure** by at least EUR 455 million in 2013, and additional EUR 620 million from 2014 onwards, through further development of the set of incentives and obligations for all participants along the medicines supply chain to promote the use of generic medicines, revises the co-payment structure for medicines to exempt from co-payment only a restricted number of medicines related to specific therapeutic treatments, the revision of medicines' price, based on the three EU countries with the lowest prices, application of automatic claw-back mechanism to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure does not exceed the targets of EUR 2 440 billion in 2013 and EUR 2 000 million in 2014 to be in line with the overall target of 1 percent of GDP by 2014, increase in co-payments in hospitals and for prescriptions of drugs from 2014 onwards, reductions in hospitals' expenditures and a more effective implementation of the Health Map.

8. Savings from **rationalisation of social benefits** by at least EUR 217 million in 2013, additional EUR 78 million from 2014 onwards, through
- the introduction of a length of residence in Greece criterion for the provision of pension benefits for uninsured individuals aiming to achieve savings (net of income taxes and social security contributions) of €13 million in 2013 and additional €13 million in 2014,
 - the replacement of existing family benefits with a single targeted benefit which absorbs the tax family allowances,
 - rationalization of the transportation reimbursement scheme for selected categories of patients in order to avoid frauds and misuse of public funds maintaining the service according to actual needs of patients,
 - reduction of unemployment benefits targeted to specific geographical areas,
 - targeting assistance pensions provided by EKAS to persons above 64 years,
 - reduction of benefits to farmers
 - introduction of two new social programmes capped, respectively, at 35 and 20 million from 2014 onwards: a Minimum Income Guarantee scheme applied in two pilot areas of the country with different socioeconomic profiles, and introducing a benefit equal to €200 per month payable for up to 12 months to long-term unemployed who exhaust the full length of unemployment benefit (12 months), provided they do not qualify for other training schemes and have family taxable income up to €10,000.
9. Cuts in **state transfers to local governments** by at least EUR 50 million in 2013 and additional EUR 160 million from 2014 onwards, through cuts in transfers from the State for ordinary expenses and investment of local government. In order to enforce the achievement of those savings, an internal stability pact is strengthened by 2013 fixing balanced budget targets, putting in place an effective system of monitoring municipalities' expenses, economic disincentives in case of deviations from the targets and excluding any possibility for financing deficits.
10. Cuts in **expenditure by the public investment budget** (domestically-financed public investment, and investment-related grants) by EUR 150 million in 2013 and additional 150 million from 2014 onwards.
11. Increases in **revenue** by at least EUR 1 668 million in 2013 and additional EUR 1 820 million from 2014 onwards, through increases in the fee for law suits, an increase of tax on ship owners' activities, reducing VAT refunds for farmers, reduction of diesel excise duty subsidy provided to farmers, equalization of the excise tax on LPG and motor diesel oil by raising the LPG tax, equalization of social security contributions by raising the ceiling for employees first employed before 1993 to that of employees first employed after 1993, a reform of tobacco excise taxation, imposing a 30 percent taxation on OPAP's gross gaming revenue, equalization of taxation of winnings towards 10 percent rate without deductibles, and reintroduction of the 2011 one-off taxation of pools, yachts and luxury goods from 2014 onwards. By December 2012 a tax reform will be adopted that aims at simplifying the tax system, means-testing family allowances in order to better targeting benefits according to real needs, eliminating selected income tax credits and deductions and preferential regimes, thus broadening bases and ensuring an increase in revenue by about EUR 1.8 billion.

If necessary, after consultation with the European Commission, ECB and IMF staff, these measures may be replaced with other measures yielding comparable or higher savings.

9.1 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 labour reserve, per entity.</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>Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Weekly on Friday, reporting on the previous Thursday.</p>
<p>Data on below-the-line financing for the general government.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>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.</p>
<p>Data on expenditure pending payment (including arrears) of the general government, including the State, local government, social security, hospitals and legal entities.</p> <p><i>(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)</i></p>	<p>Quarterly, within 55 days after the end of each quarter.</p>
<p>Data on use of international assistance loans split among following categories: Financial stability fund, escrow account, debt redemption, interest payments, other fiscal needs, building of cash buffer; per quarter and cumulative</p>	<p>Quarterly, by the end of each quarter.</p>
<p>Data on public debt and new guarantees issued by the general government to public enterprises and the private sector.</p> <p>Data on maturing debt (planned redemptions per month, split between short-term (Treasury bills and other short-term debt) and long-term (bonds and other long-term) debt).</p> <p>Data on planned monthly interest outflows.</p> <p><i>(Data compiled by the Ministry of Finance)</i></p>	<p>Monthly, within one month.</p>

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)</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 Financial Stability Fund with indication and explanation of changes in the accounts.	Weekly, next working day.
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Abbreviations

ASEP	Supreme Council for Staff Selection
CPB	Central Purchasing Bodies
DEPA	Public Gas Corporation
DRG	Diagnostic-Related Group
DSO	Distribution System Operator
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EETT	Hellenic Telecommunications and Post Commission
EFSF	European Financial Stability Facility
EKEVYL	National Centre for Medical Technology
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
ESA	European System of Accounts
ESF	European Social Fund
ESY	National Health System
EU	European Union
GDP	Gross Domestic Product
GEMI	General Commercial Registry
HRADF	Hellenic Republic Asset Development Fund
IDIKA	E-governance of social insurance
IMF	International Monetary Fund
KTEL	Joint Fund for Bus Receipts
LNG	Liquefied Natural Gas
LTV	Loan-to-value
MEFP	Memorandum of Economic and Financial Policies
MTFS	Medium-Term Fiscal Strategy
NHS	National Health System
OASA	Athens Urban Transport Organisation
OECD	Organisation for Economic Cooperation and Development
OGA	Agricultural Insurance Organisation
OSE	Railway Organisation of Greece
OTE	Hellenic Telecommunication Company
PPC	Public Power Corporation
PSC	Point of Single Contact
RAE	Regulatory Authority for Energy
RSPP	Radio Spectrum Policy Programme
SPA	Single Payment Authority
SPPA	Single Public Procurement Authority
TAP	trans-Adriatic pipeline
TEN-T	Trans European Transport network
TSO	Transmission System Operator
WHO	World Health Organisation