

## Supplemental Memorandum of Understanding

16. 06. 2016

### 1. Outlook and strategy

**In July 2015, Greece requested support from its European partners, to restore sustainable growth, create jobs, reduce inequalities, and address the risks to its own financial stability and to that of the euro area.** In August 2015, the Hellenic Republic concluded an agreement for stability support in the form of a loan from the European Stability Mechanism for an availability period of three years. In accordance with Article 13(3) of the ESM Treaty, a Memorandum of Understanding was signed which details the conditionality attached to the financial assistance facility covering the period 2015-18. The conditionality is updated on a quarterly basis, taking into account the progress in reforms achieved over the previous quarter. In each review the specific policy measures and other instruments to achieve these broad objectives outlined here will be fully specified in detail and timeline. This update reflects the agreement among the ESM, the European Commission acting on its behalf, and the authorities upon conclusion of the first review of the ESM programme.

**Success requires ownership of the reform agenda programme by the Greek authorities.** The Government therefore stands ready to take any measures that may become appropriate for this purpose as circumstances change.

**The Government commits to consult and agree with the European Commission, the European Central Bank and the International Monetary Fund on all actions relevant for the achievement of the objectives of the Memorandum of Understanding before these are finalized and legally adopted.**

**The recovery strategy takes into account the need for social justice and fairness, both across and within generations.** Fiscal constraints have imposed hard choices, and it is therefore important that the burden of adjustment is borne by all parts of society and taking into account the ability to pay. Priority has been placed on actions to tackle tax evasion, fraud and strategic defaulters, as these impose a burden on the honest citizens and companies who pay their taxes and loans on time. Product market reforms seek to eliminate the rents accruing to vested interest groups: through higher prices, these undermine the disposable income of consumers and harm the competitiveness of companies. Pension reforms have focussed on measures to remove exemptions and end early-retirement, increase incentives to work and declare and to and ensure the long term sustainability of the pension system. To get people back to work and prevent the entrenching of long-term unemployment, the authorities have accelerated the absorption of ESIF funds and are working to ensure an effective impact on the economy, both in the short and the long run. A fairer society requires that Greece continues to improve the design of its welfare system, so that there is a genuine social safety net which targets scarce resources at those who need it most. The authorities are benefitting from available technical assistance from international organisations on measures to integrate its fragmented pension system, to provide access to health care for all (including the uninsured) and to roll out a basic social safety net in the form of a Guaranteed Minimum Income (GMI). Particular attention is being paid to ensure a

social safety net for housing through schemes that provide targeted support for households at risk of losing their primary residence.

**Implementation of the reform agenda will provide the basis for a sustainable recovery, and the policies are built around four pillars:**

- Restoring fiscal sustainability (section 2): Greece will target a medium-term primary surplus of 3.5 percent of GDP to be achieved through a combination of upfront parametric fiscal reforms, including to its VAT, income tax and pension systems, supported by an ambitious programme to strengthen tax compliance and public financial management, and fight tax evasion, while ensuring adequate protection of vulnerable groups. To enhance the credibility of its fiscal policies, and support the achievement of targets, an ambitious package of parametric measures is adopted in combination with non-parametric measures. The authorities will create an autonomous revenue administration to secure effective collection.
- Safeguarding financial stability (section 3): A recapitalisation process of core banks was completed before the end of 2015, and needs to be followed with the implementation of concomitant measures to strengthen the governance of the Hellenic Financial Stability Fund (HFSF) and of banks. Greece will immediately take further steps to tackle Non-Performing Loans (NPLs).
- Growth, competitiveness and investment (section 4): Greece will design and implement a wide range of reforms in labour markets and product markets (including energy) that not only ensure full compliance with EU requirements, but which also aim at achieving European best practices. There will be an ambitious privatisation programme, and a new independent Privatisation and Investment Fund shall be established supporting a more efficient use of resources benefitting from a strategic involvement of the private sector. Policies which support investment shall be framed within a comprehensive Growth Strategy.
- A modern State and public administration (section 5) shall be a key priority of the programme. Particular attention will be paid to increasing the efficiency of the public sector in the delivery of essential public goods and services. Measures will be taken to enhance the efficiency of the judicial system and to upgrade the fight against corruption. Reforms will strengthen the institutional and operational independence and effectiveness of key Institutions and agencies such as the statistics institute (ELSTAT), the Hellenic Competition and other regulatory agencies.

Technical assistance

**Success will require the sustained implementation of agreed policies over many years - which necessitates political commitment, but also technical capacity of the Greek administration to deliver - and to this end the authorities have committed to make full use of the available technical assistance.** Technical assistance on the European side is coordinated by the Structural Reform Support Service (SRSS) of the European Commission. Technical assistance is already in place for some key reform commitments, including on tax

policy and Public Financial Management (PFM), the reform of the custom and tax administrations, review of regulatory barriers to competition, licensing simplification and doing business reforms, the social welfare review, fight against corruption, support to the implementation of the Greek energy policy objectives, support to the Greek health reform programme, the modernisation of the judicial system and support to administrative reform. In October 2015, the Greek authorities and the European Commission finalised a medium-term technical assistance plan in line with the Memorandum signed in August 2015. In December 2015, the Greek authorities informed the Commission that they would allocate an amount of EUR 30 million to technical assistance projects in the areas of PFM and privatization; economic development and procurement; justice and anti-corruption; public administration reform at both central and local level; labour, employment and social protection (including health and education). Transport sector and sectorial areas such as tourism, energy, waste and water are also addressed. These projects are aligned with previous TA requests (that they deepen and / or complement) and with the Memorandum, including this update, the scope being to provide TA in the areas identified in it.

### *Growth strategy*

**Greece needs to build upon the agreed recovery strategy and develop a genuine growth strategy which is Greek-owned and Greek-led and fully uses available resources, including those provided by the EU.** This should take into account the reforms included in this MoU, relevant European Union initiatives, the Partnership Agreement of the implementation of the National Strategic Reference Framework (NSRF) and other best practices. Greece must benefit fully from the substantial means available from the EU budget and the European Investment Bank (EIB) to support investment and reform efforts. For the period 2007-2013, Greece was eligible for EUR 38 billion in grants from EU policies, and should ensure that all projects funded under that financing envelope are completed as planned and no later than March 2017 according to the EU regulations. For the 2014-2020 period, more than EUR 35 billion is available to Greece through EU funds and Greece should continue in its effort to maximise and speed up absorption of this envelope. The European Commission's Investment Plan for Europe will provide an additional source of investment as well as technical help for public and private investors to identify, promote and develop high-quality and feasible projects to fund, and the Greek authorities and operators should make full use of this opportunity.

**The Greek authorities will develop the growth strategy by June 2016,** which *inter alia should* aim at creating a more attractive business environment, improving the education system as well as human capital formation through vocational education and training (See section 4.1), and developing R&D and innovation. It should also help design sectorial priorities in areas such as tourism, transport, pharmaceuticals and logistics, and agriculture. The authorities commit to accelerate and complete the strategy with the help of technical assistance and to work in collaboration with social partners and academics. The strategy will also provide a proper framework for legislation to reduce administrative burdens and spur investment. The strategy should also address the need for coordination of the ambitious reform agenda, reinforcing the role of the existing Secretariat General for Coordination and involving, as appropriate, organisations representing the private sector.

## 2. Delivering sustainable public finances that support growth and jobs

The correction of extreme imbalances in public finances that culminated in 2010 with the Greece's exclusion from private capital markets has required an unprecedented adjustment and sacrifices from Greek citizens. Public deficits have fallen considerably, although Greece is still projected to face some small primary deficits in both 2016 and 2017, absent additional measures. At the same time, Greece must prioritise the effectiveness of public spending redirecting resources to functions that can most effectively promote growth, employment and protection of the most vulnerable.

### 2.1 Fiscal policy

**The primary balance outcome of 2015 as defined under the programme is estimated to be a surplus of 0.7 percent of GDP, compared to the programme target of a deficit of 0.25 percent of GDP**, based on a stronger revenue collection and one-off factors that were not envisaged when the third ESM programme was agreed in August 2015. In the medium term, the fiscal over-performance in 2015 is not sufficient to compensate for the downward revision of the yields of already legislated measures according to actual outcomes and non-implementation of some measures.

**The Greek authorities commit to ensuring sustainable public finances by pursuing the fiscal path agreed in August 2015 that was based on primary surplus targets of 0.5, 1.75 and 3.5 percent of GDP in 2016, 2017 and 2018 respectively.** The programme definition of the primary balance will be adjusted to exclude migration-related expenditure net of EU transfers to the Greek budget subject to a proper monitoring mechanism and a cap being defined. The precise definition and scope of this adjustor is described in the TMU.

**To meet the fiscal targets, as a *prior action* the Government will adopt supporting legislation** generating savings equivalent to  $\frac{3}{4}$ ,  $2\frac{1}{4}$  and 3 percent of GDP in 2016, 2017 and 2018 respectively through parametric measures, as follows:

- **A holistic pension reform** (as detailed in section 2.5.1 and in the TMU) that will generate additional savings of 1 percent of GDP by 2018 and compensate for the cost of the Council of State ruling (equivalent to 2 percent of GDP) on some aspects of the previous pension reforms. The reform will generate increasing savings beyond 2018 and up to 2025.
- **A major reform of the personal income tax yielding 1 percent of GDP** (as detailed in section 2.2 and in the TMU).
- **A series of other parametric measures, to generate savings of around 1 percent of GDP**, including:
  - *An increase in VAT revenues* (savings of around  $\frac{1}{4}$  percent of GDP), by raising the standard VAT rate to 24 percent as of 1 June 2016.
  - *Further control of the wage bill* (savings of around 0.2 percent of GDP). This includes (i) a freeze of promotion and wage drift for 2017-18 for the special wage grids, as is currently the case for the unified wage grid; and (ii) the gradual easing of the public sector attrition rule from 1:5 in 2016 to 1:4 in 2017 and 1:3 in 2018, while exempting from the calculation of the total annual number of hirings those resulting from court

decisions since 2015, including those of the EU Court of Justice, as well as those that are due to staff mobility within the public sector, except from Chapter B companies.

- *A reform of motor vehicles taxation.* The reform will include a restructuring of rates and the base for the car registration and the abolition of the luxury car purchase tax and of the car scrappage scheme, all from 1 June 2016, and a reform of the deductibility of company cars from personal income tax from 2016 incomes.
- *Changes in taxation in the areas of energy, alcoholic beverages, tobacco and coffee, gaming, broadband and cable TV, investment vehicles, and tourist accommodation.* This includes
  - as of 1 January 2016, (i) a permanent increase in the gross gaming revenue tax to 35% to replace a 5 cent levy on lottery games; (ii) offsetting the ENFIA revenue loss from lower objective property values by adjusting tax brackets and rates of the main and/or supplementary taxes and through base widening;
  - as of 1 June 2016, (iii) the abolition of excise taxes on natural gas for electricity production consistent with the EU energy taxation directive (Directive 2003/96/EC); (iv) raising excise tax rates on beer ;
  - as of 1 June 2016, (v) increasing the taxation on investment vehicles, namely UCITS funds, Real Estate Investment Companies and Portfolio Management Companies;
  - as of 15 October 2016, (vi) an increase in excise taxes on diesel oil for heating;
  - as of 1 January 2017, (vii) an increase in excise taxes on (unleaded) gasoline, diesel oil for transportation, LPG, kerosene (viii) the adjustment in excise taxation on natural gas for industrial and residential use; (ix) an increase in excise taxes on cigarettes and tobacco; (x) the establishment of new excise taxes on coffee and e-cigarettes; (xi) the introduction of a broadband levy on subscribers of 5 percent and a levy of 10 percent on cable TV subscribers;
  - as of 1 January 2018, (xii) the introduction of an occupancy tax on hotels above two stars and rental rooms above two keys; (xiii) abolishing the 50% exemption for excise taxes on alcoholic beverages for the Dodecanese islands;

This package of parametric fiscal measures will be bolstered by a wide range of administrative actions on the revenue and expenditure side. On the revenue side, these actions will most notably include those aimed at addressing shortfalls in tax collection and enforcement and to create better incentives to comply that will take some time to bear fruit (see section 2.3). In addition, expenditure reviews will be launched in June 2016, including of defence spending and state owned enterprises, that should be completed by end 2016 with the aim of taking actions generating savings of 0.1 and 0.4 percent of GDP in 2017 and 2018, cumulatively.

If annual budgetary outturns confirm that the above administrative measures are yielding sufficiently so as to lead to permanent fiscal over-performance vis-à-vis the programme targets, the authorities may - in agreement with the Institutions - consider the use of the available fiscal space to strengthen social protection (in particular the GMI programme) and/or to reduce tax burdens provided the achievement of the fiscal targets is assured.

As a **prior action**, legislation will be adopted to ensure that a package of measures would

be automatically implemented as soon as there is objective evidence of a failure to meet the annual primary surplus targets in the programme: this is a means to provide additional assurance to reach the primary surplus target of 3.5 percent of GDP in 2018. This legislation will ensure that that contingent assurance is automatic, objective and credible. Measures would be triggered automatically in the event of a negative difference between the target of the ESM programme for the year t-1 and the actual outcome, as objectively identified by ELSTAT in April on the basis of preliminary outturn data - validated by ESTAT in the context of the procedure of fiscal notification - modified by programme adjustors identified in the TMU. On this basis, an adjustment will be undertaken equal to the negative deviation from the target, up to the size of 2 percent of GDP on an annual basis. To provide credible contingent assurance, the legislation will provide for the possibility to automatically reduce non-discretionary expenditure, as well as the corresponding claims and selected discretionary expenditure. The fiscal adjustment measures provided for in the mechanism shall lead to a permanent correction in the gap. If measures are enacted with a temporary nature when the mechanism is triggered, permanent structural measures agreed with the institutions, including revenue measures, should become effective in the year thereafter, as part of the regular budgetary process, in order to bring the budget structurally back on track. Exceptions to the activation of the mechanism will be limited to exceptional events with a major economic impact outside government control. Such exceptions need to be agreed with the institutions. The envisaged contingent mechanism, in any case, does not prejudice the standard ex-ante assessment of fiscal gaps and the adoption of adjustment policies aimed at preventing the emergence of targets' shortfalls.

The Greek government will monitor fiscal risks, including court rulings, and will take offsetting measures as needed to meet the medium-term fiscal targets in the context of the Medium-term Fiscal Strategy 2017-2020 to be legislated by May 2016 (**key deliverable**) and in its annual updates.

## 2.2 Tax policy reforms

A major reform of the income tax system and a package of revenue measures are included as prior actions in the fiscal package as follows, to help widen the tax base, improve tax efficiency and collectability, and boost labour supply (*see TMU for technical details*):

- A substantial reduction in opportunities for tax avoidance, through the pooling of currently separately-taxed employment and business income into a single taxable aggregate with an employment tax credit. The top marginal effective tax rate, including both PIT and solidarity surcharge components, but excluding social security contributions will be capped at 55 percent.
- A widening of the tax base through a reform in the tax credit for employment and pension income generating additional revenues of around 0.2 percent of GDP, whilst maintaining the incentives for labour participation for parents with children by setting the tax credit for 2016 incomes at EUR 1900 for a taxpayer without children, EUR 1950 for a taxpayer with one child, and to EUR 2000 for a taxpayer with two children, while the tax credit remains unchanged at EUR 2100 for taxpayers with 3 or more children. This will bring the average tax-free threshold to around EUR 8,750). To improve transparency, the tax credit taper will be substantially reduced.

- The permanent integration of the solidarity surcharge into the income tax code with schedular marginal rates closely linked with the income tax brackets.
- The tightening of the definition of professional farmer for taxable income purposes and the elimination of the preferential tax regime for tax income including basic payment schemes of the first pillar EU agricultural subsidies through taxation on the same tax schedule of employment and business income with the same tax credit provided to employees and pensioners.
- To provide tax neutrality for investment, the tax rates on dividends and interest income will converge at 15 percent. Rental income will be taxed at 15 percent up to €12,000 annual income and at 35 percent beyond that amount.

In addition, the government commits to:

- i. *Tax reforms.* The authorities will by June 2016: a) review all business income tax incentives and integrate the tax exemptions, eliminating those deemed inefficient or inequitable; the tax provisions of the new investment law will be consistent with the ITC, and integrated into the ITC as appropriate, b) review preferential tax treatments for the shipping industry in the light of the indications of the European Commission; c) extend the temporary voluntary contribution of the shipping community to 2018; d) review and propose amendments on TPC and issue a roadmap for secondary legislation by June 2016; and e) issue all essential related TPC secondary legislation by October 2016. The authorities will undertake a comprehensive review of remaining tax legislation that is in conflict with the TPC, integrating these acts where appropriate by March 2017.
- ii. *Tax codes.* The authorities will implement **(key deliverable)** by January 2017 through legislation by September 2016 : a) simplify the income tax regime and ensure consistency of the tax base for income tax and social security contributions of small businesses below the VAT registration threshold; b) review the corporate tax law in ITC covering mergers and acquisitions and corporate reserve accounts and implement ITC provisions concerning mergers and transfer pricing (articles 52-56 ITC); c) develop the tax framework for collective investment vehicles and their participants in line with best practices in the EU; d) revise TPC provisions to provide for reduced fines imposed in connection of an audit taking account of the behavior of the taxpayer and the intentionality of the non-declaration or under-declaration based on objective and transparent criteria; e) review the potential for a short-term voluntary tax certificate as a quality standard with no explicit advantage for businesses and without compromising the revenue administration' rights to audit; f) undertake a review and reform of the KEDE, including revenue administration procedures for enforced sale of assets at public auctions; g) modernise legislation to address the collection of tax on incomes generated on off-shore portfolios of individuals. In addition, by December 2016, the authorities will codify and simplify the VAT legislation, aligning it with the tax procedure code and eliminating outstanding loopholes.
- iii. *Property tax.* The authorities will by June 2016 provide detailed proposals that will ensure the alignment of property tax assessment values with market prices by June 2017 **(key deliverable)**.

## 2.3. Revenue administration reforms

The ability to collect revenues has been hampered by a long history of complicated legislation, poor administration, political interference and generous amnesties, with chronically weak enforcement. To break from this practice and improve the tax and social security payment culture, the Government firmly commits to take strong actions to improve collection, including by taking immediate enforcement action regarding debtors who fail to pay their instalments or current obligations on time and to not introduce new instalment or other amnesty or settlement schemes nor extend existing schemes. These efforts, particularly those aimed at addressing shortfalls in tax collection and enforcement and to create better tax compliance, will be targeted to yield around 0.5 percent of GDP by 2018.

### 2.3.1 Revenue Agency

As **prior action**, the authorities will pass legislation to establish an autonomous revenue agency that specifies: a) the agency's legal form, organization, status, and scope; b) the powers and functions of the CEO and the independent Board of Governors; c) the relationship to the Minister of Finance and other governmental entities; d) the agency's human resource flexibility and relationship to the civil service; e) budget autonomy, with own GDFS and a new funding formula to align incentives with revenue collection and guarantee budget adequacy, predictability and flexibility and a budget procedure ensuring discussions with the General accounting office of the Ministry of finance allowing for the needs of the agency to be taken into consideration; f) reporting to the Government and Parliament; e) the deadline of June 2016 for the signature of the service level agreement to fully operationalise the transfer of all tax and customs administration IT-related functions within the Agency.

The authorities, making use of technical assistance, will make the autonomous revenue administration fully operational by 1<sup>st</sup> of January 2017 (**key deliverable**).

The authorities will by May 2016 put in place an implementation committee, chaired by the SGPR, which will provide an implementation plan for the agency by June 2016.

The authorities will by June 2016 complete the signature of the service level agreement after agreement with the institutions to fully operationalise as specified in the TMU the transfer of all tax and customs administration IT-related functions within the Agency (**key deliverable**).

The authorities shall by July 2016 (**key deliverable**):

- a) appoint, as a **milestone**, the Board of Governors, which from the moment of appointment will assist the process of establishment of the agency and the work of the implementation committee. It will also assume responsibility for assisting the revenue administration in the transition period according to the principles of the new agency;
- b) adopt, as a **milestone**, in agreement with the Institutions and in conformity with the agency legislation, measures (i.e. MDs, budget appropriations) to provide for: a one-off injection of resources to address problems facing the agency with the initial stock in terms of both personnel and equipment and to ensure a sufficient level of resources to start to operate effectively; an immediate increase in budget for discretionary operational activities; the adequate appropriation to allow for the recruitments of sufficient staff in the agency in 2016 and 2017 to reduce the vacant positions to a normal level, consistent with the Attrition Rule.

The authorities will by December 2016 adopt priority secondary legislation of the law (key human resource, budget, and operational issues) so that the agency is fully operational with the board of governors to exercise in full all its powers by that time .



### **2.3.2 Improving compliance and fighting revenue fraud and evasion**

The authorities will implement a comprehensive set of actions to secure higher revenues through stronger compliance and less fraud and evasion. They will:

- i. *Increase the use of electronic payments.* The Government will pursue the implementation of the action plan for the promotion and facilitation of the use of electronic payments (through both transfers and cards) and the reduction in the use of cash and cheques, with implementation according to its schedule, including adoption of legislation by June 2016;
- ii. *Enhance compliance.* The authorities will by June 2016 adopt a fully-fledged plan to increase tax compliance. In particular VAT collection and enforcement will be strengthened *inter alia* through streamlined procedures and with measures to combat VAT carousel fraud. The authorities will a) adopt by June 2016 legislation to accelerate de-registration procedures and limit VAT re-registration to protect VAT revenue; b) procure in order to allow use by June 2016 the risk assessment software allowing substantially increased detection of carousel fraud; c) prepare by June 2016 an assessment of the implication of an increase in the VAT threshold to EUR 25,000.
- iii. *Fight tax evasion.* The authorities will by June 2016 produce a comprehensive plan for combating tax evasion based on an effective interagency cooperation which includes: a) identification of undeclared deposits by checking bank transactions in banking institutions in Greece or abroad; b) a strategy, prepared with the revenue administration and with the support of technical assistance, for the potential introduction of a voluntary disclosure program with appropriate sanctions, incentives and verification procedures, consistent with international best practice, and without any amnesty provisions; c) requesting from EU Member States to provide data on asset ownership and acquisition by Greek citizens, and how the data will be exploited; d) pursuing work with technical assistance in tax administration and making full use of the resources in capacity building; e) establishing a wealth registry to improve monitoring; f) concrete steps to ensure the collection of tax on incomes generated on off-shore portfolios of individuals.
- iv. *Focus tax audits on priority cases.* The authorities will implement effectively the policy of auditing priority tax cases and this will be monitored through a specific key performance indicator.
- v. *Rethink the model of cooperation between Justice and tax administration in the fight against high level tax fraud.* The authorities will propose an organisation of work and procedures to allow the prosecutors' requests to be treated in an efficient way without disrupting the work on risk assessed audits June 2016. This will include publishing a circular by the Prosecutor of the Supreme Court to the other prosecutors highlighting the need to focus on priority cases. In order to allow the scarce resources to focus on the important cases, the rules about complaints will be reviewed to ensure that only relevant and substantiated complaints need to be fully investigated.

- vi. *Reinforce fight against smuggling* The authorities will reinforce their fight against smuggling by a full and timely implementation of the joint ministerial decision taken to combat fuel smuggling and its measures for locating storage tanks (fixed or mobile) and for installing the inflow-outflow system; the authorities will adopt an anti-smuggling strategy for fuel and tobacco by May 2016 and will purchase by January 2017 scanners to equip the three main international ports; the scanners shall be fully operational by September 2017 (**key deliverable**).
  
- vii. *Enhance custom services efficiency.* The authorities, with the participation of public and private stakeholders, will update by June 2016 the trade facilitation roadmap for the national single window including the streamlining of pre-customs procedures. The authorities will proceed subsequently with its timely implementation. The Government will make institutional changes for post-clearance audits and restructure the risk analysis department in line with WCO recommendations by June 2016 and complete the customs reorganisation by September 2016 (**key deliverable**).
  
- viii. *Reduce unnecessary litigations.* The authorities will reinforce the dispute resolution unit by providing by September 2016 a case management system.

### **2.3.3 Improving public revenue collection**

They authorities aim to speed up and increase revenue collection on a permanent basis. They will:

- i. *Improve collection of tax debt.* To improve collection of tax debt the authorities will by May 2016 publish an update of the list of large tax debtors (**key deliverable**), and update the list on a regular basis, and implement in 2016, a national collection strategy including further automation of debt collection, and by November 2016 take necessary measures towards the timely collection of fines on vehicles uninsured or not undertaking mandatory technical controls, and of levies for the unlicensed use of frequencies. The authorities will procure the software allowing for further automation of the debt collection, embracing inter alia fully automatized garnishment procedure to be delivered by December 2016. The authorities will amend legislation establishing clear criteria of non-collectability to write-off tax claims by September 2016.
  
- ii. *Deal with large debtors.* The authorities will launch a process ensuring triage of the large debtors on the basis of the analysis of economic and financial data to determine their viability. To this effect they will by June 2016, issue guidance in accordance with best practice defining the method to differentiate tax debtors based on their economic situation and capacity to pay, consistent with the relevant insolvency and debt restructuring regimes, and launch the procurement of a company with relevant experience to assist Large Debtor Unit (LDU) of the tax administration and Single Collection Centre for Social Security Contribution Debt (KEAO) in the triage and they will, if necessary, take all legislation needed to ensure the company will be bound by confidentiality rules and have access to relevant information from tax administration and KEAO. By September 2016, the LDU will finalize a report classifying large debtors according to their economic and financial

situation on the basis of the guidelines noted above and proposing corresponding debt collection targets and solutions (such as: liquidation or other enforcement measures, debt restructuring). By June 2016, KPIs will be developed to measure the efforts made in implementing the various tools used for enforced collection.

- iii. *Improve collection and write-off of social security debt.* In order to enhance debt collection, increase as a first step the staffing of KEAO to 600 people by December 2016, notably to strengthen its control capacity, and, as a second step, the capacity of KEAO will be increased to 700 by June 2017. By May 2016 the authorities will provide KEAO with access to indirect bank account registry and to tax administration data and Tax Administration with access to social security debt data and will publish regularly the list of large debtors for social security debt. By June 2016 the authorities will (i) issue legislation to quarantine uncollectable Social security contribution debt; and (ii) improve the rules on write-off of uncollectable Social security contribution debt.
- iv. *Integrate all social security collection functions and transfer to the tax administration.* To integrate social security contribution filing, payment and collection into the tax administration by the end of 2017 the authorities will a) temporarily merge the contribution collection capacity of existing funds under the new fund EFKA and move KEAO into that fund; b) create a single contributor register in coordination with progress with the pension funds consolidation by September 2016 and adopt a legal framework for joint collection of SSC and PIT by November 2016; c) by December 2016 create a single SSC debt database managed by KEAO that will encompass information currently processed by all social security funds.

The authorities will continue to improve operations as measured by key performance indicators. Over the medium term authorities will continue the reforms improving tax administration, to be agreed with the Institutions, and taking into account recommendations of technical assistance reports conducted by the EC/IMF.

## **2.4 Public Financial Management and Public Procurement**

### **2.4.1 Public financial management**

The authorities commit to continuing reforms that aim at improving the budget process and expenditure controls, clearing arrears, and strengthening budget reporting and cash management.

A key requirement of the Organic Budget Law adopted in October 2015 is the transfer of financial management functions from the Fiscal Audit Offices (FAOs) to GDFSs by January 2017. To manage the transfer of functions smoothly, the authorities will: (i) prepare an action plan listing all activities and milestones for the transfer of responsibilities (May 2016); (ii) issue a joint MoF and MAREG circular defining responsibilities and organisation structure of GDFSs (June 2016); (iii) issue a joint MoF and MAREG circular specifying and defining the new responsibilities of FAOs (August 2016); (iv) ensure that all ministries provide GDFSs with adequate staff (June 2016) based on an assessment of the staff capacity; (v) ensure read-only access of GDFS staff to the FMIS IT system (September 2016) and full access to GDFS staff by end-December 2016. The authorities will also work on a solution for the

regional offices of ministries who lack access to the FMIS IT system; (vi) provide a training plan for GDFS staff and immediately carry out training to be completed by December 2016.

The authorities will complete the entire OBL reform by end-December 2016, including termination by January 2017 of the ex-ante audit of payments by the Hellenic Court of Audit for central administration and by December 2018 for Local government and other entities of the general government. In the meantime, the authorities in consultation with the Hellenic Court of Audit will produce by June 2016 a plan explaining how the Court will proceed with the abolition of ex ante controls and how they will reorient their activities.

The Greek Government is committed to making the Fiscal Council fully operational. The members of the Board were appointed. The Authorities will fully staff the Fiscal Council by July 2016; the Fiscal Council is expected to issue its first opinion by September 2016.

Greece shall discuss each year with the Institutions the preparation of the draft budget during the month of September, including the macroeconomic assumptions on which it is based as well as the main fiscal measures envisaged.

The Government will design a new government Budget Classification structure and Chart of Accounts (December 2016) in time for the 2018 Budget. To advance the work on the Chart of Accounts, the authorities commit to: (i) agree a phased approach and the structure for the Chart of Accounts for central and general government (by June 2016); and (ii) develop the economic classification in consultation with the concerned stakeholders (by September 2016).

The authorities will update by end May 2016 a plan to complete the clearance of arrears by June 2017 and will implement it as soon and as far as the liquidity situation allows them to do so, taking account of the disbursement plan under the ESM programme (continuous action). The authorities will clear the outstanding stock of arrears, including tax refund and pension claims also using designated programme financing. The authorities will conduct a thorough audit of spending arrears by end June and will produce detailed monthly reports on the arrears cleared since 1 May 2016 and on outstanding gross and net arrears. The authorities will submit a thorough report on the results of the audit of arrears conducted until January by end-April 2016. The Government will ensure that budgeted social security contributions are transferred from social security funds to health funds and hospitals so as to clear the stock of health-related arrears, in line with the KPI targets.

The Government will present, by June 2016, a medium-term action plan with the aim to ensure that payments will be made in compliance with the Late Payment Directive (**key deliverable**) including concrete measures and safeguards to ensure the transfer of IKA liabilities (cash transfers and expenditures) to EOPYY during the relevant period. The authorities will provide the final report by June 2016 on the results of the audit of EOPYY's accounts payables. The authorities will continue to improve operations as measured by key performance indicators.

The Government will continue the work on improving the fragmented cash management system. The authorities will provide by mid-May 2016 a report on the compliance of central administration entities with the Ministerial Decision requiring them to transfer their accounts to the Treasury Single Account (TSA). Following the implementation of a cash management

reform the authorities will close accordingly central government accounts in commercial banks and consolidate them in the Treasury Single Account and provide a report to the Institutions on the overall situation in July 2016. The authorities will establish by May 2016 a working group to develop the cash planning function and a high level cash management committee, which will include representatives from GAO, PDMA and SGPR that will provide by June 2016 an action plan to consolidate the bank accounts of subordinate entities.

The Ministry of Finance will establish a ring-fenced account for the management of the EU Home Affairs Funds (AMIF/ISF) which will operate exclusively for the financing of the beneficiaries of the National Programs AMIF/ISF, credited by the inflows of AMIF/ISF and, to the extent necessary (co-financing requirement), national funds. By June 2016 at the latest the ring-fenced account will be endowed by the government with funds equivalent to the advance payment that has already been provided by the Commission. A bi-monthly detailed reporting of the activities of this account will be provided to DG Home of the European Commission.

#### **2.4.2 Public procurement**

Greece needs to take further action in the area of public procurement to increase efficiency and transparency of the Greek public procurement system, prevent misconduct, and ensure more accountability and control. Based on the Action Plan on Public Procurement agreed with the European Commission in October 2015, the authorities will:

- i. By May 2016, adopt a consolidated, comprehensive and simplified legislative framework (primary and secondary legislation) agreed with the European Commission on public procurement and concessions, including the transposition of the new EU Directives on public procurement and concessions (2014/23, 2014/24, 2014/25), and the establishment of a Remedies Review Body to provide fast and effective remedies as provided for in the EU Remedies Directives (first-instance remedies). The Remedies Review Body shall start operating by 31 December 2016.
- ii. By February 2017, the authorities will adopt measures to improve the judicial remedies system in the area of public procurement (second-instance remedies), taking into account the establishment of the Remedies Review Body. In preparation, by June 2016, the authorities in cooperation with the Commission will complete a comprehensive assessment of the existing judicial remedies system, identifying problems (e.g. lack of effective and rapid remedies, delays, difficulty of obtaining damages, litigation costs) and proposing specific actions to improve effectiveness.
- iii. The authorities will continue to implement the actions on e-procurement as agreed with the European Commission in the action plan.
- iv. By 1 July 2016, a new central purchasing scheme for the needs of 2017 (onwards), on the basis of a plan developed in cooperation with the European Commission, will enter into force.

The authorities will ensure that the SPPA remains the principal institution in the area of public procurement in Greece. The SPPA will cooperate with other Greek Institutions and the Commission in order to agree by May 2016 a national strategy that will identify systemic deficiencies of the national public procurement system, and propose realistic solutions to be implemented by the authorities through an action plan.

## 2.5 Sustainable social welfare

### 2.5.1 Pensions

As a **prior action**, the Authorities will adopt a comprehensive reform of the pension system, to strengthen long-term sustainability while targeting savings of up to 1/2 percent of GDP in 2016 and around 1 percent of GDP by 2018, mostly from the expenditure side, on top of the full absorption of the impact of the Council of State ruling on the pension measures of 2012, around 2 percent of GDP, with legislative provisions to:

- i. *Establish a closer link between contributions and benefits, through specific design and parametric changes.* Introduce a national pension of 346 euros with 15 years of contribution that increases gradually to 384 euros with 20 years of contributions (to be adjusted in line with the indexation rule for contributory pension, as defined in Law 3863/2010), in order to replace in a more equitable way the minimum pension that will be abolished; adopt a more progressive and marginal scale of accrual rates, which will help strengthen incentives to work and contribute for new retirees; the new uniform rules will be applied immediately, without pro-rating of previous benefit rules, with the exception of OGA (see point iv.d below).
- ii. *Recalibrate pension benefits.* In order to achieve intra- and inter-generational equity and fully absorb the Council of State ruling, recalibrate all the existing pensions on the basis of the new parameters of the uniform pension rule applied to the pensionable earnings in current value, with the exception of OGA. For ETEA insured persons, accrued rights up to 2014 will be recalculated with an accrual rate of 0,45, to align them to the current NDC system and taking into account higher contribution rates than those specified with the harmonised contribution rules. Lump-sum calculation will be revised to guarantee actuarial fairness.
- iii. *Freeze the current pensions in payment until their value become equivalent to the one calculated under the new uniform rules.* The individual recalculation of the pension benefit must be finalised by end-December 2017.
- iv. *Eliminate EKAS.* Phase out the solidarity grant (EKAS) for all pensioners by end-December 2019 starting with the top 20 percent of beneficiaries in April 2016 and reaching €800 mln savings by 2018;
- v. *Harmonize contributions rules* (a) Broaden and modernize the contribution and pension base for all self-employed, including by switching from notional to actual income, subject to minimum required contribution rules; (b) phase out by the end of 2019 the state financed exemptions and harmonize contributions rules for all pension funds with the structure of contributions of the main social security fund for employees (IKA) taking into account specific provisions for farmers (complete harmonisation to 20% by January 1<sup>st</sup> 2022) and newly insured independent professionals (through lower contributions during the first 5 years of activity, to be repaid in full before the end of the 15th years of contributions and by one-fifth any time the annual gross personal income exceeds euro 18.000; (d) abolish immediately all nuisance charges financing pensions and offset these by aligning contributions to those of IKA;
- vi. *Harmonise benefits rules.* a) Unify rules on disability and contributory welfare benefit rules by end-December 2016 in a way that does not increase expenditure; b) make the provision of survivor pensions more responsive to work incentives by including an

eligibility requirement of 55 years of age for the surviving spouse to be entitled to a permanent survivor pension, except if the surviving spouse has a dependent child or proof of permanent incapacity for work of at least 67%, and limit temporary survivor pension of the spouse aged below 55 to 3 years with 2 years period of contribution subsidy, in case of unemployment, over a period of 5 years starting from the granting of the temporary survivor pension; c) replace, from the implementation of the Law and for new retirees, child bonuses and spouse allowances provided through the pension system with the existing universal child bonus; d) gradually harmonize pension benefit rules of the agricultural fund (OGA) with the rest of the pension system in a pro-rata manner, by 2031, according to the table below, to strengthen the link between benefit and contribution; e) Eliminate any existing rules providing favourable treatments to any special group, recalculate any pre-retirement pension benefit under the uniform rules generating EUR 20 million in gross savings and eliminate pre-retirement pensions for new retirees who do not have vested rights.

Phase-in of the new pension benefit rules for farmers								
Year	2017	2018	2019	2020	2021	2022	2023	2024
<b>Old System</b>	93.8%	87.1%	80.4%	73.7%	67.0%	60.3%	53.6%	46.9%
<b>New System</b>	6.2%	12.9%	19.6%	26.3%	33.0%	39.7%	46.4%	53.1%
Year		2025	2026	2027	2028	2029	2030	2031
<b>Old System</b>		40.2%	33.5%	26.8%	20.1%	13.4%	6.7%	0.0%
<b>New System</b>		59.8%	66.5%	73.2%	79.9%	86.6%	93.3%	100.0%

- vii. *Address the deficit in auxiliary and dividend funds.* Implement a sustainability mechanism that freezes pension benefits in presence of a negative gap between overall contributions and expenditures. Address the current deficit in ETEA through a) a reduction of gross benefits expenditure of EUR 300 million in 2016 while protecting pensions with a cumulative amount of main and supplementary equal to or below EUR1300 (before taxes, including AKAYE and health contributions) per month; b) a temporary increase of supplementary contributions (by up to 1% for the next three years and at most 0.5% for the three years thereafter) not extended to lump-sum or any other funds; and c) by a limited use of the reserves of the fund; adjust spending in all dividend funds (i.e. MTPY) in a way that automatically eliminates any annual deficit.
- viii. *Ensure the compliance of the reform with constitutional principles in line with the Council of State ruling.* To address legal risks, the authorities will accompany the pension reform with detailed explanatory notes and a specific economic and actuarial study detailing the compliance of the reform with constitutional principles in line with the Council of State rulings and will seek *ex ante* opinions from the Court of Auditors and the Scientific Council of the Parliament.

Concerning the governance of social security, as a **prior action** the authorities will (a) legislate to fully harmonize contribution and benefit payment procedures across all funds; (b) establish a single entity (EFKA) to be fully operational by the end of 2016, (c) legislate that by end 2016 all insured individuals will be transferred into the new single entity, (d) all social security funds - with the exception of the welfare functions of OGA, the guarantee and credit functions of TSMEDE and the functions of NAT not related to pensions - will be eliminated

and all existing governance and management arrangements of such funds will be abolished after filing the financial statements but no later than March 2017.

The authorities will by June 2016 define a strategy and work plan to consolidate the single register and service history of all insured persons, and ensure data consistency before migrating the data of all insured persons to the operation platform of the new organization.

By early September, as a **milestone**, the authorities will finalise the harmonisation of social security contributions by: (i) eliminating the lower minimum contribution base for owners of tourist accommodation; (ii) repealing all exemptions allowing for lower health contributions; (iii) revising downwards the discount for lump sum payment of notional insurance periods.

### **2.5.2 Health care**

The authorities have committed to continue reforming the health care sector, controlling public expenditure, managing prices of pharmaceuticals, improve hospital management, increase centralized procurement of hospital supplies, manage demand for pharmaceuticals and health care through evidence-based e-prescription protocols, commission private sector health care providers in a cost effective manner, modernize IT systems, developing a new electronic referral system for primary and secondary care that allows to formulate care pathways for patients.

- i. To support rationalisation of expenditure, the authorities will:*
  - a. take concrete steps by December 2016 (and by December 2017, respectively), to increase: (i) the proportion of centralized procurement to 60 percent (and to 80 percent), (ii) the share of procurement by hospitals of pharmaceutical products by active substance to  $\frac{2}{3}$  (and to  $\frac{3}{4}$ ) of the total, in line with agreed targets. This includes, as intermediate step, establishing a list of items that must be obtained through centralised procurement by June 2016 and setting the requirement for hospitals to obtain the items through the centralised procurement system by issuing a circular by September 2016.
  - b. Monitor warranted and unwarranted access to emergency care and release a relevant report every six months. If needed introduce measures to control and discourage unwarranted access in order to guarantee effective provision of emergency care.
  - c. take further structural measures by December 2016 as needed to ensure that the estimated gap between spending for 2017 and the claw back ceilings is reduced by at least 30 percent compared to the previous year. The achievement of the spending target will be assessed in June 2017 and December 2017. By December 2017 the authorities will take further structural measures as needed to ensure that the estimated gap between spending for 2018 and the claw back ceilings is reduced by at least an additional 30 percent compared to the previous year. The achievement of the spending target will be assessed in June 2018 and December 2018.
  - d. complete the set-up of the negotiating committee to start developing price volume and risk agreements, such as MEAs, especially for innovative and high cost drugs by June 2016.



- e. set-up a Health Technology Assessment centre to evaluate which products to reimburse and under what conditions and agreements, in line with existing guidelines and with evidence of best-practice in the EU by December 2017. Progress towards this long-term goal will be assessed every six months, June and December, starting from June 2016.
- ii. *To support generics penetration*, the authorities should adopt further measures to: a) improve the incentive structure of pharmacists, including on profit structure, by December 2016; (b) promote the use of generics through public campaigning (by June 2016 onwards); (c) revise the current prescription targets for doctors (by December 2016); (d) increase the share of inpatient generic medicines to 50 by December 2016 (and to 60 percent by June 2017); (e) increase the share of outpatient generic medicines by volume to 40 by March 2017 (and to 60 percent by March 2018)
- iii. *To improve financial management of hospitals*, the authorities will: (a) by June 2016, deliver a plan to conduct annual external financial audits of hospital accounts, with implementation to begin in 2017, and for all hospitals to be covered by 2018. Progress towards this long-term goal will be assessed every six months, in June and December, starting from June 2016; (b) by December 2016, deliver a plan to adopt DRG or other international standard activity-based costing methodology in all hospitals and every three months they will document progress towards the implementation; (c) by December 2017 they will start implementing the new DRG or alternative activity-based costing system for all hospitals to be covered by June 2018 (progress towards this long-term goal will be assessed every three months, starting from June 2016). To this end, they will make use of the available Technical Assistance support.
- iv. *To assess and improve the performance of health care providers*, both public and private, the authorities will: (a) EOPYY will carry out systematic monthly auditing of private clinics. A report on the outcome of the auditing will be released every six months (starting from December 2016); (b) by June 2016, develop an assessment of public sector capacity by region and by specialty and use this to commission private providers per region subject to insufficient public capacity (by December 2016); and they will develop a full electronic record for patients (progress towards this goal will be assessed every six months, in June and December, starting from June 2016); (c) by December 2016 finalise a new system of electronic referrals to secondary care, with priority for those to diagnostics and elective surgery (to be developed by September 2016), based on e-prescription and the electronic record. Based on the electronic referrals system, they will develop a monitoring system of patients' waiting times by treatment, with the goal to reduce them over time; (d) by June 2017, develop a plan to pre-approve referrals to private sector providers based on the electronic patient record, the system of electronic referrals, the system of waiting times and the mapping of public sector capacity. Progress towards this long-term goal will be assessed every six months, in June and December, starting from June 2016.
- v. *Through the programme period*, the authorities will:
  - a. further reduce prices of drugs including by making greater use of price-volume agreements through the negotiating committee where necessary;
  - b. develop additional measures to contain excessive spending on diagnostics;

- c. will develop additional prescription guidelines giving priority to those with the greatest cost and therapeutic implications;
- d. develop therapeutic protocols for the patient care pathways (primary and secondary care) for the pathways that have the greatest therapeutic and cost implications, to be implemented through the e-prescription system;

The progress towards adopting the necessary measures to meet the long-term commitments in this paragraph will be assessed every six months (June and December), starting from June 2016.

- vi. *As continuous/ongoing commitments*, the authorities will:
  - a. update on a regular basis and at least every six months the positive and the negative list on the basis of criteria set in MD 2912/B/30.10.2012 and related regulation, subject to prescription guidelines, and with prices set at the level of the lowest three in the EU or lower if the authorities can negotiate rebates or price-volume agreements;
  - b. publish every six months a price bulletin to reduce pharmaceutical prices (May and November);
  - c. execute the claw backs every six months and perform regular audits;
  - d. apply and collect outstanding claw backs (continuously until they are cleared) for pharmaceuticals, diagnostics and private clinics;
  - e. assess existing measures to bring structural spending in line with claw back targets in each area providing reports detailing their features and outcomes (design, relevant legislation involved, outcomes) (June and September);
  - f. continue to collect relevant data from EOPYY and regularly publish it with a lag of three weeks after the end of the respective month, including through, (a) monthly reports with analysis and description of detailed data on healthcare expenditure in the areas of pharmaceuticals, diagnostics and private clinics (including information on the progress against the expenditure ceiling and clawback execution); (b) a monthly report on hospital financial data; (c) a quarterly report based on a set of activity related (input, process, output, outcome) indicators and financial data for hospitals; (d) an annual report on comparing hospital performance based on benchmarking indicators; (e) an annual report on human resources for the whole health care sector (to be used as a human resource planning instrument) with a focus on PHC;
  - g. document the progress on the development of new protocols and registries for the most expensive pharmaceutical active substances and diagnostics procedures (bimonthly);
  - h. document the progress on prescription guidelines (bimonthly);
  - i. undertake regular and documentable public campaigning to support generics;
  - j. document progress towards setting-up of the HTA centre.

The authorities will closely monitor and fully implement universal coverage of health care and inform citizens of their rights in that regard and they will proceed with the roll out of the new Primary Health Care system as envisaged in Law 4238 by December 2016. To this end, they will make use of the available Technical Assistance support. The progress towards this goal will be assessed in June and December.

### 2.5.3 Social safety nets and activation

The economic crisis has had an unprecedented impact on social welfare. The most pressing priority for the Government is to provide immediate support to the most vulnerable to help alleviate the impact of the renewed downturn. Already, a temporary package of humanitarian measures on food, housing and access to electricity has been adopted and will be phased-out to coincide with the implementation of the nationwide rollout of the guaranteed minimum income scheme (GMI).

In order to get people back to work, the authorities, working closely with European partners, have taken measures to boost employment by providing short-term work opportunities to 52,000 people targeting the long-term unemployed. In addition, the Government will issue the required JMDs and will roll out by September 2016 further active labour market integration schemes which will combine public work and activation (personalized services, upskilling, re-skilling) measures covering some 43,000 persons, who are furthest away from the labour market, including long term unemployed and GMI beneficiaries. The Government will support further job creation schemes through wage subsidies, vouchers etc. for some 90,000 participants by December 2016. In addition, activation measures and training will be provided for 21.500 participants by December 2016.

A fairer society will require that Greece improves the design of its welfare system in line with EU best practices, so that there is a genuine social safety net which targets scarce resources to those in most need. The authorities plan to benefit from available technical assistance provided by international organisations for both the social welfare review and the GMI implementation.

- i. By September 2016, the Government commits to complete with the assistance of the World Bank the Social Welfare Review (SWR), targeted to reform benefits and to generate savings of ½ percent of GDP annually, including both cash and in-kind benefits, tax benefits, social security and other social benefits across the general government. A key part of the Review will be to propose improvements to the system of benefits addressing specific care needs such as for children and disabilities to reduce fragmentation of welfare and social insurance benefits and move towards a modern system comparable to that of other EU Member states. The Review will serve as the basis for the rationalization of a redesigned and targeted welfare system, including the fiscally-neutral national roll-out of the GMI. The cost of the national implementation of the GMI, estimated at 0.5% of GDP annually, will be covered through permanent savings, including those identified by the SWR in line with the World Bank findings. Other sources include permanent savings identified through spending reviews or in areas of non-discretionary spending. By October 2016, the authorities will legislate reforms to welfare benefits (**key deliverable**). The effectiveness of social assistance spending, that currently lags significantly behind the EU28 average, will be enhanced through the GMI and other reforms.
- ii. The Authorities will launch the gradual nationwide roll-out of a GMI scheme in 30 municipalities by June 2016 (**key deliverable**), including a) the primary legislation for the first stage of the rollout; b) the primary and secondary legislation to allow the comprehensive cross-checking of applications against tax data; c) the issuance

of Joint Ministerial Decision setting out the design and benefit rates to be finalised in conjunction with the institutions. Close linkages with municipalities and employment services will be established. Apart from direct income support, the GMI scheme will offer a package of services that will aim to inclusion and remove barriers to work. The GMI will be closely co-ordinated with re-integration employment schemes whereby alternative pathways will be offered to the beneficiaries addressing their specific needs, including their integration in existing schemes.

- iii. By September 2016, the authorities will make the full preparations for a nationwide GMI rollout starting on 1 January 2017 (**key deliverable**) by: a) issuing the primary framework legislation for the GMI nationwide rollout; b) providing training to 80 major municipalities including Thessaloniki and Patras; c) undertaking a comprehensive stress test of the IT system in readiness for the rollout; d) launch a focussed open-framework program of labour market measures to support the GMI with a budget of €20 million.
- iv. By November 2016, the authorities will a) revise and issue the Joint Ministerial Decision in agreement with the institutions to improve the design and benefit rates of the nationwide GMI, in the light of the results of the social welfare review and based on the evaluation of the initial schemes by the World Bank; b) provide training to the final 200 municipalities; c) ensure the full availability of communication materials and distribute these to municipalities across the country.
- v. GMI beneficiaries who can be integrated in the labour market will be progressively offered access to personalized active labour market (ALM) measures. This will include the systematic preparation of individual activation plans for participants and measures taken for allocating employment scheme funds (including GMI recipient quotas). The menu of ALM measures offered will include training, reintegration employment schemes, job search assistance, mentoring, apprenticeships etc. by January 2017 that will cover at least 10% of GMI beneficiaries available for work.

The authorities will establish an action plan for a permanent housing policy for the most vulnerable in line with European best practice by December 2016.

### **3. Safeguarding financial stability**

All necessary policy actions will be taken to safeguard financial stability and strengthen the viability of the banking system. No unilateral fiscal or other policy actions will be taken by the authorities, which would undermine the liquidity, solvency or future viability of the banks. All measures, legislative or otherwise, taken during the programme period that may have an impact on banks' operations (i.e., solvency, liquidity, asset quality etc.) should be taken in close consultation with the EC/ECB/IMF and where relevant the ESM.

The authorities will accelerate actions included in the comprehensive strategy for the financial system related to reinforcing the banking sector by (i) normalising liquidity and payment conditions and strengthening capital (ii) addressing NPLs and (iii) enhancing governance (iv) promoting awareness and financial literacy of borrowers.

### **3.1 Restoring liquidity and capital in the banking system**

The authorities are committed to preserving sufficient liquidity in the banking system in compliance with Eurosystem rules and to achieving a sustainable bank funding model for the medium term. In this context, banks are required to submit quarterly funding plans to the Bank of Greece (BoG) so as to ensure continuous monitoring and assessment of their liquidity needs.

The impact of the capital controls will be monitored with full information sharing with the EC, ECB, ESM and IMF. The authorities will manage, in timely consultation with the EC, ECB, ESM and IMF, the process for the easing of capital controls, taking liquidity conditions of the banking system into account while aiming to minimise the macroeconomic impact of the controls.

The BoG will require completion of the recapitalisation process for the less systemic banks on the basis of existing capital assessments and if private funds are not available, by end-July 2016, the BoG will undertake appropriate action to ensure the viability of these institutions.

The stabilization of the banking sector and the restoration of confidence, the resolution of NPLs and the improved capital and liquidity conditions, the recovery of the economy and the restoration of the deposit base will ensure, in the medium term, the gradual reduction of central bank reliance and the restoration of the ability of the banks to channel liquidity to the economy.

### **3.2 Resolution of Non-Performing Loans (NPLs)**

As a **prior action**, the authorities will:

- adopt amendments to Law 4354/2015 (Law on the Management of Non-Performing Loans, pay-setting arrangements and other emergency provisions in application of the agreement on budgetary targets and structural reforms) in order to allow without Greek law requiring a license the sale of all performing and non-performing loans to legal entities incorporated in any State member of the European economic area without exclusions or in any other State excluding non-cooperative States and States identified on 1 May 2016 as having a preferential tax regime (in the sense of article 65 paragraphs 1 to 7 of law 4172/2013). For loans secured by primary residences with an objective value of the property below €140,000 the liberalisation will enter into force on 1 January 2018; for all other loans, the liberalisation will be immediate. The licensing regime for loan servicers will be based on the principle of proportionality and there will be no restriction or requirement not justified by the specific risks and features associated to the activity. In particular, there will be no excessive capital requirements. The tax treatment of loans acquirers and servicers will be in line with EU rules and international best practices, replicating where applicable and to the extent possible the tax treatment provided by the Securitisation Law (Law 3156/2003) as well as the treatment of transfer related expenses and privacy protection. Furthermore, it will be made clear that the Securitisation Law 3156/2003, as well as the leasing and factoring laws are not affected by law 4354/2015;
- adjust related secondary legislation to the amended Law 4354/2015 and set up the related consultative committee by the Government to fully operationalise the licensing framework of credit servicing firms;

- amend, as part of the tax policy reforms, the income tax law to ensure that for a specified period of time debt write-offs as result of restructuring agreements are not considered as taxable income of the borrower, also with a view towards incentivizing the borrowers to timely engage in out-of-court settlements.

By mid-May 2016,

- i. the authorities will
  - a. establish by law a Secretariat to support the Government Council on Private Debt;
  - b. establish, in consultation with the Institutions, the general principles and devise a roadmap for amending the legislation on the out-of-court workout and setting up a coordination mechanism for assessment of distressed businesses and restructuring public and private debt of viable debtors.
- ii. the BoG in cooperation with the SSM will
 

extend the comprehensive monitoring framework with additional key performance indicators (KPIs) in relation to banks' non-performing exposure (NPE) resolution activities. By end June, the BoG, in cooperation with the SSM, will agree with the banks on concrete targets of key financial and operational indicators with the objectives to significantly reduce such exposures and reach sustainable restructuring solutions for borrowers. The BoG, in cooperation with the SSM, will ensure that the NPE targets remain ambitious and banks' NPE strategies are adequately designed and executed to reach the targets. The banks will be required to report regularly on these KPIs and their progress in achieving targets for NPE workouts. From November 2016, the BoG will publish quarterly an aggregated summary report on the developments of selected KPIs and targets. The BoG will assign a team for, among others, conducting the regular assessment and analyses of banks' performance in achieving targets and its drivers, and the identification of impediments in case of missing the targets and reasons of underperformance with a view of providing recommendations to the competent authorities and relevant governmental bodies.

By end-May 2016,

- i. the HFSF will present an *NPL resolution action plan* to enhance coordination among banks for common borrowers and accelerate the restructuring of viable, distressed, large corporates, and if needed, jointly tackle entire economic sectors. The HFSF will work actively with the banks aiming at the adoption of the recommendations of the HFSF plan. The findings of this work-stream will be channelled to the authorities in order to be assessed and addressed.
- ii. the BoG will assess the potential tax impediments to loan loss provisioning and write-off policies of domestic banks and, if needed and in consultation with EC, ECB, ESM and IMF, suggest appropriate actions in order to be assessed and addressed by the Authorities.

By end-June 2016,

- i. the authorities will

- a. amend the legislation on *out-of-court workout*, making use of external expertise if needed, to improve its effectiveness by (i) allowing for both large and small debtors into the mechanism, including debtors with state and/or bank debt; (ii) strengthening information requirements for applications; (iii) introducing basic principles for viability assessments and formulation of debt restructuring proposals; (iv) establishing coordination and decision-making mechanisms among creditors, both private and public; (v) subjecting all elements of debt, including private and public debt, to the debt-restructuring mechanism; (vi) allowing for the possibility of using fast-track court ratification of the restructuring agreement; and (vii) facilitating the initiation of insolvency proceedings in case of lack of compliance with the agreed restructuring plans or if the borrower has been assessed as non-viable. **(key deliverable)**;
  - b. introduce legislative provisions to ensure that actions taken in relation to debt restructuring by either private or public officials, in good faith, to the best interest of the creditor they are representing and in compliance with the applicable procedures and objective criteria, are considered legitimate as far as civil or criminal liability is concerned, according to the general principles and the safeguards of the existing legal framework. The applicable procedures may include additional safeguards for cases concerning very large debtors;
  - c. present a report and detailed proposals of amendments in order to improve the corporate insolvency law, among others, by overcoming the possible obstruction by uncooperative shareholders of the debtor company, simplifying and accelerating the procedures, reducing the discharge period and specify the insolvency administrators' functions;
  - d. appoint new *specially trained judges* and set up dedicated chambers for the trial of household insolvency cases to reduce the backlog of pending applications under law 3869/2010.
  - e. adopt a legislation on the *Debt Information and Support Network* located across the country, in order to provide adequate advice and support to physical persons and SMEs on the legal and financial aspects of debt restructurings, as well as on issues of financial literacy in general. A detailed implementation plan will also be developed by the same deadline.
- ii. the HFSF, in cooperation with the BoG, will propose concrete actions regarding all remaining *non-regulatory impediments* to the development of a dynamic NPL market based on an update of the study delivered in October 2015, which will be published. The Authorities will assess and address the findings of the updated study and the concrete actions proposed by the HFSF by end-2016.
  - iii. the Bank of Greece will ask the banks to develop *debt restructuring guidelines* among others to deal appropriately with groups of borrowers (e.g.: SMEs), and the Bank of Greece will revise, in consultation with the Authorities and stakeholders, the *Code of Conduct* to address weaknesses and gaps.

By end-September 2016, the authorities will

- i. develop a contingency plan with a view to ensure that specialized chambers could be quickly appropriately staffed for corporate insolvency cases in the district courts of Athens, Thessaloniki and Piraeus to address the potential increase of such cases.
- ii. appoint new support staff for the trial of household insolvency cases to reduce the backlog of pending applications under law 3869/2010.
- iii. enact all necessary secondary legislation (Presidential Decree, Ministerial Decisions and decisions of the relevant supervisory administrative body) to fully regulate the profession of insolvency administrators according to a timeframe agreed with the Institutions by mid-May 2016.
- iv. present a concept paper and feasibility analysis on (i) a new real-estate ownership and transaction register including to carry out cross-checking against the available information on all individual properties in the cadastre and the property tax database, in compliance with the Personal Data Protection legal framework (ii) a credit bureau including a central database with consolidated information on arrears on public liabilities that would be accessible to parties with a legitimate interest including credit registers in compliance with the Personal Data Protection legal framework.

By end-October 2016, the authorities will adopt amendments to the corporate insolvency law (**key deliverable**) in line with the agreed proposals to be submitted by end-June 2016

By end-December 2016, the authorities will

- i. assess the effectiveness of the legal and institutional framework for the *Household insolvency* (law 3869/2010);
- ii. fully operationalise the profession of insolvency administrators, allowing exams and registrations into the profession.

### **3.3 Governance of the HFSF**

The independence of the HFSF will be fully respected, its governance reinforced and it shall operate under commercial terms and without any political or other interference.

The Selection Panel ('Panel') will assess the members of the HFSF governing bodies under clear and transparent criteria, will carry out a review of their remuneration levels and propose changes, if appropriate. In both cases, the proposals of the Panel will be submitted to the Minister of Finance in order to issue the relevant decisions in accordance with the provisions of the HFSF law.

### **3.4 Governance of banks**

The independence of the management, decision-making and commercial operations of banks will be fully respected and the banks will continue to operate strictly in accordance with market principles. Any potential replacement of board members and senior management of the banks will be carried out without any political or other interference. These appointments will be made in line with best international practices.

By end-June 2016 (**key deliverable, milestone**), the HFSF with the help of an independent international consultant will finalise the review of the boards of the banks in which the RFAs



apply. This review will be in line with prudent international practices by applying criteria that go beyond supervisory fit and proper requirements. By end-July 2016, bank boards should be reconstituted in a manner that reflects the findings of the above review and respects the HFSF law. The HFSF will undertake every effort to ensure that the recruitment of any new board members will be fair and transparent, and that these new members are not linked to borrowers of the bank with an exposure above EUR 1 million or any exposures in arrears. The HFSF will make every effort to ensure that the new members shortlisted and nominated by the Nomination Committees of the banks respect the criteria specified in the HFSF law and further established by the review. By the same date, any other governance changes recommended by the review should also be implemented in the banks.

By end-July 2016, the BoG, considering as a key element the SSM supervisory appraisal on this matter, will assess if banks boards' and management have been aligned with the recommendations of the review and, if needed, the Authorities, by end September 2016, will take further action, including amendments to the regulatory bank governance framework.

The HFSF will ensure through the amended Relationship Framework Agreements (RFAs) that the external auditors' contracts with the banks will have a maximum duration of five consecutive years, and the first rotation of the current auditors will take place in all banks as soon as possible operationally but not later than for the financial year of 2018.

#### **4. Structural policies to enhance competitiveness and growth**

##### **4.1 Labour market and human capital**

In recent years, major changes have been made to Greek labour market institutions and wage bargaining systems to make the labour market more flexible. The Greek authorities are committed to achieve EU best practice across labour market institutions and to foster constructive dialogue amongst social partners. The approach not only needs to balance flexibility and fairness for employees and employers, but also needs to consider the very high level of unemployment and the need to pursue sustainable and inclusive growth and social justice.

*Review of labour market institutions.* As a **prior action** the Government will launch a consultation process led by a group of independent experts to review a number of existing labour market frameworks, including collective dismissals, industrial action and collective bargaining, taking into account best practices internationally and in Europe. Further input to the consultation process described above will be provided by international organisations, including the ILO. Following the conclusion of the review process, by September 2016 (**key deliverable**) the authorities will bring the collective dismissal and industrial action frameworks and collective bargaining in line with best practice in the EU. Any changes to the framework of labour market policies will be done in consultation and agreement with the institutions. No changes to the current collective bargaining framework will be made before the review has been completed, including article 103 of Law 4172/2013. Changes to labour market policies should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth.

*Simplification of labour legislation.* Existing labour laws will be streamlined and rationalised through the codification into a Labour Law Code by March 2017 (**key deliverable**) with the support of technical assistance.

*Undeclared work.* By July 2016, the authorities will adopt an integrated action plan (**key deliverable**) to fight undeclared and under-declared work in order to strengthen the competitiveness of legal companies and protect workers as well as raise tax and social security revenues. The plan will benefit from the intermediate results of the technical assistance provided by the ILO. It will include improved governance of the labour inspectorate and specify eventual further needs for technical assistance. Any changes to the system of controlling and fining will be made after consultation and agreement with the institutions. By June 2016 the authorities will link the tax, ERGANI and social security fund reporting framework to detect undeclared work, granting further access to the labour inspectorate to relevant administrative databases; and provide a timeline for the completion of the risk-assessment IT system. The authorities will adopt legislative actions to tackle the issue of undeclared work in agriculture by May 2016, to be followed by further actions to be taken by September 2016 in other sectors, including construction.

*Mechanism for diagnosis of labour market needs.* The integrated mechanism for diagnosis of labour market needs developed as part of the deployment of EU funds will be fully applied as of December 2016.

*Vocational Education and training (VET).* The government will by May 2016 i) legislate the quality frameworks for VET curricula and apprenticeships and ii) finalise and agree with the institutions the VET strategy, strengthening in particular the sections on continuous VET and securing apprenticeship placements. Furthermore, consistent with the 2016 Budget and MTFS, the government will deliver the modernisation and expansion of VET (**Key deliverable**) by: a) finalising after agreement with the institutions the integrated implementation plan for VET with quantified targets for 2016/17 and 2017/18 (June 2016) b) launching two small-scale pilots projects of apprenticeships for 2016/17 (June 2016); and c) the Ministry of Labour with the support of OAED and relevant stakeholders will develop, adopt the framework for, and launch a series of major VET partnerships, involving employer sectoral representative bodies and social partners, to serve as intermediary structures in order to support employers to offer work-based learning vacancies and ensure a sustainable expansion of apprenticeships for the academic years 2016-17 and 2017-18 (June 2016 for the adoption of the framework and September 2016 for the launch). In addition the government will include a human capital dimension to the national growth strategy by June 2016 and adopt an integrated plan for Human Capital development, addressing economic growth and supported by the VET Reform (October 2016);

*Capacity building.* Over the medium term, the institutional capacity in the field of labour administration (encompassing the Ministry of Labour as well as all responsible implementing bodies and agencies) will be strengthened in terms of policy formulation, implementation and monitoring in order to increase the ability to deliver welfare reforms, active labour market policies, and achieve the front-loading of the absorption of Structural Funds. As a first step, by November 2016 the needs of the labour administration in terms of institutional capacity will be identified. Public employment services (OAED) will be restructured and reinforced through the completion of the existing initiative on the re-engineering of OAED, by end 2016.

*Technical assistance.* For the effective implementation of the reform agenda, including labour market reform, VET and capacity building of the labour administration, the authorities will use technical assistance, benefiting *inter alia* from expertise of international organisations such as the OECD and the ILO.

*Education.* The authorities will ensure further modernization of the education sector in line with the best EU and OECD practices, and this will feed the planned wider Growth Strategy. The authorities with the support of the OECD, independent experts and an observer of the Commission (DG EAC), will prepare an assessment of the Greek education system. Initial work with the OECD will address the following topics: a) procedures for budgeting expenditures for education; b) ways to increase the autonomy of schools and universities and other postsecondary institutions which will affect the functioning and the governance of education institutions as well the evaluation and transparency at all levels; c) training and development of all day schools; d) linkages between Research Institutes, Universities and the Technological Educational Institutes; f) the process of monitoring the implementation of reforms at all levels of education. The assessment of the education system will cover all levels of education, including linkages between research and education and the collaboration between universities, research institutions and businesses to enhance innovation and entrepreneurship. *Inter alia*, the assessment will analyse the effectiveness and implementation of the current legislation, the scope for further rationalisation (of classes, schools and universities), functioning and the governance of higher education institutions, the efficiency and autonomy of public educational units, and the evaluation and transparency at all levels. The assessment will evaluate the adequacy of resources devoted to education in Greece within the constraints of the MTF5 fiscal targets.

The assessment work will be done in two phases. Phase 1 will be completed by June 2016. It will provide a focused evidence-based update on key reform and implementation challenges, and provide analysis and policy options and recommendations by June 2016. Then, based on the recommendations of the assessment of Phase 1 and on completion of the National and Social Dialogue for Education, the authorities will (**key deliverable**) by September 2016, prepare a three-year Education Action Plan and, in agreement with the European Institutions, adopt those actions which can enter into force in time for the 2016/2017 academic year. In particular, the authorities commit to align the number of teaching hours per staff member, and the ratios of students per class and pupils per teacher to the best practices of OECD countries to be achieved at the latest by the beginning of the 2018-2019 academic year. The evaluation of teachers and school units will be consistent with the general evaluation system of public administration. The authorities will ensure a fair treatment of all the education providers, including privately owned institutions by setting minimum quality standards be satisfied by all education providers and a framework of non-discriminatory common rules allowing higher standards or quality controls by independent public authorities.

Phase 2 will undertake further in-depth policy analysis on the topics mentioned above. and will seek to engage a wide range of stakeholders. It will be undertaken over the period July 2016 to June 2017 and provide the evidence base for further proposals to improve the education system in Greece.

## 4.2 Product markets and business environment

More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards. In line with their growth strategy, the authorities will intensify their efforts to bring key initiatives and reform proposals to fruition as well as enrich the agenda with further ambitious reforms that will support the country's return to sustainable growth, attract investments and create jobs.

The authorities will as **prior actions**:

- i. Adopt primary legislation that will provide for a General Sale List sub-category within the OTC pharmaceutical product list with effectiveness as of June 2016.
- ii. Adopt the remaining recommendations of the OECD Competition Toolkit II - with the exception of 5 recommendations - on beverages and petroleum products.
- iii. Submit to the Institutions draft roadmaps to:
  - a. remove unjustified and disproportionate restrictions for the activities of engineers;
  - b. address the external advisor's recommendations on regulated professions including prioritisation.

Agreement on these roadmaps with the Institutions is to be achieved by May 2016.

On *competition*:

- i. *Toolkit I recommendations.* By May 2016, the authorities will fully legislate the OECD competition toolkit I recommendation on OTC pharmaceutical products with effectiveness as of June 2016 (**key deliverable**). By May 2016, the authorities will implement the remaining recommendation of the OECD toolkit I on foodstuffs. By July 2016, the authorities will fully adopt the pending recommendations on building materials. The authorities will address the OECD recommendation on Sunday trade following the forthcoming State Council ruling.
- ii. *Toolkit II recommendations.* Adopt the remaining 5 recommendations on beverages and petroleum products by September 2016.
- iii. *Toolkit III recommendations:* By June 2016, the Government will adopt legislation to address all identified issues in the new OECD competition assessment for 1 sector. By September 2016, the Government will address a number of barriers to competition as identified by the OECD's initial scan of legislation. By December 2016, the Government will adopt legislation to address all identified issues for the remaining sectors (**key deliverable**).

On *investment licensing*, the authorities will adopt legislation according to the prioritization of the investment licensing reform roadmap by June 2016 in three sectors (**key deliverable**), and proceed with follow-up phases of the investment licensing reform to be implemented in line with the roadmap.

On *administrative burden*, by June 2016, the Government will adopt the pending OECD recommendations on fuel trader licenses. On environmental licensing, the Government will submit the presidential decree on the external environment assessors by June 2016 and

make operational the digitization of the licensing process by November 2016 as per OECD's recommendations. In addition, the authorities will further reduce administrative burden, including through one-stop shops for business. By June 2016, the Government will adopt legislation on the latter (**key deliverable**), which will be fully implemented according to the agreed timeline. By June 2016, the Government will fully implement the law on better regulation.

*On competition, investment licensing and administrative burden*, the Government will agree by May 2016 on launching a second round of ex-post impact assessment of selected reforms and their implementation. By June 2016, the Government will adopt measures, in agreement with the institutions, to address the recommendations of the ex-post assessments launched in October 2015 (**key deliverable**).

To *modernize company law*, the Government should prepare a review by December 2016 on changes needed to bring Law 2190/1920 into line with best practices. The review and should be carried out in cooperation with the European Commission and involve the consultation of key stakeholders. Based on the recommendations of the review, the Government should amend Law 2190/1920 by June 2017.

On *regulated professions*, in order to remove unjustified and disproportionate restrictions, the Government will agree with the Institutions by May 2016 a roadmap for the liberalization of the reserved activities of engineers (**key deliverable**) and implement it in a timely manner. The authorities will adopt legislation to address the recommendations of the external advisor by June 2016 on the basis of the agreed prioritization. The recommendations of the inter-ministerial committee, based on other recent reports, will be submitted to the Institutions by May 2016 and their adoption, including prioritization, will be realized by November 2016.

On *export promotion*, the authorities with the participation of public and private stakeholders, will adopt an export promotion action plan by May 2016 and proceed subsequently with its implementation.

On *land use*, the authorities adopted the Presidential Decree on forest definition. As a **prior action**, the Government will (i) agree with the Institutions the provisions for the selected improvements of the spatial planning law, including the part on land use categories;(ii) adopt the law on forest maps in agreement with the Institutions. The authorities will fully implement the forestry law by July 2016. The forest maps already completed by EKXA and endorsed by the forestry services will be uploaded by September 2016 and ratified by five months later - taking as starting date the date of upload - following the prescribed review process, which will be fully functional by the time the maps are uploaded. The authorities will adopt by September 2016 the provisions on the spatial planning law and the secondary legislation to ensure that the legislation effectively facilitates investment, and streamlines and shortens planning processes while allowing for the necessary safeguards.

On *cadastre*, the authorities will adopt by September 2016 the new legal framework for nationwide cadastral offices on the basis of the experience of the two pilot offices and recent technical assistance advice, and in accordance with the roadmap in the Agreement between the World Bank and the EC (**key deliverable**). They will ensure by June 2016 stronger governance, adequate financial independence and administrative capacity of the cadastral

agency EKXA (see section 5.4). The authorities will use the ongoing technical assistance to ensure an effective implementation of the new legal framework.

On *agriculture*, the authorities will follow up on the agricultural competitiveness strategy adopted by the Government, by implementing the six legislative measures identified according to schedule. In particular, by September 2016 a law will be adopted aiming to increase the size of holdings and introduce new forms of partnership (ordinary partnerships (OE), limited partnerships (EE), public limited companies (AE)) between land owners who are not farmers and growers. The authorities will broaden the scope of the agricultural competitiveness study to cover the whole rural development sector, by December 2016.

On *structural funds*, the work plan produced by the authorities in December 2015 will be updated by May 2016. It will be monitored monthly and will be fully implemented by September 2016. As a **prior action** they will adopt the Information and Communication Technology secretariat law. The inter-ministerial committee on major projects will continue its work proposing solutions to blockages and the action plans for the motorways and other projects will be updated monthly. The authorities will: a) initiate legislative and administrative action to streamline the expropriation procedures under a new unified legislative framework by October 2016; b) streamline and simplify the procedures related to archaeological works by initiating codification of legislation and/or through other appropriate means with equivalent effect by October 2016 and c) submit and agree with the Commission by May 2016 a list of significant projects to be activated within 2016, for 2014-2020 Operational Programmes with timelines from their approvals until their completion, to be followed up by the inter-ministerial committee in order to identify possible bottlenecks and take appropriate actions. When it concerns public works, timelines should include preparation and tendering phases.

On *technical assistance*, the authorities will continue the ongoing support in two critical areas: a) the competition assessment in wholesale trade, construction, e-commerce, media and rest of manufacturing with support of the OECD; and b) the investment licensing reform with support of the World Bank. In addition, the authorities intend to launch technical assistance projects in the areas of cadastre and land management, education, export promotion, one-stop shops, tourism and trade facilitation. Furthermore, with support of technical assistance, the authorities intend to assess the implementation of the reforms in areas such as competition and investment licensing. Finally, in order to ensure an effective reform implementation, the authorities will use technical assistance in other areas as needed, including through Commission services, Member State experts, international organisations, and independent consultants. This includes areas such as agriculture, environment and structural funds.

#### **4.3. Regulated Network Industries (Energy, Transport, Water)**

##### *Energy*

The Greek energy markets need wide-ranging reforms to bring them in line with EU legislation and policies, make them more modern and competitive, reduce monopolistic rents and inefficiencies, promote innovation, favour a wider adoption of renewable and gas, and ensure the transfer of benefits of all these changes to consumers.

As **prior actions**, the authorities will:

- i. In accordance with December's agreement on ADMIE, and on the basis of a positive feasibility report produced by independent advisors, agree with the Institutions, endorse in KYSOIP a detailed action plan, including a timeline, for implementing the full ownership unbundling of ADMIE from PPC, to be completed by end 2016 in accordance with an integrated procedure analysis produced by independent evaluators; in this context, enabling legislation based on the action plan will be approved by May 2016, the General Assembly of PPC will authorize the sale of at least 20 percent of ADMIE to a strategic investor in July 2016, with the respective tender procedure to start in July 2016 (**key deliverable, milestone**) and the appointment of a preferred bidder to occur by October 2016. Should the Institutions, having consulted the Greek authorities, determine that there is lack of sufficient progress to complete this process in 2016, in particular in relation to the identification of and purchase by the strategic investor, the Hellenic Republic will announce by October 2016 the date for submission of binding offers for the sale of all PPC's shares in ADMIE by December 2016, and will fully privatize ADMIE in 2017.
- ii. Agree with the Institutions, endorse in KYSOIP and publish the design of the NOME system of auctions, with the objective of lowering by 20 percentage points the retail and wholesale market shares of PPC by 2017, and to bring them below 50 percentage points by 2020. Moreover, as a **prior action** the relevant legislation introducing the NOME mechanism in the Greek electricity market, including all relevant powers for LAGIE and RAE, will be adopted. The first auction will be held in September 2016 (**key deliverable**), with quantities to be auctioned in 2016 equal to 8% of the total volume in the interconnected system in 2015 and deliveries to start in the 4<sup>th</sup> quarter 2016.
- iii. Adopt the temporary capacity payment scheme, as approved by the European Commission in March 2016.

In addition, as a **prior action**: DESFA will send a tariff proposal for the next tariff period to RAE.

By June 2016 as a **milestone**, the Hellenic Republic will propose and vote in a General Assembly of PPC that its management is fully empowered to negotiate with full flexibility cost- and consumer profile-based tariffs. PPC will conclude the negotiations on HV tariffs with all its customers by signing the respective contracts, and the adopted tariffs shall be cost-based and take into account consumption characteristics.

By June 2016, the authorities will: (i) pre-notify to the European Commission the permanent scheme for capacity payments; (ii) legislate the new framework for the support of renewable energies, while ensuring financial sustainability and guarantee the respect of State-aid guidelines (EEAG); (iii) as a **milestone** amend the current legislation on ETMEAR and/or the structure of the RES account while respecting existing contracts in line with European Union rules, to ensure that the debt in the RES account is eliminated over a 12-months forward looking horizon (not later than June 2017); the account will be kept annually in balance onwards, (iv) regulate according to the final decision of the Council of State on the netting of the arrears between PPC and the market operator); (vi) conclude the implementation of the energy taxation review, as agreed with the Institutions.

By June 2016, to continue the implementation of the gas market reform, (i) RAE will adopt gas distribution tariffs, (ii) legislation will be amended, further facilitating the unbundling process and (iii) the authorities will review the gas release program, improving conditions of access for alternative suppliers and substantially increasing the quantities available (**key deliverable, milestone**).

The authorities will implement the roadmap for the implementation of the EU target model for the electricity market, to be completed by December 2017; in this context, they will pass the required legislation on the transposition of the high-level market design in June 2016 (**key deliverable, milestone**), and the balancing market will be completed by June 2017.

The authorities will make use of technical assistance, provided by the SRSS of the European Commission, for implementing all energy market reforms.

#### *Water utilities*

A stable regulatory regime is key for allowing much needed investment in the water networks and to protect consumers in terms of pricing policies. The Special Secretariat for Water (SSW) will launch gradually as of September 2016, with the support of technical assistance where needed, a system of regular collection of information, starting with key data, to be further expanded in the medium term. The complete system will be revised with the support of technical assistance as soon as sufficient data are collected and audited by one of the international engineering consultancies and will be in place by November 2016. EYDAP and EYATH will launch a process of preparing business plans (June 2016), including for investments and key capital projects for the next 5 years to be completed by December 2016; reputable and independent external advisors should be used to help them compile such plans.. The Authorities will take immediate steps (May 2016) to ensure that the SSW is adequately staffed in order to be able to carry out in full its tasks and will take concrete steps to strengthen the SSW to enable it to take regulatory decisions with the necessary degree of autonomy (September 2016). The SSW will finalise, with the support of technical assistance, the charging rules for water services taking into also account the methodology completed by the SSW in 2014 and the existing legislative framework (September 2016, **key deliverable**).

#### *Transport and logistics*

On transport, the authorities will by December 2016: (i) finalise the terms of reference for a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics aspects) and (ii) prepare a comprehensive review of subsidies for all transport modes (**key deliverables**). On logistics, the authorities will by September 2016 implement the logistics law (**key deliverable**) and by November 2016 adopt the logistics strategy with a time-bound action plan.

The authorities will complete by June 2016 the merging into group functions of OASA – Transport for Athens of procurement and HR departments of OSY and STASY.

The authorities will undertake reforms to increase the efficiency and viability of the urban bus transportation in Thessaloniki (OASTH). By July 2016 the government, in agreement with the Institutions, will (i) ratify by law a restructuring plan for OASTH that takes into



account Article 7 of Law 4354/2015 and delivers €50 million in permanent savings by 2017 to ensure a maximum deficit before any state transfer of €40mn per year in 2017 and the remaining duration of the concession; (ii) modernise the operation of the regulator SASTH.

In support of this reform agenda on network industries, the authorities intend to use technical assistance as needed, including on the strengthening of regulators and on transport and logistics and on the strengthening of regulators (for the latter, see section 5.4).

#### **4.4 Privatisation**

Privatisation can help to make the economy more efficient and to reduce public debt. The Government and the Privatisation Fund (HRADF) have taken important steps in advancing the privatisation programme forward (e.g., signing of the regional airport agreement, the conclusion of the OLP tender) and are committed to proceed with the ambitious, ongoing privatisation program of HRADF.

Implementation of the agreed HRADF Asset Development Programme (by means of direct sale, concessions, securitisations, or other forms monetisation) regarding all its core assets is key to stimulate private investment, increase efficiency, and provide financing to the state.

To maintain investor interest in key tenders, the Hellenic Republic commits to proceed with the on-going privatisation programme. The Board of Directors of the HRADF has already approved its updated Asset Development Plan (ADP) which includes for privatisation assets under HRADF as of 31/12/2014.

The implementation of this programme aims to generate further annual proceeds (excluding bank shares) for 2016, 2017 and 2018 of EUR 2.5 bn, EUR 2.2 bn and EUR 1.1 bn, respectively, on top of EUR 0.4bn collected in 2015.

The Government commits to facilitate the privatization process and complete all needed Government actions to allow tenders to be successfully executed. In this respect it will complete all actions needed as agreed on a quarterly basis between HRADF, the Institutions and the Government. The list of Government Pending Actions has been approved by the Board of Directors of the Hellenic Republic Asset Development Fund and is attached to this Memorandum as an Annex and constitutes an integral part of this agreement.

#### **As prior actions,**

- i. the authorities will:
  - a. Endorse through KYSOIP the Asset Development Plan approved by HRADF on 26/04/2016 which includes 19 assets in line with the agreed December 2015 Action Plan. The decision, together with the ADP, shall be published in the Official Government Gazette. The ADP is attached to this Memorandum as Annex and constitutes an integral part of this agreement. The ADP will be updated on a semi-annual basis and approved by HRADF; and the Cabinet or KYSOIP will endorse the plan;
  - b. Sign an MoU with the investor at the end of negotiations on Hellinikon for any revisions in the agreement and to proceed to the final stage for concluding the deal;

- c. Ratify in Parliament the Concession Agreement for the 14 regional airports;
- d. Approve through KYSOIP the concession agreement for OLTH in order to proceed with the uploading of the agreement for investors to place their binding bids;
- e. Constitute a working group that will formulate a timeline for finalisation of the regional airport and OLP transactions in 2016. This timeline will be shared with the Institutions, and any slippages that endanger the finalisation date will be addressed as a matter of urgency. The working groups will include TAIPED, the Ministry of Finance, the relevant ministries and a representative of the European Institutions;
- f. Approve the KYA on Pricing Policy for the Toll Station of Promachonas in Egnatia Odos; launch discussion between Egnatia Odos SA with Piraeus Bank on the restructuring of the outstanding debt of the Bond Loan with a target to conclude such negotiations in 2 months to be approved thereafter by the General Assembly of Egnatia;
- g. Adopt a law strengthening the independence of the Port Regulator (RAL) as provided in Law 4150/2013 and clarifying the allocation of responsibilities between the port regulator and other port authorities, taking into account the final agreement for Piraeus Port and any other ports in the future; the legislation will enhance the port regulator's independence in order to be able to play an impartial role as supervisor for the execution of the concession agreements and an economic regulator;
- h. Prepare a report -- and draft legislative proposals if needed -- on the legal framework of the Hellenic Civil Aviation Authority's (HCAA), its compatibility with EU legislation, the concession agreements for the 14 regional airports, including its preparedness to undertake independently its economic regulator role and to supervise in an impartial manner the execution of the concession agreement; (ii) a workshop to be organised by the EC's SRSS and which will be held in May 2016 will review this report, provide recommendations to the authorities for revisions, and further technical assistance needed;
- i. Conclude the remaining Government Pending Actions identified by the Institutions and HRADF and which are due by April 2016 and that are not listed in this section.

#### **Other key deliverables**

- i. The Authorities will, **as a milestone**, ratify in Parliament the Share Purchase Agreement for Hellinikon as soon as possible after signature of the aforementioned MoU and no later than June 2016;
- ii. The Authorities, **as a milestone**, take appropriate steps, and adopt legislation if needed by September 2016, on strengthening HCAA in line with the recommendations of the EC and of other stakeholders and experts involved in the May 2016 workshop and subsequent technical assistance provided. It should take account of the findings of the horizontal review of independent agencies (see Section 5.4).
- iii. By September 2016, drawing from technical assistance where needed, the Port Regulatory Authority will prepare its internal regulations and needed laws to ensure its full functionality.

- iv. By September 2016, as a **milestone**, HRADF will launch Expressions of interest for the long-term (35 years) concession of Egnatia Motorway S.A. and three Vertical Axes.
- v. The authorities, as a **milestone**, will conclude the Government Pending Actions identified by HRADF and which are due by August 2016. OTE shares will be transferred to TAIPED by end July 2016 following new shareholder agreement that is in line with EU law. The GPA related to the railway infrastructure network maintenance will be completed by June 2016.

#### *Management, Investment and Privatisation Fund*

In line with the statement of the Euro Summit of 12 July 2015 and the Action Plan agreed among the Greek Government and the institutions, a new independent fund (the "Fund") will be established and have in its possession valuable Greek assets. The overarching objective of the Fund is to manage valuable Greek assets; and to protect, create and ultimately maximize their value which it will monetize through privatisations and other means. The Fund would be established in Greece and be managed by the Greek authorities under the supervision of the relevant European Institutions. The Fund will be managed by its Board of Directors, overseen by a Supervisory Board whose members will be selected jointly by the Greek Government and the European Institutions. The Fund is expected to fulfil its objective by adhering to international best practices and OECD guidelines in terms of governance, oversight and transparency of reporting standards, and compliance, as well as best practices for socially and environmentally sustainable business and consultation with stakeholders. The Fund and its assets will be under professional management at arm's length from the State. The monetisation of the assets will be one source to make repayments of the new loan of ESM, in line with the Euro Summit Statement.

As a **prior action**, the Government will adopt the law establishing the new Fund in accordance with the Action Plan agreed as part of the milestones in December 2015. It will include the transfer of an agreed list of real-estate assets from TAIPED; the transfer of ETAD and of the legal ownership of all the Hellenic State owned assets under its management with limited agreed exceptions, notably where material obstacles exist to the future sale or commercial use of the asset, such as in relation to coastline properties, archaeological sites, etc; and an initial list of SOEs to the new Fund (see TMU); specify key provisions of internal regulations needed to have the Fund operational, and list further internal regulations to be adopted within three months of the establishment of the Fund.

Following the adoption of the law the following actions will need to be completed as **key deliverables**:

- i. The Government will by June 2016 with the Institutions (a) agree nominations of the Supervisory Board which will be responsible for selecting the Board of Directors (**milestone**); and (b) by end-September finalise the internal regulations which must be fully in line with the Action Plan agreed with the Institutions in December 2015 as part of the 2<sup>nd</sup> set of milestones;
- ii. By September 2016 the Authorities will transfer to the new Fund a second group of SOEs to be mutually agreed with the institutions, and following the finalisation of an Fund-Government coordination mechanism (**milestone**);
- iii. By September 2016, the Authorities will agree with the Institutions on the processes

for determining the remaining portfolios of real estate and SOEs that will be transferred to the Fund. The understanding is that exclusions from the total holdings of real estate assets and SOEs of the Hellenic State will take place based on solid grounds to be jointly agreed between institutions and the Greek Authorities.

- iv. By September 2016 TAIPED will assess its regional airport and port assets and will transfer to the new Fund those it does not plan to develop. TAIPED will continue to manage all these assets to prepare them with the help of the relevant ministries for potential monetisation/privatisation by the new Fund, until the later becomes operational.
- v. The Supervisory Board will complete the selection of the Board of Directors including the CEO by September 2016. The Supervisory Board, at the start of the selection process for the CEO, will seek non-binding guidance from the AGM on the characteristics of the person to be appointed. The Supervisory Board will undertake a non-binding consultation with the AGM of a final shortlist of candidates. The final appointment on whom to appoint will be taken by the Supervisory Board;
- vi. The Board of Directors will by end-September 2016 be constituted as a body;
- vii. The Board of Directors will finalise by end-October 2016 the outstanding issues of the internal regulations which will be endorsed by the Supervisory Board of the new Fund and approved by the General Assembly;
- viii. The Board of Directors will by November 2016 appoint the Boards of its subsidiaries; where Boards already exist, and with the exception of HFSF, it will review these Boards and replace executive and non- executive members as needed based on the internal rules.

The Government will, in agreement with the Institutions, request from SRSS formally technical assistance to assist in determining additional inclusions of State-Owned Enterprises by May 2016, and additional inclusions of real estates by June 2016 in order to complete the asset allocation plan.

Based on the processes agreed among the Authorities and the institutions and drawing from technical assistance to be received by the Hellenic Republic, the Government with the management of the new Fund will take all necessary actions to complete asset transfers/allocation for specific classes of assets to be identified by the technical assistance (December 2016) (**key deliverable**).

## **5. A modern State and Public Administration**

### **5.1. Public administration**

The authorities intend to modernise and significantly strengthen the Greek administration, and to put in place a programme, in close collaboration with the European Commission, for capacity-building and de-politicizing the Greek administration.

As **prior action**, the authorities will agree with the Institutions and approve legislation on depoliticisation of Secretaries General, abolishing Secretaries General of Ministries by December 2016 and replacing them with Administrative Secretaries. All other Secretaries General will be abolished and replaced with Administrative Secretaries in 2017.

Further actions include:

- i. *Selection of managers.* By May 2016, all secondary legislation needed for implementation of the legislation on selection of managers will be issued. From June

2016, job descriptions will be required for the process of selection of managers. The authorities will finalise the appointments of Directors General by September 2016; of Directors by January 2017; and of Heads of Division by June 2017.

- ii. *Performance assessment.* By June 2016, the authorities will issue all secondary legislation required to implement the reformed performance assessment scheme **(key deliverable)**. The first assessment exercise will be performed by June 2017.
- iii. *Wage grids and allowances.* By June 2016, the authorities will complete the first phase of the rationalisation of the specialised wage grids, which will include reducing their number, and reforming them following the same methodology used for the unified wage grid, with effect in 2017 **(key deliverable)**. The authorities will also review the allowances and non-wage benefits of all employees covered by specialised wage grid, following the same methodology used for the unified wage grid, by September 2016. Allowances for dangerous and hazardous work will be aligned with the corresponding European legislation by September 2016, through, inter alia, the expertise provided by available technical assistance programme.
- iv. *Curricula.* By 2018 the current 'klados' system will be reformed to have a better articulation of job descriptions that will be reflected in the wage grid.
- v. *Staff mobility.* By June 2016, the authorities will adopt legislation to introduce a new permanent mobility scheme **(key deliverable)**, which will promote the use of job description and will be linked with an online database that will include all current vacancies. The new system will be implemented from January 1<sup>st</sup> 2017. Final decision on employee mobility will be taken by the receiving service with a vacant position, without involvement of the political level, and according to pre-defined rules to limit disruption in the departing service. This will rationalize the allocation of resources as well as the staffing across the General Government.
- vi. *Wage bill.* The MTF 2017-20 will establish ceilings for the wage bill and the level of public employment consistent with achieving the fiscal targets and ensuring a declining path of the wage bill relative to GDP during the period, inter alia through the use of the attrition rule. The attrition rule will be extended up to 2018 (as defined in section 2.1).
- vii. *Three-year strategy for reform.* By June 2016, building on already approved legislation, the authorities will finalise and adopt a three-year strategy for reform, in agreement with the Commission and making the best use of technical assistance provided by the SRSS. The main elements of this strategy will be: the reorganisation of administrative structures; rationalisation of administrative processes; optimisation of human resources; strengthening transparency and accountability; e-government; and a communication strategy. It shall provide for (a) stronger coordination of policies, HR planning to timely assess and fulfil the hiring needs; strengthening of policy units in key sectors; (b) a substantial upgrade of the role of local government at both tiers with a view to reinforcing local autonomy and rationalising the administrative structures of local authorities; (c) rationalisation of SOEs and locally-owned enterprises; (d) modernization of recruitment procedures; (d) improved mobility in the public sector to promote better use of resources; (e) strengthen the existing Secretariat General for Coordination, to ensure effective planning and coordination of governmental work, of legislative initiatives, of monitoring of implementation of reforms, and of arbitration functions on all policies.

- viii. *Illegal hires.* The authorities will continue to identify illegal hires and temporary injunctions, as well as disciplinary cases, and take appropriate enforcement action.
- ix. *Internal audit.* To strength the transparency and accountability of the public administration, the authorities will develop and implement system of internal control and internal audit, making the best use of technical assistance. By October 2016, the authorities will present to the Commission the proposal of the system of internal control and internal audit. The system will be fully implemented by June 2017.
- x. *Access to law.* The authorities will engage, with the help of technical assistance, in a programme to improve access to law by the citizen. This includes a long term plan of codification of the main legislations which will be proposed by June 2016 and fully implemented by June 2018. The programme also includes the creation of an electronic portal giving access to legislation, both in the form published in the Gazette (FEK form) and in the consolidated version of the various provisions by December 2016.

## 5.2 Justice

As a **prior action** the authorities will propose and subsequently implement a three years strategic plan for the improvement of the functioning of the judicial system. The plan should encompass key actions aimed at enhancing judicial efficiency, speeding up judicial proceedings and addressing shortcomings in the functioning of courts such as, but not limited to, collecting information on the situation of the courts, computerization, developing alternative means for dispute resolution, such as mediation, rationalizing the cost of litigation and improving in court functioning and court management.

The authorities will take all the necessary steps to ensure the full transition to the new provisions of the Code of Civil Procedure (CCP) which became effective as of 1 January 2016, in particular by adopting (**key deliverable**) the Presidential Decrees required by Article 1 (Ninth Article) of Law 4335/2015 which will provide for the implementation the following provisions of the revised CCP:

- i. Articles 954(4)(c), 955 (2)(b), 965(5)(i), 973(1)(c) and (3)(d) and 995(4)(b) on the electronic publication and advertising of auctions on a dedicated website, by May 2016;
- ii. Articles 993(2)(c) on the determination of the value of the property seized on the basis of its market value and Article 995(1)(d) on the first offer price for the auction. The Presidential Decree will notably set out the method for the determination of the market value of the seized property, the entity responsible for determining the value and any other relevant details, and will provide that the first offer price for the auction will be the market value of the seized property as determined at the time of the seizure, by June 2016.

By September 2016, the authorities will adopt the Presidential Decree under Article 1 (Ninth Article) § 16 of Law 4335/2015, to regulate all relevant details and requirements allowing to implement electronic auctions. The operational implementation of electronic auctions will occur in December 2016.

The authorities, in order to implement the provisions of Article 1 (Ninth Article) of Law 4335/2015 concerning the implementation of Article 237(4)(e) and (f) and (6)(b) and (c) of

the CCP, regarding the registration of cases in the e-docket will provide for a draft Presidential Decree by June 2016, a roadmap for the implementation of the registration of cases in the e-docket by September 2016, and adopt, **as a key deliverable**, the Presidential Decree by December 2016 ;

The authorities, making use of technical assistance as appropriate, will:

- i. Integrate in the growth strategy the three years strategic plan for the improvement of the functioning of the judicial system, since timely, efficient and reliable justice is a key driver for growth, and implement the plan according to its schedule.
- ii. Propose measures to reduce the backlog of cases in civil courts (September 2016)
- iii. Agree on an action plan with the Institutions including technical assistance, to improve e-justice, mediation and judicial statistics and disseminate the relevant information to the legal practitioners and the public at large, so as to increase awareness of the availability of these mechanisms and encourage their use (October 2016).

The authorities will rationalise and introduce a selective readjustment of court fees (by introducing increases or decreases, as appropriate), as well as increase transparency and ease of online reference through a user-friendly web platform in this regard (September 2016).

The authorities will propose measures to ensure access to justice by vulnerable persons (September 2016).

The authorities will propose measures to reduce the backlog of cases in administrative courts (June 2016).

### **5.3 Anti-corruption**

The authorities will continue to implement the Strategic Plan against corruption in full and in line with its timeline. The authorities commit to implementing fully and timely the recommendations stemming out of their international commitments (e.g. GRECO).

As a **prior action** the authorities will adopt legislation modifying the framework for the *declaration of assets*, to provide for an enhanced system of declaration, in particular by improving the independence of the committee in charge of controlling the declaration of assets of politically exposed persons, not only by increasing the number of its independent members but also by assigning the chair of the Committee to the Chairman of the Special Permanent Committee on Institutions and Transparency and by appointing plain members of Parliament ensuring at the same time the representation of the opposition in the Committee. The authorities will ensure that the body(ies) in charge of controlling the declarations of assets is (are) operational by June 2016.

The authorities will amend and implement the legal framework for the *financing of the political parties* on key weaknesses such the anonymous donations, the limitation on seizures and transferability of public financing, the absence of definition of tax deductibility rates in the income tax code, the rules for timely submission and for publication of information, and the independence of the controlling committee common to the legislation on declaration of assets and financing of political parties (June 2016) (**key deliverable**);

The authorities will by June 2016:

- i. Adopt legislation insulating financial crime and corruption investigations from political intervention in individual cases in particular by amending the provisions of Article 12 of the Law 4320/2015.
- ii. Set up a system to ensure proper coordination, prioritization of investigations and sharing of information between investigation bodies through a Coordinating Body Chaired by Finance and Corruption Prosecutors.
- iii. Following the assessment of the reduction of penalties for financial crimes provided by Law 4312/2014, amend this legislation.
- iv. Adopt a Code of Conduct for members of Parliament.

The authorities will continue to pursue technical assistance with the European Commission SRSS in the fields of anti-corruption where it was already provided.

#### **5.4 Independent agencies and regulatory bodies**

The authorities will publish by July 2016 a report on the overall progress towards the modernisation of the public administration and its depoliticisation, on how the Greek Government is fulfilling its commitment on the matter expressed at the European Council in July 2015.

##### *Hellenic Statistical Authority (ELSTAT)*

The Government will fully honour the Commitment on Confidence in Statistics signed in March 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility, as well as reporting annually to the Hellenic Parliament and to the European Commission.

The Government fully respects the independence of ELSTAT in carrying its tasks and providing high quality statistics. In this regard it respects the financial independence of ELSTAT, and provides all the necessary resources in a timely manner, as approved in the annual budget of ELSTAT, for the agency to complete uninterrupted its tasks.

The Government as a **prior action** will ensure that ELSTAT has access to administrative data sources in line with the Art. 17 of Law 4174/2013 amended by 4254/2014 and 4258/2014, and the Memorandum of Understanding signed between ELSTAT, the Ministry of Finance (GSIS), the Secretary General for Public Revenues and IKA signed on 17/04/2014. The data will need to be transmitted in full to ELSTAT and verified by ELSTAT and EUROSTAT.

##### *Independent agencies and entities*

A unified approach should be adopted towards all independent agencies, irrespective of whether they are constitutionally protected or not. A common set of rules, applicable horizontally, would simplify the normative framework and would enhance effective governance of the relevant agencies and unhindered performance of their functions.

The Greek authorities, in collaboration with the Institutions, will by September 2016 (a) assess the provisions of Law 3051/2002 on constitutionally protected independent agencies (as currently in force) and (b) propose the required amendments for strengthening the autonomy and effectiveness of independent agencies and entities (possibly introducing a



general set of fundamental rules applicable to all agencies and specific chapters distinguishing between the constitutionally protected ones and the others if needed). Recommendations should be benchmarked against European best practice and address (i) the relationship between the agency/entity with the Government and with stakeholders, (ii) its operational autonomy in areas such as finances, IT and HR, including access to external providers of services and (iii) accountability and conflicts of interest. Subsequently, by December 2016, the authorities and independent agencies will amend primary and secondary legislation as appropriate so as to bring horizontal provisions and internal regulations in line with the results of the horizontal review.

In addition:

- i. *Hellenic Competition Commission (HCC)*: the Government commits to safeguard the independence and the effectiveness of the Hellenic Competition Commission in line with EU requirements. As a **prior action**, it will amend the provisions of the Article 282 of Law 4364/2016 in agreement with the Institutions relating to i) disciplinary offences; ii) the use of external lawyers so that the cap is not applied until the internal legal office is fully staffed; iii) the conflict of interest for external lawyers; and iv) the appointment and term of Directors. By December 2016, the authorities, in agreement with the Institutions, will amend any primary and secondary legislation so as to bring these in line with the results of the horizontal review on independent agencies (see above), including on issues relating to the conflicts of interest of the HCC's Board members and the staffing of the HCC's internal legal office, consistent with the general framework for the appointment of legal staff of the entities of the public sector, as defined by law (**key deliverable**). The advocacy unit of the Hellenic Competition Commission will be strengthened by twelve additional posts and a review will be conducted with the support of the European Commission and international expertise to ensure that the competition law is in line with EU best practice.
- ii. *Regulatory Authority for Energy (RAE)*: drawing on the overall approach to strengthening the effectiveness of independent agencies and entities, the Government will adopt by December 2016 legislation for strengthening the institutional, financial and functional independence of RAE (**key deliverable**).
- iii. *National Cadastre and Mapping Agency (EKXA)*: the authorities will ensure by December 2016 stronger governance, adequate financial independence and administrative capacity to the cadastral agency.

## ANNEXES

1 – HRADF - Asset Development Plan – April 2016

2 – HRADF - Government Pending Actions – January 2016