

Memorandum of Understanding

[draft]

Greece

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 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 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.

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 and the modernisation of the judicial system. 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.

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 [XX 2017]. 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, developing R&D and innovation. It should also help design sectorial priorities in areas such as tourism, transport, pharmaceuticals and logistics, and agriculture. Progress in developing the growth strategy has been slow and the earlier goal of having this in place by March 2016 has not been met. The authorities commit to accelerate and complete the strategy and to work in collaboration with social partners, academics and international organisations, which will also provide a proper framework for legislation to 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 facing primary deficits of about [0.5] percent of GDP 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 expected to have reached [xx] percent of GDP, compared to the programme target of a deficit of 0.25 percent of GDP, based on a stronger revenue collection and sizeable one-off factors that were not envisaged when the third ESM programme was agreed in August 2015. Despite the fiscal over-performance in 2015, the medium-term fiscal trajectory has remained unchanged as yields of already legislated measures have been revised down 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 could be adjusted to exclude the impact of migration-related expenditure net of EU transfers subject to a proper monitoring mechanism being defined].

To meet the fiscal targets, as a prior action the Government will adopt a supplementary 2016 budget and other supporting legislation generating savings equivalent to [¾], [2¼] and [3.2] 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) that will generate additional savings of 1 percent of GDP and compensate for the cost of the Court ruling (equivalent to 2 percent of GDP) on the constitutionality of 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 which will include the following key elements (see TMU for 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, will be capped at [50] percent.
 - A widening of the tax base through a reduction in the tax credit for employment income from EUR 2,100 to [EUR 1,800]. This will reduce the tax-free threshold to [EUR 8,182] and ensure that at least 50 percent of those with salary or pension income will pay tax. 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 from 0-[9] percent 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 farm income (including direct subsidies) through taxation on the same tax schedule of employment and business income with standard tax credit.
- 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 33 percent beyond that amount.
- **A series of other parametric measures, to generate savings of around [1.2] percent of GDP, including:**
 - *The streamlining of rates and exemptions to increase VAT revenues* (savings of about ¼ percent of GDP), including [(i) the introduction of the standard VAT rate for utilities (electricity, gas, steam), water collection treatment and supply services, bottled water and postal services; (ii) raising the VAT rate on entertainment services books, and periodicals from 6 percent to 13 percent; (iii) reducing VAT deductibility for new car purchases for companies. VAT revenues will be further increased through the adjustment of excise taxation in fuels.][authorities to specify]
 - *Further control of the wage bill* (savings of over a ¼ percent of GDP). [Authorities to specify] This could include (i) a freeze of promotion and wage drift for 2016-18 for the special wage grids, as is currently the case for the unified wage grid; (ii) the extension of the 1:5 public sector attrition rule until [2018].
 - *A rationalisation of taxation in a number of areas* (savings around 0.5 percent of GDP). This includes (i) the harmonization of excise taxes on fuel, gas and electricity with EU standards and directives; (ii) the adjustment of rates and exemptions for ENFIA; (iii) a reform of vehicle taxation, including registration, luxury and circulation taxes and personal income tax allowances for company cars; (iv) raising the mobile phone levy on subscribers by 25 percent and introducing a levy of 10 percent on cable TV for subscribers; (v) increasing the taxation on UCITS funds, Real Estate Investment Companies and Portfolio Management Companies; (vi) a permanent increase in the gross gaming tax([TBC] percent of GDP) [Other measures to be included through discussions with the authorities.]
 - *Targeted cuts in defence spending* ([0.2] percent of GDP).

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 [May] 2016 and should be completed by end 2016 with the aim of taking actions generating savings of 0.1 and 0.3 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 the GMI programme and/or to reduce tax burdens provided the achievement of the fiscal targets is assured.

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 June 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 described in section 2.1. These measures will help widen the tax base, improve tax efficiency and collectability, and boost labour supply.

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, including the new investment law into the ITC, eliminating those deemed inefficient or inequitable; b) review and phase out preferential tax treatments for the shipping industry in line with the indications of the European Commission; c) extend the temporary voluntary contribution of the shipping community to 2018; d) issue all remaining secondary legislation necessary for the implementation of ITC and TPC.
- ii. *Tax codes*. The authorities will by September 2016 for implementation in January 2017 (**key deliverable**), a) codify and simplify the VAT legislation, aligning it with the tax procedure code, eliminating outstanding loopholes and shortening the VAT payment period; b) simplify the income tax regime and ensure consistency of the income base for income tax and social security contributions of small businesses below the VAT registration threshold; c) modernise the corporate tax law in ITC covering mergers and acquisitions and corporate reserve accounts and implement ITC provisions concerning cross-border transactions and transfer pricing; d) develop the tax framework for collective investment vehicles and their participants in line with best practices in the EU; e) review the withholding tax on technical services; f) conduct a comprehensive review of remaining tax legislation that is in conflict with the ITC and TPC, integrating these acts where appropriate; g) revise TPC provisions to provide for incentives for cooperation at the stage of the audit by means of reduced fines; h) review the potential for a short-term extension of the tax certificate as a quality standard with no explicit advantage for businesses and without compromising the primary audit authority of the revenue administration; i) undertake a review and reform of the KEDE, including revenue administration procedures for enforced sale of assets at public auctions
- 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**). By September 2016, cross-checking of all ownership interests will have taken place against the available information on all individual properties in the cadastre.

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.

As **prior actions**, 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.

Furthermore, the authorities, making use of technical assistance, will:

- i. *Make the autonomous revenue administration fully operational by 1st of January 2017.* 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 end June. The authorities shall by [June 2016] (**key deliverable**): (a) appoint the Board of Governors, which from the moment of appointment will supervise the process of establishment the agency and the work of the implementation committee. It will also assume responsibility for guiding the revenue administration in the transition period according to the principles of the new agency; (b) adopt, 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. The authorities will by [September 2016] adopt [priority] secondary legislation of the law (key human resources, budget including procedures) so that the agency is fully operational by 1st of January 2017 with the board of governors to exercise in full all its powers by that time (**key deliverable**)
- ii. *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, with implementation according to its schedule, including adoption of legislation by [June] 2016;
- iii. *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 [May 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.

- iv. *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 and abroad; b) 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.
- v. *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.
- vi. *Improve collection of tax debt.* To improve collection of tax debt the authorities will by May 2016 publish on 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 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 [Dec 2016]. The authorities will amend legislation establishing clear criteria of non-collectability to write-off tax claims by September 2016.
- vii. *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 [end-May 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.

- viii. *Reduce unnecessary litigations.* The authorities will reinforce the dispute resolution unit by appointing by [May 2016] its director and deputy and provide by September 2016 a case management system.
- ix. *Rethink the model of cooperation between Justice and tax administration in the fight against high level tax fraud.* The authorities will propose an organization 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.
- x. *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 equip with scanners the three main international ports by [December 2016] (**key deliverable**).
- xi. *Enhance custom services efficiency.* The Government will streamline pre-customs procedures by [June 2016]. In addition, with the participation of public and private stakeholders, the authorities will update the trade facilitation action plan for the national single window by [May] 2016 and proceed subsequently with its implementation. The Government will make institutional changes for post-clearance audits and restructure the risk analysis department in line with WCO recommendations by [May 2016] and complete the customs reorganisation by September 2016 (**key deliverable**).
- xii. *Improve collection and write off of social security debt.* By May 2016 the authorities will provide KEAO with access to indirect bank account registry and to tax administration 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.
- xiii. *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, in order to enhance debt collection, increase as a first step the staffing of KEAO to 600 people by June 2016, notably to strengthen its control capacity, and, as a second step, the capacity of KEAO will be increased to [] by [...]. By [December 2016] the authorities will create a single SSC debt database managed by KEAO that will encompass information

currently processed by all social security funds. The authorities, with a view to integrate the collection of social security contributions, will 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.

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 defining the new responsibilities of FAOs ([June] 2016); (iv) provide GDFSs with adequate staff (June 2016) based on an assessment of the staff capacity; (v) ensure access of GDFS staff to the FMIS IT system (September 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 by [June] 2016 and carry out training until October 2016.

The authorities will complete the entire OBL reform by end-December 2016, including termination by [June 2016] of the ex-ante audit of payments by the Hellenic Court of Audit.

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 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 presented a plan to complete the clearance of arrears and will implement it as soon as the liquidity situation allows them to do so (continuous action). The authorities will then clear the outstanding stock of spending arrears of [EUR XX billion] by end-Programme, including the clearance of the backlog of unprocessed tax refund and pension claims. The authorities will provide a preliminary report on the results of the audit of arrears conducted in January [by end-May 2016] and a full report by [end-June 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, the medium-term action plan to meet the requirements of 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 a 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 [April 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). 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. The authorities will provide by June 2016 an action plan to consolidate the bank accounts of subordinate entities and establish by May 2016 a working group to this effect. 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 Ministry of Finance will establish a ring-fenced account for the management of the EU Home Affairs Funds (AMIF/ISF) and of Greece's respective national contributions. The account will operate exclusively for the financing of the beneficiaries of the National Programmes AMIF/ISF. The ring-fenced account will be by May 2016 at the latest endowed by the government with funds equivalent at least to the advance payments provided by the Commission and to the corresponding national co-financing. Monthly reporting of the activities of this account will be provided to DG HOME of the European Commission.]

2.4.2 Public procurement

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 and reform 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 for reform.
- 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 June] 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 around [1/2 percent] of GDP in [2016] and around [1 percent] of GDP by [2018], on top of the full compensation of the impact of the implementation of the Court ruling on the pension measures of 2012, [2 percent] of GDP, with legislative provisions to:

- i. *Establish a closer link between contributions and benefits, through specific design and parametric changes (see details in TMU).* Introduce a national pension of 345 euros with 15 years of contribution that increases to 384 euros with 20 years of contributions, in order to replace the minimum pension that will be abolished; adopt a more progressive marginal scale of accrual rates starting at 0.77 percent and ending at 2.00 percent, which will help strengthen incentives to work and contribute, to maintain replacement rates below those deriving from the current law (reformed in 2010); for new retirees, the new uniform rules will be applied immediately, without pro-rating of previous benefit rules.
- ii. *Recalibrate pension benefits.* In order to achieve intra- and inter-generational equity and address the costs of the Constitutional Court ruling, recalibrate all the existing pensions on the basis of the new parameters of the uniform pension rule and by using the last 10 years of pensionable earnings.
- iii. *Freeze the current pensions in payment until their value become equivalent to the one calculated under the new uniform rules.* In the cases data availability prevent from the individual recalculation of the pension benefit, temporary pensions will be

computed based on imputation. Temporary pensions must be converted to final recalibrated pensions by [end-December 2017].

- iv. *Eliminate EKAS and harmonize contributions rules.* Phase out gradually the solidarity grant (EKAS) for all pensioners by end-December 2019 [(0.5 percent of GDP)], starting with the top 20 percent of beneficiaries in April 2016; 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; phase out within three years 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); abolish immediately all nuisance charges financing pensions and offset these by increasing contributions or cutting benefit in line with the new single rule in specific funds; gradually harmonize pension benefit rules of the agricultural fund (OGA) with the rest of the pension system in a pro rata manner; unify disability and contributory welfare benefit rules by end-December 2016; make the provision of survivor pensions more restrictive by including an eligibility requirement of [57] years of age for the survivor spouse to be entitled to a permanent survivor pension and limit temporary survivor pension of the spouse aged below [57] to 3 years; abolish from 1 January 2017 child bonuses provided through the pension system.
- v. *Address the deficit in auxiliary and dividend funds.* Implement the sustainability factor as provided by the 2012 reform of the supplementary pension [or find mutually agreeable alternative measures in the pension system] so as to achieve balance in the auxiliary funds in 2016 and the medium term; adjust spending in all dividend funds (i.e. MTPY) in a way that automatically eliminates any annual deficit.
- vi. *Ensure the compliance of the reform with Constitutional Court principles.* To address legal risks, the authorities will accompany the pension reform with detailed explanatory notes and a specific economic study detailing the compliance of the reform with Constitutional Court principles 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 operational from [July] 2016 and (c) legislate that by end 2016 all social security funds [with the exception of the functions XX of fund YY] will be eliminated and all insured individual will be transferred into the new single entity and all existing governance and management arrangements of such funds will be abolished by that date.

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.

2.5.1 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 2/3 (and to ¾) 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. replace the means-tested 5 Euro fee for hospital visits with equivalent measures in demand management terms (May 2016), or otherwise ensure its application.
- 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 (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 (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 independent 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) by [June 2016] issue the appropriate legislation to re-activate and make permanent the annual auditing of private clinics; (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 (February and August);
 - c. execute the claw backs every six months and perform regular audits;
 - d. apply and collect outstanding claws 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 health care 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 50,000 people targeting the long-term unemployed. In addition, the Government will roll out by June 2016 further active labour market integration schemes which will combine public work and activation (personalized services, upskilling, re-skilling) measures covering [25,000 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 [75,000] participants by December 2016.

A fairer society will require that Greece improves the design of its welfare system, 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, targeted 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 disability benefits to reduce fragmentation of welfare and social insurance benefits and move towards a modern system comparable to that of other EU Member states with greater account taken of functional disabilities and care needs. The Review will serve as the basis for the financing of a redesigned and targeted welfare system, including the fiscally-neutral national roll-out of the GMI. By [October] 2016, the authorities will legislate reforms to welfare benefits (**key deliverable**).
- ii. The Authorities will launch the gradual nationwide roll-out of a GMI scheme starting in [30] municipalities from [1 June] 2016 (**key deliverable**), including for the set-up of a benefits registry and a strategy to ensure the inclusion of vulnerable groups and to avoid errors, fraud and corruption. Close linkages with municipalities and employment services will be established. The overall design and benefit rates for the initial GMI rollout will be agreed with the Institutions. Apart from direct income support, the GMI scheme will offer a package of services (e.g. counseling, psychosocial support, children day care, long term care etc.) that will aim to inclusion and remove barriers to work. The GMI will be closely co-ordinated with employment schemes.
- iii. By September 2016, the authorities will make the full preparations for a nationwide rollout starting on 1 January 2017 (**key deliverable**), assessed in terms of preparations such as establishing an institutional comprehensive benefits framework to manage, monitor and control the GMI and other benefits, [as well as possibly a further expansion of the rollout of the GMI to additional municipalities or an additional metric to be determined] . The design and benefit rates of the nationwide GMI will be further revised and improved, in the light of the results of the social welfare review and based on the evaluation of the initial schemes by the World Bank.
- iv. Efforts will be made to offer GMI beneficiaries who can be integrated in the labour market access to personalized active labour market (ALM) measures. To this end, the completion of the OAED restructuring process will enable the preparation of individual activation plans for participants and for designing and delivering a package of ALM measures like training, job search assistance, mentoring, apprenticeships etc. by the end of 2016.
- v. The authorities will establish a permanent social housing policy in line with European best practice.

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.

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 ensure restructuring of these institutions.

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 immediately the sale of performing and non-performing loans with the exception of household loans secured by primary residences belonging to vulnerable groups, for which the liberalization will enter into effect at end-December 2016; and among others remove restrictions related to the free movement of capital, align taxation with international best practice, remedy inconsistencies related to the securitisation law 3156/2003, and implement all other issues agreed with the Institutions.
- 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.

By end April 2016,

- a. the Authorities will establish the general principles and devise a roadmap for amending the out-of-court workout law 4307/2014 (OCW) and setting up a

coordination mechanism for restructuring public and private debt of viable entities and liquidating non-viable entities;

- b. the BoG in cooperation with the SSM will extend the comprehensive monitoring framework with *additional key performance indicators (KPIs)* in relation to banks' NPE (Non-Performing Exposure) 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 as much as possible 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 October 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, regular assessment and analyses of banks' performance in achieving targets and its drivers, 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-April 2016, as a **prior action**],

the authorities will

will amend the income tax law to ensure that debt write-offs as result of restructuring agreements are not considered as taxable income of the borrower.

By end May 2016,
the HFSF will

present an *NPL resolution action plan* to enhance coordination among banks 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 so that the recommendations of the report are adopted and used by the banks. The Authorities will utilise the findings of this workstream in their work on amending the OCW law and establishing the coordination mechanism of private and public creditors.

By end-June 2016,

i. the authorities will

- a. amend the *out-of-court workout law (OCW)* to allow standardized processing of certain categories of borrowers, extend the framework to large borrowers to allow the restructuring of their public and private debt with tailor-made solutions, and provide tax incentives for banks and borrowers to work out debts and develop a *coordination mechanisms between private and public creditors to deal with debtors* with especially large public and private debts (**key deliverable**);

- b. introduce safe harbor provisions in the laws dealing with debt restructuring (such as the OCW, corporate, and personal insolvency laws) stating that actions taken in good faith by both private and public creditors, and following the procedures established in the law, will not give rise to civil or criminal liability;
 - c. present a report and detailed proposals of amendments in view to improve the corporate insolvency law, among others, by simplifying and accelerating the procedures, reduce the discharge period and specify the insolvency administrators' functions;
 - d. appoint new specially trained judges and support staff 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 *a Debt Information and Support Network* located across the country, in order to provide adequate advice to physical persons and SMEs on the legal and financial aspects of debt restructurings. A detailed implementation plan will also be developed by June 2016.
- ii. the HFSF will
- a. make concrete proposals, in cooperation with the BoG, how to eliminate all remaining *non-regulatory impediments* to the development of a dynamic NPL market based on the study delivered in October 2015, which will be published by the HFSF. The Authorities will remove the remaining impediments by end-2016.
- iii. the Bank of Greece will
- a. revise the *Code of Conduct for debt restructuring guidelines* to deal with groups of borrowers (e.g.: SMEs).

By end-September 2016,

the authorities will

- a. establish by law publicly accessible information repositories in line with best international practice, including a new real-estate transaction register and a central database to consolidate information on arrears on public liabilities that is accessible to parties with legitimate interest including credit registers to develop credit scores.
- b. establish specialized chambers for corporate insolvency matters in the districts of Athens, Thessaloniki and Piraeus.

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 June and enact all necessary secondary legislations (Presidential Decree, Ministerial Decisions and decisions of the relevant supervisory administrative body) to effectively operationalise the profession of insolvency administrator according to a timeframe agreed with the Institutions by April 2016.

By end-December 2016,

the authorities will assess the effectiveness of the legal and institutional framework *for the Household insolvency (law 3869/2010)*.

Governance of the HFSF

The independence of the HFSF will be fully respected and its governance structure reinforced with a view to preventing any political interference in its management or activities.

In case the Selection Panel (Panel) proposes replacements to the Executive Board and/or General Council, the Minister of Finance will issue decisions in line with the HFSF law. The Panel will carry out a review of the remuneration levels of the governance bodies of the HFSF and propose changes if appropriate, in which case the Minister of Finance will issue the corresponding decision in line with the HFSF law. Should new members be selected by the Panel, they will receive adequate remuneration as proposed by the Panel.

Governance of banks

The Government will not intervene in the management, decision-making and commercial operations of banks, which 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 interference by the Government. These appointments will be made in line with best international practices, taking into account the specific rules of the HFSF law as regards the rights of private shareholders who participated in the banks' capital increases under the existing framework.

By end-May 2016 (**key deliverable**), 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 board members should be replaced in a manner that reflects the findings of the above review and respect the HFSF law. The HFSF will make sure that the recruitment of any new board members and any senior executives will be fair and transparent, and that these new members and senior executives are not representatives of past shareholders or linked to borrowers of the bank with an exposure of [EUR 1 million] or any exposures in arrears. The HFSF will 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, organisational and governance changes recommended by the review will also be implemented in the banks.

By end-September 2016, the BoG will assess if banks boards' and management have been aligned with the recommendations of the review and, if needed, the Authorities 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 can be for 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 dismissal, 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. The authorities will respect the provisions of Law 4172/2013, in particular with regard to minimum wages. 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 end 2016 (**key deliverable**).

Undeclared work. By [June 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. The authorities will not introduce changes to the system of controlling and fining until the adoption of the fully integrated action plan. By [May 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 all other 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 in [construction].

Mechanism for diagnosis of labour market needs. An integrated mechanism for diagnosis of labour market needs developed as part of the deployment of EU funds should be rolled out,

in order to identify dynamic sectors of the market and existing skills mismatches. The results arising from the mechanism will provide Greek policy-makers with a comprehensive and independent reference for the development of evidence-based employment policies, and help develop stronger links between the Greek educational and training system and the labour market. This mechanism will be a dynamic tool that shall be designed by July 2016 and be fully applied as of October 2016 and updated and adjusted on an ongoing basis.

Vocational training. The government will by [June 2016] i) legislate the quality frameworks for VET curricula and apprenticeships and ii) finalise and agree with the institutions the VET strategy and the integrated implementation plan with quantified targets for 2016/17 and 2017/18. Furthermore, consistent with the 2016 Budget and to deliver the modernisation and expansion of vocational education and training (VET) in line with 2013 (Law 4186/2013), the Government will by [June] 2016 (**key deliverable**): (i) launch two small scale pilots projects of partnerships in 2016; and (ii) Adopt an integrated plan for Human Capital development, addressing economic growth and supported by the VET Reform (June 2016); (iii) Develop and 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 significant expansion of apprenticeships by the academic year 2016-17 (June for the adoption of the framework and September for the launch).

~~*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 September 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 practices, and this will feed the planned wider Growth Strategy. The authorities with the OECD and independent experts will prepare an assessment of the Greek education system. This assessment 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 implementation of the 'new school' reform, 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 shall propose recommendations in line with best practices in OECD countries. Until completion of the review, the Government will not introduce legislation affecting any level of the education system. Any exceptions due to urgent needs will be discussed and agreed with the European partners.

materials. The authorities will liberalise 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 deliverables**).

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 May 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 [September 2016] as per OECD's recommendations. In addition, by [June 2016], the authorities will further reduce administrative burden, including through one-stop shops for business (**key deliverable**). 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] a roadmap for launching a second round of ex-post impact assessment of selected reforms and their implementation. On the basis of the ex-post assessments [first round] launched in October 2015, the Government will adopt the identified remaining measures needed for their full implementation by June 2016 (key deliverable).

To *modernize company law*, the Government should prepare a review by [September 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 [December] 2016.

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 and related professions (**key deliverable**) and implement it in a timely manner. The authorities will adopt the recommendations of an 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 [September 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*, as a **prior action**, the Government will (i) agree with the Institutions the provisions for the selected improvements of the spatial planning law, including parts of the land use categories; (ii) adopt the Presidential Decree on forestry definitions; (iii) adopt the law on forest maps in agreement with the Institutions. The authorities will adopt by June 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. If there is no agreement on the necessary changes, the 2014 spatial planning law will be fully implemented by [June] 2016 (**key deliverable**). The authorities will fully implement the forestry law by July 2016. The forest maps already completed by EKXA and approved by the forestry services will be uploaded by end-June and ratified by [date] following the prescribed review process, which will be fully functional by the time the maps are uploaded.

On *cadastre*, the authorities will [adopt/implement] by May 2016 the new legal framework for nationwide cadastral offices on the basis of the business plan, the experience of the two pilot offices and recent technical assistance advice (**key deliverable**). They will strengthen the cadastral office EKXA (see section 5.4). The authorities will use further technical assistance to ensure an effective implementation of the new legal framework. [placeholder on cadastre reforms]

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 [June 2016] (i) 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; and (ii) the new law on 'Agricultural Cooperatives and forms of collective organisation of the rural community' will be adopted. 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. 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) propose measures to accelerate implementation of works, including legislative and administrative action to streamline the expropriation procedures under a new unified legislative framework, to streamline the procedures related to archaeological works and will simplify procedures through codification of legislation [by June 2016]; b) submit and agree with the Commission [by May 2016] a list of significant projects to be activated within 2016, for all 2014-2020 Operational Programmes with timelines from their approvals until their completion, monitored by the inter-ministerial committee (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. In this context, the State's participation in the energy sector will be reduced, in line with the commitments included in the assets development plan of TAIPED.

As prior actions, the authorities will:

- i. [resume the privatisation process of ADMIE, announcing the date for submission of binding offers for the sale of all PPC shares in ADMIE; PPC will launch the expression of interest for selling its shares in ADMIE by June 2016 **(key deliverable)** with the sale to be completed by end 2016 **(key deliverable)**]

or

[on the basis of a report produced by independent advisors, agree with the Institutions and 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 this context, the expression of interest for the sale of a share of at least 20 percent of ADMIE to a private investor will be launched by June 2016 **(key deliverable)**. 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 its shares in ADMIE by December 2016, and will fully privatize ADMIE in 2017.]

- ii. [transfer to TAIPED the remaining 34 percent of PPC owned by the State, and launch the process leading to the sale to one or more private investors of at least 40 percent of PPC's active generation plants, including the assets identified in the existing law, announcing that the sale will be concluded by 2017; PPC will launch the process for separating the assets, appointing an advisor by June 2016 **(key deliverable)**, with the tender process being initiated in January 2017, and binding offers submitted by June 2017.

or

[agree with the Institutions the design of the NOME system of auctions, with the objective of lowering by 25 percentage points the retail and wholesale market shares of PPC by 2017, and to bring them below 50 percentage points by 2020]

- iii. adopt the temporary capacity payment scheme, as approved by the European Commission in March 2016. In addition, PPC as a **prior action** will conclude the discussions on HV tariffs with all its customers, and the adopted tariffs shall be cost-based and take into account consumption characteristics (profiles) of customers that affect costs.

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 preserving financial sustainability and guarantee the respect of State-aid guidelines (EEAG); (iii) the current legislation on ETMEAR adjustments will be amended as needed, to ensure that the debt in the RES account is eliminated over a 12-months forward looking horizon; (iv) regulate according to the final decision of the Council of State on the netting of the arrears between PPC and the market operator; (v) continue the implementation of the gas market reform, adopting gas distribution tariffs and doubling the quantities available under the gas release program (**key deliverable**); (vi) conclude the implementation of the energy taxation review, as agreed with the Institutions.

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**), 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 Government will, with EU technical assistance, launch by [May 2016] the actions needed to implement fully the regulatory framework for water utilities based on the methodology completed by the Special Secretariat of Water (SSW) in 2014 taking into account the current legal framework. SSW will launch in April 2016, with the support of technical assistance, a system of regular collection of information, starting with [10] key data, to be further expanded in the medium term. The complete system will be audited by one of the international engineering consultancies and will be in place by December 2016. SSW will require the two major water companies to prepare business plans, including for investments and key capital projects for the next 5 years, by November 2016; reputable and independent external advisors should be used to help them compile such plans; SSW will finalise with the support of technical assistance the charging rules for water services taking into account the methodology completed by the SSW in 2014 [September 2016 with some intermediate target in April 2016];

Transport and logistics

On transport, the authorities will by [December 2016] adopt a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics aspects) and will seek technical assistance for its implementation (**key deliverable**). On logistics, the authorities will implement by June 2016 the logistics law (**key deliverable**), and will adopt by September 2016 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.

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 is committed to proceed with an ambitious privatisation program and to explore all possibilities to reduce the financing envelope, through higher privatisation proceeds.

Privatisation of all core assets held by TAIPED as determined by its Asset Development Programme is key to stimulate private investment, increase efficiency, and provide financing to the state.

To preserve the on-going privatisation process and 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 HRDAF as of 31/12/2014.

The implementation of this programme aims to generate annual proceeds (excluding bank shares) for 2016, 2017 and 2018 of EUR [1.4]bn, EUR [3.7]bn and EUR [1.3]bn, respectively.

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 action,

- i. the authorities will:
 - a. Endorse the Asset Development plan approved by HRADF on xx/03/2016 which includes [27] assets. 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 the Concession Agreement swiftly for the 14 regional airports and, immediately after signature of the aforementioned MoU, for Hellinikon;
 - 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 Approving Pricing Policy for the Toll Station of Promachonas in Egnatia Odos; approve in the General Assembly of Egnatia Odos SA the terms of the loan restructuring solution agreed among Egnatia SA and Piraeus Bank;
 - 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 concession agreement and the upcoming tender for Thessaloniki port authority (OLTH) and potentially other future concessions of smaller ports; 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) organise [and send invitations] for a workshop to be organised [jointly] [by] the EC's SRSS and which will be held in May 2016 which will review these reports, 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 take appropriate steps, and adopt legislation if needed by [July 2016], on HCAA in line with the recommendations of the EC and of other experts involved in the May 2016 workshop and subsequent technical assistance provided.

- ii. 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.

Privatisation, Management and Investment 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 in terms of governance, oversight and transparency of reporting standards, and compliance. The Fund and its assets will be under professional management separate 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 **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 ETAD and all the assets under its management and an initial list of SOEs to the new Fund and include internal regulations on [to be defined].

The Government will, in agreement with the Institutions, request from SRSS formally by [May 2016] technical assistance to assist with determining exclusions from the State-Owned Enterprise, and if needed from the real estate portfolios in order to complete the asset allocation plan. The technical assistance will [cover the real estate and State-Owned Enterprise segments of the new 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; and (b) finalise the remaining internal regulations on [to be specified] which must be fully in line with the Action Plan agreed with the Institutions in December 2015 as part of the 2nd set of milestones;
- ii. [placeholder for defining the portfolios of real estate and SOEs for initial transfer]
- iii. The supervisory Board will complete the selection of the Board of Directors including the CEO [September 2016];
- iv. The Board of Directors will by end-[September] 2016 be constituted as a body;
- v. 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;
- vi. 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.

[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.

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 [May] 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 curricula.* 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 June 2016.
- 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: 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 1st 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 MTFS 2016-19 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) and subject to annual revision in the context of the MTFS exercise, for the years following the next (t+2).
- 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 arbitrage 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.* The authorities will implement a system of internal control and internal audit.
- 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.

Furthermore, the authorities have adopted on 22 July 2015 the revised Code of Civil Procedure, which became effective as of 1 January 2016. The authorities will implement the revised Code of Civil Procedure, taking all necessary steps to ensure the full transition to the new system, in accordance with the requirements set out in the transitional provisions of

Article 1 (Ninth Article) of Law 4335/2015 and the roadmap for the implementation of the revised Code of Civil Procedure. In particular, the Greek authorities as a **key deliverable** shall adopt the key Presidential Decrees required by the transitional provisions of Article 1 (Ninth Article) of Law 4335/2015 to provide for the implementation the following provisions of the revised Code of Civil Procedure:

- i. Article 237(4)(e) and (f) and (6)(b) and (c), regarding the registration of cases in the e-docket by [June 2016];
- ii. 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;
- iii. Article 993(2)(c) on the determination of the value of the property seized on the basis of its market value. 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, by [June 2016];
- iv. Article 995(1)(d) providing 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]; and
- v. A Presidential Decree to provide for implementation of the provisions of Article 1 of Law 4335/2015 regarding all provisions of the Code of civil procedure which refer to conducting auctions electronically, [by May 2016]

The authorities, making use of technical assistance, 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.
- ii. Implement the three years strategic plan for the improvement of the functioning of the judicial system according to its schedule.
- iii. 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).
- iv. Propose measures to reduce the backlog of cases in administrative courts (June 2016) and in civil courts (September 2016).
- v. 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).

5.3 Anti-corruption

The authorities will 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.

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:

- i. Adopt by June 2016 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. They will 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.
- ii. Following the assessment of the reduction of penalties for financial crimes provided by Law 4312/2014, amend this legislation (June 2016).
- iii. Adopt a Code of Conduct for members of Parliament (June 2016).

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 [June 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, should by [June] 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, and (iii) accountability.

In addition:

- i. *Hellenic Competition Authority*: 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 Article 282 of Law 4364/2016 in agreement with the Institutions on provisions relating to disciplinary offences, the adequacy of access to legal services from external sources the appointment and term of Directors and conflicts of interest of its staff. By [June 2016], the authorities, in agreement with the Institutions, will address any issues relating to the staffing of the HCC's legal office. 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 [June 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 June 2016 stronger governance, adequate financial independence and administrative capacity to the cadastral agency.
- iv. *Special Secretariat for Water (SSW)*: The authorities will enable the SSW to take independent regulatory decisions, following an assessment of the legal framework to be performed with the support of technical assistance (June 2016). The Authorities will strengthen the human resources endowment of SSW through facilitation of the recruitment process, including specialised calls, and SSW will arrange for training of

its staff in other EU Member States (April 2016). SSW will launch immediately the process to define its business plan and five-year cost analysis, in order to assess funding needs and seek potential funding sources, to be completed by September 2016.

EYDAP and EYATH will prepare business plans, including for investments and key capital projects for the next 5 years, by November 2016; reputable and independent external advisors should be used to help them compile such plans. As a first step, they will launch by [April 2016] a first draft of a full-information submission; the final submission is to be completed by [July 2016] and audited by one of the international engineering consultancies.

The Special Secretariat for Water will finalise with TA the charging rules for water services taking into account the methodology completed by the Special Secretariat of Water in 2014 [September 2016 with some intermediate target in April 2016].

ANNEXES

- 1 – HRDAF - Asset Development Plan – 30 July 2015 (to be updated)
- 2 – HRDAF - Government Pending Actions – 30 July 2015 (to be updated)