

Supplemental Memorandum of Understanding: 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 regularly, taking into account the progress in reforms achieved over the previous months. 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 second review of the ESM programme.

Success requires ownership of the reform agenda 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 defaults, 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 as the associated higher prices undermine the disposable income of consumers and the competitiveness of companies. The pension reform takes into account that existing pensioners find it more difficult to compensate for income losses and it has applied cuts progressively, based on the level of pensions. 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 them most. The authorities are benefitting from available technical assistance from international organisations on measures to provide access to health care for all (including the uninsured) and to roll out nationally a basic social safety net in the form of a Guaranteed Minimum Income (GMI) from the start of 2017.

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 measures. This is supported by an ambitious programme to strengthen tax compliance and public financial management, and fight tax evasion, while ensuring adequate protection of vulnerable groups. The authorities have created an autonomous revenue administration to secure effective revenue collection.
- Safeguarding financial stability (section 3): Further measures are needed to tackle the large stock of Non-Performing Loans (NPLs) beyond the adopted legislation on loan market (servicing, sales) and step-up of supervisory monitoring and measures (NPE targets and KPIs). Debtors and creditors need an effective and efficient out-of-court and in-court debt restructuring and insolvency framework to reduce the debt overhang vis-à-vis both public and private creditors. Banks and the public sector need to speed up the restructuring of debts and the liquidation of non-viable businesses to support the recovery of the economy along with the gradual phasing out of capital controls.
- Growth, competitiveness and investment (section 4): Greece will design and implement a wide range of labour and product market reforms that not only ensure full compliance with EU requirements, but which also aim at achieving European best practices. The authorities will continue to implement an ambitious privatisation programme, and a new independent Privatisation and Investment Fund (HCAP) has been established supporting a more efficient use of resources. Policies which support investment shall be framed within a comprehensive Growth Strategy.
- A modern State and public administration (section 5): Particular attention is being paid to the implementation of reforms to increase the quality and 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 Commission and other regulatory agencies.

Technical assistance

Programme success will require the sustained implementation of agreed policies over many years - which necessitates the political commitment, but also the 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, the review of regulatory barriers to competition, licensing simplification and doing business reforms, the social welfare review, the fight against corruption, support to the implementation of the Greek energy policy objectives, support to the Greek health reform programme, the modernisation of the judicial system and support to administrative reform. In October 2015, the Greek authorities and the European Commission finalised a medium-term technical assistance plan in line with the MoU signed in August 2015. In December 2015, the Greek authorities informed the Commission that

they would allocate 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). The transport sector and other sectors 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 MoU, including this update.

Growth strategy

Greece needs to build upon the agreed recovery strategy and develop a genuine growth strategy which is Greek-owned and Greek-led and fully uses available resources, including those provided by the EU. This should take into account the reforms included in this SMoU, 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 according to the EU regulations. For the 2014-2020 period, more than EUR 35 billion is available to Greece through EU funds and Greece should continue in its effort to maximise and speed up absorption of this envelope. The European Commission's Investment Plan for Europe and the EBRD will provide additional sources 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 finalise the growth strategy by June 2017, which *inter alia* should aim at creating over the next 2-3 years a more attractive business environment, enhancing growth opportunities from infrastructure, improving the education system as well as human capital formation through vocational education and training (See section 4.1), strengthening the financing of business, and developing R&D and innovation. It should also help design sectorial priorities in areas such as ICT, tourism, transport, pharmaceuticals and logistics, and agriculture and agro-food. The authorities will implement the strategy with the assistance of a Scientific Development Council including social partners and sectoral business organisations as well as by setting up an Advisory Panel of foreign investors (by June 2017).

2. Delivering sustainable public finances that support growth and jobs

In 2010, the extreme imbalances in Greek public finances culminated in the loss of access to private capital markets. The subsequent and necessary correction has required an unprecedented fiscal adjustment and sacrifices from Greek citizens. General government deficits have fallen considerably and Greece is currently projected to achieve rising primary surpluses until 2018, absent additional measures. At the same time, Greece is expected to enhance the effectiveness of public spending by redirecting resources to functions that can most effectively promote growth, employment and the protection of the most vulnerable.

2.1 Fiscal policy

The general government primary balance in programme terms reached 4.2% of GDP in 2016, up from 0.5% of GDP in the previous year, significantly outperforming the 0.5% of GDP programme target. This follows a small over-performance of the 2015 ESM programme target by 0.8% of GDP. The over-performance in 2016 was broad-based, driven by both higher revenues and expenditure restraints. The largest contributions on the revenue side came from the corporate income tax, VAT, and non-tax revenue, while the main expenditure shortfall was registered in investment spending and intermediate consumption.

The Greek authorities commit to ensuring sustainable public finances by pursuing the fiscal path agreed in August 2015 that is based on primary surplus targets of 1.75 and 3.5 percent of GDP in 2017 and 2018 respectively. The primary surplus target of 3.5% of GDP will be maintained over the medium term, until 2022. Under the baseline scenario that assumes all measures legislated in the context of the first review are implemented on time and have the expected yields, a fiscal gap of up to 0.3 percent of GDP by 2018 is projected, absent any additional measures.

The Government as a prior action adopted a budget for 2017 and as a prior action will adopt the Medium-Term Fiscal Strategy (MTFS) 2018-21 that will set spending ceilings consistent with ESM programme targets and a primary surplus of 3.5% of GDP for 2019, 2020 and 2021. These will be supported by adopting parametric measures with an expected yield of 0.3 percent of GDP cumulatively through 2018.

Specifically, the following measures will be adopted:

- the streamlining of welfare benefits and the abolition of tax expenditures based on the recommendations of the social welfare review, yielding 259 million EUR in 2018, (see section 2.5.3);
- the rationalization of healthcare spending supported by subjecting certain additional categories of expenditure to the closed budget framework and the reduction of the claw-back ceilings, yielding 125 million EUR in 2017 and 188 million EUR cumulatively in 2018 (see section 2.5.2.1);
- the legislation of a tax on short-term tourist accommodation rentals yielding 48 million EUR in 2018. This shall provide a regulatory framework for the taxation of the property sharing economy to enable tax payments and safeguard tax revenues from occasional and short-term leasing of immovable property;
- the rationalisation of the performance incentives in the public sector wage bill yielding 33 million EUR in 2018;
- the rationalisation of certain allowances in military sector, yielding 7 million EUR in 2018. This shall include (i) eligibility conditions and calculation formulas for dangerous operations allowances, and (ii) the rationalisation of service abroad allowance by reducing positions and duration of postings abroad;

This package of parametric fiscal measures will be supported by continued and expanded implementation of administrative actions on the revenue and expenditure side. On the revenue side, these actions will most notably aim at addressing shortfalls in tax collection and inadequate enforcement and to further incentivise tax compliance (see section 2.3). On the expenditure side, a pilot spending review has been initiated on three ministries and their supervised entities in September 2016, whose roll-out to the remaining general government, including the Ministry of Defence as well as state-owned enterprises and extra-budgetary

funds started in February 2017. The spending review should be completed by September 2017 with the objective of including savings in the 2018 Budget.

If annual budgetary outturns confirm that the above measures are leading to permanent fiscal over-performance vis-à-vis the programme targets, the authorities may - in agreement with the Institutions - consider the use of the available fiscal space to strengthen social protection (in particular the GMI programme) and/or to reduce the tax burden provided that the achievement of 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 and in its annual updates.

2.1.1 Pre-legislated package

In support of rebalancing the budget toward more growth-friendly and distributionally just policies, the authorities will agree and legislate the following actions as **prior actions**:

- a medium-term fiscal strategy (MTFS) for 2018-21 in line with agreed medium-term targets which should be reached without growth-detrimental measures;
- a pension reform delivering net savings of 1% of GDP in 2019-2022 (see TMU Section L ¶30-31) and a personal income tax reform to be implemented in 2020 and delivering net savings of 1% of GDP in 2020, 2021 and 2022;
- a growth-enhancing tax package matching in net terms the yield from the personal income tax reform encompassing (i) a reduction in PIT rates and the solidarity surcharge with a medium-term fiscal impact of 0.8% of GDP; (ii) a reduction in CIT rates with a medium-term fiscal impact of 0.1% of GDP, and (iii) a reduction in property tax (ENFIA) with an impact of 0.1% of GDP;
- a targeted spending package matching in net terms the yield from the pension reform composed of (i) an increase in spending on targeted welfare benefits (housing allowance; child benefits; school meals; nursery/pre-school education; means-tested reduction in health co-payments) 0.7% of GDP (ii) high-quality public infrastructure investment 0.15% of GDP, and (iii) active labour market policies 0.15% of GDP;
- the personal income tax measures will be implemented in 2019 if the IMF, in cooperation with the European Institutions and the Greek authorities, in the context of the final programme review, considers that, based on a forward looking assessment, a frontloaded implementation is needed in order to reach the agreed 3.5% primary surplus fiscal target in 2019, which should be reached without growth-detrimental measures;
- the Greek authorities also agree to legislate now the expansionary package. The latter will be implemented starting in 2019, contingent on an assessment and agreement by all institutions and in consultation with the Greek authorities in the final program review, following a transparent process, with the amount to be implemented in line with the institutions' projected over-performance relative to the agreed medium-term targets – on the assumption that the contractionary measures will have already been built into the baseline scenario – in order to ensure the achievement of the targets. The authorities will provide a written independent legal opinion confirming that the contingent nature of both the

income tax reform and the expansionary package to be enshrined in legislation is feasible under the Greek Constitution.

The authorities will provide a legal opinion that the pension reform is in line with the Greek Constitution and the Charter of Fundamental rights. The authorities will also provide a detailed quantitative assessment of the redistributive impact of pension reforms.

2.2 Tax policy reforms

As **prior actions** for the review, the government commits to:

- i. (a) reviewing the corporate tax law covering mergers and acquisitions and implementing the Income Tax Code (ITC) provisions concerning mergers (articles 52-55 ITC) and transfer pricing fines (article 56 Tax Procedure Code, TPC); (b) extending the temporary voluntary contribution of the shipping community to 2018; (c) undertake a review and reform of tax administration procedures for enforced sale of assets at public auctions aligning KEDE with the Code of Civil Procedure; (d) abolish article 6 of the law 2523/1997 for transitional cases.

In addition, the government commits to:

- ii. *Tax reforms*. The authorities will by September 2017: (a) revise TPC provisions to provide for reduced fines imposed in connection of an audit taking account of the cooperation of the taxpayer; (b) revise the fines provisions of pre-TPC legislation in line with TPC fines; (c) complete the assessment of a possible increase in the VAT threshold; and (d) review KEDE to ensure effective collection enforcement actions and consistency with revenue administration reforms including SSC collection, and by November 2017, revise the law as appropriate.
- iii. *Tax codes*. The authorities will review by June 2017 legislation on VAT de-registration procedures and re-registration to protect VAT revenue. The authorities will (**key deliverable**) by December 2017: a) review with the aid of technical assistance all business income tax incentives and integrate the tax exemptions, eliminating those deemed inefficient or inequitable; b) review with the aid of technical assistance the tax framework for collective investment vehicles and their participants in line with best practices in the EU; c) codify and simplify the VAT legislation, aligning it with the Tax Procedure Code and eliminating outstanding loopholes, including those identified in the review of the legislation relating to VAT deregistration and reregistration; d) undertake a technical review the ITC provisions after its 3-year application, identifying problems and loopholes and proposing amendments with the objective of clarifying and ameliorating its application and eliminating conflicting provisions, e) review preferential tax treatments for the shipping industry in the light of the indications of the European Commission by January 2018.
- iv. *Property taxes*. The authorities with the aid of technical assistance will legislate to ensure the alignment of property tax assessment zonal values with market prices by December 2017 (**key deliverable**). The authorities could postpone the implementation of the capital gains tax on real estate until 1 January 2018.

2.3. Public revenue reforms

Revenue collection has been hampered by complicated legislation, poor administration reflected by chronically weak enforcement, political interference and generous amnesties. To break from this practice and build a responsible tax and social security payment culture, the Government firmly commits to take strong actions to ensure the independence of the revenue services and improve compliance and collection.

The authorities will continue to improve operations as measured by key performance indicators (KPIs). The authorities will continue the reforms improving public revenue administration in agreement with the institutions, and taking into account recommendations of technical assistance.

Completing the establishment of the Independent Authority of Public Revenue

The authorities will complete the framework needed for the full implementation of the Independent Authority of Public Revenue (IAPR).

As **prior actions**, the authorities will (i) complete the signature of the service level agreement, in agreement with the institutions, to fully operationalise as specified in the Technical Memorandum of Understanding the transfer of all tax and customs administration IT-related functions within the Authority; (ii) pass legislation to provide with immediate effect for travel and accommodation expenses for the members of the management board and for the international expert assisting the board; (iii) vote the IAPR budget as agreed; (iv) select and appoint 55 of the key managers.

The IAPR has shared the draft of the business plan. It will adopt the business plan and the strategic plan as **prior actions**.

As **prior action**, the authorities ensure that the General Directorate for Financial Services (GDFS) is fully functional.

The authorities have agreed with institutions on a draft of secondary legislation which includes the definition of positions of managers to be rotated, which has been adopted as a **prior action**.

With the help of technical assistance, the IAPR will produce the Human Resources policy paper for the agency staff, in terms of grading, assessment, promotion and remuneration by June 2017. The job description for managers will be completed by July 2017. The IAPR will adopt the secondary legislation necessary for the one off assessment of staff by August and the other legislation needed for implementation of the remaining human resource policies will be passed by November 2017. All staff transferred will be assessed and allocated to appropriate grades by December 2017 (**key deliverable**).

The authorities will also ensure that the performance contract between the Minister of Finance and the head of the Agency is signed by June 2017 (**key deliverable**).

The authorities have produced an action plan for the implementation of the tax and customs academy, and they will ensure that the latter is fully in place by September 2017.

The authorities will proceed with the following hiring plan for 2016 – 2018, as agreed with the one-off injection of resources: through the Supreme Council for Civil Personnel Selection (ASEP):

- 432 staff in 2016, 28 IT staff in 2017 and 700 staff in 2018,
- attrition rule 1:2 (i.e. one entry for two exits) for 2017 and 1:1 for 2018 and going forward,

- up to 120 staff coming from the 1997 ASEP recruitments who have won court cases (ASEP '97 – TE Economics before end of 2016),
- applicants through the mobility schemes.
IAPR will have the capacity to screen staff coming from the 1997 ASEP recruitment and from the mobility scheme if they do not meet the qualification requirements corresponding to the IAPR needs and decided by IAPR.
- After IAPR concludes the screening of applicants through the mobility scheme, 60% of the remaining vacant positions will be covered by recruitments in 2018 and 40% in early 2019, with a maximum threshold of 900 people. The decisions on the 2018 recruitments will be taken at the latest by 31 October 2017 based on the situation by that time and the decision on the early 2019 recruitments will be taken and the process launched at the latest by 30 June 2018.

IAPR makes the final decision on staff to be transferred to it. For the ASEP recruitments, in order to limit delays, a reserve list system will be created by September 2017 and ASEP will schedule its recruitment process to ensure that the reserve list contains sufficient candidates for a year of future recruitment.

By September 2017, a decision will be taken, in agreement with the institutions, on defining and providing the appropriate level of organic positions for the medium term (**key deliverable**).

The authorities will add quantitative medium-term indicators to the strategic plan by April 2017.

The authorities will adopt an IT strategy for the IAPR by June 2017.

With a view to reinforce fight against corruption, the authorities will proceed with a yearly publication of disciplinary proceedings and infringements and results, starting in March 2017 with 2016 aggregated information.

Finally, the authorities will provide the institutions with regular updates on the activities of the IAPR in line with the MoU:

- monthly updates on the budget execution, and on the situation of staffing and actual hiring of the Authority;
- the semi-annual update of the service -level agreement.

Improving compliance

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

- Have adopted a fully-fledged plan to increase tax compliance. This includes measures to improve declaration compliance and payment compliance;
- pass legislation for the promotion and facilitation of the use of electronic payments. This legislation will include the timeframe for the obligation to install a Point-of-Sales (POS) for each category of professionals / businesses depending on their tax evasion profile with a view to reach an 80% of POS equipment rate in the first category of professionals (defined as high-risk tax evaders) by June 2017.

To further improve compliance, the Government will pursue the implementation of the action plan for the promotion and facilitation of the use of electronic payments (through both transfers and cards) and the reduction in the use of cash and cheques and will regularly

report to the institutions on the progress its implementation. The authorities will, by April 2017, submit to the institutions proposals for additional incentives with their timeline of implementation. These additional incentives will be budget neutral and should not create fiscal risk. The authorities will update regularly the action plan for the promotion and facilitation of the use of electronic payments and implement it. The authorities will take all necessary measures to make the VAT lottery operational by June 2017.

The authorities will fully implement the compliance plan, notably by taking the decision creating the steering committee and the working group by May 2017. The IAPR will produce before end July 2017 the operational roadmap drafted under the guidance of these bodies and the opinion of the management board of the IAPR on this roadmap.

The authorities will procure or lease the risk-assessment software allowing substantially increased detection of carousel fraud to be used as from September 2017.

By June 2017, the efficiency of the telephone unit of tax compliance will be increased, notably through increased staffing.

By end-September 2017, the authorities will adopt legislation with the aim to significantly reduce the burden on IAPR from dealing with the backlog of cases for which the statute of limitations has already been extended by resuming the application of the ordinary statute of limitation to these cases or, as applicable, if the cases have been prioritized through risk-assessment, allowing audit beyond the ordinary statute of limitation only if there is suspicion of penal tax fraud. This legislation will take effect as of 1st of January 2018.

The authorities will commit not to provide any filing extension and to put in place in time the necessary information campaign to encourage taxpayers to fulfil their declarative obligations by due date (continuous action).

Improving the fight against tax evasion

- As **prior actions**, the authorities will (i) produce a policy paper to clarify the main axes and timeline of the reform to improve the model of cooperation between justice and tax administration in the fight against high level tax fraud with the goal of rationalising competing and overlapping competences; (ii) pass legislation (a) to make the competences of the financial prosecutor (in article 17 A of Law 2523/1997) consistent with the independence of the Independent authority for public revenue and (b) to allow prosecutors to send information to the tax administration as a simple information without binding effect, leaving the tax administration the discretion of what to do with the information (possibly article 43(4) of the Code of Penal Procedure and/or art. 25 of the code of conduct of Judges and prosecutors), and (c) The Authorities will pass legislation to exclude the tax administration¹ and its staff from receiving and implementing audit and investigation actions ordered by the prosecutors. Legislation will come into effect by July 2017, after the establishment of an appropriate investigation structure, under the financial prosecutor.
- The previously received pending orders non prioritized yet by IAPR will be transferred back to the prosecutors by end December 2017. The new system is fully operational by end July 2017 (**key deliverable**)

¹ Excluding customs administration and its staff.

- The above policy paper on improving the fight against tax evasion will clarify the respective roles of the penal justice system and the tax administration system. The key principles will be:
 - i. Legislation will ensure that the competences of the financial prosecutor are consistent with the independence of the IAPR.
 - ii. The policy paper will ensure that the penal justice system focuses on fight against a limited number of significant cases of high-level penal tax fraud with the aim of bringing these cases to final court decision within a reasonable time.
 - iii. The authorities will provide dedicated resources within a new structure which will be put under the supervision and guidance of the Financial Prosecutor, with mission of dealing with the said high level tax fraud and the execution of prosecutors' orders in this field. This structure will not be in IAPR. The said structure will have sufficient number of auditors and other qualified personnel. No new prosecutor orders will be sent to IAPR.
 - iv. The reports sent by the structure under the prosecutor to the tax administration must meet the standards of the tax administration. The tax administration will subsequently proceed, based on this report, to a preliminary tax assessment. The tax administration will then follow TPC procedures with adapted timeframe. The tax administration is responsible for the final tax assessment.
 - v. The policy paper will propose solutions for the stock of pending prosecutor cases.
 - vi. The rules about complaints will be reviewed to ensure that only relevant and substantiated complaints need to be fully investigated.
 - vii. A coordination procedure will be put in place, under the financial and corruption prosecutors and between the tax administration, the new structure and the other competent investigation services to ensure sharing of information, the prioritization of actions and efficient management of cases on the basis of objective risk-based criteria, taking account of resource constraints and avoidance of parallel investigation on cases on which penal financial investigations are started or ongoing.

The authorities will, by May 2017, produce a comprehensive plan for combating tax evasion based on an effective interagency cooperation which includes: a) identification of undeclared deposits by checking bank transactions in banking institutions in Greece or abroad; b) requesting from EU Member States to provide data on asset ownership and acquisition by Greek citizens, and how the data will be exploited; c) pursuing work with technical assistance in tax administration and making full use of the resources in capacity building; d) establishing a wealth registry in the IAPR in close coordination with the currently developed registry of bank accounts, to improve monitoring; e) concrete steps to ensure the collection of tax on incomes generated on off-shore portfolios of individuals; f) domestic exchange of information between the Financial Intelligence Unit (FIU) and the tax administration to better assist the tax authorities in the use of financial intelligence to inform the tax audit strategy and facilitate debt collection. Notably this should include the publication, by IAPR and FIU starting in July 2017, of monthly statistics on FIU cases transmitted to the IAPR and of their outcome. The authorities will adopt legislation establishing a central registry of beneficial ownership information of legal persons to ensure public authorities access to adequate, accurate and current information in line with the Financial Action Task Force standard by end-October 2017.

The authorities will address the problem of base erosion, and propose an by September 2017 action plan which will use risk assessment measures to identify for priority audit Greek taxpayers engaged in profit shifting through manipulation of transfer pricing or avoidance of Permanent Establishment status.

In order to reduce unnecessary litigations the authorities will reinforce the dispute resolution unit by providing it by September 2017 with a case management system.

Improving public revenue collection and debt management

To improve the collection of tax debt the authorities will produce by March 2017 a national collection strategy. This will include, *inter alia*:

- i. the procurement of the software allowing for further automation of the debt collection, embracing notably fully automatized garnishment procedure,
- ii. if needed, the possible amendment of the legislation establishing clear criteria of non-collectability to enable the write-off of tax claims, to be implemented by May 2017,
- iii. assessment of the treatment of debtors carrying debt to public creditors and amendment of the legislation as necessary to allow debt restructuring aiming at restoring the financial viability of the debtor, to be implemented by July 2017,
- iv. review and amendment, if necessary, of the statute of limitation for collection to ensure an adequate ceiling on the total number of years that collection of a tax claim can be enforced,
- v. a study on the possibility to introduce a system of regular monthly payment by automated electronic means for the taxes paid by individual taxpayers, to be completed by July 2017,
- vi. publication of the yearly update of the list of large tax debtors, with the next publication to be done by September 2017, and
- vii. commitments to review and amend if necessary the TPC framework relative to actions to regularly revert against persons who are jointly and severally liable for the liabilities of legal persons, to be implemented by October 2017,
- viii. the commitment, necessary to improve payment compliance, not to introduce new instalment or other amnesty or settlement schemes nor extend existing schemes and to take immediate enforcement action regarding debtors who fail to pay their instalments or current obligations on time (continuous action).

The authorities will implement the collection strategy as agreed.

The authorities will launch a process ensuring the triage of the large debtors on the basis of the analysis of economic and financial data to determine their viability, starting by the debtors of the Large Debtor Unit (LDU) and of the Single Collection Centre for Social Security Contribution Debt (KEAO). A decision of the Governor of IAPR and another by the Governor of EFKA will be issued defining the methodology for establishing the viability and capacity to pay of the large debtors by June 2017. After the triage is operational, and no later than by end-December 2017, the LDU and the KEAO will finalize a report classifying large debtors and proposing solutions. The report will also include timelines and specific KPIs.

The authorities will produce, by June 2017, a policy paper on the ways and means to curb the regular increase in public tax debt.

Fight smuggling and improve customs efficiency

As **prior action**, the authorities will adopt the strategy against smuggling of excisable products; they will produce an action plan for the implementation of the trade facilitation roadmap; and they will produce a timeline for the full staffing and equipment of all the mobile units.

The authorities will implement the anti-smuggling strategy for excisable products according to its timeline. They will report progress on a quarterly basis. The anti-smuggling strategy implementation will include the fight against fuel smuggling and the 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. In this respect the authorities will install and operationalize the Operational Coordination Centre against Excisable Product Smuggling by June 2017, by ensuring it is fully staffed, have access to IT systems and a detailed business plan is agreed. The interoperable IT system will be up and running by end Dec 2017. They will also register equipment and licence warehousing, companies and individuals by December 2018. The authorities will propose by April 2017 an action plan for the procurement of an effective fuel marker system to be put in place for full scale application expected in January 2019. The authorities will purchase by February 2017 scanners to equip the three main international ports. The scanners shall be fully operational by September 2017 (**key deliverable**). The authorities will pass, if necessary, legislation, by June 2017, to reinforce domestic tobacco manufacturers' responsibility of their distributors by supply chain agreements to be implemented by September 2017. To improve customs efficiency the authorities, with the participation of public and private stakeholders, will implement in a timely manner the trade facilitation roadmap for the national single window including the streamlining of pre-customs procedures and will report quarterly on the implementation.

The authorities will fully implement the customs reorganisation, with notably the mobile control units and regional centres to be fully financed, equipped and staffed by October 2017.

Centralize the collection of social security contributions into a single social security fund (EFKA)

The authorities have ensured that the self-employed contributor registry is fully tested and operational for starting the billing of contributions as from January 2017 (**prior action**). The authorities will, continuously check and clean the list of self-employed contributors for whom information is lacking or insufficient so as to allow for their inclusion into the normal operating IT procedure and report monthly on their numbers and the date of completion of the cleaning up, which will not be later than end 2017.

The authorities have temporarily merged the contribution collection capacity of existing funds under the new social security fund, EFKA, in order for the merged collection to fully operate by 1st of January 2017. By exception, the NAT contributions (for Seamen) will remain collected by NAT and transferred to EFKA by NAT during a transition period. The authorities will produce by May 2017 the draft decision finally transferring the collection of contributions from NAT to EFKA. After the end of June 2017 NAT contributions will be collected by EFKA. The collection of social security contributions will be merged into the IAPR by end-2017. The authorities will produce by June 2017, a policy paper laying out the key features, steps and timeline of this reform (**key deliverable**).

To improve social security debt collection, the authorities will publish regularly the list of large debtors for social security debt, starting from May 2017. They will, by May 2017, provide a

draft Joint ministerial decision (JMD) specifying the necessary procedures for the implementation of the provision.

To facilitate debt collection management, the single centre for social security debt collection (KEAO) has been moved into EFKA. The social security contributors debt which so far remained in the social security funds has been transferred to KEAO except for debt in instalments which will be transferred by end-February 2018. To deal with SSC debt, (i) the authorities which have already created rules for quarantining and writing off debt to the SS funds will further improve the rules in order to align them with rules applicable to tax debt one month after the publication of the relevant rules for tax debt and to allow restructuring of public debt for viable businesses in distress; (ii) KEAO's business process will be reviewed and adapted by September 2017; (iii) the authorities will create by September 2017 a single social-security-contribution debt database that will encompass information currently processed by all social security funds and (iv) the authorities have increased as a first step the staffing of KEAO to 600 people by February 2017, and will, as a second step, increase it to 700 by June 2017.

2.4 Public Financial Management and Public Procurement

2.4.1 Public financial management

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

A key requirement of the Organic Budget Law (OBL) adopted in October 2015 is the transfer of financial management functions from the Fiscal Audit Offices (FAOs) to the General Directorate for Financial Services (GDFS) by January 2017. To manage the transfer of functions smoothly, and avoid overlapping of tasks and confusion of duties the authorities will: (i) ensure that all ministries provide GDFS with adequate staff, quantitatively and qualitatively (December 2016) based on an assessment of the staff capacity; (ii) By June 2017, prepare a concrete staff mobility plan in context of the new organizational chart. If necessary qualified staff from other ministries, including GAO, will be transferred to GDFS; (iii) ensure full access of GDFS staff to the Financial Management Information System (FMIS) IT system by end-December 2016. The authorities will also work on a solution for the regional offices of ministries which lack access to the FMIS IT system.

The authorities will complete the entire OBL reform by end-February 2017 and implement it in practice, including termination by end December 2016 of the ex-ante audit of payments by the Hellenic Court of Audit for central administration and by December 2018 for local government and other entities of the general government

The Greek Government is committed to making the Fiscal Council fully operational. As a **prior action**, the authorities will amend the national law transposing the Fiscal Compact so as to assign the Fiscal Council the responsibility of reviewing whether each draft budget law is in full compliance with the provisions of the inter-governmental Treaty on Stability, Coordination and Governance in the EMU (TSCG). A positive assessment of compliance will be required before the submission of the budget law to the Parliament. Furthermore, the authorities will fully staff the Fiscal Council by May 2017 and provide adequate training for the staff. The Council should publish biannually a report on the general government budget execution and outlook. A possibility for technical assistance should be considered.

The Government will design a new government Budget Classification structure and Chart of Accounts. The authorities commit to: (i) finalize the Chart of Accounts for central (by May 2017) and general government (by February 2018) with consultation of relevant stakeholders of the reforms; and (ii) provide a plan for the implementation of the Chart of Accounts in the 2019 state budget (May 2017) (iii) finalize the Chart of Accounts for central government and submit legal documents (**key deliverable**, October 2017) and (iv) finalize the integration of the Financial Management Information System (FMIS) and the new Chart of Accounts (**key deliverable**, June 2018) so as to ensure the full use of the FMIS to support implementation of the new Chart of Accounts in the 2019 state budget.

The authorities will update by May 2017 the plan and commit to clearing the outstanding stock of arrears to the private sector by June 2018 and will implement the arrears clearance plan taking also account of the disbursement plan under the ESM programme (continuous action). The authorities will clear the outstanding stock of arrears, including overdue but unprocessed tax refund and pension claims by using own resources and designated programme financing. The authorities will continue producing detailed monthly reports on the arrears cleared and on outstanding gross and net arrears. In parallel to the arrears clearance programme, and without hampering or delaying it, the authorities will ensure that an independent auditor will be selected by end-June 2017 (**key deliverable**) and its assessment will be completed by end-September 2017, covering the government accounts payable and the arrears clearance programme from end-June 2016 up to end-December 2016. Ensuring a proper interaction and consultation with Fiscal Audit Offices the assessment will check the accounts to verify proper use of the funds, identify the extent of structural problems and assess the optimality of the arrears clearance plan sequencing. Based on the final report presented to the authorities and the institutions, the authorities will take corrective actions if necessary before end-2017. The Government will ensure that budgeted social security contributions are transferred from social security funds to health funds and hospitals evenly throughout the year so as to clear the stock of health sector-related arrears, in line with the KPI targets. The Government will also address structural issues in order to avoid the accumulation of new arrears, inter alia by advancing the reforms in the Public Financial Management system, based also on the recommendations of the IMF/EC technical assistance experts.

As a **prior action**, the Government will present a medium-term action plan to ensure that payments will be made in compliance with the Late Payment Directive, including concrete measures and safeguards to ensure the transfer of EFKA liabilities (cash transfers and expenditures) to the health fund (EOPYY) during the relevant period. The authorities will continue to improve operations as measured by key performance indicators and provide all relevant information for the institutions to assess progress in the implementation of the Late Payment Directive. The government will take appropriate measures to ensure that payments to suppliers of public and military hospitals arising from contracts signed after 15 February 2016 comply with Law 4152/2013, and will avoid taking urgency measures that are not in conformity with it.

The Government will continue the work on improving the fragmented cash management system transferring general government surplus reserves to the Bank of Greece accounts by end-October 2017 in line with the current legislation. The transfer will be conducted in cooperation with the Bank of Greece and taking into account financial stability implications and operational needs of general government entities. The amounts to be transferred will be determined in agreement with the Institutions. Following the implementation of the cash management reform the authorities will close accordingly unused central government

accounts in commercial banks and consolidate them in the Treasury Single Account (TSA) and general government accounts will be integrated in the TSA by June 2018.

The authorities will, with the aid of technical assistance, undertake a diagnostic on state guarantees. On this basis, they will, by December 2017, prepare an action plan to improve the management of state guarantees (**key deliverable**).

The Ministry of Finance will continue using the established ring-fenced account for the management of the EU Home Affairs Funds (AMIF/ISF). A bi-monthly detailed reporting of the activities of this account will be provided to DG Home of the European Commission.

2.4.2 Public procurement

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

- i. The Greek authorities will take all necessary measures to establish the Remedies Review Body (first-instance remedies) by June 2017 (**key deliverable**) in view of it starting its operation (submission and review of remedy applications) by June 2017.
- ii. By June 2017, the authorities will adopt measures to improve the judicial remedies system in the area of public procurement (second-instance remedies) (**key deliverable**), taking into account the establishment of the Remedies Review Body. In preparation, by May 2017, the authorities will submit to the Commission their proposed measures for approval. Such measures will be based on a comprehensive assessment of the existing judicial remedies system, identifying problems (e.g. lack of effective and rapid remedies, delays, difficulty of obtaining damages, litigation costs) and proposing specific actions to improve effectiveness.
- iii. The authorities will continue to implement the actions on e-procurement (KHMDHS and ESHDHS) as agreed with the European Commission in the action plan (**key deliverable**). As a **prior action**, the Greek authorities will make the necessary amendments to law 4412/2016 and adopt the MD to ensure the operation of new KHMDHS.
- iv. As a **prior action**, a new centralised procurement scheme for the needs of 2017 (onwards), on the basis of a plan developed by the General Secretariat of Commerce in cooperation with the European Commission, will enter into force. In this regard, as a **prior action**, the Greek authorities will (a) by February 2017 enact the Ministerial Decision under Article 41(4) of Law 4412/2016 to implement this scheme to cover needs of 2017; (b) by March 2017 at the latest, publish the contract notices for the award of the framework contracts (needs of 2017) on the purchase of (i) PC towers and computer desktops; (ii) LED lamps; (iii) copying paper and (iv) air-conditioning (machines and services) with the aim of awarding them by September 2017; and (c) by February of 2017, submit to the institutions an action plan including the detailed steps for the award of the framework contract on the purchase of PC towers and computer desktops to allow the monitoring of progress of its award.

- v. The authorities will continue to implement actions on establishing a new centralised procurement scheme in the health sector in line with the actions outlined in section 2.5.2.3.a.
- vi. As a **prior action**, the authorities will adopt the Strategy on Public Procurement (prepared by the Single Public Procurement Authority and finalised by the central government) in view of implementing its action plan as of adoption. This Strategy will implement specific actions to address systemic deficiencies of the national public procurement system and increase administrative capacity and good management in public procurement.

2.5 Sustainable social welfare

2.5.1 Pensions

The Authorities have adopted a comprehensive reform of the pension system, to strengthen long-term sustainability while targeting savings of around 1 percent of GDP by 2018, mostly from the expenditure side, on top of the full absorption of the impact of the Council of State ruling on the pension measures of 2012, around 2 percent of GDP. To fully implement the new legislative provisions, the authorities will:

- i. *Recalibrate pension benefits.* In order to achieve intra- and inter-generational equity and fully absorb the Council of State ruling, recalibrate all the existing pensions on the basis of the new parameters of the uniform pension rule applied to the pensionable earnings in current value, with the exception of OGA. For ETEA insured persons, accrued rights up to 2014 will be recalculated with an accrual rate of 0.45, to align them to the current NDC system and taking into account higher contribution rates than those specified with the harmonised contribution rules. Lump-sum calculation will be revised to guarantee actuarial fairness.
- ii. The individual recalculation of the pension benefit under the new uniform rules must be finalised by end-December 2017 (**key deliverable**).
- iii. *Recalculate and process pension applications according to the new benefit rules (Law 4387/2016).* At least 10% of all pension applications submitted between 13 May 2016 and December 2016 have to be recalculated and processed as **prior action** and a further 20% by end-June 2017 (**key deliverable**) without any disruption to finalising the calculation of final pensions to previous applicants.
- iv. *Eliminate EKAS.* Phase out the solidarity grant (EKAS) for all pensioners by end-December 2019, reducing it by €570 million by 2017; €808 million by 2018; and €853 million by 2019. The authorities will adopt as a **prior action** the Ministerial Decision setting all the details for the awarding of EKAS in 2017.
- v. *Harmonise benefits rules.* Unify rules on disability and contributory welfare benefits in line with disability benefits reform by June 2018 (**key deliverable**) in a way that does not increase expenditure.
- vi. *Benefits for past higher contributions.* Benefits should be provided in a fiscally neutral manner based only on accrual rates as defined in the primary law.
- vii. *Contribution base for self-employed.* As a **prior action**, the authorities amend the pension law so that, starting from 1 January 2018, the contribution base for the self-employed is defined gross of social security contribution obligations of the previous year. The contribution base is temporarily reduced by 15 percent in 2018, with no reductions thereafter.

The authorities will by end-March 2017 merge all insured persons and related data into EFKA. To this end, the authorities will ensure that all other social security funds - with the exception of the welfare functions of OGA, the guarantee and credit functions of TSMEDE and the functions of NAT not related to pensions – will be closed down. All existing governance and management arrangements of these funds will be abolished no later than April 2017. The authorities will further ensure that by December 2017 EFKA can maintain automatic electronic records on service history for retirees (**key deliverable**). A similar record shall be created in EFKA also for insured persons. The authorities will record data on insured persons targeting those with longer service history ensuring that 50% of the relevant data are entered in the system by December 2017, and the remaining 50% by August 2018.

The merging of the social security funds into EFKA will lead to efficiency gains including through a reduction of overall staff. The exact scope and timing for these efficiency gains will be set in an action plan to be adopted **as a prior action** with the support of technical assistance and will include binding quantitative targets for resource savings. As a matter of priority, qualified personnel will be directed to clearing unprocessed pension claims and creating electronic registries for the insured and retirees (see ¶2.3) or transferred to other administrations. Staff who are not retained should be transferred to other entities – including KEAO, the National Actuarial Authorities and EOPYY (the National Organisation for the Provision of Health Services), in order to strengthen their operational capacity (TMU Section M ¶41) – taking into account their hiring needs, and making use, to the extent possible, of the new mobility system introduced with law 4440/2016.

The authorities will by April 2016 consolidate the single register and service history of all insured persons, and migrate the data of all insured persons to the operation platform of the new organization.

For the full implementation of the pension reform, the authorities will adopt as a **prior action** all the necessary circulars related to articles 7, 8, 12, 13, and 28 and Ministerial decisions (related to articles 5.4, 18.11, 38.8, 38.10, 39.2, 39.18, 40.12, 43.2, 45.5, 73.1, 57, 70.3, 70.10, 73.2, 80, 81.1, 81.3, 83.1, 86, 87, 89 and 92.4 in Law 4387/16) (see TMU Section M ¶41). The Ministerial decisions of art. 70.2 and the Presidential Decree of art. 52 must be issued by December 2017 (**key deliverable**).

The authorities will resume the regular publication of the Helios report whose structure and content will be defined in agreement with the institutions (**prior action**).

2.5.2 Health care

The authorities have committed to further reforming the health care sector, with the aim of universal, equal and effective care, controlling public expenditure, managing prices of pharmaceuticals, improving hospital management, increasing centralized procurement of hospital supplies, managing demand for pharmaceuticals and health care through evidence-based e-prescription protocols, commissioning private sector health care providers in a cost effective manner, modernizing IT systems, developing a new electronic referral system for primary and secondary care that allows to formulate care pathways for patients.

2.5.2.1 Rationalisation of health expenditure

The authorities will:

- a. take structural measures focusing on improving efficiency as a means to contain expenditure. These measures will i) address and eliminate half (125 million) of the recent overspending on "other items" in the EOPYY budget for "Other Illness Benefits" by 2017 and the remaining half (125 million) by 2019; and ii) ensure that in 2017 the estimated gap between spending and the respective claw back ceilings, i.e. the amount clawed back, on pharmaceuticals, diagnostics and private clinics for 2017, is reduced by at least 30 percent compared to the previous year. To this end and as a **prior action**, they will adopt, amongst other structural measures to contain excessive spending in agreement with the institutions, a closed budget (clawback ceiling) to cover items previously not under clawback in the budget category "Other illness benefits (cash & kind)";
- b. by December 2017, they 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 15 percent compared to the previous year;
- c. by September 2017, develop an assessment of overall public sector capacity and use this to commission private providers per region subject to insufficient public capacity (December 2017); document systematically the finalisation of the electronic record (e-record) for patients (June and December);
- d. implement a new system of electronic referrals (e-referrals) to secondary care to be used by family doctors to pre-approve referrals to private sector providers (initial plan June 2017, system implementation by November 2017, use of system to pre-approve referrals December 2017);
- e. develop, by June 2017, prescription guidelines and therapeutic protocols for patient care pathways (primary and secondary care) for the pathways that have the greatest therapeutic and cost implications, to feed into the e-prescription system;
- f. develop 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 (first report to be published by Mayh 2017);
- g. closely monitor and fully implement universal coverage of health care and inform citizens of their rights in that regard and proceed with the gradual implementation of the new Primary Health Care System. To this end, the authorities will adopt all the necessary legislation to implement this new system by May 2017. Within this framework, EOPYY will change the way it provides primary health care by introducing compulsory patient registration with a family doctor, who will act as a gatekeeper in charge of referrals to specialists. This shall become fully operational (**key deliverable**) by 1st January 2018. In parallel, the roll-out of Local Health Units will start by June 2017, as a first step of the planned creation of at least 240 Local Health Units in the coming 2 years (by June 2018). As new Local Health units become operational, the existing contractual arrangements of EOPYY with private GPs will be correspondingly reduced so as to avoid duplications in the local provision of primary care.;
- h. as a **key deliverable**, by June 2017, they will develop a plan in collaboration with the Ministry of Education, the medical faculties, the Central Health Board and the Medical Association to restructure academic curricula and specialty training in medicine in order to increase the availability and enhance the training of general practitioners. First elements of this plan will be implemented in the academic year

2017-2018.

2.5.2.2. Execution of claw backs and regular audit

- a. They will execute the claw backs every six months and perform regular audits.
- b. They will continue to collect relevant data from EOPYY, the National Organisation for the Provision of Health Services, and regularly publish it. They will apply and collect outstanding claw backs, continuously until they are cleared. As a **prior action**, the authorities will make use of the final results from the auditing of private clinics of 2013 submissions, to proceed to the settlement of any amount under dispute. In addition, as a key **deliverable** EOPYY will offset outstanding clawback amounts for past periods (2013-2015) with accumulated arrears (50% by August 2017 and 50% by November 2017).
- c. They will continue to collect relevant data from EOPYY, the National Organisation for the Provision of Health Services, and regularly publish it.
- d. To assess and improve the performance of health care providers, EOPYY will carry out systematic monthly auditing of private clinics.

2.5.2.3. Measures to improve the financial management and cost effectiveness of hospitals

The authorities will:

- a. take concrete steps to increase the proportion of centralised procurement by December 2017 (and further by December 2018)², including, as an intermediate step, by adopting the Law on centralised health procurement as a **prior action**;
- b. monitor warranted and unwarranted access to emergency care and, if needed, introduce measures to control and discourage unwarranted access in order to guarantee effective provision of emergency care;
- c. by June 2018, reduce waiting times (including for elective surgery) in line with other EU countries and reduce unwarranted variation in waiting times across providers and patients (including across socio-economic and other patient characteristics)³;
- d. by June 2017 deliver a plan to adopt DRG (Diagnosis related Groups) or other international standard activity-based costing methodology in all hospitals and document progress towards the implementation; To this end, they will make use of the available Technical Assistance support;
- e. produce regular quarterly and yearly reports based on activity related indicators, financial data for hospitals and hospital performance (based on benchmarking indicators).

2.5.2.4. Reducing pharmaceuticals spending through generic penetration and price reduction

- a. As a **prior action**, they will publish an updated price bulletin to reduce pharmaceutical prices. They will update and publish on a regular basis, and at least every six months, the positive and the negative list.

² Details on specific targets by deadline contained in the TMU (Section M ¶57-59).

³ Details on specific targets by deadline contained in the TMU (Section M ¶75-77).

- b. They will adopt further measures to improve generics penetration, amongst which through improving the incentive structure of pharmacists, including on profit structure, so as to encourage the sale of generic drugs (as a **prior action**).
- c. To further reduce prices, they will make use of the negotiating committee to develop price volume and risk agreements, such as MEAs (Managed Entry Agreements), especially for innovative and high cost drugs and regularly report on the progress. They will set-up a Health Technology Assessment (HTA) centre to evaluate which products to reimburse and under what conditions and agreements, in line with existing guidelines and with evidence of best-practice in the EU by July 2018. As an intermediate step and **key deliverable**, they will set up an HTA committee (July 2017).

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 remains to provide immediate support to the most vulnerable to help alleviate the impact of the crisis.

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

The SSI was successfully rolled out at national level in February 2017; training to staff in municipalities was provided and communication material was made available (**prior actions**). To further support the smooth implementation of the scheme the authorities will:

- a. ensure that the Directorate dealing with the SSI within the National Mechanism is staffed and operational (**prior action**);
- b. ensure the long-term sustainability and efficiency of the SSI Information System and cross-checking system developed by IDIKA, in terms of ensuring access to information from other agencies, the system's technical development and the availability of adequate human resources (June 2017);
- c. develop an operational system of Community centres with at least 100 staff with a well-defined role and a staff training programme (July 2017);
- d. complete a review of the adequacy of the penalties system with the assistance of technical assistance to ensure the effective criminal prosecution of organised or administrative fraud in the SSI system, including through legislation if necessary (September 2017);
- e. establish a disputes resolution system for SSI (December 2017);
- f. develop an internal capacity to provide risk assessment, auditing, and inspections of the system (December 2017).

The social inclusion component (2nd pillar) of the SSI scheme will include linkages with social services and other benefits. The initial mapping of local services and service providers will be completed by June 2017. The Greek authorities will adopt a strategy by May 2017 for the delivery of the 2nd pillar of the SSI. The objective will be to widen access to the existing

available social services (such as psycho-social and health support and legal counselling) aiming at inclusion and removing barriers to work. The full mapping of social services will be completed by October 2017.

With regards to the activation component (3rd pillar) of the SSI, the Greek Authorities will, inter alia, define the cooperation arrangements between the municipalities/community centres and the local offices of the public employment services by June 2017. Beneficiaries who can be integrated in the labour market will be progressively offered access to personalised active labour market (ALM) measures with the objective to cover by September 2017 at least 10% of SSI beneficiaries already registered as unemployed at OAED when made eligible for SSI. This will include the systematic preparation of individual action plans for participants registered as unemployed by OAED employment counsellors. The menu of ALM measures offered to SSI beneficiaries will include amongst others training, reintegration employment schemes (including public work schemes with an embedded training component), job search assistance, mentoring, apprenticeships/traineeships. Starting from September 2017 the afore-mentioned menu of ALM measures will be offered, on a pilot basis, under the open-framework delivery model as described in Section 4.1.

As **prior actions**, the Government will adopt legislation to achieve a major reform of the welfare system, based on the relevant recommendations of the Social Welfare Review provided by the World Bank. This will aim at streamlining the system and better targeting the needs of the most vulnerable, including the re-direction of resources to the financing of the national SSI roll-out. It shall include:

- i. the elimination of benefits overlapping with the SSI or family benefits saving €8.5 million in 2017 and €10 million in 2018;
- ii. a reduction of the heating allowance benefit in 2018 achieving savings of €58 million;
- iii. a streamlining of regressive tax expenditures saving €189 million in 2018;
- iv. the unemployment benefit for those entering the labour market, saving €1.5 million in 2017 and €2 million in 2018.

The authorities will agree with the institutions, the implementation of the next steps towards further welfare reforms (**key deliverables**):

- i. legislate a major reform of the family benefit system by November 2017, resulting in improved targeting and increased equity among supported children starting by January 2018;
- ii. legislate and implement a disability benefits reform: by November 2017, new legislation for a pilot scheme will be adopted to move from the current impairment assessment to a functional assessment to determine eligibility (i.e. the ability of the person to perform activities of daily living). The pilot program of the functional disability assessment system will be rolled out by January 2018. The national rollout legislation will be adopted in May 2018, which will also harmonize all contributory disability and welfare benefit rules including under Law 4387/2016. A national implementation will commence by end-June 2018 (i.e. as of 1 July 2018, the disability benefits, for all beneficiaries nationwide, will be progressively determined and granted based on the new functional assessment);

- iii. in the context of the expenditure reviews, design a reform of transport benefits by November 2017, to enter into effect in 2018 following the implementation of the electronic ticket reform by transportation companies;
- iv. in the context of the expenditure reviews, complete a study for the rationalization of educational benefits by June 2017 in order to implement reforms by October 2017;
- v. new legislation will be adopted by end-September 2017 to specify the design of a means-tested housing benefit, developed with advice from the World Bank, to be fully rolled out as part of the growth-enhancing measures.

With regards to institutional welfare reforms, the authorities will:

- i. implement the National Mechanism for the Coordination, Monitoring and Evaluation of social inclusion and social cohesion policies to be fully operational by October 2017, including the three registries (of beneficiaries, social service providers and programmes);
- ii. establish a benefits agency as a single payment authority for all welfare benefits, by December 2017.

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 institutions.

The authorities will proceed with actions in a timely manner 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 (iii) enhancing governance (iv) promoting awareness and financial literacy of borrowers.

3.1 Preserving 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 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 institutions. The authorities will manage, in timely consultation with the institutions, 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. From March 2017, the BoG will send quarterly to the institutions a standardised report on agreed key statistics related to capital controls and liquidity, as well as its assessment and proposals for actions. As a **prior action**, the BoG and the MoF will prepare and publish the roadmap for the relaxation of capital controls. The roadmap will outline the broad sequencing of the steps toward the full liberalisation of restrictions avoiding undue delays, without compromising financial stability, with steps linked to measurable signs of improving market confidence and liquidity conditions, as well as to the implementation of key Programme policies. The banks should keep adequate cash buffers to facilitate the smooth

implementation of the relaxation of capital controls. The BoG will conduct a survey to evaluate depositor confidence and publish a summary of the findings by end-September 2017 and will assess the impact of capital controls on the economy by November 2017.

The BoG will require the completion of the recapitalisation process for the less systemic institutions (LSIs). If, by end-June 2017, private funds are not available to cover capital shortfalls that have been identified in relevant institutions, the BoG will undertake appropriate actions by September 2017, as a **key deliverable**. Based on the Supervisory Review and Evaluation Process (SREP) decision by the BoG, the cooperative banks will have until end-September 2017 to cover any capital shortfalls.

The BoG will complete its planning obligation under Directive 2014/59/EU by end-2017.

3.2 Resolution of Non-Performing Loans (NPLs)

3.2.1 Enable an active NPL secondary market

The authorities will take any necessary actions to enhance the functioning of the NPLs' secondary market.

No later than May 2017, the BoG, also using external expertise, will assess the implementation of Law 4354/2015 as well as secondary legislation to identify any changes necessary to expedite the approval and licencing process. The assessment will focus on any provisions, requirements and process that potentially raise unjustified barriers to entry and effective operation such as i) adequacy of application process and requirements including the role and functioning of the consultative committee, ii) level of resources committed by BoG to the licensing process, iii) conditions set for companies to operate as loan services, iv) barriers to the transfer of loans. As a **prior action**, the authorities and the BoG will assess and address the impediments to the secondary market for NPLs identified in the report on the review of implementation of Law 4354/2015. In order to streamline the licencing process for NPL servicers, and as a **prior action**, the authorities and Bank of Greece will take appropriate actions, including necessary legal amendments, to ensure that i) the NPL servicing licence, if it does not include refinancing, is disconnected from Act 2577, ii) the business plan requirements, especially for servicers that do not provide refinancing, will be significantly simplified, iii) the anti-money laundering requirement for servicing companies that do not provide refinancing and do not handle third-party money, for loans held by an AML-compliant supervised entity, is removed, iv) the Fit and Proper requirements in the relevant BoG Act are simplified, v) the IT security assessment is waived if an appropriate ISO certification is submitted, vi) the restructuring strategy requirements provided for in secondary legislation are further simplified, vii) the processes of the Code of Conduct are not affected by a transfer of the loan, viii) BoG Act clarifies that the contact point requirement also includes virtual contact points regardless of the latter's location, ix) the requirement for opinion by a Ministerial committee is removed, and (x) the purpose of the servicing companies, will be expanded to include the management of real estate property connected to the loan portfolio they have been assigned to service.

By March 2017, the authorities will address the updated study of the HFSF on all remaining *non-regulatory impediments* to the development of a dynamic NPL market and will complete any necessary actions by end-May 2017.

3.2.2 Monitoring the banks' non performing exposure

The BoG, in cooperation with the ECB-SSM, will make every effort to ensure that the NPE targets remain both realistic and ambitious and that banks' NPE strategies are adequately

designed and executed to reach the targets. The BoG will assess and analyse banks' performance in achieving targets on an ongoing basis. From November 2016, the BoG will publish quarterly an aggregated summary report on the developments with regard to banks' NPE strategies and targets. Furthermore, from March 2017, the BoG will, on a quarterly basis, present to the institutions a report, which includes a) detailed analyses on the developments of the targets and KPIs, b) the reasons for missed targets and underperformance, and c) recommendations to remedy the problems' drivers. By end June 2017, the BoG, in cooperation with the ECB-SSM, will develop a response framework to address substantial deviation from the targets.

By March 2017, based on the assessment and recommendation of the BoG, the authorities have assessed and introduced, where needed, amendments to Law 4172/2013 in order to reduce existing tax disincentives regarding loan loss provisioning and write-off policies of domestic banks, thus supporting bank efforts to reach the above targets on NPE resolution.

From 2017 onwards, the BoG, in consultation with the ECB-SSM, will assess banks' internal *debt restructuring policies and processes*. The BoG will update, by December 2017, the troubled assets review.

3.2.3 Debt restructuring and insolvency procedures

Out-of-Court Debt Workout (OCW)

As a **prior action**, the authorities will establish the legislation on OCW, as specified in the Technical Memorandum of Understanding (TMU Section CC) by (i) allowing for both large and smaller debtors with a debt above a minimum threshold into the mechanism, including debtors with State, social security and/or debt towards the private sector; (ii) strengthening information requirements for applications; (iii) establishing principles for the preliminary screening of applicants; (iv) establishing efficient coordination and decision-making mechanisms among private and public creditors, primarily through the use of electronic platforms; (v) subjecting all elements of debt, including private and public debt, excluding social security contributions and withheld taxes, to the debt-restructuring mechanism and subordinating part of the claims, such as fines and surcharges, of both private and public debt; (vi) allowing for the possibility of using fast-track court ratification of the restructuring agreement where needed; and (vii) facilitating the initiation of insolvency proceedings in case of lack of compliance with the agreed restructuring plans or if the borrower has been assessed as non-viable.

By end-June 2017, as a **key deliverable**, the authorities will register all coordinator positions and adopt all required ministerial decisions. By end-July 2017, as a **key deliverable**, the authorities will complete and enact all remaining implementing actions of the OCW law, as described in the Technical Memorandum of Understanding.

Liability of private and public officials involved in debt restructuring

As a **prior action**, the authorities will introduce legislative provisions to ensure: (a) that actions taken in relation to debt restructuring – either under the Out-of-Court Workout (OCW) framework or outside of it - by either private or public officials, in good faith, to the best interest of the creditor they are representing and in compliance with the applicable procedures and objective criteria, are considered legitimate as far as civil or criminal liability is concerned, according to the general principles and the safeguards of the existing legal framework and (b) that sufficient procedural safeguards are enacted to prevent the unwarranted pressing of charges in that context. The applicable procedures may include additional safeguards for cases concerning very large debtors.

In-court insolvency

The authorities will by March 2017, launch a Supreme Council for Civil Personnel Selection (ASEP) competition for the appointment of new support staff for the trial of household insolvency cases to reduce the backlog of pending applications under law 3869/2010 and appoint already available successful candidates on the reserve lists of foregoing competitions to the most heavily burdened courts in Attica, Piraeus and Thessaloniki.

As a **prior action**, the authorities will (a) enact all necessary secondary legislation (Presidential Decree, Ministerial Decisions and decisions of the relevant supervisory administrative body) to fully regulate the profession of insolvency administrators, (b) publish the notice of the examination for the accreditation of the insolvency administrators.

By end July 2017, as a **key deliverable**, the authorities will fully operationalise the profession of insolvency administrators, by completing the enrolment of successful applicants into the relevant registry.

Insolvency legislation

As a **prior action**, the authorities will adopt amendments to the *corporate insolvency law* which shall among others include measures for (a) simplifying and accelerating the course of procedures, (b) overcoming possible obstruction by uncooperative shareholders of the debtor company, (c) specifying the tasks of the insolvency administrator, and (d) reducing the discharge period of bona fide debtors to three years. As a **prior action**, the authorities will introduce amendments to the Insolvency Code to further simplify and accelerate the course of insolvency procedures involving SMEs.

By end-June 2017, the authorities will assess the effectiveness of the legal and institutional framework for the *household insolvency law* (Law 3869/2010) and present a report with suggestions to address potential problems and shortcomings, especially the speed of processing of cases, the elimination of the risk of procedural abuses. Based on this report, the BoG will also assess its related Act and, if needed, will prepare amendments to ensure that the borrower payment capability and valuation process of collateral lead to fast and fair decisions. Identified shortcomings will be addressed, if needed by legislative amendments, by end September 2017. Starting from April, (a) the Ministry of Justice will, on a quarterly basis, provide detailed information to the Institutions on the backlog and processing of cases related to Law 3869/2010; (b) the Ministry of Finance will, on a quarterly basis, provide information to the Institutions on the take-up of state subsidies related to Law 3869/2010.

3.2.4 NPL administrative framework

With a view to strengthening the NPL administrative framework, the authorities will adopt legislation by May 2017, to set up a real-estate ownership and transaction register including to carry out cross-checking against the available information on all individual properties in the cadastre and the property tax database, in compliance with the Personal Data Protection legal framework. No later than June 2017, the authorities will adopt legislation to establish, as an independent agency, a credit bureau including a secured and certified central database with consolidated information on arrears on amounts due to the State and the social security funds that would be accessible by means of a score to parties with a legitimate interest, including credit registers in compliance with the Personal Data Protection legal framework. By September 2017, the authorities will ensure that the real estate register and the credit bureau are operational.

By May 2017, the authorities will issue a decision of the Government Council on Private Debt, which will define the specific responsibilities and the services to be provided by the Debt Information and Support Network. By the same date, the authorities will provide a detailed implementation plan for the setting up and operationalization of the envisaged Debt Information and Support Network. The authorities will ensure the gradual setting up and operationalization of the Network starting as of May 2017 and complete its full operation by September 2017.

3.3 Governance of the HFSF and the banks

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

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

As a **prior action**, the HFSF will make every reasonable effort to ensure that the reconstitution of the boards of the four core banks is finalised and that non-eligible members are replaced by new members nominated by the nomination committees of the banks who respect the criteria specified in the HFSF law. Any other changes in banks' governance recommended by the review should also be implemented. As a **prior action**, the authorities will ensure that State representatives meet the minimum criteria of the HFSF law.

As a **prior action**, the authorities will appoint a CEO in the HFSF in accordance with the requirements of the HFSF law.

Following the review and reconstitution of the banks' boards, the HFSF will make every effort through its representative on the boards of the banks and as an active shareholder, to ensure that the boards function effectively in overseeing the performance of management. The HFSF as shareholder and also on the basis of the Relationship Framework Agreements (RFAs) should assess regularly, using if needed external expertise, the banks' overall governance framework and the performance of the banks' Boards of Directors and recommend, if needed, changes. The HFSF will also ensure that the banks' Boards of Directors assess regularly, using if needed external expertise, the effectiveness of Banks' middle and senior management.

The HFSF will ensure through the Relationship Framework Agreements (RFAs) that the external auditors' contracts with the banks will have a maximum duration of five consecutive years, and the decision on the first rotation of the current auditors will be made in all banks by end-February 2017 for the financial year of 2018 at the latest.

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. In April 2016, the Government launched a consultation process led by a group of independent experts to review a number of existing labour market frameworks, including collective dismissals, industrial action and collective bargaining, taking into account best practices internationally and in Europe. Further input to the consultation process described above has been provided by international organisations, including the ILO. Following the conclusion of the review process and taking into consideration the recommendations put forward by the group of experts, the authorities will implement the following measures:

- i. Collective bargaining:
 - a. Adopt legislation (**prior action**) in order to provide that the 2011 collective bargaining reforms will remain in force until the end of the ESM programme. This includes the suspensions of favourability principle and the extension principle.
 - b. With a view to promote and monitor the representativeness of sectoral agreements, the Government, in consultation with the social partners and in agreement with the institutions, will develop a reliable administrative system to assess representativeness (by September 2017).
- ii. Collective dismissals:
 - a. As a **prior action**, amend the legislation on collective redundancies (Law 1387/1983) to replace the current framework of administrative approval of collective dismissals with a notification procedure of maximum three months which will not involve *ex-ante* approval. The system of notification is to be administered by the Supreme Labour Council (ASE) reformed in terms of composition with equal representation among the State, the employees' and the employers' representatives. ASE will check compliance with the legal requirements of information and consultation of workers and inform the employers and employees representatives of its assessment.
 - i. Consultations with the workers' representatives shall last up to 30 days.
 - ii. The company will communicate to the public employment service (OAED) of the list of dismissed employees, to help ensure that they are registered with the public employment service.
 - iii. The company, after the legally required relevant consultations with the workers' representatives, may submit a 'social plan', outlining the possible accompanying measures foreseen to limit the social consequences of the dismissals, in line with the economic possibilities of the enterprise. The social plan may include measures for redeploying or retraining workers being made redundant, the provision of counselling and outplacement services, training, redundancy payments other than those arising out of national legislation, and the commitment to re-hire first the workers dismissed when economic conditions improve.
 - iv. The authorities will verify that all required information has been provided by the employer and the consultation process has taken place, which will allow collective redundancies to take effect earlier than the standard

three-month period. Otherwise, collective dismissals can take effect 3 months after the notification to the public authorities.

- iii. Industrial action:
 - a. Adopt legislation to enable the fast-track judicial procedure used to judge the legality of strikes to be also used for disputes arising from the application of Art. 656 of the Civil Code in cases of strikes (**prior action**).
 - b. Following consultation with the social partners, modernise Law 1264/1982 and other relevant legislation by:
 - i. creating a digital registry for trade unions;
 - ii. reviewing the list of justified reasons for terminating the contract of workers under protection as trade union members (**prior action**);
 - iii. rationalising the system of trade union members' leave benefits (**prior action**).
 - c. As a **key deliverable** for the next review, the authorities will analyse and adopt legislation to increase the quorum for first-degree unions to vote on a strike to 50 percent.

The authorities will deliver a report by December 2017 with an independent legal opinion on the role of arbitration in collective bargaining. The authorities, in consultation with the social partners, will review the current procedures for mediation and arbitration by February 2018 (**key deliverable**). Taking account of the independent legal report, the authorities will adopt any necessary measures by March 2018, in consultation with the institutions and in compliance with the Council of State ruling (**key deliverable**).

Simplification of labour legislation. Existing labour laws will be streamlined and rationalised through the codification into a Labour Law Code by June 2018. The technical assistance project will be launched by June 2017 (**key deliverable**).

Undeclared work. The authorities in cooperation with the social partners will start the implementation of the measures specified in the Action Plan for fighting undeclared work, to be adopted as a **prior action**. In particular:

- i. Appoint the Supreme Labour Council (ASE) as the institutional body responsible for coordinating and supervising the implementation of the action plan (**prior action**).
- ii. Finalise by June 2017 the design of an additional module of the Greek Labour Force Survey for the collection of information on the nature and extent of undeclared work.
- iii. By June 2017, in conjunction with the institutions, finalise the review of the current system of fines for undeclared work with proposals designed to improve incentives and compliance.
- iv. Adopt by June 2017 all the relevant legislative acts required for the implementation of the Action plan.
- v. By June 2017, develop new risk-analysis rules for targeting inspections (**key deliverable**) and launch by August 2017 a pilot for targeted joint inspections in the tourism sector.
- vi. Complete by February 2018 the automatic exchange of information between the databases of the Ministry of Labour, the Ministry of Finance, SEPE, IAPR, OAED, IKA (EFKA) and the Greek police (**key deliverable**).

Any changes to the system of controlling and fining related to undeclared and under-declared labour will be made after consultation and agreement with the institutions and will aim at providing sufficient incentives for compliance and discouraging fraudulent behaviour.

Mechanism for diagnosis of labour market needs. Procedures will be developed by December 2017 to ensure the use of the results derived from the integrated mechanism for diagnosis of labour market needs to be taken into account by Ministries and OAED in designing and implementing future ALMPs

Vocational education and training (VET). As a **prior action**, the government will legislate the quality frameworks for VET curricula and apprenticeships and will finalise the VET implementation plan in conjunction with the institutions including targets of 20% in 2017-18 and 30% in 2018-19 for quality apprenticeship places for students in Vocational Lyceums to help integrate them into the workforce. As a **Prior Action**, the Ministry of Labour etc. will finalise with the Institutions the terms of reference and budget for the VET partnerships. In order to further develop and expand the VET system (key deliverables) (i) the Ministry of Labour with the support of the Public Employment Service (OAED), the Ministry of Education and relevant stakeholders will by July 2017 launch pilot tenders for a series of major business community-led partnerships for VET, involving sectoral and local employer representative bodies and social partners, targeting initially a total of 4,000 apprenticeship places between 2017-18 and 2018-19. The partnerships shall serve from October 2017 as intermediary structures to support employers to offer quality work-based learning placements and ensure the sustainable expansion of apprenticeships and to serve as the main effective outreach to companies. The partnerships will be supported inter alia to provide outreach to companies and find apprenticeship places, providing training and mentoring services, and verifying, fostering and enhancing the quality and effectiveness of apprenticeships; (ii) a cohesive and inclusive governance structure for VET will be put in place (JMD) by July 2017, ensuring representativeness of all key stakeholders, providing for the centralised payment, auditing and monitoring of all apprenticeship contracts, and fostering the role of the Public Employment Services Local Offices (KPA) at the local level. Apprenticeship co-ordination committees in the KPAs (OAED) will be established and activated, coordinating their tasks and responsibilities within the framework of the major VET partnerships, taking on board the

role of the newly introduced employer counsellors in OAED; (iii) the government will adopt an integrated plan for Human Capital development (with technical assistance) by December 2017, addressing economic growth and supported by the VET Reform.

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 design and absorb Structural Funds. An initial capacity needs assessment of the labour administration has been carried out with the technical assistance of the ILO. As a follow-up to the recommendations of the needs assessment, a pilot will be launched by August 2017 to enhance the administrative capacity of the Ministry in one of the above-mentioned areas. The exercise of upgrading and reinforcing the public employment service (OAED) will ensure that by June 2017: (i) the newly appointed employer counsellors play a proactive role in engaging employers; (ii) quality employment counselling is provided to jobseekers of priority groups through the creation of individualised action plans and the offer of tailor-made activation paths; and (iii) the online portal for vacancies becomes an effective matching tool with the regular and up-to-date publication of new vacancies.

Active labour market policies. The Ministry of Labour will improve the impact and efficiency of the active labour market programmes (ALMPs) and their impact in the Labour Market. Towards that end, an ALMP strategy, including a framework for a new delivery model, will be finalised by June 2017 following consultation with the Commission, encompassing open framework programmes to ensure the continuous availability of a core menu of actions and services. This will enable a better tailoring of the offer to jobseekers taking into account particularities of specific groups (e.g. SSI beneficiaries). A series of pilot programmes including as described in Section 2.5.3 (Social safety nets and activation), adopting the new framework will be launched starting from June 2017. Benefiting from further technical assistance, a) quality specifications for ALMP service providers will be drafted by September 2017 and finalised by December 2017; b) an evaluation and monitoring system will be put in place to draw lessons and inform the design of future ALMPs always taking into account the results of the Mechanism for Diagnosis of Labour Market needs by March 2018, and c) a new reformed model for ALMPs building on the pilot programmes will be adopted by March 2018.

Education. As a **prior action**, the authorities will launch the new OECD Report for the Greek educational system (by approving the final draft contract and providing the required background material) with an initial report in July 2017 and a draft final report to be completed by November 2017. The Report will be prepared according to the terms of reference agreed between OECD, the authorities and the Institutions.

The authorities will issue a circular with the three-year action plan on education (**prior action**). The plan will be appropriately published in an official governmental site and will be implemented according to its timetable, while allowing for flexibility to integrate necessary adaptations of the plan based on the outcome of the education report by the OECD. In agreement with the institutions, the authorities will, by July 2017 (i) prepare a comprehensive report on the needs for resources of schools and universities (ii) adopt a strategy on initial and continuous teacher training in pre-primary, primary and secondary education, (iii) review the legislation on future appointments and evaluation of head teachers and amend it as needed, and (iv) pass a law on upgrading the bodies responsible for evaluations. In addition, the authorities will by September 2017 (v) pass a law on the

evaluation of senior education staff, school self-evaluation and rational use of resources, (vi) pass a law for upgrading the last two years of high school and redesign university entrance examinations to be implemented in 2019-2020 (vii) pass a law on higher education by September 2017. The authorities will agree with the institutions all of the fiscal aspects of any change in the organisation of secondary and higher education and university entrance and will safeguard the revenues of HEI coming from overheads, fees for graduate education, services to third parties and exploitation of University property. In particular, by November 2017, the authorities commit to the adoption of the number of teaching hours per staff member, and the ratios of students per class and pupils per teacher to the best practices of OECD countries to be achieved by the beginning of the 2018-2019 academic year (**key deliverable**). The evaluation will be consistent with the general evaluation system of public administration. The authorities will ensure a fair treatment of all the education providers, including privately owned institutions by setting quality standards which have to be satisfied by all education providers and a framework of non-discriminatory common rules allowing higher standards.

As a **prior action**, the government will bring the Private Education Act (Law 4415/2016) in line with programme commitments concerning labour market policy and better regulation. In particular concerning private education, the justification of dismissals should be adapted and exclusively dealt with by tribunals with composition that will ensure objective assessment of each case. This method will be assessed in December 2017 and if required the necessary amendments will be agreed with the institutions and introduced by February 2018. Severance payments should be consistent with those elsewhere in the private sector. Unnecessary information requirements and restrictions on the educational use of private education establishments and the management of their curricula beyond the obligatory national one should be eliminated.

4.2 Product markets and business environment

More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards. In this context, the alleviation of unjustified and disproportionate restrictions in the access to market and the conduct of professions and economic activities shall adhere to the principles of proportionality, justification of any restrictions and non-discrimination. In line with their growth strategy, the authorities will intensify their efforts to bring key initiatives and reform proposals to fruition as well as enrich the agenda with further ambitious reforms that will support the country's return to sustainable growth, attract investments and create jobs.

The authorities will complete the following **prior actions**:

Product markets: (i) Conclude the agreement with the Standardization Body for the standardization of building materials, in accordance with the Toolkit I recommendations on building materials; (ii) adopt at least 250 of the recommendations identified by the OECD's Toolkit III; (iii) as a first step toward addressing the OECD Toolkit I recommendation on Sunday trade and in line with the Council of State (CoS) ruling, the authorities will amend law 4177/2013 by removing the restrictions on the size and type of shops that can operate on Sunday. To address the CoS ruling's concerns, the legislation will be accompanied by detailed explanatory notes; (iv) implement the Over-the-Counter (OTC) pricing reform with the objective to increase competition and reduce average pharmaceutical prices by adopting primary and secondary legislation, excluding the OTC purchases by hospitals (see TMU

Section FF ¶127).

Investment licensing: Adopt primary and secondary legislation for the first three sectors of the investment licensing reform, including any required secondary legislation of the notification procedure for the tourist sector to take effect by May 2017. In addition, the authorities will adopt legislation to simplify the licensing procedures for the enterprises in the food sector of animal origin.

Administrative burden: (i) Submit to the Council of State the presidential decree on the external environment assessors on environmental licensing; (ii) adopt primary legislation on one-stop shops for businesses; (iii) adopt legislation to address the pending OECD recommendations on fuel trader licenses.

Ex-post impact assessments: (i) adopt measures, in agreement with the institutions, to address a number of recommendations of the first round of the ex-post assessments; (ii) agree with the institutions the Terms of References of the second round of the ex-post impact assessments of selected reforms (i.e. book prices and tourism).

Regulated professions: Adopt (i) primary legislation for the initiation of the committee and working groups' deliberation on the engineers' activities; (ii) primary and secondary legislation to address the external advisor's recommendations on the profession of stevedores as well as a number of external advisor's recommendations on the other professions; (iii) primary legislation on public works engineers' registries as a first step to address the recommendations of the OECD Toolkit III and the external advisor (see TMU Section GG ¶128).

Further, the authorities will adopt the following measures:

On *competition*:

- i. *Toolkit I recommendations.* The authorities will fully adopt the pending recommendations on building materials. Specifically, by November 2017, the authorities will harmonise 70 technical specifications and will review 372 technical specifications on building materials (**key deliverable**). The authorities commit to proceed with the harmonization of any of the 372 technical specifications that is needed following the review. The authorities will submit the Presidential Decree to address the fire protection recommendation of building materials by April 2017. The authorities will issue a circular to expedite the licensing procedure of GEDIFA pharmaceutical products by June 2017. By June 2017, the authorities will adopt legislation to further address the OECD recommendation on Sunday trade in line with the Council of State (CoS) ruling (**key deliverable**) (see TMU Section ¶126).
- ii. *Toolkit II recommendations.* Adopt the remaining 4 recommendations on beverages by July 2017 taking into account the process in the Court of Justice of the EU.
- iii. *Toolkit III recommendations:* The remaining Toolkit III recommendations will be adopted by July 2017 (**key deliverable**) except for eleven recommendations (see TMU Section GG ¶128) (**key deliverables**).

On *investment licensing*, the authorities will adopt legislation (primary and secondary) by July 2017, in the quarry sector (second leg of the first round) and the areas selected for the second round (**key deliverables**). The authorities will adopt legislation (primary and secondary) by September 2017 in the remaining mining sectors (**key deliverables**). The authorities will proceed with a follow-up phase of the investment licensing reform to be implemented in line with the investment licensing reform roadmap by June 2018 (**key deliverable**). The authorities will adopt by December 2017 a time-bound action plan for the

promotion of effective and coordinated ex-post controls and inspections for businesses. The action plan will be implemented according to its timeline.

On *administrative burden*, on environmental licensing, the authorities will adopt by June 2017 the required JMD for the issuance of the presidential decree on the external environment assessors, and within 8 months from the adoption of the presidential decree on the external environment assessors, they will adopt any required legislation for the implementation of the Presidential Decree and by June 2017 they will make fully operational the digitization of the licensing process as per the OECD's recommendations. In addition, the authorities will further reduce administrative burden. To this end, the authorities will identify areas by June 2017 and implement measures for the reduction of administrative burden by March 2018, based on an agreed prioritization. Following the adoption of the primary legislation on one-stop shops for business, the Government will fully implement it according to the timeline agreed in February 2017. By June 2017, the Government will fully implement the law on better regulation.

On *competition, investment licensing and administrative burden*, the Government will initiate, by May 2017, a second round of ex-post impact assessment of selected reforms (i.e. book prices and tourism) and their implementation. By July 2017, the Government will address the pending recommendations of the ex-post assessments launched in October 2015 and adopt measures accordingly, in agreement with the institutions (**key deliverable**).

To *modernize company law*, the Government should prepare a review by April 2017 on changes needed to bring the current legal framework (Law 2190/1920 and 3190/1955) in line with best practices, as well as an assessment of current provisions on mergers and acquisitions. The review 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 and 3190/1955 by September 2017.

On *regulated professions*, regarding the engineers' activities, the working groups and the Committee provided in the adopted legislation will submit their reports by May 2017. The Government will submit the presidential decree to the Council of State towards liberalizing the reserved activities of engineers, in agreement with the institutions, by June 2017 (**key deliverable**). The authorities will, in agreement with the institutions, submit the Presidential Decree on public works engineers' registries to the Council of State by June 2017 (**key deliverable**). To address the external advisor's recommendations on the remaining professions/activities and on the basis of the inter-ministerial committee work and of other recent reports on regulated professions, taking account of the HCC opinions, the authorities will adopt by June 2017, in agreement with the Institutions, a first set of measures to alleviate unjustified and disproportionate restrictions and will adopt follow-up measures by December 2017 (**key deliverable**) (see TMU Section HH ¶129).

On *export promotion*, the authorities with the participation of public and private stakeholders, will proceed with the timely implementation of the export promotion action plan. To this end, a detailed list of deliverables will be prepared by April 2017 and the implementation of action plan will be monitored on a quarterly basis.

On *land use*, the authorities will as a **prior action** (i) adopt the law modifying law 4269/2014; (ii) submit to the Council of State the Presidential Decree on land uses and (iii) adopt a Ministerial Decision with the technical specifications for local and special spatial plans. The authorities will by July 2017 (i) submit to the Council of State (a) a Presidential Decree with the procedures, approval and revisions of plans and (b) a Presidential Decree to harmonise

older legislation with Law 4269/2014 (**key deliverable**) and (ii) adopt a Ministerial Decision with the technical specifications for regional spatial plans and town plans.

As **prior action**, the forest maps already completed by the cadastral agency EKXA and endorsed by the forestry services will be uploaded. In areas where no objections are raised the forest maps will be ratified by September 2017. In areas where objections are raised, the ratification will follow the prescribed process, and will be completed at the latest by March 2018 following the relevant legislative provisions. In addition, the authorities will tender by July 2017 all remaining forest maps for the rest of the country.

On *cadastre*, KYSOIP will formally endorse as a **prior action** the new framework principles and roadmap for nationwide cadastral offices based on the technical assistance by the World Bank and in agreement with the EC. The new framework will ensure adequate financial autonomy and administrative capacity of the new cadastral entity. By September 2017, the authorities will adopt primary legislation in line with the agreed framework (**key deliverable**).

On *environment*, the authorities will finalise their proposal on codification and organization of the information by no later than July 2017. In particular, the proposals will involve:

- a) codification of existing environmental laws into an Environmental Law Code with the support of technical assistance;
- b) local and regional environmental regulations in force to be assembled in a distinct register and regularly updated thereafter; and
- c) digitisation of maps accompanying environmental legislation.

On *agriculture*, the authorities will follow up on the agricultural competitiveness strategy adopted by the Government, by adopting (i) a Ministerial Decision on the institutional framework to facilitate the organisation of farmers into producers groups (March 2017) and (ii) a Ministerial Decision to set up a farmers advisory system (May 2017). The authorities will broaden the scope of the agricultural competitiveness study to cover the whole rural development sector, by May 2017.

With a view to limiting the risk of financial corrections relating to direct aid (which on average were EUR 290 million per annum over the period 2006 – 2008 and have fallen to about EUR 68 million in 2014), the Government shall:

- a) Renew by 50% the ortho-photos by December 2017, with the most recent imagery, digitise and update the corresponding reference parcel boundaries and maximum eligible area in accordance with the requirements of the European Commission and implement an appropriate and continuous update of the system thereafter.
- b) Ensure that the Greek Payment Authority of Common Agricultural Policy Aid Schemes (OPEKEPE) is staffed with the necessary permanent staff in specific fields (technicians, agronomists and surveyors) trained in Geographic Information System and photo-interpretation in order to perform the regular update of the Land Parcel Information System (LPIS) and assure the correct yearly execution of the LPIS Quality Assessment, including the definition of appropriate remedial action when so required. (June 2017).

On *structural funds*, as **key deliverables** the authorities will by June 2017 (i) adopt legislative and administrative acts and/or other appropriate means with equivalent effect to streamline the expropriation procedures under a new unified legislative framework; (ii) submit to the General Secretariat for Digital Policy a project proposal for an integrated geo-spatial and cadastral information system to manage and monitor expropriations including their costings; (iii) streamline and simplify the procedures related to archaeological works by codification of legislation and/or through other appropriate means with equivalent effect, including the application of binding deadlines for the delivery of permits, and (iv) adopt a Joint Ministerial Decision to set up a registry of experts to ensure the supervision of co-financed projects as required by article 28.8 of law 4314/2014.

Significant municipal engineering projects of a value in excess of 500,000 EUR (water supply, sewerage & waste water treatment, and solid waste management) in municipalities with up to 10,000 inhabitants that are co-financed with EU funds will be supported with a Technical Advisor encompassed in the design contract according to law 4412/2016 (especially articles 136, 144) for new projects or through the register of experts of article 28.8 of law 4314/2014 for on-going projects.

The authorities will adopt the Ministerial Decision for the selection of management posts of all European Structural and Investment Funds' structures by April 2017. The procedure for the selection of management posts will be launched with the official publication of the call for interest by July 2017 (**key deliverable**). The selection and appointment of all management staff will be completed by February 2018. The authorities will also adopt Ministerial Decisions for evaluation of staff by May 2017 and for mobility by July 2017.

The authorities will agree with the European Commission at the latest by June 2017 a list of 15 to 20 large, emblematic projects for the period 2014-2020 including timelines from approval to completion (**key deliverable**). The inter-ministerial committee on major projects will convene after a proposal of the Alternate Minister of Economy and Development responsible for ESIF to its Chair to consider the progress made with these 2014-2020 projects and to resolve any blockages as may occur. The General Secretariat for Public Investments and ESPA will send regular information updates to the Commission.

On *technical assistance*, in order to ensure an effective reform implementation the authorities will continue the ongoing support as appropriate in the critical areas of a) the investment licensing reform with support of the World Bank; b) education; c) export promotion; d) trade facilitation, e) competition, f) environment. Finally, 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 and fisheries and structural funds.

4.3 Regulated Network Industries (Energy, Water, Transport)

Energy

The Greek energy markets need wide-ranging and structural 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 energy and gas, and ensure the transfer of benefits of all these changes to consumers.

i. Structural measures relating to lignite-fired generation capacity.

The authorities will **as a prior action** formally propose structural measures that will be unconditionally implemented to comply with recent judgments of the European Courts in relation to Commission's decisions C(2008) 824 and C(2009) 6244 on lignite.

The following principles, which will be endorsed by KYSOIP as a **prior action**, shall apply to the structural measures relating to lignite-fired generation capacity:

- a. The measures shall consist of the divestment of PPC's lignite-fired generation capacity to existing or new alternative suppliers and other investors.
- b. PPC shall not have any participation or link, including preferential supply of electricity, with any divested entity. In line with the Commission's practice as set out in the merger remedies notice, the purchaser(s):
 - shall be independent of and unconnected to PPC and its affiliated undertakings;
 - shall have the financial resources, proven expertise and incentive to maintain and develop the divested generation capacity as a viable and active competitive force in competition with PPC and other competitors;
 - shall neither be likely to create, in light of the information available, prima facie competition concerns nor give rise to a risk that the implementation of the structural measures will be delayed.
- c. The divestment shall represent around 40% of PPC's lignite-fired generation capacity. The exact percentage will be defined with technical discussions with Commission, according to the aforementioned judgments and decisions on lignite. The divestment shall have equivalent economic characteristics to PPC's lignite-fired generation capacity, in particular in terms of efficiency and lifetime, reflecting commissioning and decommissioning of lignite-fired generation capacity.
- d. The measures will be designed and implemented following the applicable competition procedural rules. They shall be finalised through the official submission of the agreed binding commitment offer by the Hellenic Republic to the Directorate General for Competition of the European Commission (DG COMP) as **key deliverable** by November 2017 and implemented by June 2018.

ii. NOME auctions and possible additional structural measures

NOME auctions will be continued, with the quantities to be auctioned adjusted following the monitoring mechanism, so that, in combination with the adopted structural measures, they ensure the agreed market share reduction targets for PPC, as laid down in the MoU. In view of continuing reducing, progressively, PPC's retail and wholesale market share below 50% in a sustainable and permanent way, promoting competition in the electricity market and removing distortions:

1. The authorities will complete the sale and start the delivery of 8% of the total 2015 volume of electricity in the interconnected system (**prior action**);
2. RAE will decide, in accordance with the provisions of the KYSOIP NOME Action Plan, (i) the additional quantities to be auctioned, which shall be equal to the yearly targeted decrease for PPC retail market share, i.e. 12%

for 2017 multiplied by the total volume in the interconnected system in 2016, (ii) the number of auctions which still need to be launched in 2017 in order to achieve the target and (iii) the quantities per auction (**prior action**);

3. the Law 4389/2016 will be amended regarding the reserve price of the auctions (**prior action**) so that in June of each year, starting from June 2017, the authorities will revise the reserve price of the auctions based on RAE's proposal, to incorporate (i) CO₂ prices as specified in law 4389/2016, as amended by law 4393/2016, and (ii) updated data for PPC production costs, in line with the methodology deriving the initial Reserve Price.

Moreover, **as prior actions**, the KYSOIP action plan and the legislation related to NOME will be accordingly amended in order to:

4. modify the monitoring mechanism, such that the adjusted quantities take effect in S+1 in case of deviation from the target ascertained in semester S. The first monitoring exercise will thus be completed in July 2017;
5. introduce a rollover of half of the 8% sold in 2016 (i.e. 4% of the 2015 total volume of electricity in the interconnected system), with physical deliveries starting in December 2017, ensuring continuity between the delivery periods, avoiding interruptions. For 2018 and 2019, 6% and 9% of the quantities sold respectively in 2017 and 2018 will be rolled over, with physical deliveries starting in December of each respective year. Based on the above, the overall ex ante 2017, 2018 and 2019 NOME quantities will be respectively 16%, 19% and 22%, unless adjusted promptly by the aforementioned adjustment mechanism in S+1;
6. introduce a joint assessment by the authorities and institutions in addition to the already existing semestrial impact assessment of January 2018 and of every following semestrial impact assessment, taking into account the introduction of the Target Model forward market and, when fully implemented, the lignite structural measures, which will assess (i) a possible adjustment of the NOME mechanism, including a change of the quantities, taking into account the implemented structural measures and (ii) the possible need to adopt additional structural measures in line with the characteristics of PPC's generation portfolio. The first such joint assessment by the authorities and institutions will be carried out in January 2018 (**key deliverable**);
7. LAGIE shall provide full and timely information on auction results, nominations, deliveries and re-sales on the secondary market, as well as market shares per player, on a monthly basis (see TMU Section JJ ¶133).

- iii. *PPC financial situation.* **As a prior action**, the authorities and PPC will agree with the institutions a detailed action plan, including a specific timeline for its implementation, to address the issue of PPC arrears. This action plan will be based on best practices regarding arrears collection and non-accumulation and at least include (i) a timeline for clearing all public sector arrears by the end of 2017, (ii) a detailed plan on how to address the issue of electricity theft, (iii) a process for identification and taking recourse against strategic defaulters, consistent with the Greek Electric Energy Distribution Network Administration Code issued by RAE, and protecting the vulnerable clients, as defined by law, (iv) a clear timeline for the roll-out of smart and potentially pre-paid meters; and (v) a review of the billing frequency.

In addition, **as prior action**, the authorities and the institutions will agree a roadmap to clear the accumulated PSO deficit for PPC. Following RAE's recommendation, the PSO level will be adjusted by June 2017 (**key deliverable**), so that the accumulated deficit for PPC will be eliminated following a timeline which is appropriate both for PPC and the consumers, and in any case no later than December 2022.

- iv. *ADMIE.* Following the authorisation by the General Assembly of PPC to the sale of at least 20 percent of ADMIE to a strategic investor and the identification of the strategic investor which will purchase 24% of ADMIE, (i) PPC and the strategic investor will sign the Share Purchase Agreement for 24% of ADMIE (**prior action**); the Shareholders' Agreement will be signed prior to the closing. By June 2017, (ii) PPC will contribute 51% of ADMIE's share capital to HoldCo, (iii) HoldCo will proceed to the formal filing of the listing prospectus with the Hellenic Capital Market Commission; (iv) the transaction will be formally notified to the European Commission for regulatory and merger clearance (**key deliverables**). Should the Institutions, having consulted the Greek authorities, determine that there is lack of sufficient progress to complete the closing by June 2017, in particular in relation to the purchase by the strategic investor, the Hellenic Republic will, in agreement with the Institutions, launch a tender for the submission of binding offers for the sale of 100% of PPC's shares in ADMIE and will fully privatize ADMIE in 2017.
- v. *Capacity mechanism.* The authorities will, as a **prior action**, forward to the European Commission the new adequacy study by ADMIE, and, by June 2017, pre-notify a new capacity mechanism (**key deliverable**), replacing the temporary one expiring in April 2017, in line with Energy and Environmental Aid Guidelines. In particular, the capacity mechanism should be based on a thorough adequacy assessment including a reliability standard and it should be based on a competitive allocation process.
- vi. The authorities will implement the revised legislation on the RES account by applying the adjustment mechanism for December 2016 with adjustments applying as of 1 January 2017, as specified in the legislation approved in October 2016 (**prior action**). Quarterly application of the adjustment mechanism, as foreseen in the legislation, will take place throughout 2017, as provided in the TMU (Section II).
- vii. Following the adoption by RAE of gas distribution tariffs, the adoption of legislation for the further unbundling of supply and distribution, and the review of the gas release programme in October 2016, RAE will monitor the execution of the adopted legislation, regulation and market opening, as well as its impact on investment and on effective competition. By September 2017, KYSOIP, following RAE's opinion and also based on the outcome of technical assistance, will adopt a medium term (2017-

2020) roadmap, incorporating a detailed action plan, which will lead inter alia to full compliance of the Greek gas market with EU Network Codes' provisions, in particular but not limited to the Network Code on Interoperability⁴, Capacity Allocation Mechanisms⁵ and Balancing⁶ and the manner in which the required IT platforms will be developed and/or procured (**key deliverable**). The roadmap will include all necessary actions on removing remaining obstacles to effective competition in the wholesale and retail markets, managing and promoting interconnections, promoting the diversification of the sources of supply, extending the distribution and transmission network, and creating a balancing platform and a gas exchange. The roadmap will also include any necessary action to eliminate any existing conflict of interest between DEPA and the EPAs supply companies, with particular reference to composition of shareholding, management rights, veto rights, and privileged information. A draft roadmap will be submitted to the institutions by June 2017 (**key deliverable**). The first auction under the revised gas release programme as endorsed by decision of HCC will take place (**prior action**), followed by quarterly auctions according to schedule. The quantity auctioned for 2017 will amount to 16% of DEPA's yearly gas supply to customers. HCC and RAE will provide the Institutions, after every auction, with a report on its outcomes (see TMU Section KK).

- viii. By April 2017, the authorities will: (i) implement the new framework for the support of renewable energies, including all necessary secondary legislation and completing the pilot auctions for photovoltaic plants; the full auction process will be defined and communicated to the European Commission; (ii) provide an agreed and validated plan to comply with the final decision of the Council of State adopted in September 2016 on the netting of the arrears between PPC and the market operator to the institutions and start its implementation; (iii) implement the commitments agreed with the European Commission under the approval decision on the temporary capacity mechanism scheme (review of secondary reserve price cap, actual hydro power availability, market-based methods for tertiary reserve).
- ix. Following the entry into force of the EU Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management (CACM)⁷ and the draft guideline on electricity balancing to enter into force in 2017, Greece needs to take the necessary steps for joining the day ahead and intraday market coupling on its borders and the establishing of the balancing market (target model). LAGIE, acting as the nominated electricity market operator (NEMO) in accordance with CACM and national legislation/decisions put in place in 2016, needs to have all required codes and technical means in place to comply with the obligations of CACM or appoint another third party to perform these tasks. Respective codes need to be drafted by LAGIE and approved by RAE. ADMIE will act as the operator of the balancing market based on the balancing code to be drafted by ADMIE and approved by RAE.

⁴ Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules.

⁵ Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009.

⁶ Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

⁷ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.

The authorities will provide as a **prior action** a roadmap for the issuance of the necessary regulatory decisions, the approach taken in the drafting of the required technical codes and the steps for putting in place the technical tools (e.g. IT systems) to implement the day ahead, intraday, forward and balancing markets by 1 January 2018 (**key deliverables**). In particular, for day ahead market coupling (Italy-Greece and Bulgaria-Greece), Greece will join the EU market coupling project by December 2017 (**key deliverable**). Regarding the balancing markets, the draft code for the balancing market will be prepared and shared with the European Commission by September 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.

As prior actions:

- i. The authorities adopt legislation setting out charging rules for water services taking also into account the ongoing work by the Special Secretariat for Water (SSW).
- ii. The authorities will take immediate steps to ensure that the SSW is adequately staffed in order to be able to carry out in full its tasks and will take concrete steps to strengthen the SSW to enable it to take regulatory decisions with the necessary degree of autonomy.
- iii. The Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH) will launch a process of preparing business plans, including for investments and key capital projects for the next five years.

In addition:

- i. The Special Secretariat for Water (SSW) will launch gradually as from June 2017 (**key deliverable**), with the support of technical assistance where needed, a system of regular collection of information and by October 2017 will produce an evaluation report towards the development of a Full Information System (**key deliverable**).
- ii. The SSW will assess by September 2017 the business plans of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH) with the support of Technical Assistance (**key deliverable**).
- iii. The authorities, by December 2017, will develop a strategic plan for SSW that will draw upon the relevant findings of the independent entities review and will adopt or amend legislation to strengthen the governance, administrative capacity and financial autonomy through distinct budgeting in the MTFs (**key deliverable**).

Transport and logistics

On transport, the authorities will (i) as a **prior action** finalise the terms of reference for a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics aspects), and (ii) appoint by May 2017 a steering committee and project team for the preparation of the general transport plan for

Greece. The authorities will prepare a comprehensive review of subsidies for all transport modes to be used as an input for the fiscal spending review (**prior action**).

On logistics, the authorities will as a **prior action** activate the logistics law by issuing the JMD of art. 8, par. 8 law 4302/2014 and adopt the logistics strategy with a time-bound action plan. The authorities will launch the implementation of the logistics strategy by May 2017.

The authorities will complete by June 2017 the restructuring of procurement and HR departments of Athens Bus Company (OSY) and Athens Urban Rail Transport (STASY) in agreement with the Institutions and according to the revised Action Plan of Transport for Athens (OASA). The authorities will undertake reforms to increase the efficiency and viability of the urban bus transportation in Thessaloniki (OASTH). By September 2017 the government, in agreement with the Institutions, will take action to ensure a maximum deficit before any state transfer of €40mn per year in 2017 and the remaining duration of the concession.

The authorities will ensure stronger governance, financial autonomy through distinct budgeting and enhance the administrative capacity of the Regulatory Authority for Passenger Transport (RAEM) (see section 5.4) taking into account Law 4199/2013.

In support of this reform agenda on network industries, the authorities intend to use technical assistance as needed, including 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 contribute to reducing public debt. The Government and the Hellenic Republic Asset Development Fund (HRADF or TAIPED) have taken important steps in advancing the privatisation programme forward (e.g., completion of the transaction on the regional airports, the conclusion of the Pireaus Port (OLP) privatisation, launching of Egnatia motorway concession tender, financial closing of Astir) and are committed to proceed with the ambitious, ongoing privatisation programme of HRADF.

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

To maintain investor interest in key tenders, the Hellenic Republic commits to proceed with the on-going privatisation programme. The Board of Directors of the HRADF approved its updated Asset Development Plan (ADP), which includes for privatisation assets under HRADF as of 26 April 2016. It was subsequently endorsed by KYSOIP on 20 May 2016 and was published in the Government Gazette on the 25 May 2016 (GG B/1472).

The implementation of this programme aims to generate further annual proceeds (excluding bank shares) for 2017 and 2018 of EUR 1.9 bn and EUR 2.5 bn, respectively, on top of EUR 0.3 bn and of EUR 0.5 bn, collected in 2015 and 2016 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 HRADF and is attached to this Memorandum as an Annex and constitutes an integral part of this agreement.

As prior actions,

- i. The term of life of HRADF shall be extended for three years;
- ii. Endorse through KYSOIP the Asset Development Plan approved by HRADF. 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 KYSOIP will endorse the plan;
- iii. HRADF will launch procurement processes to hire advisors for the key remaining tenders of the ADP including Hellenic Petroleum (HELPE); the electricity company (PPC), the gas company (DEPA), the water companies for Thessaloniki and Athens (EYATH, EYDAP, respectively), the telecom company (OTE) and the 30% stake in the Athens International Airport.
- iv. **Egnatia** Motorway SA will launch tender for constructing and fully equipping the three toll stations (Venetiko, Thessaloniki, Aliakmonas); for three remaining stations (Asprovalta, Kavala and Stimoniko). Egnatia SA will submit the complete file on Environmental Impact Assessment Study and, the Ministry of Environment and Energy will initiate the procedure for the decision on environmental terms according to the relevant legislation (4014/11); Egnatia SA will finalise the tender documents for the construction of these stations. The Hellenic Republic will issue a Ministerial Decision that will specify the optimization scheme of the existing “open” toll system, as proposed by the Technical Advisor of the HRADF.
- v. On **Hellenikon** the Authorities will: (a) resolve the forestry and archaeology issues; (b) appoint the Special Committee of Experts in collaboration with the investors; (c) adopt a revised legislative framework regarding the granting of casino licenses in Attica Region.
- vi. The HRADF will initiate a new tender process for the privatization of 66% of **DESFA** (35% of HELPE and 31% of TAIPED), including as **prior actions** (i) the launch of the call for the appointment of consultants, and (ii) the launch of the expression of interest. For ensuring the security of energy supply of Greece and the EU, as well as the presence of relevant industrial knowledge among DESFA's shareholders, eligible for participation in the tender will be parties or consortia comprising at least one member of ENTSO-G, with the resulting corporate governance structure of DESFA being such that at least one member of ENTSO-G will be able to exercise, directly or indirectly, at least joint control over DESFA. The nomination of the preferred bidder will be completed by August 2017 (**key deliverable**); by October 2017 the Share Purchase Agreement and Shareholders' Agreement will be signed, with a view to a closing before the end of 2017. The authorities will modify the existing legislation to ensure that DESFA operates under full ownership unbundling (**prior action**).
- vii. The authorities will conclude the remaining Government Pending Actions identified by the Institutions and HRADF and which are due by February 2017 and that are not listed in this section (continuous action).
- viii. The authorities will revise the legislation on HCAA in line with the Compliance Report of October 2016.

As key deliverables:

- i. On the key remaining tenders of the ADP in indent (iii) of the prior actions listed above, HRADF will hire the advisors by June 2017.
- ii. On **Egnatia** (key deliverable), (a) the Hellenic Republic, with HRADF, will submit to DG MOVE for clearance the new policy for toll pricing to be implemented on the motorway and its vertical axes after the technical advisors of HRADF conclude their study (September 2017), (b) the Ministers of Infrastructure and Transport and Finance will issue a JMD setting out the new toll policy (April 2018), and (c) until the endorsement of the new toll pricing policy to be applied to all toll stations of the motorway and the vertical axes, the Minister of Infrastructure and Transport, upon completion of construction of any new toll station, shall issue an interim Ministerial Decision putting such stations in operation under the current toll pricing policy;
- iii. On **Hellenikon**, the proposed Integrated Development Plan will be presented to the Central Administration Council and immediately after its formal submission (mid-June) the Secretary General of Public Property will in turn forward this to the relevant ministries for processing according to the relevant laws. The authorities will (a) launch the public consultation of the Strategic Environmental Impact Assessment Study of the proposed Integrated Development Plan for **Hellenikon**, no later than one month from its official submission; (b) issue the draft Presidential Decree for the Integrated Development Plan no later than six months from its formal submission, in accordance with the relevant provision of Law 4062/2012; (c) complete all key Conditions Precedent (as specified in the Share Purchase Agreement) to pave the way for financial closing (Q1 2018).

Hellenic Corporation of Assets and Participations

A new privatisation and investment fund, the Hellenic Corporation of Assets and Participations (HCAP), which will have in its possession valuable Greek assets, was established through law 4389/2016 in line with the statement of the Euro Summit of 12 July 2015. It is comprised of HRADF, HFSF, EDIS (to house the SOEs) and the real-estate arm (ETAD). 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 is 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; two members of the Supervisory Board have been nominated jointly by the European Commission and the ESM and appointed by the Minister of Finance, together with three members nominated by the Minister. The Fund is expected to fulfil its objective by adhering to international best practices and OECD guidelines in terms of governance, oversight and transparency of reporting standards, and compliance, as well as best practices for socially and environmentally sustainable business and consultation with stakeholders. The Fund and its assets will be under professional management at arm's length from the State. The monetisation of the assets will be one source to make repayments of the new loan of ESM, in line with the Euro Summit Statement.

As a prior action:

- i. The Supervisory Board will complete the appointment of the Board of Directors including the CEO and the Board of Directors will be constituted as a body;

ii. The General Assembly of HCAP shall adopt the sections of the internal regulation listed below. The process and substance must be fully in line with the Action Plan agreed with the Institutions in December 2015 and law 4389/2016 and international best practices, including OECD guidelines on SOEs and the substance of the Hellenic Code of Corporate Governance.

a. *Framework for the preparation of the strategic plan.* The strategic plan of HCAP and its direct subsidiaries (excluding HFSF and HRADF in relation to assets included in its Asset Development Plan) will be prepared by HCAP, in line with the structured, high level Ministerial Guidance and then approved by the sole Shareholder. The Ministerial Guidance will include the government's priorities regarding public and development policy and the safeguarding of public interest that HCAP should take into account in carrying out its purpose. The Strategic Plan should set out HCAP's strategies for achieving its purpose as described in Article 185(1) of Law 4389/2016.

The Strategic Plan should specify for HCAP and its direct subsidiaries (excluding HFSF and HRADF in relation to assets included in its Asset Development Plan) revenue targets and the strategies for meeting them through the development of HCAP's assets. HCAP's assets should be managed in order to increase their long-term financial value and to support the Government's sectoral policy as provided in HCAP's founding law.

More specifically, it should specify the main levers for achieving those goals: (a) the strategy to better manage the different segments of the portfolio and increase their effective operation and long term financial value, (b) the different return targets for different segments of the portfolio and measures to achieve the return of each asset class (c) investment and divestment in assets and asset classes, where they are appropriately priced, taking into account factors such as: existing market conditions, portfolio optimization aspects, and the long-term financial value maximization objective for HCAP in the long-term interest of the Hellenic State as an owner.

The Hellenic State will be kept informed of important developments and progress with the implementation of the Strategic Plan and if necessary will ask the Supervisory Board to assess any discrepancies.

- b. Eligibility and appointment criteria of Members of the Supervisory Board;
- c. Internal Rules of the Supervisory Board;
- d. Eligibility and appointment criteria of the BoD;
- e. Evaluation and removal criteria of the BoD;
- f. Remuneration & Compensation Policy for the BoD; remuneration should be set in a competitive range capable of attracting first-rate professionals .
- g. SOEs Coordination Mechanism. The design of the coordination mechanism should ensure compliance with EU legislation regarding SGEIs and relevant national sectoral legislation, and best practices, including applicable OECD principles and in particular the OECD Guidelines on the Governance of State-Owned Enterprises and OECD Accountability & Transparency framework, on the basis that HCAP/EDIS shall exercise the State's ownership rights in respect of shareholdings owned by EDIS. The mechanism will include the following key elements:

- This mechanism will coordinate the process for a) the formulation of the SOE's mandate; b) the agreement on performance contracts; c) the formulation of statement of commitments; d) the involvement of the SOE in the development strategy of the State.
- Special obligations may be assigned to SOEs directly by the State to achieve public policy goals. These special obligations will be set out as binding performance contracts between the SOE, relevant State entities, and EDIS/HCAP where appropriate. Such special obligations must be for the purpose of ensuring the delivery by the State of a service of general economic interest.
- If special obligations are entrusted to an SOE through the coordination mechanism (that is, where they do not arise from legislation, regulation or other instruments) then the SOE will be fully compensated by the State for their costs, including a reasonable profit as provided by national sectoral legislation and any applicable regulatory framework. Costs shall be determined in accordance with EU legislation (in particular State aid rules and the SGEI package) to ensure that the cost calculation is transparent for the State, and to prevent overpayment to the SOE. The State needs to monitor and review the effective fulfilment of special obligations set out in performance contracts.
- SOEs will only be obliged to undertake special obligations if they have been explicitly assigned and compensated as described above. An SOE may, in all cases, undertake activities on its own initiative as part of carrying out its mandate that are consistent with public policy goals. It will not be entitled to compensation for activities that are within the generally accepted norm in terms of public service considering its business model. An activity will not necessarily fall outside the generally accepted norm simply because it is loss-making (for example, community engagement programmes or corporate social responsibility).
- Different financing options may be used when social or public policy is implemented using methods other than the coordination mechanism, namely through legislation, regulation or other instruments. For avoidance of doubt, the coordination mechanism will not interfere or deal with public policy goals that are implemented through these other methods, even if the goals are set out contractually.
- The Statement of Commitments will set out strategic objectives for the SOE's independent management, agreed between the SOE board and EDIS as a shareholder. The objectives will be consistent with the SOE's mandate and with HCAP's Strategic Plan, (which in turn will be consistent with the Ministerial Guidance). They will set out the financial and other objectives for the SOE, such as objectives related with the implementation of best practices for socially and environmentally sustainable business, consultation with stakeholders, governance, financial management, and transparency. The Statement of Commitments will also include the operational objectives that the SOE will pursue in order to meet the strategic objectives.

SOEs active in key public service sectors should operate with due regard for the public importance of their activities. Accordingly, the objectives should reflect the EU shared values for SGEIs, to the extent that doing so

is complementary to the interest of the company and appropriate to its business model. This will not oblige an SOE to ensure, on its own initiative, the delivery of social or public policy goals related to SGEIs – that remains a role of the State.

The objectives should be consistent with the long-term financial value maximization purpose of HCAP and should reflect a balanced and holistic approach to ensure its long - term financial sustainability and ongoing improvement of the SOE's operations.

- The role of the State in the coordination mechanism shall be agreeing the mandate of the SOEs with HCAP/EDIS, in line with the above best practice principles, commissioning of specific special obligations objectives as needed, and engaging with the SOE in relation to regional, sectoral or industrial initiatives;
 - In cases where the State foresees a potential role for an SOE in relation to the State's public policy relating to regional, sectoral or industrial activities, the SOE's board, in consultation with HCAP/EDIS, shall engage with the State in good faith to consider such involvement. In doing so the SOE should evaluate the compatibility of any such involvement with its mandate (if applicable) and with its existing goals, strategy and operations. Any obligations agreed by the SOE, the State and/or other relevant parties shall be on arm's length terms and set out contractually unless this is not appropriate or feasible. As a matter of principle, the SOEs / HCAP / EDIS should try to implement important objectives related to the State's development policy where the SOE's board considers that this is in the interest of the company and in line with the Strategic Plan of HCAP and the SOE's mandate. In case that the SOE considers that it should not participate in such engagement, then at the request of the State, it and HCAP/EDIS will engage with the State in a process of independent mediation to attempt to seek agreement. The ultimate decision of whether to participate in such policy activities will be taken by the Board of the SOE, acting independently and in the interest of the SOE. The SOE, following the mediation procedure, will publish a reasoned report explaining the rationale for not participating in such engagement
 - SOEs should be required over time to earn rates of return that are, taking into account their operational conditions including socio-economic and market conditions, consistent with those obtained by well-regarded and comparable private and where appropriate, public enterprises.
- h. Reporting & Audit: High standards of transparency for HCAP and its direct and indirect subsidiaries should be subject to the same high quality accounting, disclosure, compliance and auditing standards as listed companies;
 - i. Corporate governance code of HCAP;
 - j. Conflict of interest and non-compete for HCAP.
- iii. The process for determining the remaining portfolio of SOEs to be transferred should be jointly agreed between institutions and the Greek Authorities. A list of assets for transfer shall be determined on the basis of the agreed criteria. The transfer of the agreed portfolio of assets should be undertaken immediately as a

prior action.

- iv. The process for determining the remaining portfolio of real estate that will be transferred to the Fund will be jointly agreed between institutions and the Greek Authorities. The process will include the setting up of a working group, composed of expert representatives of the Ministry of Finance, competent ministries and HCAP (via HRADF and ETAD). The working group will share regular reports with the Ministry of Finance and HCAP (and the Ministry of Finance will share the reports with the institutions). The working group will have full access as a group to the database of all Ministries and to the database of the GSPP on the real estate assets as necessary to complete its mandate and in line with data protection laws. As a **prior action** the authorities will adopt legislation to allow the setting up of the working group and granting its members as a group full access to all relevant databases as necessary to complete its mandate and in line with data protection laws. The understanding is that exclusions from real estate assets owned by the State (including State's real estate assets under the management of specialized companies owned or controlled through shareholding by the State, under the supervision of the Ministries) will take place based on solid grounds to be jointly agreed between institutions and the Greek Authorities. No transfer of State real estate assets shall be made if this is against the Greek legislation.
- v. The 10 regional port authorities will remain in HRDAF and HRADF shall proceed with the steps needed for concession agreements for those for which there is greater development potential. This will be included in the ADP as prior action. Ultimately, the 10 regional port authorities, including the ones for which concession agreements would have been concluded, will be transferred to EDIS. The remaining 23 regional airports will be transferred to EDIS.
- vi. The Board of Directors of HCAP will review the board of HRADF.
- vii. The authorities will provide the report prepared by the external advisor in relation to Hellenic Aerospace Industries (HAI) on the basis of the terms of reference agreed with the institutions.

As key deliverables:

- i. The Government will by June 2017 take a formal decision on the transfer of the Hellenic Aerospace Industry to EDIS in agreement with the institutions and taking into due consideration the report produced by the external advisor on whether the company can be transferred to EDIS without compromising national security;
- ii. The General Assembly shall adopt the remaining **internal regulations** for the remaining outstanding issues of the internal regulations, i.e. (a) remuneration and compensation policy for the Supervisory Board (June 2017); (b) accounting framework (by July 2017); (c) investment policy (by October 2017) and (d) dividend policy (by October 2017). It is noted that in a preceding stage the Authorities have to agree with the institutions on the specific content of the latter three documents.
- iii. The Board of Directors of HCAP will fill the vacant posts in the board of HRADF and replace executive and non-executive members if needed, by July 2017.
- iv. The Board of Directors of HCAP will appoint the board of EDIS by mid-August 2017.
- v. The Board of Directors of HCAP will review by July 2017 the Board of ETAD and replace executive and non-executive members if needed by September 2017.
- vi. Based on the process agreed among the Authorities and the institutions and on the reports of the working group, the Government with the management of the new fund

will take all necessary actions for the transfer of the first group of real estate assets to be identified by the working group and agreed with the institutions (September 2017).

- vii. The Ministry of Finance, using the technical assistance of HCAP or other expert as it judges appropriate, will review on a regular basis the portfolio of real estate assets belonging to the state as well the portfolio of SOEs (including newly set up SOEs). The State shall transfer to HCAP those complying with the purposes of HCAP.
- viii. The Minister will provide the Ministerial Guidance for the Strategic Plan by July 2017.
- ix. The General Assembly will approve the Strategic Plan by November 2017.

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. Significant reforms have already been approved in the context of the third Programme, and now attention should be turned to their full implementation.

In this context:

- (i) *Mobility*. The authorities will approve legislation to introduce a new permanent mobility scheme, which will promote the use of job descriptions and will be linked with an online database that will include all current vacancies (**prior action**). In order to implement the scheme, draft organigrams of all Ministries which need reorganisation (to be specified in the TMU (Section LL), based on a list provided by the authorities) will be submitted to the Council of State as a **prior action**; job descriptions will be completed by August 2017, with the collaboration of technical assistance (**key deliverable**), and the new system will be implemented from September 2017 (**key deliverable**). 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;
- (ii) *Special wage grids*. The authorities will approve legislation to complete the rationalisation of specialised wage grids, following the same methodology as used for the unified wage grid (**prior action**).
- (iii) *Modernisation*. The authorities will: (i) submit to the Council of State the draft Presidential Decree to define the responsibility of Administrative Secretaries, (**prior action**); (ii) approve legislation to define wages and allowances for Administrative Secretaries (**prior action**). The Government Council for Reform will finalise the appointment of all members of the selection committee for Administrative secretaries (**prior action**). Following the approval of the Presidential Decree by the Council of State, the authorities will launch the call for all Administrative, Alternate, and thematic Administrative Secretaries of Ministries in September 2017 (**key deliverable**). All appointments will be completed by December 2017 (**key deliverable**).

- (iv) *Selection of managers.* As **prior actions**, the authorities will (i) approve the Ministerial Decision on structured interviews; (ii) issue the circular on recognition of private sector experience, to have service councils complete the process by the end of 2016; (iii) issue the circular on job descriptions. As **prior action** the authorities will launch the call for Directors General for HR and financial services, with appointments to be completed in September 2017; the call for thematic Directors General will be launched in September 2017 (**key deliverable**), with appointments to be completed by December 2017 (**key deliverable**). In January 2018, the call for all Directors will be launched, and Directors will be appointed by March 2018; by March 2018, the call for all Heads of Division will be launched, and Heads of Division will be appointed by April 2018 (**key deliverable**).
- (v) *Performance assessment.* The authorities will complete all preparatory work and issue the required Ministerial Decision to implement the reformed performance assessment scheme (**prior action**). The first assessment exercise will be performed by June 2017 (**key deliverable**).

Further actions include:

- i. *Curricula.* By January 2018 the current 'klados' system will be reformed to have a better articulation of job descriptions that will be reflected in the wage grid.
- ii. *Wage bill.* The MTF5 2017-20 will establish ceilings for the wage bill and the level of public employment consistent with achieving the fiscal targets and ensuring a declining path of the wage bill relative to GDP during the period, inter alia through the use of the attrition rule which will go from 1:5 in 2016 to 1:4 in 2017 and 1:3 in 2018, while exempting from the calculation of the total annual number of hirings those that are due to staff mobility within the public sector, except from Chapter B companies. Conversions of temporary contracts into permanent contracts following a final Court decision will require action to ensure adherence to the projected wage bill in the 2018-21 MTF5.

Furthermore, a ceiling on temporary contracts will be introduced to ensure that the average number of contracts burdening the budget, as reported in the Census database, remains unchanged in 2017 and 2018 compared with 2016, preserving the projected general government wage bill. Additional temporary contracts to cover needs coming from the refugee crisis, natural disasters and humanitarian crisis will be exempt from the ceiling.

- iii. *Allowances.* Allowances for dangerous and hazardous work will be aligned with the corresponding European legislation by June 2017, through, inter alia, the expertise provided by the available technical assistance programme (**key deliverable**).
- iv. *Coordination.* The authorities will strengthen the capacity for coherent policy making, to ensure effective planning and coordination of governmental work, of legislative initiatives, of monitoring of implementation of reforms, and of arbitration functions on all policies. In this context, the authorities will, by October 2017 (**key deliverable**), (i) develop formal structures within the public administration, to be responsible for the preparation and arbitration of policies; and (ii) set up an effective process of inter-ministerial consultation prior to the launching of legislative proposals, including a process to ensure that the submission of all amendments to legislation is coordinated in a centralised manner. The latter will be implemented notably by re-enforcing the role of the existing Secretariat General for Coordination and of the preparatory bodies for the supervision and governance of reform implementation in all ministries, and in particular of the Council for Reform.

- v. *Three-year strategy for reform.* By May 2017, building on already approved legislation, the authorities will finalise and adopt a three-year strategy for reform (2017-2019), 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. The strategy will include a report on the overall progress towards the modernisation of the Greek public administration and its depoliticisation, covering the year 2016 and an action plan for 2017-19.
- vi. *Illegal hires.* The authorities will continue to identify illegal hires and temporary injunctions, as well as disciplinary cases, and take appropriate enforcement action.
- vii. *Development of an Internal Control System.* To strengthen the transparency and accountability of the public administration, the authorities will develop and implement a system of internal control including internal audits, making the best use of technical assistance. By June 2017, the authorities will present to the Commission the proposal of the system of internal control including internal audit. The system will be fully implemented by December 2017. The internal control systems will be developed in close cooperation with the on-going technical assistance activities on Anti-Corruption and on Administrative Reform undertaken respectively by the OECD and Expertise France.

Access to law. The authorities will engage, with the help of technical assistance, in a programme to improve access to law by citizens. This includes a long-term plan of codification of the main legislations which will be proposed by September 2017 and fully implemented by the end of 2018. The programme also includes the creation of a publicly and freely accessible 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 June 2018.

5.2 Justice

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

The authorities will as **prior actions:** (a) adopt an amendment of the Code of Civil Procedure and the necessary enabling legislation to allow for the adoption of a Ministerial Decision to regulate all relevant details and requirements, substantive, procedural and technical, allowing the implementation of electronic auctions; (b) adopt said Ministerial Decision, (c) enact the necessary transitional provision enabling parties to judicial enforcement proceedings to opt, immediately upon its publication in the Official Journal, for an electronic auction even if the

seizure was imposed at any time prior to the amendment; and (d) deliver the pilot version of the electronic platform. The subsequent conduct of testing and training, in order for the platform to be finalized and become fully operational, complete with an end-user manual, will be completed, by end-July 2017, for the effective conduct of electronic auctions (**key deliverable**).

By end-September 2017, as a **key deliverable**, the authorities will amend the Code of Civil Procedure, the insolvency law and other related laws to strengthen the position of secured creditors by aligning the treatment of secured credit with EU best practices, placing secured credit in a position of priority, which will allow lenders to provide financing based on the market value of the collateral. This modification of the ranking of claims will only apply to new secured credit extended after the legal amendments are adopted and enter into force.

The authorities, in order to implement the provisions of Article 1 (Ninth Article) of Law 4335/2015 concerning the implementation of Article 237(4)(e) and (f) and (6)(b) and (c) of the CCP, regarding the registration of cases in the e-docket will provide for a roadmap for the implementation of the registration of cases in the e-docket by November 2016, and submit the Presidential Decree to the Council of State, by December 2016, in view of immediate adoption further to the conclusion of the constitutionality control.

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

- i. Integrate in the growth strategy the three-year strategic plan for the improvement of the functioning of the judicial system, since timely, efficient and reliable justice is a key driver for growth, and implement the plan according to its schedule;
- ii. Propose measures to reduce the backlog of cases in civil courts (February 2017);
- iii. Agree on an action plan with the Institutions including technical assistance, to improve e-justice, mediation and judicial statistics and disseminate the relevant information to the legal practitioners and the public at large, so as to increase awareness of the availability of these mechanisms and encourage their use (February 2017).

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

The authorities will propose measures to ensure access to justice by vulnerable persons (February 2017).

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

5.3 Anti-corruption

As **prior actions**, the authorities will (i) amend 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 (ii) adopt legislation insulating financial crime and corruption investigations from political intervention in individual cases in particular by amending the provisions of Article 12 of the Law 4320/2015.

The authorities will continue to implement the Strategic Plan against corruption in full and in line with its timeline. The authorities commit to implementing fully and timely the recommendations stemming from their international commitments; as part of this, the authorities will amend legislation to fulfil all GRECO's recommendations on the funding of political parties and electoral campaigns within one month after GRECO will have delivered their report (**key deliverable**). The authorities will ensure that the bod(ies in charge of controlling the declarations of assets are operational by March 2017.

The authorities will fully implement the legislation on declaration of assets, notably by ensuring that the remaining declarations of 2015 (based on 2014 income) are all processed according to the conditions determined by the law by end June 2017. The authorities will ensure that the 2016 declarations (based on 2015 income) are processed according to the conditions provided for by the law by September 2017.

The authorities will implement the legal framework for the financing of the political parties, notably by ensuring publication of the report from the authority in charge of controlling the financing of the 2015 elections by May 2017.

Following the assessment of the reduction of penalties for financial crimes provided by Law 4312/2014, the authorities will by September 2017 deliver a draft and by November 2017 amend this legislation.

The update of the national anti-corruption plan by February 2017 will include a commitment to assess by April 2018 the implementation of the Code of Conduct of members of Parliament and, based on this assessment, it will be revised if needed, by June 2018.

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

5.4 Independent agencies and regulatory bodies

Hellenic Statistical Authority (ELSTAT)

The Government fully respects the independence of ELSTAT in carrying out its tasks and providing high quality statistics in a timely manner. For this, the Government will continue implementing necessary reforms and investigate all the support possibilities available to provide ELSTAT with adequate human resources, sufficient financial means and continue providing effective access to administrative data.

In particular, the government will by June 2017 (**key deliverable**) in consultation with the Institutions:

- i. legislate to facilitate the set up and staffing of the President's office consistent with the Mobility Law;
- ii. legislate to give the President of ELSTAT greater autonomy and flexibility in deciding how the organisation's agreed budget should be spent, including the ability to transfer funds between budgetary headings within agreed limits;
- iii. increase ELSTAT's budget from January 2018 to facilitate the recruitment and retention of highly skilled staff through the introduction of compensations based on job descriptions, consistent with the unified wage grid legislation;
- iv. set up a framework for staff-level agreements to allow ELSTAT to contribute on a cost-paid basis to specific projects of other public bodies;
- v. legislate the State indemnification of the ELSTAT President - and other ELSTAT officials acting upon his/her authority - against legal and other costs (including

counsel's actual fees and personal financial liabilities) incurred as a result of legal challenges/actions/proceedings taken or threatened against them in relation to decisions made and actions taken (including potential omissions) pursuant to carrying out their official functions in compliance with applicable provisions and rules, statutory or otherwise.

This follows up the commitments taken by the Government in the Commitment on Confidence in Statistics signed in March 2012, in order to support ELSTAT in upholding confidence in Greek statistics and to defend them against any efforts to undermine their credibility, as well as to report annually to the Hellenic Parliament and to the European Commission.

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, will as a **prior action** agree with the institutions on the principles and key elements of the revision of Law 3051/2002 on constitutionally protected independent agencies (as currently in force) in order to strengthen the autonomy and effectiveness of all independent agencies and entities. This will include the introduction of a general set of fundamental rules applicable to all agencies and specific chapters distinguishing between constitutionally protected ones and others, if needed. Recommendations should be benchmarked against European best practice and address (i) the relationship between the agency/entity and the Government, as well as with stakeholders, (ii) governance and decision making, providing for the regulator being governed by a Board taking policy and regulatory decisions without interference from the supervising Ministry, as well as the right to defend cases in Court in the authority's own name, (iii) appointment rules, (iv) financial autonomy, (v) administrative capacity, including access to external providers of services, (vi) operational autonomy, (vii) parliamentary accountability, liability and conflicts of interest. Subsequently, by end-July 2017, the authorities and independent agencies will amend primary and secondary legislation as appropriate so as to bring horizontal provisions and internal regulations in line with the results of the horizontal review (**key deliverable**).

In addition:

- i. *Hellenic Competition Commission (HCC)*: the Government commits to safeguard the independence and the effectiveness of the Hellenic Competition Commission in line with EU requirements. By September 2017, the authorities, in agreement with the Institutions, will amend any primary and secondary legislation so as to bring these in line with the results of the horizontal review on independent agencies (see above), including on issues relating to the conflicts of interest of the HCC's Board members and the staffing of the HCC's internal legal office, consistent with the general framework for the appointment of legal staff of the entities of the public sector, as defined by law (**key deliverable**); the advocacy unit of the Hellenic Competition Commission will be strengthened by twelve additional posts and a review will be conducted with the support of the European Commission and international expertise to ensure that the competition law is in line with EU best practice.
- ii. *Regulatory Authority for Energy (RAE)*: By September 2017, the authorities, in agreement with the institutions, will adopt or amend any primary and secondary legislation, including the Internal Operation Rules of RAE under Article 45 of Law

4001/2011, so as to bring these in line with the results of the horizontal review on independent agencies (see above) (**key deliverable**).

- iii. *Regulatory Authority for Passenger Transport (RAEM)*: By September 2017, the authorities, in agreement with the Institutions, will adopt or amend any primary and secondary legislation, so as to bring these in line with the results of the horizontal review on independent agencies (see above) (**key deliverable**).

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