International Monetary Fund

Greece and the IMF

Press Release:
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March 14, 2011

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Greece: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

February 28, 2011

The following item is a Letter of Intent of the government of Greece, which describes the policies that Greece intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Greece, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

GREECE: LETTER OF INTENT

Athens, February 28, 2011

Mr. Dominique Strauss-Kahn:
Managing Director
International Monetary Fund
Washington DC

Dear Mr. Strauss-Kahn:

In the attached update to the Memoranda of Economic and Financial Policies from May 3, August 6, and December 8 2010 (MEFPs), we describe progress and policy steps towards meeting the objectives of the economic program of the Greek government which is being supported by a Stand By Arrangement.

We continue to make progress with our economic program:

- The quarterly quantitative performance criteria for end-December have all been met, as well as the continuous performance criterion on external arrears. The ESA95 accrual deficit was above target, but at the level projected at the time of the last review, and the overall reduction in the headline deficit in 2010 is estimated to have amounted to a higher-than-initially targeted 6 percentage points of GDP. However, while we managed to reduce the stock of general government arrears at the very end of 2010, it was not enough to prevent us from missing the indicative target.

- Fiscal-structural reforms have been moving forward. A structural benchmark covering an actuarial study of the main pension funds was met. A benchmark on removing barriers to effective tax administration is expected to be met in mid-March (with tabling the legislation in parliament a prior action for the review). A benchmark covering a study of the structure, level and dynamics of public employment and compensation was partially met, and will be completed in the context of the medium-term fiscal strategy. Similarly, a benchmark on improving statistical reporting to Elstat was also partially met, with good progress on signing MOUs with data-providing entities, and the finalization of regulations that now need to be formally approved by Elstat. The attached Memorandum of Economic and Financial Policies lays out an ambitious schedule of next stage actions to support our medium-term fiscal consolidation program, along with reforms to revenue administration and public financial management designed to strengthen budget implementation.

- The financial system remains stable. Private banks have had notable success in raising capital, and state bank restructuring has started. Exceptional ECB liquidity support has helped bridge the system to a point where banks can begin implementing medium-term plans to adjust their funding (as discussed in the memorandum below). The Financial Stability Fund is well-financed relative to projected needs.

- Progress continues with structural reforms. A structural benchmark covering a 2011-13 privatization plan was met, while a benchmark covering collective bargaining reform was partially met (and time will be needed to assess effective implementation). The opening of restricted professions has moved forward with legislation passed by parliament in February. Legislation concerning restructuring of public enterprises has been approved. The attached memorandum lays out next steps, including an expanded privatization and real estate development plan.

- On this basis, we request completion of the third review under the Stand-By Arrangement, and the fourth purchase under this arrangement in the amount of SDR 3,604.5 million. As set out in Table 1, we request that existing indicative targets under the arrangement, constituting ceilings and floors for the primary cash balance, state budget primary spending, stock of central government debt, new central government guarantees, and external debt, for September 30 and December 31, 2011, be converted to quantitative performance criteria. As detailed below, we also propose new structural benchmarks: in the fiscal area, to support revision of the personnel framework for the public sector, the completion of a tax administration reform plan, and stronger expenditure and arrears monitoring; in the financial sector area, to support the design of medium-term funding plans for banks; and in the asset and liability management area, to support articulation of an expanded privatization plan (Table 2).

- We believe that the policies set forth in the May 3, 2010 Letter of Intent and MEFP, and subsequent updates (including the one now attached), are adequate to achieve the objectives under the program. We stand ready to take any corrective actions that may become appropriate for this purpose as circumstances change. We will consult with the Fund, as well as with the European Commission and ECB on the adoption of any such actions and in advance of revisions to the policies contained in this letter, in accordance with the Fund's policies on such consultations.

This letter is being copied to Messrs. Juncker, Rehn and Trichet

/s/	/s/
George Papaconstantinou	George Provopoulos
Minister of Finance	Governor of the Bank of Greece

GREECE: MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

The Outlook

1. **The economy remains on track to stabilize in late 2011**. Industrial production, retail trade, and construction activity point to a continued contraction of output during the first half of 2011. Nevertheless, the recent improvements in some leading indicators (new industrial orders; and industrial turnover for the foreign market; and economic sentiment in manufacturing), alongside a positive contribution of net exports to GDP growth, support program projections of a stabilization in the second half of 2011. For the full year we continue to expect GDP to contract by about 3 percent.

2. **Inflation remains on course to decline to an average of about 2½ percent in 2011.** December headline inflation surprised on the upside on account of rising oil import prices, but inflation at constant taxes is close to zero. With continuing weak domestic demand and continued slack in the economy, the aggregate impact of commodity price pressures and hikes in administered prices and indirect taxes should be contained.

3. **Competitiveness is improving, and the current account deficit should narrow as projected in 2011**. Growth in unit labor costs has turned negative in the second half of 2010, contributing to improved competitiveness of the Greek economy. Combined with weak domestic demand, this should help offset the impact of significantly higher import prices (for oil and other imported commodities), and reduce the current account deficit to around 8 percent of GDP in 2011 (from an estimated 11 percent in 2010).

4. **There remain a number of challenges to overcome to secure the recovery.** Greece has achieved considerable progress in fiscal adjustment to date, but more needs to be done to secure a lower deficit and debt, and to put the adjustment on a more sustainable footing. Similarly, the program has successfully maintained financial stability to date, but banks are still relying heavily on Eurosystem liquidity and face challenges towards ensuring more sustainable funding models. Finally, favorable business environment and supply-side conditions need to be put more firmly into place to support an export and investment led recovery. The rest of the memorandum explains how the program's policy framework will be implemented to address these continuing challenges.

Fiscal Policies

5. **The government's present fiscal priority is to put the ongoing fiscal adjustment on a clearly sustainable path**. While 2010 delivered a large reduction in the ESA95 general government deficit, from 15½ to about 9½ percent of GDP, weaknesses in revenue collection and expenditure control persisted (and some problems with arrears persisted). To sustainably reduce the deficit below 3 percent of GDP by 2014 we will need to keep the 2011 budget on

track, define remaining needed structural adjustment measures, and accelerate our work to strengthen fiscal institutions and processes.

6. **The government remains committed to achieve a €17 billion (7½ percent of GDP general government deficit) in 2011, measured on an ESA 95 basis**. Downside risks to achieve this target exist. Current trends point to a fiscal gap of ¾ percent of GDP for the year as a whole (due to lower projections for revenues and a revised estimate for the yield of our measures). We will specify structural measures to address this gap once we finalize our detailed fiscal structural reform plans in March (below). In the interim, to ensure we continue to meet fiscal targets, we will under execute our budget.

7. **A medium-term budget strategy paper is under preparation.** The strategy paper will set annual spending ceilings for individual line ministries and fiscal balance targets for all general government entities through 2014. It will also define measures to be taken in support of these targets. We estimate that some 8 percent of GDP in permanent measures will be needed, some of which have already been identified in our May 2010 program. The medium-term budget strategy paper will be published for consultation in end-March, approved by the Council of Ministers before mid-April (a **structural benchmark**), and to be voted by Parliament by mid-May. It will be the basis for preparation of the 2012 budget.

8. **The measures supporting the medium-term strategy will be articulated in plans covering several sectors and areas of government spending.** The measures will be designed with the aim to preserve the social safety net, and limit the impact of fiscal adjustment on growth. Each sectoral plan will set a target for budgetary gains to be realized through 2014, with the total amounting to 8 percent of GDP (and additional contingent measures defined as well). Each plan will be available in draft form by end-March (in some cases, more detailed plans may subsequently be produced). Each sectoral plan will be incorporated into the medium-term budget strategy paper.

- **State enterprises**. The plan will be managed by the Secretariat of State Owned Enterprises in the Ministry of Finance, in coordination with line ministries. It will aim to bring the efficiency of the state enterprises into line with well-run private companies and European peers. This will ensure better service to the public at lower cost to the budget. The plan will lay out, by enterprise: tariff increases, operating cost reductions, investment prioritizations, and wage, benefit, and employment adjustments to improve financial results. It will define needed changes in dividend payments and subsidy reductions to accrue savings to the budget. The plan will establish criteria to determine which of these enterprises are to remain in state hands, and anticipate revised state enterprise governance legislation to provide a stronger oversight framework for them. State enterprises defined under general government will be instructed to finalize their own detailed implementation plans by end-June; all other state enterprises will be instructed to finalize their plans by end-year. In both cases they will be instructed to use the overall plan as guidance.

- **Extrabudgetary funds** (other legal entities of the public sector and earmarked accounts)**.** The plan for extrabudgetary funds will be designed and implemented by a dedicated working group operating under the Ministry of Finance, coordinating with the Office of the Deputy Prime Minister. The plan will aim to simplify the structure of the public sector and improve the flexibility of the budget. It will identify entities with overlapping mandates that can be merged, accounts that can be integrated into the budget, and other entities that can be privatized or closed (for outliving their mandate). It will also identify instances where operational costs are out of line with private sector comparators, and define restructuring plans. The plan will specify a two-year implementation timeline including entities and/or accounts to be closed or merged before end-2011, and those to be closed or merged before end-2012.

- **Tax policy reforms.** The tax plan will be managed by a working group established in the Ministry of Finance. It will aim to simplify the tax system, raise revenue in a progressive manner, and facilitate more effective tax administration, while supporting growth and investment. The government expects the business tax code, corporate taxation, tax exemptions, tax incentives, and capital income taxation to be among the principal areas of focus. A more detailed version of the plan will be articulated by end-May, to allow time to consult with tax experts. The plan will indicate the timeline for the stages of the reform. Implementing legislation for the first stage of the reform will be tabled in parliament by end-September.

- **The public wage bill.** The plan will be managed by a joint working group of the Ministries of Interior and Finance. A preliminary report on public compensation and employment, to be published by end-February, unveiled a complex system of wages and benefits, overall levels of compensation above private sector comparators, and significant misallocation of human resources. To reduce excess employment in the public sector, the plan will focus, among other things, attrition, tighter policies for contract workers, and vacant job post cancelations. The plan will identify ways to simplify the wage grid, including allowances. While reducing the wage bill, the plan will aim for some decompression of wages across grades and specialized career streams. The necessary legislative changes to enact the plan will be adopted by end-June 2011 (proposed as a program **structural benchmark.**

- **Public administration.** The plan in this area will be managed by a joint working group of the Ministries of Interior and Finance. The plan will aim to identify services and programs which can be rationalized (either due to private sector alternatives, or outmoded mandate); and to streamline public organizations to eliminate overlapping responsibilities. A more detailed version of the plan will be prepared by end-July (allowing time to take into full account the findings of the ongoing functional reviews of the central administration). This detailed version will set out an implementation timeline, including actions to be taken in the context of approval of the 2012 budgets

- **Social spending reform.** The plan in this area will be managed by a joint working group of the Ministries of Interior, Labor, Health and Finance. The plan will identify ways to streamline social programs to eliminate duplication and make them better targeted. A more detailed version of the plan will be prepared by end-July (allowing time to take into full account the findings of the ongoing functional review of social programs). This detailed version will set out an implementation timeline, including actions to be taken in the context of approval of the 2012 budget.

- **Public investment.** The plan will be managed by a joint working group of the Ministries of Regional Development, Infrastructure, and Finance. The plan will prioritize projects, and estimate in each instance possible savings to the budget from rescheduling projects. On this basis the plan will identify projects which can be removed from the roster, with a view to rationalize overall spending while speeding execution of remaining projects to support growth. The plan will set out by end-June an implementation timeline, including actions to be taken in the context of approval of the 2012 budget.

- **Military spending.** The plan will be prepared by the Ministries of Defense and Finance (under the Government's Committee for Foreign and Defense Policy). It will cover military procurement and military operations spending, (with a view to durably contribute to fiscal consolidation while preserving national defense capabilities. The plan will set out an implementation timeline, including actions to be taken in the context of approval of the 2012 budget, and the medium term plan for military expenditures.

9. **The government is preparing for a next phase of social security reforms, during the latter half of 2011:**

- **Pensions**. Confirming the ambition of the first phase of the reform, the National Actuarial Authority's projections suggest that the July 2010 pension reform has gone a long way towards stabilizing spending of the main pension funds at the 2009 level (in relation to GDP). However, problems remain in the supplementary and welfare funds, and with pensions for arduous professions. The National Actuarial Authority is on track to complete an assessment of the main supplementary funds by end-March 2011 (**structural benchmark**). We will reform supplementary and welfare funds to eliminate imbalances in those funds with deficits; introduce a strict link between benefits and contributions to guarantee the sustainability of all funds, and reduce the number of existing funds. The government will also revise the list of heavy and arduous professions to reduce it to less than 10 percent of employees (current and future). To limit pension spending increases to less than 2½ percent of GDP by 2060, we remain prepared, if needed, to adjust further the parameters of the main pension funds. Reforms will be adopted by end-September 2011 and implemented beginning January 1, 2012, with the principal focus on the supplementary funds.

- **Health**. We are broadly on track with implementation of the measures underpinning the 2011 budget (e.g. cost-reducing reforms in hospitals, co-payments, and applying the extended negative list of non-reimbursable pharmaceutical products). Steps have also been taken towards the full computerization of the public hospitals. To help overcome delays in extending e-prescribing systems, we will launch a tender by end-April to implement a comprehensive and uniform health care e-prescribing system. Meanwhile, an independent task force has been appointed to map out an overall reform of the health system. It will produce an interim report by end-March, and a final report by end-May 2011 defining policies and quantitative targets in specific areas, including service provision, pharmaceutical spending, financing and governance of the health system, and accounting and assessment systems. Using this report, the government will adopt a time-bound action plan by end-June 2011.

10. **The Ministry of Finance is moving forward with the implementation of comprehensive fiscal institutional reforms**:

- Concerning **revenue administration** reforms**:**

    - *The anti-tax evasion action plans are being implemented*. The five task forces started implementing these plans in January. The Ministry of Finance will publish and announce the anti-evasion plans in March, and subsequently publish monthly reports on the performance of these task forces, including a set of pre-defined progress indicators, beginning at end-March.

    - *Barriers to effective administration are being removed*. Legislation will be tabled in parliament (**prior action**) to: streamline the judicial appeal process and create an independent arbitration process; to create a new disciplinary body to accelerate investigations of misconduct in the revenue administration; strengthen the administrative tax dispute process and to remove a number of barriers to efficient tax collection (e.g. simplifying debt recovery and allowing installment payments, subject to strict controls on abuse, for taxpayers experiencing financial hardship).

    - To institutionalize and consolidate the results of the anti-evasion plan, we remain committed to articulate a strategic plan of medium-term reforms, and anticipate this will be done by end-June (proposed as a program **structural benchmark**). The plan will introduce a risk management framework and a large tax payer unit, and cover the re-building of the tax audit function.

- Regarding **public financial management** reforms:

    - *Initiatives to strengthen spending controls are progressing*. Commitment registers are in the process of being established in line ministries and in the main general government entities, and will provide consistent commitment and arrears data starting in March, with limited coverage gaps. We are providing training and technical assistance to various general government entities with the aim to complete the establishment process during the first quarter for all social security funds, and major local authorities. We remain committed to appointing, by end-March, accounting officers in all line ministries and main general government entities (with responsibility to ensure sound financial controls and proper reporting). A presidential decree will be issued specifying the qualifications and responsibilities of these officers, as well as the appointment procedures.

- *Fiscal reporting is being improved.* ELSTAT has now concluded Memoranda of Understanding with 9 ministries and entities, with the aim to improve the compilation of ESA95 general government fiscal statistics. Concerning arrears reporting, we intend to finalize the December report by end-March, to allow extra time to ensure full coverage of both recurrent and investment spending, and across all line ministries, social security funds, public hospitals, extra budgetary funds, and the largest local governments. Beginning with end-March, we will publish monthly consolidated general government reports with revenue, expenditures and intra-governmental transfers for each sub-sector of the general government. Publishing three consecutive months of consistent arrears and consolidated general government fiscal reports (excluding small general government entities) is proposed as a **structural benchmark** for end-June. To help ensure timely reports, we will adapt the incentives of agencies and ministries; in particular we will introduce automatic administrative and/or financial sanction mechanisms on institutions and/or responsible officers for delays in reporting.

- *Gaps in our budget framework will be addressed*. We will amend Law 2469/1997, by end-June 2011, to strengthen the existing legal framework requiring that legislative proposals carrying budget burdens be accompanied by an assessment by the Ministry of Finance. This assessment will provide an estimate of the budgetary cost, and either certify that costs are already covered in the budget, or in the event that costs go beyond budgeted amounts, that resources have been identified to pay these costs.

- **Asset and liability management**

11. **The government remains focused on securing stronger market confidence and reducing the spreads on its debt.** The program remains fully financed. The disbursements by the euro-area Member States and the IMF are expected to almost fully cover Greece's gross financing needs during 2011, (amortization of medium and long-term debt, the cash deficit and full arrears clearance) and contribute significantly to financing needs in 2012. While timely and comprehensive implementation of the program remains key, we intend to scale up our privatization program to help reduce public debt, facilitate a more gradual return to bond markets, and provide an additional impetus to lower spreads.

12. **The government plans to notably scale up the privatization and real estate development program.** Besides the contribution to debt reduction, this will help to support higher investment and growth:

- A **comprehensive plan** through 2013 will be finalized, taking as a starting point the existing privatization plan for 2011-13 (covering, inter alia, the railroad sector, airports, post office, water companies, ports, and gaming companies); as well as the state enterprise restructuring plans (which will identify entities to be sold, as discussed above). As a key additional building block, we will complete by end-June a first inventory of commercially-viable public real estate, including an estimate in each instance of valuation. By end year we will extend this to other real estate that has commercial potential. The plan will target proceeds of about €15 billion until the end of the program, and we expect the pace of privatization and real estate development to pick up in the following years. It will provide a quarterly and semiannual schedule for transactions scheduled one-year and two years ahead respectively. An initial draft of the plan will be prepared by end-March and a final plan will be adopted by the Council of Ministers by end-July (proposed as a **structural benchmark**). We will consult with the European Commission, ECB, and IMF staff on any new legislative initiatives regarding privatization.

- **Development and management of the government's real estate assets will be strengthened**. Building on the end-June inventory, the government will create a first portfolio of major real estate assets. A second will be created after the end-2011 inventory. These will become available for investment during the plan period. The government will appoint, by end-March external and financial advisors for the formation of these portfolios, and the structuring of the associated privatization transactions. Furthermore, the government will establish a General Secretariat of Real Estate Development under the Ministry of Finance as well as appropriate special investment vehicles, in order to improve coordination and accelerate the privatization and asset management program.

13. **We have mapped out the near-term contours of our debt issuance program**. The public debt management authority (PDMA) will concentrate on treasury bill issuance, where we have seen good demand. We will expand issuance to maturities of up to a year as demand permits. We also intend in 2011 to introduce a diaspora bond issuance program targeted at the Greek expatriate community.

Financial sector policies

14. **The financial system has remained stable, and the priority is to support banks' efforts to restructure in an orderly manner.** The banking system remains solvent. The challenge for the government and Bank of Greece will be to facilitate reduced dependency on

Eurosystem liquidity over time while laying the basis for sustainable growth, and to ensure an effective capital safety net.

15. **Initiatives underway should help preserve sufficient system liquidity**. As a temporary measure, the government will put forward for legislative adoption a new tranche of government guarantees for uncovered bank bonds (proposed as a **structural benchmark** for end-March). The tranche will be in an amount of €30 billion, and the guarantee scheme will be subject to approval by decision of the European Commission. This additional liquidity should provide an adequate buffer to address liquidity issues potentially arising from continued market volatility. The tranche will be made available, on a bank-by-bank basis, conditioned on the adoption and implementation of medium-term funding plans by banks.

16. **The Bank of Greece has asked banks to devise and implement medium-term funding plans**. The plans will aim at reducing banks' reliance on Eurosystem refinancing operations and state guarantees over a medium-term horizon, at a pace consistent with the program's macroeconomic and fiscal framework. The plans will consist of institution-specific measures, pertaining, for instance, to the size and composition of balance sheets, capital structure, and operational efficiency. Preliminary drafts will be completed by mid-April. The Bank of Greece and the ECB, in close cooperation with the EC and IMF will assess the adequacy of these plans, which will be consistent with the EU/IMF Program (and with the restructuring/viability plans submitted by individual banks to the EC for separate approval under the competition rules). Submission of these plans to the ECB and the Bank of Greece is proposed as a program **structural benchmark** for end-May 2011.

17. **The restructuring of state banks is moving forward.** For ATE, due diligence of the loan portfolio, performed by a reputable international accounting firm, has confirmed a capital need in the order of €300 to 400 million. The exact size of the capital increase will be finalized by end-February 2011, also based on a review by the BoG, and we will then proceed with all other necessary steps, including approval by the EC. We intend to meet the bulk of ATE's capital needs by relying on the surplus reserves of the HCLF, and are on track to unbundle the HCLF's commercial activities by end-March. We are also taking steps towards removing barriers to state bank restructuring, and by end-March 2011 expect to table legislative changes that will place all registered bank employees under the same private sector status, regardless of the bank ownership type. We are committed to consider the sale of our state bank holdings, as market conditions permit.

18. **We will continue to encourage private banks to raise capital and restructure as needed**. Through the sale of non-core assets, rights issues, and capital injections from foreign parents, private banks have generally been able to keep their capital ratios well above the regulatory minimum. Going forward we will continue to require banks to actively raise capital on their own as needs arise, and in this context will encourage them to explore strategic alliances with domestic and foreign banks. We will also support their efforts to

restructure operations, including by taking steps to limit bonuses and eliminate the so called "balance sheet premium," or equivalent measures. For viable banks (as assessed through their business plans), the FSF will remain available as a capital backstop.

19. **The FSF is operating, and has sufficient funds for capital support**. The Board is in place, along with arrangements to second staff from the Bank of Greece and to retain external consultants. Hiring of an appropriate level of full time staff should be complete by end-June 2011. In terms of funding, beyond the €1½ billion available in its account at the Bank of Greece, another €1 billion will be made available in a separate dedicated government account to be set up by end-February 2011. The remainder of the €10 billion foreseen for the FSF will be deposited into the dedicated government account, beginning with a deposit of €1 billion during the second quarter of 2011. Amounts will be released to the FSF consistent with the need for bank capital determined by program reviews.

20. **Strong and effective supervision is of key importance**. In this context, the strengthening of banking supervision in terms of resources has not been commensurate with the rising needs, but we are intensifying our efforts to address this situation. In particular, the difficulty of hiring appropriately qualified staff has not yet been addressed, but we now expect the ongoing hiring program to be complete by end-June 2011. The Bank of Greece will continue to ensure prudential bank supervision and will continue to focus on and take actions aimed at preserving financial stability in Greece.

21. **Steps are being taken to strengthen the insurance sector.** The Bank of Greece took over insurance supervision as of December 2010, and has requested technical assistance from the IMF to strengthen this function. We will undertake a diagnostic assessment of insurance firms (including stress tests), and review the adequacy of existing policyholder protection schemes. This diagnostic work, to be completed by end-June, will inform a strategy to secure the sector, and in a manner that protects the government from financial commitments.

Structural reform policies

22. **The government remains committed to achieving enough progress with structural reforms to spark an investment and export led economic revival in 2011**. The scope of the work necessarily remains broad, covering labor market reforms, product and service market liberalization, and reforms to the business environment (to reduce the red tape holding up investment).

23. **Implementation of labor market reforms is underway**. Legislation covering arbitration and collective bargaining was passed in December. Concerning collective bargaining, in order to encourage greater wage flexibility, the government allowed for special firm-level collective agreements. These were subject to some conditions, including the non-binding evaluation by the Labor Inspectorate (gathering representatives of the government, social partners, and local authorities), and consent by sectoral unions in small firms. The

government will closely monitor the implementation of this reform and underscore the right of social partners at the firm level to utilize special firm level agreements, as well as reaffirm the nonbinding nature of the Labor Inspectorate assessments. The government is prepared to amend the legislation by end-July if it proves necessary to support greater firm-level wage flexibility.

24. **Restricted professions are on track to be liberalized in 2011**:

- A framework law will be passed by end-February (a **prior action** for the review):
    - The law will remove various restrictions to competition in regulated professions. These restrictions will include those related to quantity, geography, scale, incorporation, prices, number of licenses, and prior conditions for licenses. Following the passage of the legislation a 4 month period will be provided to define exceptions to this general liberalization. These will abide by the principles of non-discrimination, necessity and proportionality, and will be subject to approval by the Council of State and an assessment of economic rationale. The Ministry of Finance will produce a report evaluating implementation by end-September 2011.
    - The law will also address specific closed professions (lawyers, notaries, engineers, architects, and auditors). Key changes will include: (i) for notaries, a substantial reduction of fees (through a regressive scale) and free negotiation of prices for high-value transactions; (ii) for lawyers, elimination of minimum prices (except for justified cases such as legal aid); (iii) for engineers and architects, elimination of minimum fees; and (iv) for auditors, a two-year sunset clause for the regulation of working hours (minimum-per-audit and maximum-per-year working hours).
- A separate law, also to be legislated by end-February, will address the closed pharmacist profession. It will permit incorporation, increase operating hours, reduce fixed profit margins, and reduce the minimum population criterion for opening new pharmacies.
- To minimize any ambiguity in this reform, the Ministry of Finance will address a circular to competent ministries in order to list the professions subject to liberalization principles and requesting that Ministries take all necessary administrative steps to implement the law within 4 months.

25. **We will also undertake some industry-specific liberalization during 2011.** Reports analyzing reforms in the tourism and retail trade sectors and their potential contribution to employment, growth and disinflation, remain under preparation. The diagnostic work has been completed, and we anticipate that recommendations and time-bound action plans will be available by end-April. Beyond these key industries another important focus will be the liberalization of the energy sector, including: (i) competitive access to lignite fired generation capacity; (ii) the gradual deregulation of tariffs; (iii) the unbundling of transmission and

distribution from generation; and (iv) a plan awarding hydro management to an independent body.

26. **Key business environment reforms recently legislated are being implemented, while we prepare new initiatives for later in the year**:

- **Parliament will in March approve a new law for the competition authority, and new licensing laws**. The competition law will aim to increase the efficiency and effectiveness of the competition authority; strengthen the independence and continuity of its Board; maintain its financial capacity, and reinforce its governance and accountability. The licensing law will set a deadline for issuing necessary opinions (with a non-response to provide for tacit agreement) and a deadline for granting licenses. The companion law covering environmental permits will set a deadline for issuing necessary opinions (with a non-response to provide for tacit agreement, without prejudice to other environmental legislation); and a deadline for granting permits. It will also provide for a reclassification of environmental impact categories in line with EU average practices, and for coordination of licensing procedures by electronic means.

- **We are working to implement these and earlier laws**. To operationalize the licensing law, we will issue the necessary presidential decrees (by end-June). To complete the preparations for one-stop shops, we will complete the data migration from the Chambers to the General Commercial Registry, and issue all Ministerial decisions required by the law by end-March. To set in motion the framework for approvals of large investment projects, we will issue the necessary ministerial decisions and transfer experts in the evaluation of projects from other public entities by end-June. We intend to issue a report by end-June covering the status of implementation of all business environment reforms.

- **A number of additional reforms should be finalized during 2011**. We will amend legislation to remove administrative burdens on exports by end-September; accelerate progress towards a well-functioning land registry; and minimize legal and administrative impediments to the implementation of public works and investment projects. We will also adopt legislation by end-March to establish a Single Public Procurement Authority with the mandate to issue opinions on new legislation affecting public procurement; draft standardized tender documents of a binding nature; and perform effective control functions.

Table 1. Greece: Quantitative Performance Criteria
(Billions of Euro, unless otherwise indicated)

	2010			2011				Medium Term 5/	
	Dec-10			Mar-11	Jun-11	Sep-11	Dec-11	Dec-12	Dec-13
	Progr. 1/	Adjusted Progr. 1/ 7/	Act.	Progr. 2/	Progr. 2/	Progr. 2/	Progr. 2/	Progr. 3/	Progr. 4/
Performance Criteria (unless otherwise indicated)									
1. Floor on the modified general government primary cash balance	-5.7	-5.7	-5.5	-2.0	-4.3	-4.0	-3.2	2.4	7.4
2. Ceiling on State Budget primary spending	67	67	61	15	30	45	63	68	69
3. Ceiling on the overall stock of central government debt	342	366	340	394	394	394	394	..	..
4. Ceiling on the new guarantees granted by the central government	2.0	2.0	1.3	1.0	1.0	1.0	1.0	0.0	0.0
5. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by general government 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative Targets									
6. Ceiling on the accumulation of new domestic arrears by the general government	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0

1/ Cumulatively from January 1, 2010 (unless otherwise indicated).
2/ Cumulatively from January 1, 2011 (unless otherwise indicated).
3/ Cumulatively from January 1, 2012 (unless otherwise indicated).
4/ Cumulatively from January 1, 2013 (unless otherwise indicated).
5/ Indicative targets.
6/ Applies on a continuous basis from January 1, 2010 onward.
7/ Adjustor for upward revision to end-2009 stock of central government debt.

Table 2 Greece: Structural Conditionality

Measures	Macrocritical relevance	Status
End-December structural benchmarks		
1. Publish a detailed report by the ministry of finance in cooperation with the single payment authority on the structure and levels of compensation and the volume and dynamics of employment in the general government.	Reduces wage escalation. Improves transparency of public sector employment.	Partially observed (with delay). A report was comp and published in February, that covered part of th government.
2. Adopt new Regulation of Statistical Obligations for the agencies participating in the Greek Statistical System.	Enhance confidence in fiscal reporting and support the formulation of fiscal policy.	Partially observed (with delay). MoUs between ke institutions and ELSTAT have been drafted and h The regulation now must be apporved by ELSTA
3. Prepare a privatization plan for the divestment of state assets and enterprises with the aim to raise at least €1 billion a year during the period 2011-2013.	Reduces state intervention in the real economy; improves market efficiency; and cuts fiscal contingencies.	Observed
4. The National Actuarial Authority to produce a report to assess whether the parameters of the new system significantly strengthen long-term actuarial balance.	Reduces budgetary costs of ageing and improves long-term fiscal sustainability. Increases labor force participation.	Observed
Prior actions:		
1. Table legislation to: (i) streamline the administrative tax dispute and judicial appeal processes; (ii) remove impediments to the exercise of core tax administration functions (e.g. centralized filing enforcement and debt collection, indirect audit methods, and tax returns processing); and (iii) introduce a more flexible human resource management system (including the acceleration of procedures for dismissals and of prosecution of cases of breach of duty). (Structural becnhamrk for end-February)	Removes legal and administrative impediments to tax collection.	Observed
2. Pass a framework law removing restrictions to competition in regulated professions (as defined in the EU Services Directive), addressing specific closed professions (lawyers, notaries, engineers, architects, and auditors)	Liberalizes services sector with the aim to strengthen competition and improve efficiency.	Observed
End-March structural benchmarks		
2. Appointment of financial accounting officers in all line ministries and major general government entities (with the responsibility to ensure sound financial controls).	Improves control and transparency of budget expenditures.	
3. Pass legislation to separate the core consignment activity from the commercial activities of the HCLF.	Fosters banking sector stability.	
4. The National Actuarial Authority to produce a report for the main supplementary funds to assess whether the parameters of the new system significantly strengthen long-term actuarial balance.	Reduces budgetary costs of ageing and improves long-term fiscal sustainability. Increases labor force participation.	
End-April structural benchmarks		
5. Publish the medium-term budget strategy paper, laying out time-bound plans to address: (i) restructuring plans for large and/or loss making state enterprises; (ii) the closure of unnecessary public entities; (iii) tax reform; (iv) reforms ot public administration; (v) the public wage bill; and (vi) military spending.	Supports fiscal consolidation.	
Proposed new structural conditionality		
6. Government to put forward for legislative adoption a new tranche of government guarantees for uncovered bank bonds (end-March 2011).	Assures sufficient banking system liquidity.	
7. Commercial banks to submit medium-term funding plans to the ECB and the Bank of Greece (end-May 2011)	Aims at reducing banks' reliance on Eurosystem refinancing operations and state guarantees over the medium term.	
8. Articulate a strategic plan of medium-term revenue administration reforms to fight tax evasion (end-June 2011).	Institutionalizes and consolidates the results of the anti-evasion plan.	
9. Publish three consecutive months of consistent arrears and consolidated general government fiscal reports (excluding small local governments) (end-June 2011).	Supports measures to reduce arrears across general government.	
10. Adopt the necessary changes to enact the plan to reform the general government personnel system (end-June 2011)	Supports the medium term fiscal adjustment plan.	
11. The Council of Ministers to adopt a comprehensive privatization plan through 2015 (end-July, 2011).	Upscaled privatization program to contribute to debt reduction and to support higher investment and growth.	

GREECE: TECHNICAL MEMORANDUM OF UNDERSTANDING

February 28, 2011

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the indicators subject to quantitative targets (performance criteria and indicative targets), specified in the tables annexed to the Memorandum of Economic and Financial Policies. It also describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. We will consult with the Fund, European Commission and ECB before modifying measures contained in this letter, or adopting new measures that would deviate from the goals of the program, and provide the European Commission, ECB and the Fund with the necessary information for program monitoring.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on April 30, 2010. In particular, the exchange rates for the purposes of the program are set €1 = 1.3315 U.S. dollar, €1 = 125.81 Japanese yen, €1.135 = 1 SDR.

General Government

3. **Definition**: For the purposes of the program, the general government includes**:**

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

companies are understood to include all of their subsidiaries which are to be consolidated under IFRS requirements.

- Local government comprising municipalities, prefectures, and regional governments including their basic and special budgets, including all agencies and institutions attached thereto, which are classified as local governments according to ESA 95.

- Social security funds comprising all funds that are established as social security funds in the registry of ELSTAT.

- Other extra budgetary entities included by ELSTAT under general government, which are not yet counted under central government.

- This definition of general (central) government also includes any new funds, or other special budgetary and extra budgetary programs that may be created during the program period to carry out operations of a fiscal nature. The government will inform IMF, European Commission and ECB staff of the creation of any such new funds, programs, or entities immediately. The general (central) government, as measured for purposes of the program monitoring in 2010, shall not include entities that are re-classified from outside general (central) government into general (central) government during the course of 2010. During the course of 2011, such reclassified entities will be included, as specified below. Entities that are reclassified during the course of 2011 from outside general (central) government into general (central) government will be excluded for the 2011 program monitoring.

4. **Supporting material:** The Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign cash balances of the central government at the central bank of Greece, all other sources of financing including capital transactions, and arrears of the general government. Data will be provided within four weeks after the closing of each month. The Bank of Greece will provide detailed monthly data on assets and liabilities of local authorities, social security funds, ETERPS (and other extra-budgetary funds), and state enterprises included in the definition of general government in line with monetary survey data.

II. Quantitative Performance Criteria, Indicative Ceilings, and Continuous Performance Criteria: Definitions and Reporting Standards

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

5. **Definition**: The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus interest payments by the state budget. The MGGCB is defined as the sum of the cash balances of the ordinary state budget, the cash balance of the public investment budget, minus the change in stock of arrears from line ministries, the change in net financial assets of local government, the change in net financial assets of social security funds, the change in net financial assets of ETERPS, the change in net financial assets of reclassified public enterprises (RPEs). Privatization receipts and the proceeds from the sale of land and buildings will be excluded from cash receipts. Net lending operations by the state budget will be recorded as cash expenditures.

- **The cash balance of the ordinary state budget.** The cash balance of the ordinary state budget will be measured from above the line, based on ordinary budget revenues (recurrent revenue plus non-recurrent revenue, including NATO revenues, minus tax refunds) minus ordinary budget expenditures (ordinary budget expenditures will exclude amortization payments but include salaries and pensions; grants to social security funds, medical care and social protection; operational and other expenditure; returned resources; payments in exchange of claims of insurance fund for the personnel working in the Public Electricity Company; interest payments; transfers for the settlement of past debt, payments for military equipment procurement on a cash basis; NATO expenses, capital transfers to social security funds or other entities by bonds; and called guarantees where the state or central government assumes payments on behalf of entities outside of the general government) of the ordinary state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the ordinary state budget.

- **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures of the investment state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.

- **The change in the stock of arrears from line ministries.** The change in stock will be measured on a cumulative basis, from January 1, 2011 onwards as the stock of arrears prevailing at the time of measurement of the PC minus the stock of arrears prevailing at end-December 2010. The stock of arrears will reflect all arrears outstanding, irrespective of the time period in which the unpaid commitments were entered into. The stock of arrears of line ministries or other spending bodies with a vote in the budget (including the Secretariat General of Information/Secretariat General of Communication, Secretariat General of Prefectures, Presidency of the Hellenic Democracy, and the Hellenic Parliament) will include any arrears (as defined under subsection C) related to the activities of the ordinary and investment budgets. Data will be in line with the monthly publications of state budget arrears, published on the Ministry of Finance website, and are expected to be based on the data from the commitment registers.

- **The change in net financial assets of local governments** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of local authorities adjusted for valuation changes by the Bank of Greece.
    - Financial assets include (but are not limited to) deposits of local governments in the Bank of Greece and deposits of local governments in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.
    - Financial liabilities include (but are not limited to) short and long term loans from domestic credit institutions to local governments, measured at face value, consistent with recording for monetary survey data.
- **The change in net financial assets of social security funds** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of social security funds, adjusted for valuation changes by the Bank of Greece; minus the change in the stock of arrears of public hospitals (NHS hospitals) to entities outside of the general government.
    - Financial assets include
        - Deposits of social security funds in the Bank of Greece and deposits of social security funds in the domestic credit institutions and deposits held either directly or indirectly through the IKA mutual fund. Deposits are measured at face value excluding accrued interest, consistent with reporting requirements for monetary survey data.
        - Holdings of shares quoted on the Athens Stock Exchange held by social security funds either directly or indirectly through the IKA mutual fund).
        - Direct or indirect holdings of Mutual Fund units issued by Greek management companies (other than the IKA mutual fund).

  - Holdings of central government bonds, including short and long-term securities issued domestically, long-term securities issued abroad operated from Bank of Greece accounts, and indirect holdings through the IKA mutual fund. Holdings will be measured at nominal value.

  - Bank bonds issued abroad.

- Financial liabilities include the short and long term loans from domestic credit institutions to the social security funds, measured consistently with monetary survey data.

- The change in the stock of arrears of public hospitals (NHS hospitals) to entities outside of the general government. Data on arrears of hospitals should be available within four weeks of the end of each month. The change in stock of arrears will be measured on a cumulative basis, from January 1, 2011 onwards as the stock of arrears prevailing at the time of measurement of the PC minus the stock of arrears prevailing at end-December 2010. The stock of arrears will reflect all arrears outstanding, irrespective of the time period in which the unpaid commitments were entered into, but will exclude the 5.34 billion hospital arrears to pharmaceutical companies which were incurred by end-2009 to the extent these are still outstanding. The stock of arrears of public hospitals will include any arrears (as defined under subsection C) related to the activities of the 135 NHS hospitals. Data will be in line with the monthly publications of hospital arrears, published on the Ministry of Finance website, and are expected to be based on data from the commitment registers.

- **The change in net financial assets of ETERPS** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of ETERPS, adjusted for valuation changes by the Bank of Greece.

  - Financial assets include

    - Deposits of ETERPS in the Bank of Greece and deposits of ETERPS in domestic credit institutions. Deposits will be measured at face value excluding accrued interest in line with recording for monetary survey data.

    - Holdings of shares, held by ETERPS, quoted on the Athens stock exchange.

    - Holdings of Mutual Fund units issued by Greek management companies.

    - Holdings of central government bonds.

        - Other bonds issued abroad.

    - Financial liabilities include the short and long term loans from the domestic credit institutions to ETERPS, measured consistently with monetary survey data, or other lending from the Bank of Greece.

- **The change in net financial assets of reclassified public enterprises (RPEs)** is defined on a transactions basis, as the change in the total of financial assets minus financial liabilities of RPEs, adjusted for valuation, minus the amount of guarantees called from entities which are consolidated within the general government.

    - Financial assets include

        - Deposits of RPEs in the Bank of Greece and deposits of RPEs in the credit institutions (domestic and foreign). Deposits will be measured at face value excluding accrued interest.

        - Holdings of shares, held by RPEs quoted on the Athens Stock Exchange.

        - Holdings of Mutual Fund units issued by Greek management companies.

        - Holdings of central government bonds.

        - Other bonds issued abroad.

    - Financial liabilities include the short and long term loans from the domestic credit institutions to RPEs, measured consistently with monetary survey data, short and long term loans from the foreign banking system, as well as loans from the EIB or other official lenders.

6. **Other provisions.**

    - For the purpose of the program, the primary expenditure of the central government that is monitored excludes payments related to bank support, when carried out under the program's banking sector support and restructuring strategy. Transactions that may be excluded from the balance include loans to financial institutions and investments in equity of financial institutions (requited recapitalization); unrequited recapitalization; purchases of troubled assets; and operations related to the FSF. However, any financial operation by central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to IMF, European Commission and ECB staff.

- For 2010, the change in the net financial assets of social security funds will be increased by the change in net financial assets of AKAGE (on a cumulative basis from January 1, 2010 onward, adjusted for valuation changes) in case these are not yet included in the net financial assets of social security funds.

- For 2010, the following items will be excluded from calculations:

    - Capital transfers to social security funds or other entities by bonds;

    - Settlement of past debt;

    - Called guarantees;

    - Changes in the stock of arrears of public hospitals (NHS hospitals) to entities outside of the general government;

    - Change in net financial assets of ETERPS; and

    - Changes in the stock of arrears to line ministries.

- The change in net financial assets of RPEs will be excluded during 2010, as well as for the end-March and end-June PCs in 2011. However, for the measurement of the end-September and end-December 2011 PCs, the change in net financial assets of RPEs will be included, measured on a cumulative basis from January 1, 2011 onward.

- Capital transfers to social security funds or other entities by bonds shall exclude bond issuance for settlement of end-2009 health related arrears, and the settlement related to the judiciary liabilities, and to the compensation for former Olympic Airways employees.

7. **Supporting material**.

- Data on cash balances of the ordinary and state budgets will be provided to the European Commission, ECB and IMF by the General Accounting Office in the Ministry of Finance within three weeks after the end of each month. Data will include detailed information on revenue and expenditure items, in line with monthly reports that are published since January 2010 on the official website of the Ministry of Finance. Data will also include data on capital transfers to social security funds or other entities in bonds, and called guarantees.

- Data on net financial assets of local authorities and social security funds, extra-budgetary funds including ETERPS, AKAGE, and reclassified public enterprises will be provided to the IMF, European Commission and ECB by the GAO in cooperation with the Statistics Department of the Bank of Greece within four weeks after the end of each month. Monthly data on arrears of public hospitals (NHS hospitals) will be provided by the Ministry of Health and arrears of line ministries by the Ministry of Finance within four weeks after the end of each month.

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

8. **Definition**: The state budget primary spending consists of state budget spending (spending of the ordinary state budget plus spending of the public investment budget) minus interest expenditures paid by the state budget plus the change in the stock of the arrears of line ministries to entities outside the general government, in line with the definitions provided above. Primary expenditure of the central government that is monitored for the Performance Criterion excludes any cash payments related to bank restructuring, when carried out under the program's banking sector restructuring strategy. Costs that may be excluded from the balance include loans to financial institutions and investments in equity of listed and non-listed financial institutions (requited recapitalization); unrequited recapitalization; and purchase of troubled assets. However, any financial operation by central or general government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to European Commission, ECB and IMF staff.

9. **Other provisions**. Capital transfers to social security funds by bonds and called guarantees from outside the general government will be excluded from primary spending during 2010. The change in the stock of arrears of line ministries will also be excluded during 2010 for the monitoring of the PC. However, for 2011 onward, such exclusion will no longer apply.

10. **Supporting material**. The General Accounting Office of the Ministry of Finance will provide monthly expenditure data of the ordinary and investment state budget, as defined above. The ministry of Finance will further provide monthly data on the stock of arrears of line ministries.

C. Non-Accumulation of Domestic Arrears by the General Government (Continuous Indicative Target)

11. **Definition**. For the purpose of the program, domestic arrears are defined as the unpaid invoices that have past the due date by 90 days. In case no due date is specified on the supplier contract, an unpaid commitment is considered to be in arrears 90 days after the initiation of the invoice. Data will be provided within four weeks after the end of each month. The continuous non-accumulation of domestic arrears is defined as no accumulation of arrears at the end of every month during which quarter the indicative target is being monitored. This does not include the arrears which are being accumulated by the Civil Servants' Welfare Fund.

12. **Supporting material.** The Ministry of Finance will provide consistent data on monthly expenditure arrears of the general government, as defined above. Data will be provided within four weeks after the end of each month and will also include accounts payable overdue for more than 30 and 60 days.

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

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

14. **Other provisions**. For 2010, the definition of central government debt will exclude the reclassified public enterprises, debts of extra-budgetary funds, and other ESA 95 adjustments.

15. **Adjusters**. For 2010, the ceiling on the overall stock of central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2009 central government debt of 298.9 billion. For 2011, the ceiling on the overall stock of ESA95 central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2009 ESA95 central government debt of 322.9 billion.

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

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

17. **Definition**. The ceiling on the new central government guarantees shall include new guarantees granted by the state, as well as new guarantees granted by any other entity that is classified under ESA95 under central government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of central government debt as defined in paragraph 13 and 14. The ceiling shall exclude guarantees to support banks and exclude guarantees related to EIB financed loans. New guarantees are guarantees extended during the current fiscal year. The latter shall include also guarantees for which the maturity is being extended beyond the initial contractual provisions.

18. **Other provisions**. For the end-December 2010 PC on new central government guarantees, these factors shall be included on a cumulative basis starting October 1, 2010.

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

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

20. **Definition**. For the purposes of the program, an external debt payment arrear will be defined as a payment on debt to non-residents contracted or guaranteed by the general government, which has not been made within seven days after falling due. The performance criterion will apply on a continuous basis throughout the program period.

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

G. Overall Monitoring and Reporting Requirements

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

III. Monitoring of Structural Benchmarks

23. **Pension reform**. Parliament adopted separate laws reforming pensions for the public and private sector in mid-July, ahead of the end-September deadline under the

program. An actuarial evaluation of this law is currently underway. The National Actuarial Authority will complete an assessment of the effects of the reform on the main pension funds by the end of December 2010, which will be expanded to include the largest auxiliary pension funds (including ETEAM, TEADY, MTPY) by end of March 2011. This actuarial assessment will determine whether further adjustments to the pension system would be needed to contain the increase in pension spending 2010-2060 at 2.5 percentage points of GDP. Any needed adjustments to the parameters of the main pensions and the reform of the auxiliary and welfare funds will be completed by end of June 2011 in consultation with the EC/IMF/ECB; and enacted by end of December 2011.

24. **Public financial management reforms**. The authorities will publish (i) monthly reports on arrears of the general government using data from commitment registers; and (ii) monthly consolidated general government reports with revenue, expenditures and intra-governmental transfers for each sub-sector of the general government. For the purposes of the benchmark, the reports will begin with end March 2011 data. The reports will include both ordinary and investment budget arrears across all line ministries, public hospitals, and the largest social security funds, extra-budgetary funds and local governments, with the latter defined as follows.

The “largest” social security funds will cover at least the top 50 funds in terms of spending as from ELSTAT reporting.

The “largest” extra-budgetary funds will cover 80 percent of existing extra budgetary funds, including at least all public enterprises classified under the general government, ETERPS, and the top 100 entities in terms of expenses as from ELSTAT reporting.

The largest local governments will be defined to include at least the 100 largest local authorities in terms of population out of the 324 authorities as defined under the “kallikrates” law.

To meet the benchmark, 3 consecutive months of reports will need to be published.

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GREECE: LETTER OF INTENT

Athens, 23 February 2011

Mr. Jean-Claude Juncker
President
Eurogroup
Brussels

Mr. Olli Rehn
Commissioner for Economic and Monetary Affairs
European Commission
Brussels

Mr. Jean-Claude Trichet
President
European Central Bank
Frankfurt am Main

Dear Messers. Juncker, Rehn and Trichet,

In the attached update to the Memorandum of Economic and Financial Policies (MEFP) and Memorandum of Understanding on Specific Economic Policy Conditionality (MoU) from 3 May, 6 August and 22 November 2010, we describe progress and policy steps towards meeting the objectives of the economic programme of the Greek government which is being supported by financial assistance provided by the euro-area Member States in the context of the loan facility agreement.

We continue to make progress with our economic program:

- The quarterly quantitative performance criteria for end-December have all been met. The ESA95 accrual deficit was above target, but at the level projected at the time of the last review, and the overall reduction in the headline deficit in 2010 is estimated to have amounted to a higher-than-initially targeted 6 percentage points of GDP. However, while we managed to reduce the stock of general government arrears at the very end of 2010, it was not enough to prevent us from missing the indicative target.

- Fiscal-structural reforms have been moving forward. A structural benchmark covering an actuarial study of the main pension funds was met. A benchmark on removing barriers to effective tax administration is expected to be met in mid-March (with tabling the legislation in parliament a prior action for the review). A benchmark covering a study of the structure, level and dynamics of public employment and compensation was partially met, and will be completed in the context of the medium-term fiscal strategy. Similarly, a benchmark on improving statistical reporting to

Elstat was also partially met, with good progress on signing MOUs with data-providing entities, and the finalization of regulations that now need to be formally approved by Elstat. The attached Memorandum of Economic and Financial Policies lays out an ambitious schedule of next stage actions to support our medium-term fiscal consolidation program, along with reforms to revenue administration and public financial management designed to strengthen budget implementation.

- The financial system remains stable. Private banks have had notable success in raising capital, and state bank restructuring has started. Exceptional ECB liquidity support has helped bridge the system to a point where banks can begin implementing medium-term plans to adjust their funding (as discussed in the memorandum below). The Financial Stability Fund is well-financed relative to projected needs.

- Progress continues with structural reforms. A structural benchmark covering a 2011-13 privatization plan was met, while a benchmark covering collective bargaining reform was partially met (and time will be needed to assess effective implementation). The opening of restricted professions has moved forward with legislation passed by parliament in February. Legislation concerning restructuring of public enterprises has been approved. The attached memorandum lays out next steps, including an expanded privatization plan and real estate development plan.

On this basis, we request the disbursement of the fourth installment of financial assistance by the euro-area Member States, pooled by the European Commission, in the amount of EUR 10 900 million.

We believe that the policies set forth in the 3 May 2010 Letter of Intent, MEFP and MoU and subsequent updates (including the one now attached), are adequate to achieve the objectives under the program. We stand ready to take any corrective actions that may become appropriate for this purpose as circumstances change. We will consult with the European Commission and the ECB, as well as with the IMF on the adoption of any such actions and in advance of revisions to the policies contained in this letter.

This letter is being copied to Mr. Strauss-Khan.

/s/	/s/
George Papaconstantinou	George Provopoulos
Minister of Finance	Governor of the Bank of Greece

Memorandum of Understanding
on
Specific Economic Policy Conditionality

(third update)

23 February 2011

The quarterly disbursements of bilateral financial assistance from euro-area Member States are subject to quarterly reviews of conditionality for the duration of the arrangement. The release of the tranches will be based on observance of quantitative performance criteria and a positive evaluation of progress made with respect to policy criteria in Council Decision 2010/320/EU of 10 May 2010 (as amended), the MEFP and in this Memorandum. These criteria have been updated and further specified during the February 2011 review.

Annex 1 on data provision is part of the Memorandum and how well it has been respected will be considered in the assessment of compliance.

The authorities commit to consult with the European Commission, the ECB and the IMF staff on adoption of policies falling within the scope of this Memorandum allowing sufficient time for review. They will also provide them with all requested information for monitoring progress during program's implementation. Government provides a quarterly report in line with Article 4 of Council Decision 2010/320/EU.

1. Actions for the fourth review (actions to be completed by end Q1-2011)

i. Fiscal consolidation

Government rigorously implements the budget for 2011 in line with this Memorandum.

The Ministry of Finance ensures tight supervision of expenditure commitments by the government departments, including extrabudgetary funds, the public investment budget, social security funds and hospitals, local governments and public enterprises, and effective tax collection, to secure the attainment of the programme quantitative criteria (Article 1 (2 and 3) of Council Decision 2010/320/EU, as amended, and Table 2 of the MEFP).

The Ministry of Finance releases 1/14 of the annual budgetary appropriation (excluding wages, pensions and interest) per month to each ministry. The remaining budgetary appropriations will not be released before September 2011, and may be cancelled by the Ministry of Finance, according to the need to respect the government deficit ceiling.

Government clears payment arrears accumulated in 2010 and reduces those of previous years.

Medium-term budgetary planning

Government prepares a medium-term budgetary strategy paper which identifies permanent fiscal consolidation measures of at least 8 percent of GDP, (some of which have already been identified in May 2010), plus a contingency reserve that will ensure the achievement of deficit targets up to 2014, and that the debt-to-GDP ratio is put on a sustainable downward path.

The strategy paper will be published for public consultation before end-March, adopted by the Council of Ministers by mid-April and voted by Parliament by mid-May. It will be the basis for preparing the 2012 budget.

The medium-term strategy paper includes, in particular:

- prudent macroeconomic forecasts;
- baseline revenue and expenditure projections for the state and for the other government entities;
- a description of permanent fiscal measures, their timing and quantification;
- annual spending ceilings for each ministry and fiscal targets for other government entities through 2014;
- post-measures fiscal projections for general government in line with the deficit and debt targets;
- longer-term debt projections based on prudent macroeconomic projections, stable primary surpluses from 2014 on, and privatisation plans.

The medium-term strategy will be articulated with the ongoing healthcare and pension reforms and with specific sectoral plans. The sectoral plans (draft plans to be available by end-March), will cover in particular:

- state-owned enterprises;
- extrabudgetary funds (legal entities of the public sector and earmarked accounts);
- tax policy reforms;
- public wage bill;
- public administration;
- social spending;
- public investment and
- military spending.

Each sectoral plan will be managed by interministerial taskforces to be appointed by end February.

ii. Structural fiscal reforms

Revenue administration reforms

Government launches an anti-tax evasion plan. The plan includes quantitative performance indicators to hold revenue administration accountable.

Government adopts legislation to streamline the administrative tax dispute and judicial appeal processes, centralises filing enforcement and debt collection, indirect audit methods and tax return processing, and adopts the required acts and procedures to better address misconduct, corruption and poor performance of tax officials, including prosecution in cases of breach of duty and a more flexible recruitment process to appoint and promote good performers (based on principles of meritocracy, objectivity and transparency).

Government starts publishing monthly reports of the five anti-tax evasion taskforces, including a set of progress indicators.

Public financial management reforms

To strengthen expenditure control, Government

- adopts an act specifying the qualification and responsibilities of accounting officers to be appointed in all line ministries and major government entities with the responsibility to ensure sound financial controls;
- appoints financial accounting officers;
- accelerates the process of establishing commitment registries. It will make operational registries covering the whole general government (except the smallest entities).

Public sector wages and human resource management

Government presents a detailed action plan with a timeline to complete and implement the simplified remuneration system. This plan will be based on the results of the report published by the Ministry of Finance and the Single Payment Authority.

Government prepares a medium-term human resource plan for the period up to 2014 in line with the rule of 1 recruitment for 5 exits.[1] The plan will include tighter rules for temporary staff, cancellation of vacant job post and reallocation of qualified staff to priority areas.

Government starts publishing monthly data on staff movements (entries, exits, transfers among entities) of the several government departments.

To complete the pension reform

The National Actuarial Authority (NAA) submits comprehensive long-term projections of pension expenditure up to 2060 under the adopted reform. The projection will be peer-reviewed and validated by the EU Economic Policy Committee and the European Commission, IMF and ECB staff. The projections shall encompass the main supplementary (auxiliary) schemes, based on comprehensive set of data collected and elaborated by the NAA.

Asset management

Government starts compiling the inventory of state-owned assets, including stakes in quoted and non-quoted enterprises, and commercially viable real estate and land. Government provides an interim report – including a first list of assets – and describes steps taken to ensure that the first part of the inventory will be ready by June 2011.

Government appoints financial advisors for the formation of real estate and land portfolios, and the structuring of the associated privatisation transactions.

Proceeds from privatisation are to be used to redeem debt and do not substitute fiscal consolidation efforts.

Fighting waste in public enterprises

With the aim of fighting waste and mismanagement in state-owned companies, Government adopted an act by end 2010 that:

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[1] This rule is without sectoral exceptions; it also applies to staff transferred from public enterprises to other government entities.

- Cuts primary remuneration in public enterprises by at least 10 percent at company level (applicable from January 2011 on);
- Limits secondary remuneration to 10 percent of primary remuneration at company level (applicable from January 2011 on);
- Establishes a ceiling for gross earnings of EUR 4 000 per month (12 payments per year) (applicable from January 2011 on);
- Increases urban transport tariffs by at least 30 percent;
- Establishes actions that reduce operating expenditure in public companies between 15 to 25 percent, according to the specific needs of enterprises.

These measures should be immediately effective and yield annual fiscal savings of at least EUR 800 million compared to 2010.

Government publishes an action plan for restructuring state-owned enterprises and other public entities leading to the closure of non-viable enterprises and extra-budgetary funds that have outlived their original purpose.

In particular, Government adopts and starts implementing a legal act and a business plan for the restructuring of the Athens transport network (OASA). The objective is to make the company economically viable. Subsidies shall not exceed 40 percent of operational cost in conformity with EU practices. The plan includes cuts in operational expenditure of the company and tariff increases. It includes a fiscal impact analysis and sensitivity analysis and includes monitoring and enforcement mechanisms (including performance indicators and predefining correcting mechanisms in case of deviation from the plan). The required legal act is adopted by end February 2011, while restructuring starts to be effective by end March 2011.

Government publishes monthly information on the accounts of public enterprises classified in general government with a lag of three weeks, based on the central registry for public enterprises.

Government revises the framework law (Law 3429/2005) on state-owned corporate governance, with the aim of adopting management in accordance with international best practices. The new framework law requires auditing of the companies accounts at least with semi annual frequency (quarterly frequency for at least the ten largest state-owned enterprises by turnover) and the strengthening of enterprises' internal controlling, strengthens rules on asset management and introduces more flexibility in working practices.

When restructuring state-owned enterprises, or preparing them for privatisation, specific attention will be given to timely clear state aid issues.

Local administration

Government monitors the implementation of the recently adopted acts on the restructuring of local government, the no-deficit rule (at least until 2014) and the transfers paid to local government. It continues the implementation of legislation reforming public administration and reorganising local government with the aim of reducing costs and increasing revenue by at least EUR 1 500 million in 2013, of which at least EUR 500 million in 2011 and additional EUR 500 million in 2012.

To modernise the health care system

Building on important reforms already undertaken over the recent months, in particular the move towards the integration of the primary healthcare, changes in the supplies system and progress in hospital computerisation, Government continues to implement the comprehensive reform of the health care system started in 2010 with the objective of keeping public health expenditure at or below 6 percent of GDP, while maintaining universal access and improving the quality of care delivery.

Government has taken measures yielding savings on pharmaceuticals of at least EUR 2 billion relative to the 2010 level, of which at least EUR 1 billion in 2011. This will bring average public spending on outpatient pharmaceuticals to about 1 percent of GDP (in line with the EU average) by end 2012.

More specifically, the following measures are implemented by end March 2011:

Governance

Government implements the provisions of Article 31 and 32 of Law 3863/2010. In particular, the Health Benefit Coordination Council (SYSPY):

– establishes new criteria and terms for the conclusions of contracts by social security funds (including OPAD) with all healthcare providers, and all other actions envisaged in Article 32 with the aim of achieving the targeted reduction in spending;
– initiates joint purchase of medical services and goods to achieve substantial expenditure reduction (of at least 25 percent compared to 2010) through price-volume agreements.

Comprehensive E-prescribing

Government takes all necessary measures in order to extend in a cost-effective way the e-prescribing of medicines, diagnostics and doctors' referrals to all social security funds, health centres and hospitals. To this extent, in compliance with EU procurement rules, Government speeds up and finalises the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system).

Each social security fund together with SYSPY establishes a process to regularly assess the information obtained through the e-prescribing system and produces regular reports (at least on a six-monthly basis) to be transmitted to the competent authorities in the Ministry of Labour, Ministry of Health, Ministry of Finance and ELSTAT. Monitoring and assessment is done through a dedicated common unit under SYSPY. On the basis of the information available and the assessment conducted, a yearly report is published and feedback is provided to each physician. Sanctions and penalties will be enforced as a follow up to the assessment.

Hospital computerisation and monitoring system

Government (Ministry of Health) completes the programme of hospital computerisation. In particular, building on the web-based platform esy.net, it finalises the process of centralisation of information. The Ministry of Health creates a dedicated service/unit to collect and scrutinise data and produce monthly and annual reports. A copy of these reports is transmitted to the competent authority in the Ministry of Finance. Government takes measures to ensure the integration and consolidation of hospitals' IT systems.

Government takes measures to improve the accounting, book keeping (of medical supplies) and billing systems, through:

– finalising the introduction of double-entry accrual accounting systems in all hospitals;
– the use of the uniform coding system and a common registry for medical supplies developed by the Health Procurement Commission (EPY) and the National Centre for Medical Technology (EKEVYL) for the purpose of procuring medical supplies;
– the calculation of stocks and flows of medical supplies in all the hospitals using the uniform coding system for medical supplies;
– the timely invoicing of treatment costs (no later than 2 months) to Greek social security funds, other EU Member States and private health insurers for the treatment of non-nationals/ non-residents;
– the use of e-prescribing for all medical acts (medicines, referrals, diagnostics, surgery) in all NHS facilities.

Increasing use of generic medicines

Government takes measures to ensure that at least 50 percent of the volume of medicines used by public hospitals by end of 2011 is composed of generics with price below that of similar branded products and off-patent medicines, in particular by making compulsory that all public hospitals procure pharmaceutical products by active substance.

Pricing of medicines

Government
– moves the responsibility of pricing medicines to EOF and all other aspects of pharmaceutical policy to the Ministry of Health, to rationalise licensing, pricing and reimbursement systems for medicines;
– under the new law, reduced the profit margin of pharmacies on retail prices directly to 15-20 percent, or indirectly by establishing a system of rebates for pharmacies with sales above a designated threshold.
– reduces the profit margin of wholesale companies distributing pharmaceuticals by at least one third.
– updates and publishes the complete price list for the medicines in the market, using the new pricing mechanism. Continue to regularly update it on a quarterly basis;

– lifts the caps to the price reductions used when the price list was first introduced.

Prescribing and monitoring

Government

– publishes the prescription guidelines for physicians defined by EOF on the basis of international prescription guidelines;
– publishes the new positive list of reimbursed medicines using the new reference price system developed by EOF.

Accounting and control

By end February, Government starts publishing monthly data on healthcare expenditure for at the least the main social security funds (IKA, OAEE, OGA and OPAD) with a lag of three weeks after the end of the respective month (see annex 1).

Task force

The independent task force of health policy experts created at the end of 2010 produces, in cooperation with the European Commission, the ECB and the IMF, an interim policy report with initial indications on the necessary revisions to the policies implemented recently and the improvements for the years to come. To accomplish this, the taskforce has access to all necessary information on health-related issues from the relevant ministries and government agencies and health funds upon request and through dedicated fact-finding meetings. It receives adequate administrative support.

iii. Financial sector regulation and supervision

Government transfers, by end February, EUR 1 000 million to a dedicated government account opened by the General Accounting Office. Funds from this account are regularly released to the Hellenic Financial Stability Fund to ensure the latter keeps a cash balance of EUR 1 500 million and if programme reviews of bank capital suggest that the resources are necessary. The release of the funds is subject to agreement by the European Commission, ECB and IMF staffs.

Government puts forward for parliamentary adoption a new tranche of government guarantees for uncovered bank bonds. This tranche will amount to EUR 30 billion. The guarantee tranche is subject to approval by the European Commission.

Government tables legislation with the aim of unbundling the core consignment activity of the Loan and Consignment Fund from deposit-taking and loan distribution activities.

FSF is adequately staffed.

Government tables legislation that places all registered banks' employees under the same private sector status, regardless of the bank ownership.

To support banks in their effort to restructure operations, Government takes steps to limit bonuses and to eliminate the so called 'balance-sheet premium,' or other equivalent measures.

The Bank of Greece commits to reduce remuneration of its staff in light of the overall effort of fiscal consolidation.

iv. Structural reforms

To strengthen labour market institutions

Government reforms legislation on fixed-term contracts and on working-time management.

Government simplifies the procedure for the creation of firm-level trade unions.

To reform and modernise public administration

Public procurement

Government adopts legislation establishing the Single Public Procurement Authority with the mandate, objectives, competences, powers and schedule for entry into force in line with the Action Plan agreed with the European Commission in November 2010. Government transmitted the draft law to the Commission for review and an assessment of compliance with the Action Plan.

Government launches the development of an e-procurement IT platform and sets intermediate milestones in line with the Action Plan. This includes: testing a pilot version, availability of all functionalities for all contracts and phasing-in of the mandatory use of e-procurement system for supplies, services and works contracts.

Better Regulation

Government adopts measures needed to implement the 'Better Regulation agenda', covering in particular the areas of codification, impact assessment, the reduction of administrative burdens and the 'Better Regulation' structure.

To improve the business environment and enhance competition in open markets

Restricted professions

Government adopts legislation to remove unjustified or disproportionate restrictions to competition, business and trade in restricted professions including:

- the legal profession, to remove unnecessary restrictions on fixed minimum tariffs, the effective ban on advertising, territorial restrictions on where lawyers can practice;
- the notary profession, to reduce fixed tariffs and increase the number of notaries;
- the pharmacy profession, to permit incorporation, increase operating hours and reduce the minimum population criterion for opening new pharmacies; (voted in February);
- architects and engineers, covering fixed minimum tariffs;
- auditing services, covering fixed tariffs, minimum hours per case and maximum annual working hours.[2]

It publishes the opinion of the Hellenic Competition Commission on this legislation.

Government screens the statutes of the professional chambers to identify rules on access to, and exercise of, the profession, and on pricing, that are against the new law on restricted professions and EU law. The necessary changes to these statutes are adopted by June.

Government takes measures ensuring that providers of services are not subject to requirements which oblige them to exercise a given specific activity exclusively, or which restrict the exercise jointly or in partnership of different activities, except in the circumstances and under the conditions set in the Services Directive.

Government takes measures to remove complete prohibitions on commercial communications by the regulated professions and to ensure that professional rules on commercial communications are non-discriminatory, justified by an overriding reason relating to the public interest and proportionate.

Recognition of professional qualifications

Government continues to take all necessary measures to ensure the effective implementation of EU rules on recognition of professional qualifications, including compliance with ECJ rulings (*inter alia*, related to franchised diplomas). It updates information on the number of pending applications for recognition of professional qualifications, and sends it to the Commission.[3]

Sectoral growth drivers

Government publishes a report analysing the potential contribution of the tourism sector to growth and jobs. It should identify legislative, administrative and other obstacles hindering competition and market entry to the realisation of sector potential.

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[2] Government establishes a two-year sunset clause for minimum and maximum working hours.

[3] This information specifies since when applications are pending, number of applications per profession, nature of diploma (franchised or not) and a timetable for dealing with pending applications, and includes decisions on the recognition of franchised diplomas.

Government publishes a report analysing the potential contribution of the retail sector to price flexibility, growth and jobs. It should identify legislative, administrative and other obstacles hindering competition and market entry to the realisation of sector potential.

Competition policy

Government finalises the adoption of a law modifying the existing institutional framework of the Hellenic Competition Commission (HCC). It ensures the HCC's independence, effectiveness and accountability, and warrants continuity in the operation of the HCC board. The new law abolishes the notification system for all agreements falling within the scope of Article 1 of Law 703/1977, grants the HCC the power to reject complaints and to prioritize cases effectively and establishes reasonable deadlines for the investigation and issuance of decisions.

Investment and licensing laws

Government adopts all presidential decrees and ministerial decisions necessary for the implementation of the law on aid for private investment to promote economic growth, entrepreneurship and regional cohesion, and ensures accordance with the fiscal consolidation requirements

Government ensures the acceleration of the environmental licensing by committing the authorising authority to proceed with the approval procedure after a specified time period.

Commercial and land registry

Government makes General Commercial Registry (GEMI) and one-stop shops for business start-ups operational.

Government provides sufficient resources for accelerating the completion of the land registry, with a view to tendering cadastral projects for additional 4 million rights by December 2011, completing the works for the large urban centres by 2015 and completing the overall project by 2020.

Business-friendly Greece

Government starts implementing the measures identified by the action plan for a business-friendly Greece according to the timetable for the removal of the 30 most important remaining restrictions to business activity, investment and innovation.

Export and R&D promotion

Government pursues an up-to-date and in-depth evaluation of all R&D and ongoing innovation actions, including in various operational programmes, and presents an action plan for policies aimed at enhancing the quality and the synergies between public and private R&D and innovation, as well as tertiary education. This action plan identifies a clear timetable for relevant measures to be taken, taking the budgetary impact into account and harmonising these actions with other relevant initiatives in these areas (in particular the investment law).

Government finalises the creation of an external advisory council, to consider how to foster innovation, strengthen links between public research and Greek industries and the development of regional industrial clusters.

Government presents an action plan with a view to abolishing the requirement of registration with the exporter's registry of the chamber of commerce for obtaining a certificate of origin by September 2011.

Services directive

Government ensures that the point of single contact (PSC) distinguishes between procedures applicable to service providers established in Greece and those applicable to cross-border providers (in particular for the regulated professions).[4]

Government:

– ensures adequate links between the PSC and other relevant authorities (including professional associations);
– allows the online completion of procedures covering at least, the procedures in the distribution services, tourism, education and construction sectors as well as in food and beverage services, services of the regulated professions – including the recognition of professional qualifications –, real estate services, and business services.

Government completes the adoption of changes to existing (sectoral) legislation in key services sectors such as tourism, retail and private education services. New acts should:

– facilitate establishment by:
  - abolishing or amending requirements which are prohibited by the Services Directive; and
  - significantly reducing requirements, including those relating to quantitative and territorial restrictions, legal form requirements, shareholding requirements, fixed minimum and/or maximum tariffs and restrictions to multidisciplinary activities.
– facilitate the provision of cross-border services, so that providers of cross-border services are required to comply with specific requirements of the Greek

[4] This will be done by the Ministry of Interior based on information provided by the relevant ministries.

Law only in exceptional cases (when admitted by Articles 16 or 17 of the Services Directive).

– provide legal certainty for providers of cross-border services by setting out in the respective (sectoral) legislation which requirements can, and which requirements cannot, be applied to cross-border services.

Energy

Government commences implementation of plan for opening up lignite-fired electricity generation to third parties.

Government presents detailed plans for ensuring a maximum market opening as regards the non-interconnected system.

Government commences implementation of its commitment to award the hydro reserves management to an independent body.

Government starts to implement the mechanism to ensure that the energy component of regulated tariffs reflects, gradually and at the latest by June 2013, wholesale market prices, except for vulnerable consumers.

In order to ensure that network activities are unbundled from supply activities as foreseen in the second and third energy liberalisation packages, the following measures are implemented:

– Government adopts a Decision on the modalities of unbundling of the transmission system operator in line with the third energy liberalization package, ensuring timely management appointments, and adopts necessary legislation to ensure the creation of fully unbundled electricity and gas transmission system operators by March 2012.
– Government ensures the creation and effective operation of an independent Distribution System Operator, in line with the second and third energy liberalisation packages.

Government transfers to RAE (Regulatory Authority for Energy) all regulatory powers assigned to EU energy regulators in the third energy liberalisation package (licensing, network access, network charges, market monitoring, etc).

Government adopts measures to ensure the independence of RAE (impartial and transparent nomination of board, management authority with regard to budget and personnel, etc. in line with the third energy liberalisation package).

Transport

Government adopts a new regulatory framework to facilitate the conclusion of concession agreements for regional airports. The new regulatory framework should contribute to the development of the tourism sector and be mindful of preventing anticompetitive practices and foresee appropriate oversight of the allocation and operation of concessions, in full respect of state aid rules.

Government adopts a law that removes the current restrictions on the provision of services for occasional passenger transport by buses, coaches and limousines and which guarantees that any operator that meets clearly specified criteria related to professional capacity has unlimited access to the market. The cost for granting and renewing of licenses shall not exceed the administrative costs related to the licensing procedure and shall be levied in proportion to the number of vehicles licensed. The method for calculating the fees must be transparent and objective and shall not lead to over recovery of costs incurred.

To upgrade the education system

Government establishes, by end February 2011, an independent taskforce on education policy with the purpose of indicating specific policy measures aimed at increasing the efficiency and effectiveness of the public education system (primary, secondary and higher education) and reach a more efficient use of resources.

To raise the absorption rates of structural and cohesion funds

Government adopts legislation to shorten deadlines and simplify procedures on contract award and land expropriations (including the deadlines needed for the relevant legal proceedings).

Government carries out an evaluation the time-saving effects of the legislation

- on contract awards and land expropriation,
- on permits by the Central Archaeological Council in Athens,
- on environmental licensing (see below 'business environment').

Government submits a timetable for the preparation, selection and implementation of different types of projects (including scenarios of legal proceedings), derived from the above legislation. The timetable will serve as a benchmark for monitoring of projects.

2. Actions for the fifth review (actions to be completed by end Q2-2011)

i. Fiscal consolidation

Government rigorously implements the budget for 2011 in line with this Memorandum, and the fiscal consolidation measures in the budget.

Government stands ready to define and enact additional measures if needed to reach the budgetary targets.

The Council of Ministers adopts the medium-term budgetary strategy paper by end April, to be voted by Parliament by mid-May.

ii. Structural fiscal reforms

To complete the pension reform

Government proceeds with an in-depth revision of the functioning of secondary/supplementary public pension funds (including welfare funds and lump-sum schemes). The aim of the revision is to stabilise pension expenditure, guarantee the budgetary neutrality of these schemes, and ensure medium- and long-term sustainability of the system. The revision should achieve:

- the reduction in the number of existing funds;
- the elimination of imbalances in those funds with deficits;
- the stabilisation of the current spending at sustainable level, through appropriate adjustments to be made from 1 January 2012;
- the long-term sustainability of secondary schemes through a strict link between contributions and benefits.

This reform contributes to achieve the overarching target of reducing the overall (basic, contributory, supplementary and any other related scheme, including lump sums at retirement) increase of public sector pension spending, over the period 2009-60, to under 2.5 percentage points of GDP.

The reform of the secondary (supplementary) schemes is designed in close consultation with European Commission, IMF and ECB staff, and its estimated impact on long-term sustainability is validated by the EU Economic Policy Committee. The parameters of the new secondary notional defined-contribution system ensure long-term actuarial balance, as assessed by the National Actuarial Authority.

If the projections by the National Actuarial Authority show that, even after the reforms of the supplementary schemes, the projected increase in the total public pension expenditure would exceed the limit of 2.5 percentage points of GDP over 2009-60, Government revises also the main parameters of the pension system provided by Law 3863/2010. The revision is designed in close consultation with the European Commission, the IMF and the ECB staffs.

Government substantially revises the list of heavy and arduous professions, and reduces its coverage to no more than 10 percent of employment. The new list of Difficult and Hazardous Occupations (Law 3863/2010) shall apply with effect from 1 July 2011 to all current and future workers.

The Bank of Greece commits not to grant pension privileges to its staff and to revise the main parameters of its pension scheme to align them with those of IKA.

Military spending

The new National Medium-Term Military Procurement Programme, 2011-25, which is expected to be adopted by May 2011, plans a reduction in military expenditure that durably contributes to fiscal consolidation, without prejudice to national defence capability.

Asset management

Government publishes an inventory of state-owned assets, including stakes in listed and non-listed enterprises and commercially viable real estate and land. It also provides estimated values of these assets. The inventory will continue to be updated until end-year to ensure it is comprehensive.

Government establishes a General Secretariat of Real Estate Development in order to improve coordination and accelerate the privatisation and asset management program and takes appropriate steps to the creation of special investment vehicles,

On the basis of this inventory, privatisation plans are revised and accelerated targeting total proceeds of at least EUR 15 billion during the programme period. The pace of privatisation and real estate development is expected to pick up further in the following years.

Government privatises its stake in Casino Mont Parnes and extends the concession of the Athens International Airport.

To modernise the health care system

Government takes additional measures to promote the use of generic medicines through:

- compulsory doctors' e-prescription by active substance;
- associating a lower cost-sharing rate to generic medicines that have a significantly lower price than the reference price (lower than 60 percent of the reference price) on the basis of the experience of other EU countries;
- setting the maximum price of generics to 60 percent of the branded medicine with similar active substance.

Government extends the use of capitation payment of physician, currently used by OAEE, to all contracts between social security funds and the doctors they contract. The new payment mechanism starts for each new contract renewed in 2011 and for all contracts from 2012. It defines a minimum number of patients per doctor, on the basis of the experience of other EU Member States.

Government moves towards greater equalisation across funds regarding contribution rates and minimum benefit packages, with the aim of full equalisation by 2012, building on Law 3655/2008.

To reduce costs and improve quality of care for patients, Government:

- adjusts public hospital provision by implementing joint management / joint operation between small scale hospitals and big hospitals within the same district and health region;
- revises the activity of small hospitals in a move towards specialisation in areas such as rehabilitation or cancer treatment where relevant;
- in districts with more than one hospital (excluding university hospitals) use a joint management / joint operation system;
- increases mobility of healthcare staff (including doctors) within and across health regions.

The independent task force of health policy experts created at the end- 2010 produces, in cooperation with the European Commission, the ECB and the IMF, its final policy report by end May 2011, with specific recommendations on revisions to the policies implemented so far. The report and policies proposals cover the following areas:

- Health system governance in order to reduce the fragmentation of the system;
- Financing: pooling, collection and distribution of funds;
- Harmonization of health packages across funds;
- Service provision and incentives for providers including:
    - integration between private and public provision;
    - primary care vis-à-vis specialist and hospital care;
    - efficiency in the provision of hospital services;
    - pharmaceutical consumption;
    - human resources;
- Public health priorities, health promotion and disease prevention;
- Data collection, health technology assessment and assessment of performance;
- Expenditure control mechanisms.

The report will provide quantitative targets in the fields above, in order to contribute to keep public expenditure on health as a ratio to GDP constant at, or below, 6 percent. On the basis of this report, the Government adopts an action plan by end June 2011, including a timetable for concrete actions.

Accounting and control

Internal controllers are assigned to all major hospitals.

Government ensures that the programme of hospital computerisation allows for a measurement of hospital and health centres activity. To that end, the Government defines a core set of activity and expenditure indicators in line with Eurostat, OECD and WHO health databases. ELSTAT starts providing data in line with the System of Health National (joint questionnaire collection exercise).

Government ensures that the programme of hospital computerisation allows for the setting up of a basic system of patient electronic medical records.

By end-May, Government starts publishing monthly data on healthcare expenditure by all social security funds with a lag of three weeks after the end of the respective month (see Annex 1).

Wages and human resource management in the health care sector

The Ministry of Health and the Ministry of Labour, in cooperation with the Ministry of Finance prepare a regular annual report (the first one to be published by end-May 2011), on the structure and levels of remuneration (including fees provisions to consultants and doctors) and the volume and dynamics of employment in the hospitals, health centres, and health funds. The report will present plans for the allocation of human resources for the period up to 2013. It specifies any plan to reallocate qualified and support staff within the NHS and health funds.

iii. Financial sector regulation and supervision

Government transfers EUR 1 000 million to a dedicated government account opened by the General Accounting Office. Funds from this account are regularly released to the Hellenic Financial Stability Fund to ensure the latter keeps a cash balance of EUR 1 500 million and if programme reviews of bank capital suggest that the resources are necessary. The release of the funds is subject to agreement by the European Commission, ECB and IMF staffs.

The capital increase of ATE is completed.

FSF is fully staffed.

Bank of Greece hires qualified staff to be able to strengthening banking supervision.

Bank of Greece undertakes a diagnostic assessment of insurance firms.

iv. Structural reforms

To modernise public administration

Functional reviews

Government assesses the results of the first phase of the independent functional review of central administration, including operational policy recommendations. The functional review of existing social programmes is finalised.

Public sector wages and human resource management

Government adopts legislation establishing a simplified remuneration system covering basic wages and allowances that applies to all public sector employees ensuring that remuneration reflects productivity and tasks: this reform should be part of an overall reform of Human Resource management in the public sector.

Public procurement

Government undertakes a thorough review of the system of redress against award procedures and the role to confer to the Single Public Procurement Authority in agreement with the European Commission.

Government undertakes a review identifying areas to increase the efficiency of the public procurement system on all outside the Single Public Procurement Authority, as specified in the Action Plan. The review includes conclusions and actions in agreement with the European Commission.

Restricted professions

Government takes measures on commercial communications by the regulated professions and on multidisciplinary activities, in accordance with the Services Directive.

Government adopts all presidential decrees necessary for the implementation of the law on fast-track licensing procedure for technical professions, manufacturing activities and business parks.

Recognition of professional qualifications

Government removes prohibitions to ensure that holders of franchised diplomas from other Member States have the right to work in Greece under the same conditions as holders of Greek degrees.

To upgrade the education system

The independent taskforce on education publishes a detailed blueprint for improvement of the efficiency and effectiveness in the use of resources in the public education system. This blueprint includes concrete policy recommendations that the Ministry of Education takes into account for implementation.

To strengthen labour market institutions

Government completes the reform to strengthen the Labour Inspectorate, which should be fully resourced with qualified staff. Quantitative targets on the number of controls to be executed should be set for the Labour Inspectorate.

Government adapts legislation on tackling undeclared work to require the registration of new employees before they start working.

To improve the business environment and enhance competition in open markets

Services Directive

Government adopts legislation on the services sectors of agriculture, transport, employment, technical services, sanitary facilities, welfare, wholesale and other priority identified in the Q4-2010 progress report. Government specifies, for any remaining sectors, a timetable for adopting sectoral legislation by end-2011 that ensures full compliance with the requirements of the Services Directive.

Sectoral growth drivers

Government adopts legislation and takes other structural actions to implement the findings of the report analysing the potential contribution of the tourism sector to growth and jobs in the Greek economy.

Government adopts legislation and takes other structural actions to implement the findings of the report analysing the potential contribution of the retail sector to price flexibility, growth and jobs in the Greek economy.

Business environment

Government adopts legislation to simplify and shorten procedures to complete studies on environmental impact and to get the approval of environmental terms with a view to reducing the number of projects subject to environmental licensing and the duration of approval procedures to EU average levels.

Government implements an action plan to abolish the requirement of registration with the exporter's registry of the chamber of commerce for obtaining a certificate of origin.

Government reviews and codifies the legislative framework of exports (i.e., Law 936/70 and Law Order 3999/59), simplifies the process to clear customs for exports and imports and gives larger companies or industrial areas the possibility to be certified to clear cargo for the customs themselves.

To raise the absorption rates of structural and cohesion funds

Government meets targets for payment claims in the absorption of EU structural and cohesion funds set down in the table below. Compliance with the targets shall be measured by certified data. In addition, Government achieves a semi-annual target of submitting 5 major project applications to the Commission. It provides data on expenditure for non-targeted *de minimis* state aid measures declared to the Commission in 2010.

Government adopts and implements the appropriate acts to ensure the smooth and timely implementation of structural-fund programmes in the framework of the recent local administration reform.

Table 1: Targets for payment claims in the absorption of Structural and Cohesion Funds (programming period 2007-2013) to be submitted between 2010 and 2013 (in EUR million)

	2010	**2011**	**2012**	**2013**
European Regional Fund and Cohesion Fund	*target:* 2 330.0 *outcome:* 2 372.4	2 600	2 850	3 000
European Social Fund	*target:* 420.0 *outcome:* 447.6	750	880	890
Target of first half of the year	-	1 105	1 231	1 284
Target of second half of the year	-	2 245	2 499	2 606
Total annual target	*target:* **2 750** *outcome* **2 820**	**3 350**	**3 730**	**3 890**

3. Actions for the sixth review (to be completed by end Q3-2011)

i. Fiscal consolidation

Government rigorously implements the budget for 2011 in line with this Memorandum. Government stands ready to enact additional measures if needed to comply with the budgetary targets.

Government adopts an act to equalise the taxation of heating oil – to be applicable from 15 October 2011 on – with the aim of fighting fraud and yielding at least EUR 400 million in 2011, with a carry-over of EUR 320 million in 2012, net of specific measure to protect the less prosperous population strata.

Government adopts a draft budget for 2012 aiming at a further reduction of the general government deficit in line with the programme and including the detailed presentation of consolidation measures amounting to at least 2.2 percent of GDP, including the following measures (these measures and their yield will be revisited during the fourth review taking into account the medium-term fiscal strategy):

- Reduce public employment on top of the rule of 1 recruitment for each 5 exits in the public sector;[5] the reduction in public employment on top of the 1-to-5 rule should allow savings of at least EUR 600 million;
- Establish excises for non alcoholic beverages, for a total amount of at least EUR 300 million;
- Continue the expansion of the base of the real estate tax by updating asset values to yield at least EUR 200 million additional revenue;
- Continue the reorganisation of local government, contributing by at least EUR 500 million in savings to the reduction of the general government deficit;
- Nominal freeze in pensions yielding savings of at least EUR 250 million;
- Continue to increase the effectiveness of the presumptive taxation of professionals, with the aim of collecting at least additional EUR 100 million;
- Reduction of current and capital transfers to public enterprises by at least EUR 800 million following their restructuring;
- Make unemployment benefits means-tested (aiming at savings of EUR 500 million);
- Collect further revenue from the licensing of gaming of at least EUR 225 million in one-off sales of licences and increase the annual yield from royalties by an addition EUR 400 million;
- Further broadening of VAT base with the aim of collecting at least additional EUR 300 million;
- Fully implement the green tax and increase its annual yield by least EUR 150 million;
- Increase the collection of a special tax on unauthorised establishments by an additional EUR 100 million;

[5] The rule also applies to staff transferred from public enterprises under restructuring to government entities.

- Reduction in domestically-financed spending in investment by at least EUR 500 million compared to the actual 2011 level, while increasing revenue by giving priority to investment projects financed by EU structural and cohesion funds.

ii. Fiscal structural reforms

Tax reform

Government tables legislation to simplify the tax system, raise revenue in a progressive manner and facilitate more effective tax administration.

Asset management

Building on the inventory of commercial state-owned real-estate assets (to be published by June) Government elaborates a medium-term plan to divest state assets, revises the privatisation receipts planned for 2011-13 and extends the plan through 2015.

Government privatises Hellenic Defense Systems and the State Lottery Tickets.

To modernise the health care system

Government starts the implementation of the measures recommended by the independent task force on health care.

iii. Structural reforms

To strengthen labour market institutions

Government promotes, monitors and assesses the implementation of the new special firm-level collective agreements. It ensures that there is no formal or effective impediment to these agreements and that they contribute to align wage developments with productivity developments at firm level, thereby promoting competitiveness and creating and preserving jobs. It provides a report on its assessment. Any necessary amendment to the law on sectoral collective bargaining is adopted before end-July 2011.

To modernise public administration

Government ensures full operation of the 'Better Regulation Agenda' to reduce the administrative burden by 20 percent compared with 2008.

Public procurement

Government ensures that the e-procurement framework is fully operational, and creates a common website for the publishing of all procurement procedures and outcomes.

To improve the business environment and strengthen competition in open markets

Government changes legislation to mitigate tax obstacles to mergers and acquisitions such as the non-transfer of accumulated losses, together with the company and the complex computation of 'excessive benefit' (Law 3522/2006, Article 11) in the transfer of private limited companies.

Business environment

Government presents an impact assessment evaluating Law 3853/2010 on simplification of procedures for the establishment of companies in terms of the savings in time and cost to set up a business.

Government abolishes the requirement of registration with the exporter's registry of the chamber of commerce for obtaining a certificate of origin.

Restricted professions

In the implementation of the new law on the opening of restricted professions, Government promptly adopts the necessary decrees, administrative orders or circulars. Restrictions to be reinstated should consider public interest, the need to promote competition and takes into account international best practice. Government consults widely before the adoption of these restrictions.

Government publishes a report on the implementation of the legislation on regulated professions with a view to assessing whether further measures are needed.

Services Directive

Government ensures that the PSC (point of single contact) is fully operational and that the completion of procedures by electronic means is possible in *all* sectors covered by the Services Directive.

To upgrade the education system

Governments prepares, and starts implementing, an action plan for the improvement of the effectiveness and efficiency of the education system taking into account the measures recommended by the independent taskforce.

To raise the absorption rates of structural and cohesion funds

Government launches an internal pilot web-based monitoring tool of procedures for approval of project proposals and for implementation of public projects.

4. Actions for the seventh review (actions to be completed by end Q4-2011)

i. Fiscal consolidation

Government achieves the target for the 2011 general government deficit of not more than EUR 17 065 million and other quantitative performance criteria.

Parliament adopts the final budget for 2012 targeting a further reduction of the general government deficit which, in ESA95-based terms, should not exceed EUR 14 916 million.

ii. Fiscal structural reforms

Asset management
Government publishes the second part of the state's assets inventory.

Government privatises DEPA, LARKO, TRAINOSE (at least 49 percent, including shares management with the new shareholders), and sells concession SPVs in relation to the Egnatia motorway and accelerates the divestment of |public real estate.

To modernise the health care system

Government defines a hospital case-based costing system to be used for budgeting purposes from 2013.

The independent taskforce of health policy experts produces an implementation report, revising the policies implemented so far.

iii. Structural reforms

To modernise public administration

Functional reviews

Government assesses the results of the second (final) phase of the independent functional review of central administration. Government adopts legislation and measures to implement the operational recommendations of the first phase of the functional review of public administration at central level and of the full review of existing social programmes.

Public procurement

Single Public Procurement Authority starts its operations with the necessary resources to fulfil its mandate, objectives, competences and powers as defined in the Action Plan.

To improve the business environment and strengthen competition in open markets

Energy

Government removes regulated tariffs for customers except households and small enterprises (as defined in the second and third energy liberalisation packages).

To upgrade the education system

Government starts publishing a bi-annual progress report on the implementation of the law on quality assurance in primary, secondary and higher education.

To raise the absorption rates of Structural and Cohesion Funds

Government meets targets for payment claims in the absorption of EU structural and cohesion funds set down in Table 1. Compliance with the targets shall be measured by certified data. In addition, Government submits 5 additional major project applications to the Commission, in view of achieving an annual target of submitting 10 major projects. In meeting absorption rate targets, recourse to non-targeted *de minimis* state aid measures should be gradually reduced. Government provides data on expenditure for non-targeted de minimis state aid measures co-financed by the structural funds.

Government introduces the fully-operational web-based open-access monitoring tool of procedures for approval of project proposals and for implementation of public projects.

Government ensures that the managerial capacity of all managing authorities and intermediate bodies of operational programmes under the framework of the National Strategy Reference Framework 2007-13 has been certified according to the standard ISO 9001:2008 (quality management).

Government presents a report on the activities of the task force assessing progress in ensuring the rapid implementation absorption of structural funds, and proposing improvements when necessary.

Government provides an impact assessment of legislative measures since 2010 to accelerate the absorption of structural and cohesion funds adopted since May, and indicates any further measures.

5. Actions for the eight review (actions to be completed by end Q1-2012)

i. Fiscal consolidation

Government rigorously implements the budget for 2012 in line with this Memorandum, and Council Decision 2010/320/EU.

ii. Structural fiscal reforms

To complete the pension reform

Government implements the reform of the secondary/supplementary pension schemes, by merging funds and starting the calculation of benefits on the basis of the new notional defined-contribution system. Government freezes nominal supplementary pensions and reduces the replacement rates for accrued rights in funds with deficits, based on the actuarial study prepared by the National Actuarial Authority. In case the actuarial study is not ready, replacement rates are reduced, starting from 1 January 2012, to avoid deficits. All funds set up a computerised system of individual pension accounts.

To modernise the health care system

Pricing of medicines

Starting from 2012, pharmacies profit margins should be calculated as a flat amount or flat fee combined with a small profit margin with the aim of reducing the overall profit margin to no more than 15 percent.

Accounting and control

Social security funds start publishing an annual report on medicine prescription. Individual prescription reports are regularly (at least annually) fed back to each physician. The annual report and the individual prescription reports look at prescription behaviour with particular reference to the most costly and most used medicines.

Annex 1. Provision of data

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

To be provided by the Ministry of Finance	
Preliminary monthly data on the state budget execution (including breakdown by main categories of revenue and expenditure and by line ministry). *(Data compiled by the Ministry of Finance)*	Monthly, 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.
Updated monthly plans for the state budget execution for the remainder of the year, including breakdown by main categories of revenue and expenditure and by line ministry. *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month.
Preliminary monthly cash data on general government entities other than the state. *(Data compiled by the Ministry of Finance)*	Monthly, 30 days after the end of each month, these data should also be included in subsequent transmissions in case of revision.
Monthly data on the public wage bill (of general government, including a breakdown in nominal wage and allowances paid to government employees per line ministry and public entity), number of employees (including a breakdown per ministry and public entities outside the central government) and average wage (including the relative shares of the base wage, allowances and bonuses). *(Data compiled by the Ministries of Interior and Finance)*	Monthly, 30 days after the end of each month (starting in June 2010).
Monthly data on staff: number of employees, entries, exits, transfers among government entities; per ministry.	Monthly, 30 days after the end of each month (starting in March 2011).

Weekly information on the Government's cash position with indication of sources and uses as well of number of days covered. *(Data compiled by the Ministry of Finance)*	Weekly on Friday, reporting on the previous Thursday.
Data on below-the-line financing for the general government. *(Data compiled by the Ministry of Finance)*	Monthly, no later than 15 days after the end of each month; these data should also be included in subsequent transmissions in case of revision.
Data on expenditure pending payment (including arrears) of the general government, including the State, local government, social security, hospitals and legal entities. *(Data compiled by the Ministry of Finance on the basis of basic data from the several line ministries)*	Quarterly, within 55 days after the end of each quarter.
Data on public debt and new guarantees issued by the general government to public enterprises and the private sector. Data on maturing debt (planned redemptions per month, split between short- and long-term debt. Data on planned monthly interest outflows. *(Data compiled by the Ministry of Finance)*	Monthly, within one month.
Data on public enterprises: revenue, costs, payroll, number of employees and liabilities (including maturities of public enterprises' debts) *(Data compiled by the Ministry of Finance)*	Monthly, within three weeks of the end of each month for the ten largest enterprises. Quarterly within three weeks of the end of each quarter for the other enterprises. Quarterly for the maturities of public enterprises' liabilities.
Monthly statement of the transactions through	Monthly, at the end of each

off-budget accounts. *(Data compiled by the Ministries of Finance and Education)*	month.
Monthly statement of the operations on the special accounts. *(Data compiled by the Ministry of Finance)*	Monthly, at the end of each month.
Report on progress with fulfilment of policy conditionality. *(Report prepared by the Ministry of Finance)*	Quarterly before the respective review starts.
Monthly data on healthcare expenditure by the social security funds with a lag of three weeks after the end of the respective quarter. *(Data compiled by the Ministries of Labour and Health)*	Monthly, within three weeks of the end of each month. Starting with data for January 2011 for IKA, OAEE, OGA and OPAD, and from April 2011 on for the other funds

To be provided by the Bank of Greece

Assets and liabilities of the Bank of Greece.	Weekly, next working day.
Assets and liabilities of the Greek banking system - aggregate monetary balance sheet of credit institutions.	Monthly, 30 days after the end of each month.
Evolution of the external funding provided by Greek banks to their subsidiaries abroad.[6]	Monthly, 15 days after the end of each month.
External funding flows for the banking, corporate and government sector, including also expected developments in the 12 months ahead.	Monthly, 30 days after the end of each month.
Report on banking sector liquidity situation.	Weekly, next working day.
Report on the evolution of financial stability indicators.	Quarterly, 15 days after the end of each quarter depending on data availability.
Report on results from the regular quarterly solvency assessment exercise.	Quarterly, 15 days after the end of each quarter depending on data availability.
Detailed report on the balance sheet of the Financial Stability Fund with indication and explanation of changes in the accounts.	Weekly, next working day.

[6] All forms of debt instruments and capital, as well as net deposits provided to subsidiaries abroad.