

**Report on Greece's Compliance with the Milestones  
for the disbursement of the February 2013 sub-tranche**  
(19 February 2013)

This compliance report has been compiled by European Commission staff in liaison with ECB and IMF staff, based on a review of the implementation of the milestones for the disbursement of the February 2013 sub-tranche.

**Eurogroup decision on disbursement**

The Eurogroup of 13 December authorised the EFSF to release the 2<sup>nd</sup> instalment to Greece under the second economic adjustment programme for a total amount of EUR 49.1 billion. Member States also agreed upon the composition of this instalment that would be paid out in several tranches. EUR 34.3 bn was paid out to Greece in December 2012, with the further budgetary financing to be disbursed in three sub-tranches, amounting to EUR 2.0 bn in January, EUR 2.8 bn in February and EUR 2.8 bn in March. For the disbursement of these sub-tranches, the Troika and Greek authorities have identified milestones for the corresponding months (see Annex). The release of the sub-tranches will be conditional on Greece having achieved the agreed milestones. The January milestones were achieved, as recognised by the Eurogroup of 21 January.

For the February 2013 tranche of EUR 2.8 bn, a single milestone was agreed:

- Update of MTFS, incl. setting binding 3-years expenditure ceilings for government subsectors.

**Update of the MTFS**

The Greek authorities submitted the update of the MTFS to Parliament on 7 February. It was prepared in close contact with EC/ECB/IMF staff. It updates only selected tables of the MTFS presented in June 2012 and approved on 12 November 2012 with the aim of revising the fiscal baselines and the debt levels, to take into account both the impact of the debt buy back and the final composition of the fiscal package after the approval of the tax reform in early January. The remaining parts of the MTFS as approved on 12 November 2012 remain unchanged, including the programme fiscal targets for 2013-2016.

The update includes, and makes binding, the 3-years expenditure ceilings for line ministries and for pharmaceutical expenditure and illness benefits. The latter accounts for almost 80 percent of the health fund's (EOPYY) total expenditures. For line ministries, those ceilings are enforceable through the budget and, for the health sector, through both the so called "claw-back" mechanism and revisions to the EOPYY benefit package in case of deviations from monthly targets. Ceilings for line ministries and healthcare cover almost 70 percent of total general government spending.

Following adoption by the competent Parliamentary committee on 14 February, the update of the MTFS has been voted in Parliament on 18 February. Thereby, the February milestone has been met.

**Recommendation**

Based upon this report, the Euro Working Group is asked to endorse the disbursement of the February sub-tranche of € 2.8 billion. Following this endorsement, the EFSF Board of Directors will take the formal decision for the disbursement.

**Table 13. Milestones for the disbursement of 3 sub-tranches of the 2<sup>nd</sup> disbursement**

<b>Milestones for January Disbursement (from MoU December actions)</b>	<b>Area</b>	<b>MOU section</b>
Adoption of income tax reform	(Tax policy)	2.2.1
Adjustment of end-user prices for low voltage customers, following the recommendation of the energy regulator (RAE), and of the RES Levy	(Energy)	6.1.3.i. and 6.1.5.3
<b>Milestones for February Disbursement (from MoU January actions)</b>	<b>Area</b>	<b>MOU section</b>
Update of MTFS, incl. setting binding 3-years expenditure ceilings for government subsectors.	(Public financial management)	2.5.2.1
<b>Milestones for March Disbursement (from MoU February actions)</b>	<b>Area</b>	<b>MOU section</b>
Complete the staffing plans for line Ministries , use them to identify redundant positions and employees and on this basis set quarterly targets of mandatory exits through end-2014	(Public Administration)	2.7.1.2.3
Revises downward the price of medicines, based on the three EU countries with lowest prices (Quarterly update of price list)	(Health care)	2.9.2.2.1

Source: Compliance report: Occasional Paper 123, 2012

[http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2012/pdf/ocp123\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp123_en.pdf)