



EUROPEAN COMMISSION  
DIRECTORATE GENERAL  
ECONOMIC AND FINANCIAL AFFAIRS

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# Compliance Report ESM Stability Support Programme for Greece

## Fourth Review

June 2018



## 1. Introduction

**In July 2015, after the expiry of the previous programme supported by EFSF financing, Greece requested the European Stability Mechanism (ESM) financial assistance,** to restore fiscal sustainability, address the risks to its own financial stability and to that of the euro area, promote sustainable growth, create jobs and reduce inequalities, and modernise the State and public administration. In August 2015, the Hellenic Republic concluded an agreement for stability support in the form of a loan from the ESM for an availability period of three years. In accordance with the ESM Treaty, a Memorandum of Understanding (MoU) was signed by the European Commission, on behalf of the ESM, which details the conditionality attached to the financial assistance facility covering the period 2015-18. Fulfilment of the conditionality is assessed at regular reviews, taking account of the progress in reforms.

**The policies in the MoU are built around four pillars:**

- restoring fiscal sustainability;
- safeguarding financial stability;
- growth, competitiveness and investment;
- a modern State and public administration.

**The ESM programme will expire on 20 August 2018.** The first review of the ESM programme was concluded in June 2016, with a set of milestones completed in October 2016. The second and third reviews were concluded in July 2017 and March 2018, respectively. To date, EUR 46.9 billion out of a programme financing envelope of EUR 86 billion has been disbursed under the ESM programme, which comes on top of EUR 194.7 billion disbursed by European partners under earlier financial assistance programmes.<sup>1</sup>

**Agreement on the policy conditionality for the fourth review of the ESM programme has been reached between the Greek authorities and the European institutions and is set out in a draft supplemental Memorandum of Understanding (SMoU).** The agreement has been based on the findings of missions to Greece carried out by the Commission in February/March and May 2018, together with ECB, ESM and IMF staff. This report on compliance with the SMoU upon conclusion of the fourth review of the ESM programme has been prepared by the Commission staff in liaison with ECB staff. ESM staff has also been consulted.

**The Greek authorities have taken a range of measures to complete the prior actions agreed in the supplemental MoU required for the disbursement of the fourth tranche of the ESM programme.** In particular, the Greek Parliament adopted legislative acts to deliver a part of the actions agreed in the supplemental MoU through various pieces of legislation, notably through an omnibus law adopted on 14 June 2018 (Law 4549/2018). The government has also adopted secondary legislation and taken non-legislative actions, as agreed with the institutions.

**On the basis of this analysis of compliance with the draft SMoU, all prior actions required to conclude the fourth review have been completed.**

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<sup>1</sup> The amounts represent gross disbursements. Of these amounts, EFSF bonds worth EUR 10.9 billion transferred to the HFSF in March 2012 were returned in February 2015; and further EUR 2 billion bank recapitalisation costs were reimbursed in February 2017.

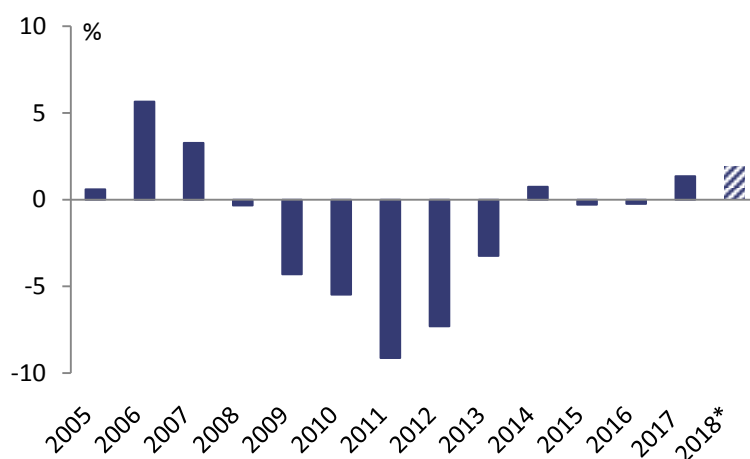
**Based on the above considerations, the ESM programme is on track.** This paves the way for the final disbursement to Greece for an amount necessary to cover debt servicing needs, plus an amount to help build a cash buffer.

**The conditions are in place for a successful conclusion of the ESM programme.** Greece needs to build upon the progress achieved under the ESM programme and strengthen the foundations for a sustainable recovery, notably by continuing and completing reforms launched under the programme and ensuring that the objectives of the reforms adopted are safeguarded. Enhanced Surveillance, as set out in Article 2 of Regulation (EU) 472/2013, can provide a sound and robust framework to ensure the completion, continuity and delivery of reform implementation across all policy areas addressed under the ESM programme. The Greek authorities are fully committed to continue to implement sound economic and fiscal policies over the long run, building on the reforms adopted under the ESM programme. They have presented a comprehensive Growth Strategy to the Eurogroup. Reform implementation will additionally be supported through a 'Cooperation and Support Plan' which the Greek authorities have signed with the European Commission's Structural Reform Support Services for the continued provision of technical assistance to help with reform implementation in the coming years.

## 2. Economic developments

**The Greek economy returned to growth in 2017, a welcome development following the large falls in real GDP since the onset of the crisis which cumulatively amount to 26%.** Large negative real GDP growth rates (see Graph 1) were recorded in Greece after 2009 and during the previous stability programmes. Tentative signs of recovery that emerged in 2014 were reversed in 2015 caused by economic uncertainty and the imposition of capital controls. Following a period of no growth, positive growth rates emerged in 2017. This year marks the first time since 2006 that real GDP grew in all four quarters of the year and the first time since 2007 that growth has exceeded 1%. The encouraging growth in the first quarter of 2018 suggests that the recovery is strengthening.

Graph 1. Real GDP growth

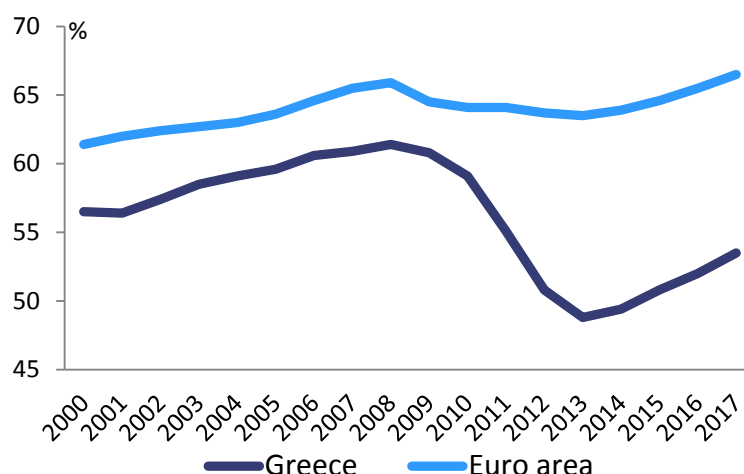


**Notes:** European Commission 2018 Spring Forecast for 2018

**Source:** Eurostat, European Commission

**The labour market is showing some signs of recovery although unemployment rates remain unacceptably high and there is considerable scope to increase employment rates.** In line with the increasing economic activity, employment has accelerated in 2017, reaching 2.1% annual growth according the national accounts. Employment growth has continued in the first quarter of 2018, albeit at a somewhat lower pace, recording a 1.7% annual increase. The unemployment rate decreased to 21.5% in 2017, down from 23.6% in 2016, and reached 20.1 % in March 2018: this is well above the euro average of 8.6%. Employment rates in Greece are slowly increasing and reached 53.5% in 2017, indicating that there is considerable room for improvement so as to approach the euro area average rate of 66.5% (see Graph 2).

Graph 2. Employment rates



Notes: From 15 to 64 years, as percentage of total population

Source: Eurostat

**Real GDP growth is forecast to reach 1.9 % in 2018 and to increase further in 2019.** GDP growth in 2017 came in at 1.4%, slightly below the expectations of 1.6% at the time of the 3<sup>rd</sup> review. Consumption is expected to start modestly growing in 2018, which is also supported by the data for the first quarter of 2018 showing an 0.3% growth compared to the previous quarter. Investment and exports are expected to continue to grow dynamically in 2018 and 2019 supported by the ongoing privatisation programme and a further improvement in economic sentiment after the closure of the 4<sup>th</sup> review and a successful conclusion of the programme in August. The growth in domestic investment will also depend on the capacity of banks to grant new loan, which in turn is linked to the reduction of NPLs. The government's efforts to clear its arrears should provide additional liquidity to support higher business activity. Increased investments are, however, expected to create additional demand for imports, which will mute the growth contributions from the external sector.

**The baseline macroeconomic projection is contingent on a smooth completion of the fourth and final programme review and assumes the successful conclusion of the ESM stability support programme in August 2018.** This projection is built on the assumption that the completion of the fourth review of the ESM programme will contribute to a sustained improvement in business sentiment and Greece's ability to attract foreign investment. The risks surrounding this projection are balanced. Downside risks are related to investment financing and regional political developments. On the upside, a sustained favourable external economic environment may provide additional boost to the tradable sector, which could result in positive contributions to growth.

Table 1. Macroeconomic scenario, main features (2017-2022)

	2017	2018	2019	2020	2021	2022
Real GDP (growth rate)	1.4	1.9	2.3	2.3	2.1	1.8
Final domestic demand contribution (1)	1.0	1.9	2.3	2.3	2.1	1.8
Net trade contribution	-0.2	0.0	0.0	0.0	0.0	0.0
Employment (growth rate)	2.1	1.7	1.8	1.4	1.0	0.7
Unemployment rate	21.5	20.1	18.4	17.0	15.8	14.9
Compensation of employees, per employee (growth rate)	0.1	0.8	1.3	2.0	2.3	2.4
HICP inflation (growth rate)	1.1	0.5	1.2	1.3	1.5	1.7
GDP deflator (growth rate)	0.7	0.9	1.3	1.6	1.6	1.8

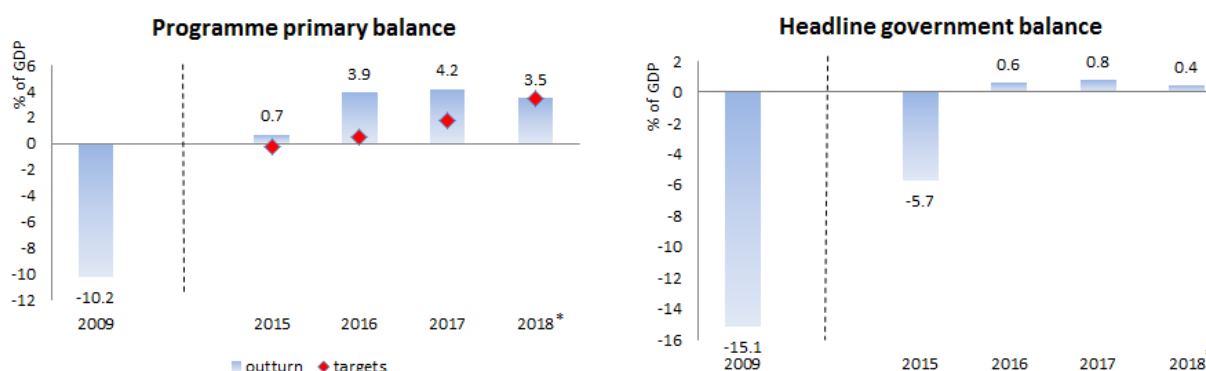
(1) Excluding change in inventories and net acquisition of valuables

### 3. Pillar I: Restoring sustainable public finances

#### 3.1 FISCAL DEVELOPMENTS AND POLICY

**Building on the strong fiscal outturns of the previous years, the 2017 primary surplus reached 4.2% of GDP and over-performed by almost 2½ percent of GDP the fiscal target of the ESM programme.** The general government balance achieved a surplus of 0.8% of GDP – the second year in a row that Greece achieved a surplus. This was attained on account of the implementation of the second review consolidation measures, positive cyclical developments, an increase in the overdue taxes collection and large underspending. Considering that Greece's deficit was 15% of GDP in 2009, the achievement of a headline surplus in 2016 and 2017 is good news that reflects the tremendous efforts made by Greece to repair its public finances and reform its economy. The carry-over from the over-achievement of the 2017 fiscal target is expected to be positive overall, as part of the savings that contributed to the outcome appears to be of a permanent nature.<sup>2</sup>

Graph 3: Fiscal balances improved dramatically since 2009, outperforming targets



**Notes:** The 2009 primary balance is adjusted for net costs of government interventions to support financial institutions as reported by Eurostat, where the net costs are defined as primary expenditure minus revenue net of guarantee fees receivable. Primary balances for 2015 and beyond are in programme terms as defined in the Technical Memorandum of Understanding. (\*) projection.

**Source:** European Commission 2018 Spring Forecast.

**The updated fiscal projection agreed amongst European institutions confirms that Greece is on track to meet the primary surplus target of 3.5% of GDP in 2018.** The projection builds on the macroeconomic scenario presented in Section 2, which lowered the outlook for key fiscally-relevant aggregates, including compensation of employees and private consumption, compared to the third review projection. The fiscal impact of the revised macro scenario is about -0.2% of GDP in 2018, rising to -0.5% of GDP in cumulative terms by 2022. In addition, the projection takes into account the refund of miscalculated AKAGE social contributions that the authorities agreed to carry out in 2018 (with a balance-deteriorating impact of about EUR 100 million in 2018 and about EUR 40 million in the following years), and the recording of the cash pre-payment of the public sector obligation to PPC made in 2017 (EUR 63 million) to 2018 in accrual terms based on the findings of the EDP notification. These balance-worsening revisions were offset by the positive carry-over impact from the 2017 outcome and regular updates based on incoming data and the information provided by the authorities

<sup>2</sup> The 2017 primary surplus of 4.2% of GDP was a substantially better outcome than the 2.3% of GDP expected for that year under the 3<sup>rd</sup> review. The overachievement was mostly driven by underspending on investment and operational expenditure. Other factors that improved the primary balance included lower spending on lump-sum pensions, higher-than-expected social contributions, and a number of one-off factors, including a large payment of tax arrears through the successful Voluntary Disclosure Initiative put in place in 2017.

during the review missions, including realised revenue from Bank of Greece dividend and higher collection of overdue ENFIA payments.

**The projection for 2018 takes into account fiscal measures with a net impact of around 0.4% of GDP adopted under previous reviews.** The main measures delivering in 2018 are the pension reforms from 2015-2016, measures adopted to offset the introduction of the SSI scheme (a reduction in the income tax credit for medical expenses, elimination of the 1.5% PIT discount on withholding, reduction in the heating allowance and other social benefits, and other smaller measures), the elimination of the VAT discount for islands and the reform of the overnight hotel tax. In addition, the projection allows for the implementation of a new 'transport equivalence' subsidy to bring transport costs for both natural persons and companies registered on islands to the levels paid for transport of persons and goods on the mainland. The subsidy will be piloted in 2018 and rolled out to the majority of islands in the following year.

**In addition, the projection factors in the clearance of liabilities arising from decisions of the Greek constitutional court, to which the authorities committed themselves in their updated Medium-term Fiscal Strategy (MTFS).** Several rulings of the Council of State, which have been finalised or upheld recently, created financial liabilities for the Greek government of around 0.4% of GDP in net terms that will need to be cleared in the near future. Specifically, the rulings declared that wage cuts imposed in 2012 on uniformed officials and certain other professions were unconstitutional and entitled the concerned professions to claim a wage refund for the years preceding the 2017 reform of wages of these professions. The MTFS delivered a commitment that financial risks related to these liabilities would be addressed in 2018. The fiscal space necessary for the payments of the wage refunds was reallocated from the Public Investment Programme.

**On current policies, the primary surplus is projected to comply with the fiscal target of 3.5% of GDP and might even exceed it over the medium term, which allows for a symmetric implementation of the post-programme package in 2019 and 2020.** The post-programme package was adopted under the 2<sup>nd</sup> review contains a consolidation and an expansionary part, with the latter contingent on the achievement of the primary surplus target of 3.5% of GDP over the medium term. On the consolidation side, the package consists of a pension reform delivering net savings of 1% of GDP in 2019, followed by a reduction of the personal income tax credit to broaden the tax base in 2020. Conditional on the projected compliance with the medium-term target, these measures will be complemented by a targeted spending package and growth-enhancing tax measures entering into force in 2019 and 2020. The authorities have presented, as a prior action, a timeline for adoption of the secondary legislation parametrising the 2019 compensatory measures.

**To make use of the fiscal space emerging in the EIs' and the authorities' projections for 2019, the authorities have signalled in the MTFS that additional measures may be adopted. These measures are not included in the projections at this stage.** In general terms, the measures are likely to include growth-enhancing reductions in taxes and targeted social measures but the details of the package are yet to be specified. In line with the customary no-policy-change assumption, the EIs projection incorporates only measures that have been both credibly announced and specified in adequate detail. These additional measures are therefore excluded from the EIs projection at this stage and will need to be agreed as part of the 2019 Budget at the end of this year.

**For the outer years, the main working assumptions underpinning the fiscal projection of the European institutions include:** (i) a gradual closure of the output gap and increase in the inflation rate to 1.7% by 2022, which will be conducive to revenue dynamics; (ii) an attrition rule of 1:1 in 2019 and beyond and contained growth in the average public wage, limiting the overall growth of the public sector wage bill; (iii) growth in health care spending in line with real GDP; and (iv) the underlying dynamics of certain spending categories (e.g. drawing of EU funds and the related investment growing in line with the EU multiannual financial framework, completion of large scale investment projects in line with the current schedule, contractual constraints for purchases of military equipment, etc.).

**The fiscal baseline is subject to uncertainty.** The projection is based on the assumption of full execution of the budget ceilings, which in recent years proved difficult to reach and is therefore an important potential upside. It is also worth pointing out that the forecast does not include any yields from the large number of administrative and structural fiscal reforms in the SMoU, notably those to improve revenue administration that are showing strong progress in some areas in excess of the key performance indicators set under the programme. Downside risks are related mainly to potential slippages in the yields of measures already legislated under the programme

but still to be implemented in 2019, including the expected alignment of property values with market prices affecting the yield of property taxes in 2018 and beyond. Last but not least, despite positive assessments provided by independent legal experts on most of the flagship reforms adopted under the programme, some of them are under a final scrutiny of the Council of State, which would suggest prudence in terms of committing the fiscal space that is projected to emerge over the next years.

**The authorities have adopted the 2018 Medium Term Fiscal Strategy as a prior action for the fourth review of the ESM programme.** The fiscal strategy presents a commitment to comply with the agreed primary surplus target of 3.5% in 2018 and for the medium term, until 2022. The authorities predict a primary surplus in programme terms of 3.6% of GDP in 2018, rising to 5.2% of GDP by 2022. The fiscal strategy is underpinned by a macroeconomic scenario that is closely aligned to that of the European institutions. Both projections also paint a broadly similar picture regarding the development of general government revenues, except for 2022 where the European institutions expect a less optimistic (slower) take up of funds from the 2020-2026 programming period for the European Structural and Investment Funds. Most of the differences concern the medium-term trends in public expenditure: the authorities assume that it will be possible to sustain the current low expenditure growth even in the post-programme period, in particular in social spending and the wage bill; by contrast, the assessment of the European institutions accounts for some increase in spending on these items. The authorities also decided that the above-mentioned transport equivalent subsidy can be funded from the persistently under-used resources in the public investment budget, while the European institutions treat the subsidy as an additional current expenditure so as not to allow squeezing out public investment.

Table 2. Main drivers of the baseline fiscal projections 2018-2022

	2017	2018	2019	2020	2021	2022
	Act.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Total revenues, bn EUR</b>	<b>87.2</b>	<b>88.4</b>	<b>88.8</b>	<b>90.3</b>	<b>92.3</b>	<b>94.1</b>
<b>Total revenues, % of GDP</b>	<b>49.1</b>	<b>48.4</b>	<b>46.9</b>	<b>45.9</b>	<b>45.2</b>	<b>44.4</b>
	<i>Level</i>		<i>y-o-y change (bn EUR)</i>			
<b>Total revenues, bn EUR</b>	<b>87.2</b>	<b>1.2</b>	<b>0.4</b>	<b>1.5</b>	<b>2.0</b>	<b>1.8</b>
Macro		1.1	1.6	2.0	2.1	2.2
Revenue measures		0.1	-0.4	-0.1	0.0	0.0
Non-tax revenues & claims on EU funds		1.2	-0.3	-0.3	0.1	-0.3
Other adjustments 2/		-1.1	-0.4	-0.1	-0.2	-0.1
<b>Total primary expenditures, bn EUR</b>	<b>79.6</b>	<b>82.0</b>	<b>81.6</b>	<b>82.9</b>	<b>84.0</b>	<b>85.1</b>
<b>Total primary expenditures, % of GDP</b>	<b>44.8</b>	<b>44.9</b>	<b>43.1</b>	<b>42.1</b>	<b>41.1</b>	<b>40.2</b>
	<i>Level</i>		<i>y-o-y change (bn EUR)</i>			
<b>Total primary expenditures, bn EUR</b>	<b>79.6</b>	<b>2.4</b>	<b>-0.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>
Compensation of employees		21.5	0.5	0.4	0.5	0.3
Social transfers 3/		38.3	-1.3	-1.7	0.6	0.7
Investments 4/		8.1	-2.0	1.5	0.1	-0.3
Intermediate consumption		9.0	0.1	0.1	0.0	0.7
Other expenditure & reserve 4/ 5/		2.7	5.0	-0.7	0.1	0.0
<b>Primary balance, bn EUR 1/</b>	<b>7.5</b>	<b>6.4</b>	<b>7.2</b>	<b>7.5</b>	<b>8.3</b>	<b>9.0</b>
<b>Primary balance, % of GDP 1/</b>	<b>4.2</b>	<b>3.5</b>	<b>3.8</b>	<b>3.8</b>	<b>4.1</b>	<b>4.3</b>
<b>Memo items</b>						
Nominal GDP growth (%)	2.0	2.8	3.6	3.9	3.7	3.6
CPI (%)	1.1	0.5	1.2	1.3	1.5	1.7
Output gap (% pot. GDP)	-7.7	-5.2	-2.8	-1.8	-0.9	0.0
Headline balance (% of GDP)	0.8	0.4	0.2	0.4	0.7	1.1
Structural balance (% of GDP)	4.2	2.6	1.6	1.4	1.2	1.2
Pension reforms (net savings, bn EUR)	2.2	3.0	5.5	5.6	5.8	5.8
of which: from recalibration (bn EUR)	0.0	0.3	2.6	2.5	2.4	2.4

1/ Primary balance in programme terms.

2/ The decrease in 2018 reflects a negative carry-over from revenues collected in 2017 that were considered temporary.

3/ The decrease in 2018 reflects the one-off measures paid in 2017: the social dividend and a refund of miscalculated health contributions.

4/ The 2017 levels of investment and other expenditure reflect a completion of highway construction projects (move from inventories to investment).

5/ Includes subsidies and transfers.

Source: European Commission



## 3.2 FISCAL STRUCTURAL REFORMS

### 3.2.1 Tax policy reforms

**Important progress has been made on tax policy, including the modernisation of the business tax incentives, improvements to the Income Tax Code and VAT Code to combat tax evasion, and a major revaluation of property tax values used for the ENFIA property tax assessments in 2018.** In line with existing legislation, the VAT discount on the islands will be fully eliminated by July 2018.

**The authorities have reported on the agreement reached with DG Competition in the long-standing negotiations on shipping taxation.** The voluntary contribution of the shipping community will be extended, a new tax will be introduced for repatriated profits, and various loopholes will be closed. This legislation will be finalised and legislated in July 2018.

**The authorities, benefitting from technical support, have also made a number of technical corrections to the Income Tax Code to reduce opportunities for tax avoidance and to simplify reporting procedures.** This exercise will be repeated on an annual basis. The authorities with technical support reviewed the interest rate regime of the Tax Procedures Code and decided not to make any changes.

**The business tax incentives for employment, environmental expenditures, and films and other audio-visual media have been modernised.** These provisions replace existing legislation that were insufficiently targeted or in the case of environmental incentives was unimplemented. Employer social security contributions will be tax deductible for the employment of the long-term unemployed and unemployed youths under 30; higher depreciation rates will be available for environmental investments in energy- and water-saving technologies; and the former incentives for investments in films have been reduced in percentage terms, but made more accessible to small film makers through the elimination of the high minimum spend requirement and their extension to other audio-visual media.

**Important improvements have been introduced to the VAT Code.** The Authorities have reviewed the legislation on VAT re-registration and business start-up procedures to make re-registration more difficult for natural persons previously involved in bankruptcies or tax evasion and fraud. The VAT Code also has been reviewed and streamlined to eliminate loopholes and apply Transfer pricing rules where appropriate for VAT purposes.

**The authorities have modified the Code of Revenue Collection (the KEDE) to allow the IAPR and other public sector agencies to use the e-auction system.** A programme of e-auctions has been started by the IAPR and regular reports are being produced on progress made. The IAPR have started to use market valuations rather than tax prices as the starting values for auctions, improving the prospect of achieving a sale. The IAPR have issued a circular that will allow public authorities to use the new process in Code of Civil Procedure to apply for valuation reductions after an unsuccessful auction.

**The authorities have undertaken a major revaluation exercise of property objective tax values using property valuers with the aim to gradually align property tax values with market prices.** The full revaluation of downwards price revisions and partial alignment of upward price revisions in 2018 resulted in a small increase in overall tax values. ENFIA tax rates and thresholds were adjusted to partly offset this increase in property values whilst broadly ensuring revenue-neutrality of the reform in 2018. The authorities have committed to gradually adjust property assessment values by at least 50% of the remaining difference with market prices in 2019 and to fully align them with market prices by 2020. They have taken further necessary steps to enable the updating of property tax valuations: a property valuation unit has been created in the Ministry of Finance and an IT system is under development to support the future property valuation work.

### 3.2.2 Public revenue reforms

**Following the establishment of the Independent Authority for Public Revenue (IAPR) as of 1 January 2017 and important reforms implemented under the third review, the authorities have further improved the operational capacity of IAPR.** All cabinet acts needed to start the staff recruitment process to fill 2000 vacant positions in the IAPR as part of the one-off injection of resources agreed in October 2016 have now been

passed. This should allow the IAPR, which has been constantly losing staff since 2010, to progressively reach a staff level of 13.322 by 2021. This level is considered appropriate also taking into account weaknesses in the IT infrastructure and current staff qualifications. The injection of new and more qualified staff will also help the IAPR to consolidate the transformation into a modern, fair and independent tax and customs administration agency.

**The reorganization of the fight against financial crime has continued.** The IAPR has sent back to the prosecutors for further analysis and decision 7 200 low value cases. The IAPR focuses now on investigating the 1271 high-value prosecutor cases and the other tax cases which have been prioritised on the basis of risk analysis.

**The improvement of the IT tools needed to reinforce collection actions has continued.** The authorities have implemented a key procedural step for the procurement of the software allowing for further automation of debt collection, embracing notably a fully automatic garnishment procedure. The software is to become fully functional by 2021.

**The fight against smuggling has continued.** The authorities have passed legislation to reinforce the responsibility of domestic tobacco manufacturers for their supply chain.

**The authorities continued the centralisation of the collection of the social security contributions and debt into EFKA (for contributions) and KEAO (which is part of EFKA, for SS contributions debt).** All social security contributions debt of debtors of the former social security funds which were in instalment schemes and monitored by EFKA have been integrated into the single centre for social security debt collection (KEAO). The timeline and plan for integrating into KEAO the other debt remaining in the paper files of the former social security funds has been agreed.

### 3.2.3 Public financial management and public procurement

#### Public financial management

**The government is in the process of implementing a new government budget classification structure and Chart of Accounts (both referred to as CoA).** In order to adopt the new economic and administrative classifications in the 2019 State budget, the authorities are updating their IT system. As a prior action, the design of the integration of the new CoA into the financial management information system (FMIS) of the central administration has been finalised with the IT contractor. After a testing phase, which will occur in autumn, the IT system will be able to support the new CoA for the central administration. In the meantime, the authorities are working on the remaining segments such as the fund, functional, programme and project classifications also in line with the performance budgeting framework. The adoption of the new CoA will prepare the grounds for supporting the new cash management functions. The fund and functional classifications for the central government are expected to be implemented in the State budget as from the 2020 and 2021 budget respectively. The general government entities are expected to adopt the new classifications in their budgeting and accounting as of 1 January 2023.

**The authorities have made satisfactory progress in clearing arrears to the private sector with a view to fully clear the outstanding stock.** In order to address the structural weaknesses of the administration in dealing with arrears clearance, the authorities have presented a preliminary action plan to improve payment discipline and address structural shortcomings which are leading to the accumulation of new arrears. The action plan builds on the recommendations issued by the Hellenic Court of Auditors (HCA) following its audit of arrears of general government entities to third parties. The time-bound action plan was prepared under the coordination of the General Accounting Office (GAO) in cooperation with the audited entities and the relevant ministries. The IAPR has developed its own action plan to address shortcomings in the payment process of tax refund arrears based on the HCA report. Both action plans will be finalised and implementation dates will be agreed with the institutions in July 2018. The implementation of the recommendations will be ensured through constant monitoring by GAO and the supervising Ministries, followed-up by a HCA compliance audit in 2019. Moreover, the Ministry of Finance has amended the structure of the information recorded in the commitment registers and collected via the e-portal, with a view to implementing a comprehensive system for the monitoring of spending commitments, accounts payable and arrears. Under the improved reporting framework, entities of the central administration and

the general government are asked to report regularly to the Minister of Economy not only financial informations but also explanations for any new arrears accumulation and to compliance with any arrears clearance plan that may have agreed with the supervising ministries.

**The government is working to improve the fragmented cash management system that will ensure the transferring of cash reserves to the treasury accounts system in the Bank of Greece.** A new legal framework for the cash management system has been approved under the Omnibus Bill. All central administration entities will mandatorily maintain their accounts in the Bank of Greece, within the Treasury Single Account (TSA). The other central government entities and the entities belonging to the general government will mandatorily participate in the Treasury Accounts System (TAS) by transferring their surplus cash reserves to the Bank of Greece. More than EUR 3 billion has been transferred since July 2017. The Minister of Finance and the entities will determine, through cash flow forecasting, the financing needs of the entities and the amount of surplus reserves available for the State's debt management purposes. Accounts outside the Bank of Greece will be allowed only for general government entities and limited to the lowest possible level required for the smooth conduct of their operations. The concentration of surplus reserves will make government's liquidity management more efficient while strengthening debt management. The overall impact on the commercial banks' liquidity will be neutralised through the PDMA auctions of deposits to commercial banks.

**The authorities are making progress in the implementation of the action plan to improve the management of State guarantees.** The management of the State guarantees granted to individuals and enterprises for natural disasters or to private enterprises operating in geographical areas characterized by exceptionally low economic activity is particularly cumbersome. The authorities have defined a series of actions to improve their administrative capacity for handling guarantee claims by creating an electronic repository of borrowers, by agreeing on settlement schemes, and through improved interoperability with local tax offices. The Omnibus Bill has modernised the legislative framework in compliance with the EU Treaties and the regulations on state aid. In particular, the authorities clarified the conditions under which the guarantee can be issued and called, and asked the credit institutions to ensure a constant and adequate flow of information on each borrower.

## Public procurement

**The authorities have completed all agreed reforms in the area of public procurement.** Following the completion of the legislative reform (simplification, codification, consolidation of Greek legislation on public procurement and concessions), the reforms in the area of remedies system, centralised procurement and e-procurement and the adoption of the National Strategy on Public Procurement under previous programme reviews, the authorities have completed the actions for the establishment and full operation of the Remedies Review Body (pre-judicial remedies system).

**The Remedies Review Body has been established and operates as single specialised administrative body, entrusted with reviewing remedy applications arising in the context of public tendering procedures for the award of public contracts (supply, service and works) and concessions.** The authorities have appointed the members of the Remedies Review Body and have completed the selection procedure for the appointment of its scientific and administrative personnel.

### 3.2.4 Sustainable social welfare

## Pensions

**The authorities have continued to make good progress in the implementation of the 2016 pension reform (Law 4387/2016).** The recalibration of pension payments has been finalised for over 2 million pensioners. The treatment of so called international pensions, where pensions are being paid both from abroad and from Greece (some 55.000 cases) is going to be resolved by mid-September 2018. The authorities have also calculated and processed all pension applications submitted in 2016 that were legally and technically feasible and 66% of main pension applications submitted in 2017, well over the target of 30%. Also, the target of 13.800 processed supplementary pension applications has been met.

**The pensioners' social solidarity grant (EKAS) is being gradually phased out by end-2019.** The EKAS awarding rules for 2019 have been issued in June 2018, reducing the annual cost of EKAS by EUR 853 million compared to its level in 2016

**The merge of all insured persons and related data into the single pension fund (EFKA) was fully completed in May 2018.** The relevant staff, databases, software and IT infrastructure was transferred from the General Accounting Office (GAO) to EFKA. To exploit efficiency gains from the merger of fragmented pension funds into EFKA, the authorities will implement the action plan adopted as part of the second review.

**Moreover, as part of the omnibus bill, the pension rules of the journalists fund (EDOEAP) were fully aligned to the rules of the unified supplementary pension fund (ETEAEP),** which also ensures that no public funding of EDOEAP's deficit can occur.

**In the context of the Omnibus bill adopted in mid-June, the authorities also took action for the diversification of the investment portfolio of EFKA,** with the objective that EFKA does not hold a controlling stake in any private company going forward. Specifically, the authorities have provided a written commitment that EFKA and HFSF will enter into a special agreement no later than by end-July to make the transfer of voting rights to the HFSF operational and effective, while protecting the independence of the HFSF.

## Health care

**The authorities fulfilled their commitment to continue rationalising overall health care expenditure.** In the context of the fourth review, the authorities delivered results on various work streams, aiming to increase the efficiency of spending from several angles. The authorities have met the targets set in the MoU for the ongoing roll-out of primary health care, one of the most ambitious reform projects, launching patient registration with family doctors with gatekeeping. This is a crucial step to achieve further efficiency gains by reducing the excessive reliance on hospital care. In the coming two years, 240 primary health care centres are planned to be opened. Equally ambitious and important is the re-introduction of centralised procurement in health care, with the potential to generate important additional efficiency savings. Actions to fulfil the commitments in this area have also been finalised, with the start of the recruitment procedure to staff the responsible public body (EKAPY) launched as a prior action<sup>3</sup>. The proportion of goods and services under centralised procurement is expected to increase according to the agreed plan. The expansion of existing prescription and therapeutic protocols incorporated by HDIKA in the e-prescription system, aimed at countering supply-induced demand, consolidates the set of additional efficiency-oriented measures.

**Further steps were taken to contain pharmaceutical spending.** The authorities fulfilled their commitment to regularly revise pharmaceutical prices downwards, and they published the May 2018 price bulletin as agreed<sup>4</sup>. They also took measures to increase the penetration of generics by reducing the amount of patient participation for this category of drugs (Law 4549/2018, FEK A' 105). This was implemented through a targeted exemption from the co-payment for patients suffering from chronic conditions, financed through a rebate on pharmacies' sales of off-patent drugs. To the same end, the authorities revised and improved the existing regulation concerning pharmacies to ensure that a guaranteed amount of generics is always available in stock (FEK B' 2285) and enable patient choice.

**The authorities took significant steps to improve the governance of the health care system.** By adopting several measures in a wide set of areas, ranging from improved auditing to the creation of patient registries and to the implementation of pre-approval for high cost drugs, the authorities have met all the targets originally included in the EOPYY action plan. The measures in the Action Plan of EOPYY, which was adopted as a prior action, also included new diagnostic protocols/rules to be incorporated in the e-system HDIKA to improve monitoring and control of prescriptions, a needs-based reallocation of expenditure ceilings, the creation of registries of reimbursable items, the introduction of tariffs for new categories of services, progress on

<sup>3</sup> Published in Diavgeia [ΑΔΑ: 60Υ8465ΦΥΟ-Ξ9Κ <https://diavgeia.gov.gr/decision/view/60%CE%A58465%CE%A6%CE%A5%CE%9F-%CE%9E9%CE%9A>].

<sup>4</sup> Αριθμ. Πρωτ.: Δ3(α)/44071, σελ.: 43818, <http://www.moh.gov.gr/articles/times-farmakwn/deltia-timwn/5546-deltio-timwn-farmakwn-anthrwpinhs-xrhshs-maiou-2018-11062018>.

implementation of real-time auditing, and, importantly, a revision of the Single Regulation of Health Services (EKPY) FEK B' 2315. The adoption of these measures entailed numerous administrative acts and pieces of legislation, some included in the Omnibus Bill, timely completed and documented.

**Under the fourth review, the authorities committed to the extension of the fiscal safety nets.** Given their important role in the fiscal viability of the health care sector, the authorities committed to the extension of all closed budgets (clawbacks) up to 2022 (included). This refers to pharmaceuticals, both outpatient and inpatient and to all the "Other Items" of spending in the EOPYY budget under clawback (including the newly added categories of providers of special education services and optometrists, FEK B' 2284). The maximum admissible yearly increase in the expenditure ceiling will reflect the real GDP growth forecast for the year at the time of the adoption of the budget. This commitment materialised through the adoption of primary legislation (Law 4549/2018, FEK A 105) and, within it, with the commitment to issue secondary legislation (a Ministerial Decision to set the detailed ceilings by category for 2019 is envisaged in the Omnibus Bill and due for publication 30 days after its adoption). The Omnibus Bill sets the ceilings for each of the categories of pharmaceuticals, outpatient and inpatient care and "Other Items" of spending in the EOPYY budget for 2019. As mentioned above, not only were all existing expenditure ceilings extended, but new categories (providers of special education services and optometrists) were also added to the expenditure ceiling on "Other Items" in the budget of EOPYY. Notably, the authorities have completed the collection of long-outstanding clawbacks (2013-2015), and legislated additional provisions (FEK B'2214 for pharmaceutical providers and FEK B' 4313/11.12.2017 for other private providers, previously adopted) to speed up the collection/offset of recent ones (2016-2017) including a defined timeline.

#### Box 1. Reform of the primary health care system

**When Greece entered the crisis, the Greek health care system was characterised by the lack of universal coverage of its citizens.** The economic crisis revealed several weaknesses in the health care system design. Indeed and importantly, despite the authorities' claims of universal health care coverage (reflected in the literature and e.g. in OECD indicators on population coverage pre-crisis), it became clear that loss of employment was in fact associated with the loss of health insurance and coverage for a range of health care benefits offered by the social security funds (SSFs) notably pharmaceuticals, diagnostic tests and inpatient care.

**Lack of universal coverage led to lack of access to health care services and to social inequalities.** The crisis showed that the coverage available to the unemployed for health care benefits offered by SSFs was in fact uneven across funds and largely temporary in the case of some professions. While some groups continued to have coverage two years after becoming unemployed (e.g. those insured by IKA fund), certain groups lost coverage immediately (e.g. many of the self-employed professions). During that time, the National Health Service (ESY) continued to provide basic services such as access to outpatient consultations and emergency care and vaccination programmes to all residents and citizens in ESY facilities. In addition, some low income groups had access to the whole range of health care services for free. However, the situation was not sustainable and the design of the system needed to be addressed more systematically.

**Universal coverage was set as a priority structural reform and brought Greece in line with EU health systems.** Ensuring universal access to care was set as an explicit objective of the health reforms under the first and the second economic adjustment programmes. Moreover, the Commission under the coordination of the Task Force for Greece (now Structural Reform Support Service) has made universal coverage a priority for technical assistance funding its provision to support work at the national level. This led to the adoption of new legislation introducing universal coverage in Greece, which brought it in line with modern EU health care systems in terms of potential access. According to this new legislative framework, all Greek citizens are entitled to universal health care coverage. Uninsured Greeks, as well as other vulnerable categories, are entitled to receive public health care and medicines under the same conditions as insured citizens. The coverage includes clinical and diagnostic tests, hospital treatment, prenatal care, rehabilitation, transfer abroad for specialist treatment and the handing out of medicines and other consumables.

**The implementation of a comprehensive reform of the primary health care (PHC) system.** Greece has historically suffered from inefficiencies linked to an overutilization of secondary health care, i.e. hospital services, at the expense of a rational use of resources such as what a well-developed primary health care system would allow for. Aside from efficiency, primary health care is a crucial component of the system, as the first point of contact with citizens, to ensure access to health care services is possible for the whole population. The authorities, following the adoption of Law 4486/2017, have established a system of primary health care delivery based on the creation of a network of multi-specialty PHC centres (the so-called TOMYs), built around the figure of the family doctor, who will be in charge of managing the patient health care file. Family doctors will be the first point of contact between patients and the health care system. Based on their assessment, family doctors will decide whether or not to refer the patient to higher levels of care (specialist doctors) and patients will not



be allowed to visit specialists without a referral nor be reimbursed for the cost of that visit. This new arrangement, the so-called gatekeeping applied by family doctors, is intended to reduce the scope for providers to generate supply-induced demand, hence contributing to rationalising health care expenditure.

## Social safety nets

**Following its launch at national level in February 2017, the implementation of the Social Solidarity Income (SSI) continues smoothly.** The programme provides income support to the poorest households and the number of approved applications has stabilised around 290 000, corresponding to about 600 000 individuals, for an annual projected expenditure of about EUR 750 million. The operations of the scheme are constantly being improved. In particular, re-certification procedures have been simplified, a disputes resolution system has been established, and an internal capacity to provide risk assessment, auditing, and inspections has been developed. Furthermore, a new benefits agency (OPEKA) has been established, becoming the single authority responsible for the payment of all welfare benefits.

**In addition to income support, the SSI scheme promotes social inclusion and labour market reintegration, facilitating access to available social services and supporting unemployed beneficiaries in their search for jobs.** An operational strategy for the delivery of the social inclusion pillar is being implemented. The provision of social services is being ensured by a network of Community Centres which has been set up throughout the country, and single registries of all social services and service providers have been created. With respect to labour market reintegration, all adult beneficiaries able to work are now required to register as job-seekers. The public employment service treats SSI beneficiaries as a priority group, and will gradually offer personalised services and targeted support. Further improvements, including to the social inclusion component (second pillar) and the activation component (third pillar) are expected to be rolled out in line with agreed action plans.

**A gradual reform of the system of disability benefits has commenced benefitting from technical support provided by the World Bank.** New streamlined administrative procedures for disability assessment have been tested, and will be rolled out to the entire country. A pilot project is being implemented with the support of the World Bank to test the move from an assessment based solely on medical criteria towards an assessment which takes into account functional ability. The pilot is expected to run until autumn, and its geographical coverage is being expanded to allow the collection of more data. On the basis of the pilot evaluation, a new disability assessment should be applied to all contributory disability and welfare benefits by end-2018.

**A roadmap to review the system of subsidised fares for local public transport has been agreed.** The system of free or reduced fares for certain categories of public transport users (such as the disabled, the unemployed and large families) is being reviewed. The first stage of the process consists in pricing correctly the cost of such policies on the basis of new detailed data on transport usage which is now possible following the introduction of electronic ticketing by local public transport companies. The amount of the transfers from the central government to the local transport companies will now be determined on the basis of actual transport usage by these categories of beneficiaries.

**A new means-tested housing benefit has been legislated, to be introduced in 2019.** The benefit provides support to low-income households who live in rented accommodation or bear the cost of servicing a loan for their primary residence. The introduction of this new benefit fills an important gap in the Greek social safety net, and it is expected to reduce considerably the rate of housing cost overburden. The basic design of the benefit was adopted with a joint ministerial decision as part of the fourth review's prior actions, and some further procedural details will be added before the call for applications is launched in November.

## 4. Pillar II: Safeguarding financial stability and Justice

**The reform of the financial sector in Greece has three main objectives:** i) normalising liquidity and payment conditions and strengthening capital, ii) addressing the high level of non-performing exposures (NPEs) on banks' balance sheets, and iii) enhancing governance. The fourth review of the programme aimed at ensuring that progress is made in all three areas.

**The improved liquidity situation of banks in Greece allowed the authorities to make further steps towards the liberalisation of capital controls in line with the roadmap published by the authorities on 15 May 2017.**

The monthly limit of cash withdrawals was increased to EUR 5,000 (from the previous EUR 2,300) as of 1 June 2018 and travellers can now transfer EUR 3,000 of cash abroad (from EUR 2,300) per travel in domestic or foreign currency. Equally, the daily limit for companies that make fund transfers abroad in the context of their business operations increases to EUR 40,000 per customer (from EUR 20,000). As of 1 July 2018 banking customers will be allowed to transfer EUR 4,000 (from EUR 2,000) every two months to accounts abroad.

**The institutions supported the capital control relaxation proposals by the Greek authorities.** Liquidity conditions of banks are stronger thanks to the moderate but constant increase in deposits in the past twelve months, the improved access of the Greek banks to the capital markets and the ensuing reduced dependence on ELA, which was also benefiting from the deleveraging efforts of the banks. The results of the 2018 stress test of Greek significant banks, published on 5 May 2018, also did not lead to any disruption.

**The four Greek significant institutions were subject to a supervisory stress test in 2018.** The stress test assessed the resilience of the four banks under a baseline and an adverse scenario, covering a three-year period until end-2020. The stress test was closely aligned with the EBA stress test 2018 as regards the applicable methodology, assumptions and scenarios. The final results were published on 5 May 2018 on the ECB Supervision website.<sup>5</sup> They indicate an average capital depletion of the four banks in the adverse scenario of around nine percentage points in terms of Common Equity Tier 1 (CET1) capital, equivalent to EUR 15.5 billion, mainly driven by credit risk and net interest income. The CET1 ratios of the four banks were projected to fall to the levels of 9.7% (Alpha Bank), 6.8% (Eurobank), 6.9% (NBG) and 5.9% (Piraeus Bank) under the adverse scenario. The results of the stress test are used by the SSM, together with other relevant supervisory information, to form an overall supervisory assessment of the banks' situation.

**The programme has achieved to establish a framework to enable non-performing exposures (NPE) reduction and the banks have started to take action.** Banks have broadly met the SSM's NPE reduction targets so far mainly through write-offs and sales. The targets are backloaded, with more ambitious reductions envisaged for the latter half of 2018 and 2019. Should the targets be met by end-2019, the aggregate NPE ratio should be around 35%. Continuous efforts are needed to further reduce the NPE ratio in Greece in the years ahead, until it approaches the euro area average.

**At end-March 2018, the stock of NPEs decreased** by 2.1% compared to end-December 2017, but were still very high at a level of EUR 92.4 billion or 48.5% of total exposures, excluding off-balance sheet exposures and thus hardly improved compared to end-December 2017 (EUR 94.4 billion or 48.6%). Provision coverage increased by 2.8 pp to 49.0% during Q1 2018, mainly driven by the introduction of IFRS 9. In the first quarter of 2018 the reduction of NPEs decelerated and was mainly driven by write-offs while the default rate (1.9%) increased the cure rate (1.8%).

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<sup>5</sup> <https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180505.en.html>

Table 3: Operational targets for non-performing exposures and actual figures

	June 2016	March 2017	June 2017	Sept 2017	Dec 2017	March 2018	June 2018	Sept 2018	Dec 2018	2019
NPE volume target in €bn		105.2	103.4	99.9	95.9	93.6	90.2	87.6	81.5	64.6
NPE ratio		50.6%	50.0%	49.9%	48.5%	48.1%	46.9%	45.9%	43.1%	35.2%
NPE volume actual in €bn	106.9	103.9	101.8	99.1	94.4	92.4				
NPE ratio	50.5%	50.6%	50.6%	50.1%	48.6%	48.5%				

Source: BoG

**The Greek NPL market has developed positively in recent quarters.** The two first NPL sales of Greek banks under the NPL market law were conducted in the second half of 2017 and the first quarter 2018 and involved highly provisioned unsecured loan portfolios, with a focus on consumer loans. Several additional NPL transactions are underway in 2018. In May the sale of the first major NPL transaction involving secured loans in Greece was announced by a Greek bank, marking an important next step in the creation of a dynamic NPL market in Greece. The transaction includes the sale of non-performing real-estate backed corporate credit exposures with a gross amount of around EUR 1,961 million.

**Under the fourth review, the authorities have made selective amendments to several legislations that are of key relevance for the reduction of non-performing loans.** In particular, reviews have been conducted of the functioning of the NPL secondary market, the out-of-court workout (OCW) scheme, the household insolvency law and the e-auction framework, also following earlier reforms implemented during the ESM programme.

**A few targeted improvements have been made to the functioning of the NPL secondary market.** The authorities made some clarifications of the framework in line with the practice applied so far, such as on the VAT exemption of NPL sales and the possibility for licensed servicers to act both under the NPL law and the Securitisation law. The authorities have also adopted amendments to law 4345/2016, to reduce administrative costs and regulate the notification modalities for loan portfolio transfers. A legal amendment has been adopted to restrict the scope of the restructuring proposal to be made by the seller to consumers and to clarify that the notification of the transfer to each of the debtors of the portfolio may be done by any appropriate means, including electronic means. Finally, the authorities committed to the effective protection from criminal liabilities of officials or staff involved in the context of NPL sales and restructurings. Further work will be undertaken by the authorities to assess the “higher recovery” criterion or introduce other criteria for the protection from criminal liability in the cases of sale of portfolios.

**The adoption of an out-of-court workout (OCW) mechanism in April 2017, added an important instrument for banks and debtors for debt restructurings and NPL resolution.** The OCW framework aims at tackling the specificity of the Greek situation, where many firms have large debt both towards banks and the State (tax administration and social security entities). The OCW law provides incentives for creditors and viable debtors to engage in voluntary negotiations and reach agreements on restructuring solutions, encompassing public and private debts.

**An electronic platform for the submission and processing of OCW applications became operational in August 2017.** Data gathered during the first nine months of its operation, however, show a low processing rate and results well below initial expectations in terms of complete applications submitted and debt restructurings achieved, which are attributable to both procedural and substantive issues. Hence, in the context of the fourth review, selective changes were made to the primary law and secondary legislation of the OCW framework to increase the effectiveness of the system, in particular through facilitating applications. The respective legal amendments can be categorized in three groups:

- **The first group of amendments aims at simplifying procedures and reducing formal requirements so as to facilitate all parties involved in OCW proceedings.** Measures provide for (i) the abolition of the requirement to produce supporting documents already available electronically from other sources, (ii) the conditional possibility of producing additional documents after the filing of the application, (iii) the possibility of taking into account debt fluctuations after the filing of the application due to interest accruals, and finally (iv) the possibility of withdrawal and resubmission of applications burdened by no longer corrigible deficiencies or errors.



- **The second group of amendments broadens the scope of the law**, by including categories of hitherto ineligible debtors or debt and providing for additional incentives. Thus, among others, the temporal limit to debt eligible for restructuring was extended to cover 2017, the amount of public debt of self-employed persons for rescheduling was raised, and members of general partnerships are now allowed to settle also their personal debt under certain conditions.
- **The third group of amendments aims at enhancing the cooperation between debtors and creditors and among the various categories of creditors.** This is envisaged by temporarily extending the suspension of enforcement measures, providing for the conditional lifting of interim coercion measures, clarifying the manner of voting in cases where only public creditors are parties to the proceedings, extending the use of the electronic platform to certain categories of hitherto ineligible debtors regarding bilateral settlement of their private debt and authorising the extension of time limits in cases of force majeure.

Finally the authorities have passed secondary legislation necessary to propose debt settlement solutions to debtors who are exempt from the scope of the OCW law similar to those that the tax administration or the Centre for social security debt collection (KEAO) can accept or counter-propose in the context of this extrajudicial debt settlement process, as provided for by paragraph 21 of article 15 of the law.

**The household insolvency law was revised under the fourth review with a view to addressing existing procedural problems, and filter out strategic defaulters** (see Box 2). In relation to the first objective of removing procedural bottlenecks, the authorities have adopted measures to allow for the collection of electronically available information through banks and to eliminate the procedural requirement to horizontally re-examine, on a six-monthly basis, the extension of suspension measures (given that failure to comply with the conditions laid down by the courts will henceforth result in an automatic extinction of the suspension). Furthermore, in relation to more effectively filtering strategic defaulters, a fundamental change has been adopted to remove the restriction of debtors' bank secrecy so as to allow creditors involved in the process to obtain, process and exchange information on the debtor's relevant assets and transactions.

**The authorities have also taken action to accelerate legal proceedings and reduce the backlog of household insolvency cases.** The authorities have designed and submitted an action plan detailing specific actions needed to attain compliance with the six-month deadline between the filing of the petition and the hearing, minimise the risk of procedural abuses and eliminate the backlog of cases by no later than 2021.

#### Box 2. Amendments of the Household insolvency law

**With the background of the economic crisis in 2010 and in an effort to shield citizens facing the consequences of their sudden inability to service their debt-related obligations, the Greek authorities adopted Law 3869/2010 on Household Insolvency Liquidation in September 2010.** The law sought to institute for the first time in Greece a **personal insolvency regime in Greece**. The law allowed for debt relief in the form of debt reduction and the provision of a repayment schedule comprising all of a person's debt to credit institutions and/or private creditors; it also provided for the exemption from liquidation of the debtor's primary residence. In a subsequent amendment adopted in 2015, the scope of protection was extended to include debt to the public sector (tax and social security dues) and to provide for the contribution by the State to repayment schedules applicable to the most vulnerable citizens.

**While the original intention of the legislator was the swift processing of applications under the law, the high number of applications, combined with infrastructure insufficiencies and the low degree of IT penetration in the workings of Greek Justice, almost immediately clogged the system and resulted in the accumulation of considerable backlogs.** Still as of 2018, in several courts, hearing dates can be as distant as ten or even more years from the filing of the application. This situation, which emerged during the crisis years and further deepened over time, resulted in frequent extraordinary extensions of interim relief measures granted for the period between the filing of the application and its hearing. Such relief, originally meant to last for no longer than up to six months, effectively extended to several years. . The flipside of the extended protection was to create possibilities of debtors to abuse the system. Essentially, the above-described insufficiencies resulted in imperfect screenings of the applications and proved a boon to strategic defaulters, who rushed to seek protection under the law in full knowledge of their ineligibility, in order to benefit from the extended protection up to the distant date of the hearing of their case.

**The amendments introduced to the law in the context of the fourth review follow two main directions** The first focuses on vulnerable citizens and seeks to enable them to cope with their obligations and protect their main residence, while also addressing infrastructure and procedural issues to enhance the rate of processing pending cases and address the accumulated backlog. The second aims at removing strategic defaulters from the scope of the law and thus to lift their protection from

creditor enforcement actions.

The first group of amendments includes the following measures:

- The possibility to encourage and simplify the subsidization of the mortgage loans by the State, by allowing for the relevant procedure to be carried out directly by creditors, even in cases where the debtor fails to apply or ignores that s/he is entitled to it.
- The burden for the provision of documents by debtors is alleviated, with the obligation of credit institutions to submit relevant information on loan agreements to the court.
- Facilitation of the debtor in paying the difference between the lowest instalment initially fixed by the court and the possible higher rate determined post-appeal.
- Guarantors who have fulfilled their obligation under the guarantee may substitute the creditor under the repayment plan to the extent that their payments to the latter also covered amounts due under the repayment plan.
- The protection of the first residence will be provided on the basis of its commercial value (as opposed to the so-called objective, State-defined one) as determined by an independent expert report. Should the valuation of the commercial value result in the main residence not being excluded from the liquidation, then the first bidding price in a potential auction may not be inferior to the threshold for the law-defined maximum value of the first residence in regard to its eligibility for exemption from liquidation.
- The debt repayment plan for the protection of the main residence will be allowed to be reformed, according to fluctuations in the actual repayment capacity of the debtor.
- It will be ensured that the instalments for general debt relief (three-year settlement) and those for the protection of the main residence (twenty-year arrangements or longer) do not exceed the debtor's repayment capacity while also protecting the interests of the creditors.
- The repeated, six-monthly, mandatory renewal of interim suspension of enforcement measures was abolished.

The second group of the changes aims at identifying strategic defaulters and removing their protection.

- A fundamental change is the lifting of debtors' bank secrecy so as to allow creditors involved in the process to obtain, process and exchange information on the debtor's relevant assets and transactions.
- Beneficiaries whose applications for protection were rejected or who deliberately became insolvent (for example, by fraudulent property transfers to third parties) or who deliberately misrepresented their financial situation by concealing property rights will not be eligible for protection.
- Failure to comply either with the conditions subject to which a suspension of coercion measures was granted pending the hearing of the petition or with the court-defined repayment schedule, and subsequent failure to remedy such default pursuant to receipt of a notice by the affected creditor, will automatically entail extinction of the suspension or cancellation of the repayment schedule.
- Debtors applying under the law despite having a declared income from business activities will be flagged by court secretaries for a specific investigation of their eligibility for temporary protection by the judge.
- No temporary protection from coercion measures may be provided to applicants who have twice withdrawn an application or who have failed to ask timely for the appointment of a new hearing date in the event of a cancellation of the appointed hearing.
- In the event of a final rejection of the application, the suspension or limitation of interest accrual shall be retroactively cancelled.

### **The authorities made important efforts to support the unimpeded flow of electronic auctions (e-auctions).**

E-auctions have been introduced in Greece in 2017, in the context of the second and third reviews of the ESM programme. The first e-auctions were conducted in late November 2017. Based on legislative amendments introduced by the Greek authorities in January 2018, all physical auctions were replaced by e-auctions starting from 21 February 2018. During the period February to June 2018, the authorities provided regular detailed updates to the Institutions regarding the conduct of e-auctions and their notifications, including the geographical coverage. The monitoring data showed that the flow significantly increased in March and April, and even more so, in June, while the geographical coverage of e-auctions improved as well. By 31 May 2018, a total of 4,349 e-auctions had been conducted in Greece, with a total of 2,079 in May alone (double the number of auctions conducted in April). The number of notified auctions for the coming months reached 9,458 on 25 May.

**The geographical breakdown of e-auctions shows a gradual increase in activity across most regional notary associations, while notary subrogation is being also used in jurisdictions with lower but increasing activity.** Eight of the nine notary associations have conducted e-auctions up to May 2018, of which around 60% have been conducted by the Athens association. Only the notary association of Corfu is still not participating, yet notaries from other regions are substituted to conduct auctions of assets located in Corfu as well. Overall, 230 instances of substitution were recorded with respect to auctions conducted, ensuring the appropriate functioning of the system even in areas where no registered notaries or not enough notaries are available.

Overall, the number of notaries registered across the country (437 on 20 April) significantly exceeds the number of 330 notaries traditionally involved in auctions across Greece in the past.

**Security issues related to the conduct of auctions have predictably and reliably decreased following the abolition of physical auctions**, although tensions still flare up occasionally. The latest attempted obstructions or attacks on notaries' offices were immediately and effectively contained by police. Overall, the authorities seem to have taken the appropriate action to enhance the flow of e-auctions across the country.

**In the context of the fourth review, the authorities enacted an amendment to the CCP, reviewing the judicial mechanism for decreasing the asking price in the event of failed auctions**, specifically requiring the filing of a valuation report with the competent court.

**NPL resolution is expected to be further enhanced and facilitated through the completion of the establishment of the e-justice system throughout the territory of the country** in line with the agreed 3-year strategic plan for Justice, as updated in June 2018.

**The authorities also extended as a prior action, the mandate of the Hellenic Financial Stability Fund (HFSF) from June 2020 to end-2022 and expanded its responsibility to provide for the *ipso jure* transfer of any future ordinary shareholdings of the state in banks to the HFSF**. Specifically, following potential conversions of deferred tax credits (DTCs) the HFSF would receive all ownership rights, including voting rights, to the bank shares that the Greek State would receive, while the economic benefit from the shares, including any proceeds from their sale, would be retransferred to the State. The HFSF should cease to exist, once it has completed its mandate and disposed of its stakes in the systemic banks.

**Since June 2017, progress has been achieved in several work streams of the HFSF, resulting among other things in the approval of the Fund's new strategy as well as in the implementation of the necessary organisational changes set out in this new strategy**. In addition, the Fund has recently come up with several initiatives to improve the governance standards of the systemic banks along certain topics. The Executive Board of the HFSF is now fully constituted, with the appointment of the third member in January 2018. The new Chairman of the General Council has been appointed most recently, with an effective date of 15 June, 2018. These changes enable the HFSF to better focus on its strategic goals, particularly on strengthening its active shareholder role in the four systemic banks, including developing defined exit strategies for its stakes in the banks.

**Concerning the governance reform of the systemic banks, the reconstitution process in their boards of directors has been materially completed**. Looking ahead, more work will need to be done, primarily by the banks themselves, to further enhance their governance standards and practices. The latest board performance and governance evaluation, conducted by the HFSF in 2017, provided specific recommendations for further governance improvements, which the banks are currently implementing. The recommendations aim, among others, at improvements in risk culture, implementing succession plans, developing robust and comprehensive NPL sales policies, aligning risk appetite frameworks with business strategies, developing a merit-based performance culture and linking performance with risk-adjusted remuneration. The role of the HFSF is crucial in achieving these objectives.

## 5. Pillar III: Structural policies to enhance competitiveness and growth

### 5.1 LABOUR MARKET REFORMS

**A reliable mechanism to measure representativeness of collective agreements at sectoral level has been established.** The possibility to extend the application of collective agreements to the entire sector or occupation had been suspended for the duration of the economic adjustment programme. According to the Law (currently suspended), the possibility to extend sectoral or occupational collective agreements relies on their coverage of at least 51% of the workforce in the respective sector or occupation. In view of the lifting of the suspension after the end of the ESM programme, the Greek authorities have established a clear administrative procedure, in agreement with the social partners, to verify compliance with this criterion in the case of sectoral agreements.

**A set of measures has been taken to improve the process of mediation and arbitration.** These are based on the recommendations of an independent expert and on the outcome the consultations with the social partners. The aim is to ensure that the mediation and arbitration process is unbiased, and that the unilateral recourse to compulsory arbitration for the resolution of collective bargaining disputes (which is constitutionally protected) is effectively exercised as an option of last resort.

**Greece has made considerable progress during successive programmes to regain wage and cost competitiveness which needs to be safeguarded in coming years in order to achieve sustained economic growth that substantially lowers unemployment and increases employment rates.** To this end, social partners have a key role to play in ensuring that wage formation through the framework for collective bargaining takes due account of economic conditions in Greece and adequately caters for differing circumstances at firm level. It will also be essential that the application of the minimum wage framework, which was legislated in 2012 as part of the EFSF programme is applied fully, in line with provisions of law 4172/2019: this first application can take place in 2019.

**In order to streamline and rationalise the existing body of labour legislation, the existing laws are being codified into a Labour Law Code.** A dedicated technical support project was launched for this purpose, and a first draft of the new Labour Law Code has been delivered in May 2018 with a view to be adopted in 2019.

**The implementation of the action plan to fight against undeclared work continues to proceed smoothly.** The plan promotes an integrated approach to undeclared work, reinforcing the cooperation among different institutions, improving the knowledge about and the capacity to detect the phenomenon, reviewing the system of incentives to promote a transition to the formal economy and strengthening the capacity of the labour inspectorate. The effectiveness of inspections is being reinforced with the introduction of the automatic exchange of information across different administrative databases. The system of fines for undeclared work has been revised, strengthening incentives for compliance and sanctioning recidivism more severely. The action plan is expected to be fully implemented by 2019.

**The system of active labour market policies (ALMPs) is being strengthened.** A strategy to improve the design, impact and efficiency of ALMPs has been adopted and is being implemented with the support of the World Bank. In particular, a pilot project has been launched to test the introduction of a new delivery model for ALMPs, encompassing open framework programmes to ensure the continuous availability of measures and services, enhancing role for the employment counsellors in referring jobseekers to the most appropriate ALMPs based on individual profiling. In parallel, the capacity of the public employment service to deliver individualised services is being reinforced.

**The expansion of vocational education and training (VET) is a key element to support growth and job creation.** Several steps have been taken to implement the reform of the VET system, following the adoption of

an overall strategy and the finalisation of an implementation plan, which includes specific quantitative targets for the number of apprenticeship places in the newly reformed vocational lyceums for the next school years. The successful development of a well-functioning VET system depends on the capacity to involve and mobilise the business community. For this, a series of partnerships have been established, with the objective of supporting employers in offering quality work-based learning placements, ensuring the sustainable expansion of apprenticeships and serving as the main effective outreach to companies.

**The authorities have also taken steps to further modernise the education system.** The OECD has prepared a study assessing the performance of the Greek education system with recommendations for its improvement<sup>6</sup>. The authorities will address the recommendations of the OECD report through a concrete action plan that will be prepared by July 2018. The authorities have adopted as a prior action legislation on the appointment and evaluation of head teachers and senior education executives in line with the general public administration principles on de-politicisation. They have also legislated the rationalisation of education support structures leading to the liberation of about 750 posts to be re-deployed in the classrooms.

## 5.2 PRODUCT MARKETS AND BUSINESS ENVIRONMENT

**An important part of the structural policy package is the reform of product markets.** More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards.

**With the support of the World Bank, the scope and depth of the investment licensing reform has been enhanced during the fourth review.** New legislation has been adopted on installation licensing, operational licensing and environmental activities along with supporting activities in the areas of inspections, ICT systems and sectoral mapping.

**As for the legislative part, the installation licensing reform has reached its third phase in this review, with three main achievements:** a new regime has been introduced to protect businesses from relocation after changes in land use, differentiated by type of business and area where it was originally located; the procedure to locate in clearly defined industrial areas has been simplified, now requiring only a notification for any type of business, thus effectively limiting the need for an installation licence only in areas whose land use is not clear (since activities of low and medium nuisance in any zoned areas have been included in the regime of notification in the course of the third review); a legal commitment has been legislated to pass secondary legislation to review the nuisance classification for businesses, which is currently outdated and not harmonised with environmental classification. In this context, special provisions have been included for environmental activities in order to facilitate their location, including secondary legislation to be finalised within four months, given the urgent need to establish these activities and the previous legislated gap on the area. The categorisation of nuisance will be revised in the coming years and possibly harmonised with an updated environmental classification in order to have the same basic classification for environmental, operation and installation licensing, where the latter can be further refined to include additional urban planning elements. As for operational licensing, this licence before the current reform was the equivalent of a blanket *ex-ante* inspection on every new establishment and on facilities upgrading their machineries. With the current reform, this system based on *ex-ante* controls has been kept only for high-environmental impact activities and other activities with clear potential risks (such as offshore drilling, SEVESO and pipes with hazardous liquids). For the rest of activities, *ex-ante* controls have been replaced with the new framework on risk-based *ex-post* inspections.

**Progress has also been made on the supporting activities to foster the new investment licensing framework, including on inspections, first steps to set up an ICT system and the mapping of the licensing status of all economic sectors.** The new regime of risk-based inspections legislated early this year still requires the corresponding secondary legislation and documentation (e.g., risk criteria, checklist and inspections guidelines for each sector). To this end, a roadmap of pilot inspections has been drawn by the authorities. The first three sectors covered during this review have been hygiene inspections slaughterhouses and food and service businesses, and fire safety inspections in the accommodation sector. In addition, the tender for the ICT

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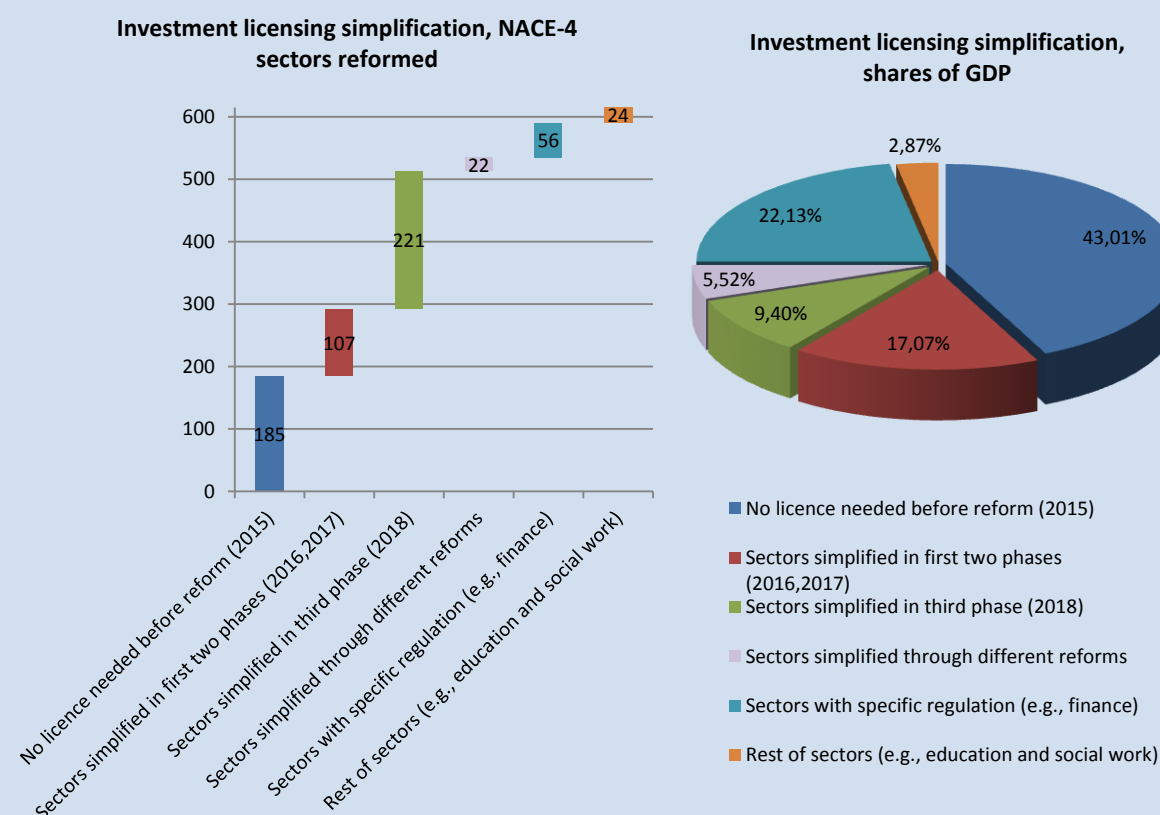
<sup>6</sup> <http://www.oecd.org/education/education-for-a-bright-future-in-greece-9789264298750-en.htm>

system for investment licensing has been launched. The system will include allow businesses to notify their activities and request authorisations online, it will be inter-connected with the digital business registries and will be used to monitor and define risk levels for the inspection framework. In addition, the Greek authorities have conducted a full mapping of the licensing status of all the sectors of the Greek economy with the support of the World Bank, classifying sectors into sectors not requiring license, sectors simplified in the previous phases of investment licensing, sectors simplified in these years through different projects, sectors with specific regulations, and the "rest of sectors". This mapping has been endorsed by KYSOIP and the relevant ministries (i.e. the ministries responsible for the sectors identified as still having licences) with a commitment to review them for the next phase of investment licensing.

### Box 3. Investment licensing reform

**With the technical support of the World Bank, an ambitious reform agenda has been launched in October 2015.** The reform aimed at simplifying and streamlining investment licensing procedures focusing both on legislation and implementation. The reform has addressed different parts of the licensing system to make it more efficient and effective, increasing compliance through an increase in the sense of procedural fairness. First of all, as a general principle, preliminary authorisations to locate and start business activities have been replaced with a system of notifications and risk-based ex-post inspections, unless motivated by clear risk criteria. To this end, the requirements associated with locating and starting operations have been simplified and clarified both horizontally and on a sector-by-sector basis. This process covered the entire economy and resulted in the simplification of 328 sectors between 2016 and 2018, out of the 615 NACE-4 sectors of the economy, which have to be seen together with the 185 sectors where licensing for establishment and operation was not needed even before the reform and the 22 sectors that have been simplified through other reforms in the same period. The remaining sectors are either sectors with specific regulation (such as banking and finance) or sectors of minor size with specific barriers to investment that will be simplified in the next phase of investment licensing (24 sectors accounting for slightly less than 3% of GDP). Overall, the sectors without licence or reformed in 2016-2018 represent 87% of all the sectors of the economy accounting for 75% of GDP.

**Graph 3.1: Coverage of the investment licensing reform**



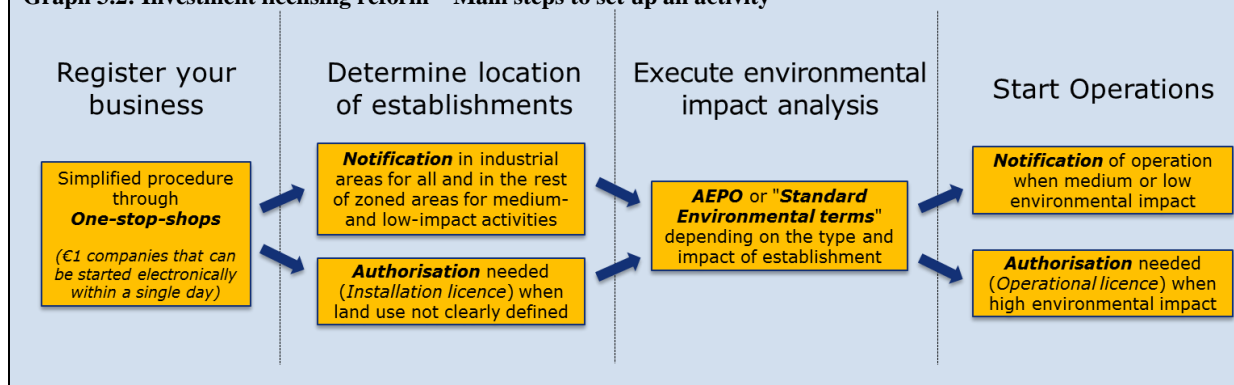
**In order to make the new framework easily accessible and clear, all the main aspects of the legislation have been enshrined in one piece of legislation, law 4442/2016.** This law consolidates all the procedural guidelines for notification and authorisation, the horizontal provisions for business licensing, the guidelines for inspections and the sectoral requirements. Later pieces of related legislation have been introduced as new chapters. The legislation also describes the characteristics of the new ICT system for investment licensing, which will include allow businesses to notify their activities



and request authorisations online, will be inter-connected with the digital business registries and will be used to monitor and define risk levels for the inspection framework.

**The general architecture of the business licensing system resulting from this reform can be summed up in three main steps to establish an activity in Greece** (see . First, businesses need to **determine the location** of their activities. If the activity is of a particularly low impact (such as a workshop) or if they want to locate in an industrial area, then no authorisation is needed and a notification suffices. Second, they need to ensure compliance with **environmental norms**, with a differentiated level of reporting depending on the impact of the activity. Third, activities of high environmental impact need to have one final check of compliance for their machineries and buildings before **starting operations**. The rest of activities just need to notify operation to the authorities through the ICT system. From that moment, following a risk-based approach, the authorities can send inspectors to verify the compliance with the relevant requirements and documentation, which is also clearly indicated in the law through a definite list of items and does not allow for additional unforeseen requests. Summing up, small business activities in industrial areas can start operation almost immediately. A clear system of authorisations kicks in when departing from this typology, either to ensure that land use is consistent with the activity or to verify that adequate mitigation measures are taken in case of high potential environmental impact of the activity.

**Graph 3.2: Investment licensing reform – Main steps to set up an activity**



**The authorities have completed the remaining actions under the OECD Toolkit I recommendations to enhance competition.** In particular, in the area of standardisation of building materials, following the completion of the process for the harmonisation of 70 technical standards (project 1), the authorities have entered into a contract with the Standardisation Body for the harmonisation of additional 372 technical specifications (project 2).

**On regulated professions, the authorities continued the reforms to remove unjustified and disproportionate restrictions.** In particular, the authorities have implemented measures to reduce restrictions on the establishment and operation of day clinics (including measures to allow mixed operations and different medical specialties) and agreed with the institutions and put in public consultation a draft law to modernise the legislative framework for the establishment and operation of private clinics.

**Work has continued regarding the implementation of recommendations of the first and second round of ex-post assessments on selected policies in relation to competition and business environment.** In particular, following the completion of the second round ex-post assessment on tourism, the authorities have adopted measures to remove a number of restrictions on touristic buses, recreational buses, car rental with a driver, as well as measures to improve administrative procedures for investments in the area of tourism. Further, following the completion of the second round ex-post assessment on book prices, the authorities have adopted measures to improve market conditions in the area of book sales. In addition, the authorities have addressed the last two pending recommendations on business parks by adopting a circular outlining all the procedural steps to set up a business park and issuing a recommendation from the Government Council for Economic Policy (KYSOIP) outlining an operational plan for the future development of business parks and the organisation of the economic activity in specialised areas providing adequate business services.

**The authorities have modernised company law legislation.** The relevant statutes have been in force for a very long time; despite repeated amendments over the years, they were in need of modernization, to streamline administrative and supervisory proceedings, reduce red tape, address recent developments in financial and corporate matters and increase the systemic coherence of codified laws as well as to gather and codify widely dispersed provisions governing the same subject matter (especially in the case of mergers and acquisitions. To

this end, the authorities adopted amendments to law 3190/1955 on limited liability companies (law 4541/2018, OJ A 93/2018); to law 2190/1920 on sociétés anonymes (law 4548/2018, OJ A 104/13.6.2018); and submitted two interim progress reports, one on mergers and one on corporate divisions, with a view to adopting the relevant legislation by October 2018.

**The authorities have pursued further reforms in the area of land use and cadastre** (see Box 4). They have started implementing the transition towards the new cadastral agency according to the law adopted as part of the third review. It is crucial to implement this transition in a timely fashion and without undesirable side-effects. For that purpose, the authorities have produced a road map, a timetable and a risk matrix that will be monitored regularly. The roadmap foresees the completion of the transition to the new cadastral agency by mid-2020 and the completion and ratification of the cadastral mapping by mid-2021. The World Bank is providing technical support. The authorities have also applied for EU co-financing of the cadastral mapping.

**Regarding forest maps**, in addition to the maps covering 35.7% of the country that were uploaded in 2017, an additional 9% of the country's surface has been uploaded for public consultation during the first semester of 2018. The ratification is following a prescribed process. To date, 32.2% of the country has ratified and definitive maps. Another 8% is planned to be uploaded until September 2018, while the drafting of forest maps for the rest of the country has been procured and the drafting will take place until summer 2019. Forest maps are foreseen to be completed and ratified by mid-2021.

#### Box 4. Establishment of a cadastre

**Greece needs to complete its appropriate land registry system.** The completion of the cadastral project covering all land and buildings in the country is essential not only to secure fiscal revenues from the real estate tax but also to attract new investment, including foreign direct investments, by providing the legal certainty of the domestic real estate market.

The cadastre project in Greece started in 1994. With an estimated total of 39 million real property rights in the country, the progress of the Greek Cadastral project since its commencement has been the following:

**The development of the cadastre has been completed for about 29% of the real property rights of the country.** This corresponds to about 10.300 km<sup>2</sup> (8%) covering 10,344,000 real property rights. At the end of 2017, there were 44 contracts under implementation covering an area of 36.500 km<sup>2</sup> (27.6%) and 10,350,000 rights.

**Latest developments:** In December 2017, a new generation of twenty seven additional contracts covering the cadastral mapping of the remaining area of the country were signed, such that full cadastral mapping data for 93% of the country will be available by mid-2021. The remaining contracts have been legally challenged and will be signed after the issuance of the relevant court decisions. A feasibility study for the completion of the cadastre has been updated and submitted to the European Commission for co-funding of about 83 million.

**To be able to operate the cadastre in the long-term, a new Agency, Hellenic Cadastre that will integrate the company that was executing the cadastral mapping and the mortgage offices has been established in January 2018.** The 398 mortgage offices that keep deeds and mortgages and work independently from the cadastre will gradually be integrated into the Hellenic Cadastre and progressively reduced to 17 cadastral offices. All deeds and mortgages will be digitised and inserted in the cadastre. The whole exercise is expected to be completed in June 2020.

The World Bank is providing technical support for this major reform through the SRSS. A contract for a second phase of WB support is in the process of being signed.

**One factor that was delaying the cadastre was the absence of forest maps.** By today, forest maps covering 32.2% of the area of the country have been ratified and have thus become definitive. About 150,000 objections have been raised are currently being treated. Maps covering another 9% of the territory have been uploaded for public consultation. These are planned to be ratified by mid-2019. The development of the forest maps for the remaining 45% of the Country has been procured, so that by June 2020, the whole country will be covered by forest maps. Some problematic areas which include a high concentration of illegal constructions are excluded from the maps without however blocking the finalisation of the rest of the map (which was a major problem in the past). These only cover a limited part of the country (approximate 3%) and will probably have to go through



lengthy legal challenges in parallel.

**Although huge progress has been made in the past two years, there is still a long way until the reform is completed.** There are still 72% of the property rights to be registered. Many of these are in remote areas and provinces where property titles are often weak or missing. The transformation of the former cadastre company into the new entity may lead to delays in implementation (appointment of managers, new organisation, absorption of mortgage offices).

**In order to continue closely monitoring progress until the finalisation of the project, a detailed timetable, a road map and a risk matrix have been agreed as part of the fourth review.** A mechanism of follow up on the cadastre progress, with monthly reporting will be set-up and a second phase of technical support by the World Bank is in the process of being signed.

**On structural funds, the authorities have as a prior action adopted a Ministerial Decision establishing a registry of experts that will strengthen the supervision of municipal engineering projects in smaller municipalities that do not have sufficient technical capacity.** Going beyond the prior action, the authorities have approved nine major new projects for a total budget of 1.7 billion EUR. In addition, progress has been made on the application of sound public administration principles related to the appointment of managers in National Strategic Reference Framework (NSRF) structures: the submission of candidatures has been completed, the selection committee has been established and exams are scheduled to take place by the end of June. The evaluation exercise of the staff is underway; the NSRF structures participate in the wider public-sector mobility scheme and will also launch an internal mobility scheme. Finally, the authorities have taken steps to fortify and improve the use of the electronic platform for state aid schemes (PSKE). The system has been simplified, timeframes have been shortened and a simplified procedure has been set for schemes of a value under 10 million EUR.

**On agriculture,** with the view to limiting the risk of financial corrections relating to direct aid, the Greek Payment Authority of Common Agricultural Policy Aid Schemes (OPEKEPE) has updated 100% of the ortho-photo maps with the most recent imagery and digitised and updated the corresponding reference parcel boundaries and eligible areas. In order to do this the relevant department has been strengthened with the necessary specialised staff (technicians, agronomists and surveyors).

### 5.3 REGULATED NETWORK INDUSTRIES (ENERGY, WATER, TRANSPORT)

#### Energy

**Reforms in the Greek energy markets are progressing and 2018 has seen the achievement of key elements of the reforms, including the launch of the divestiture tender of the Public Power Corporation (PPC) for two lignite plants.** They are expected to lead to greater competition, a decrease of distortions and an increase in investment, bringing benefits to all consumers, who currently directly or indirectly have to shoulder the cost of these inefficiencies. In the electricity market, the dominance of the incumbent PPC is being reduced through several instruments in parallel to a rebalancing of the regulatory system. In contrast, the introduction of the Target Model for the electricity markets has been postponed beyond the end of the program and is now expected to be launched by April 2019.

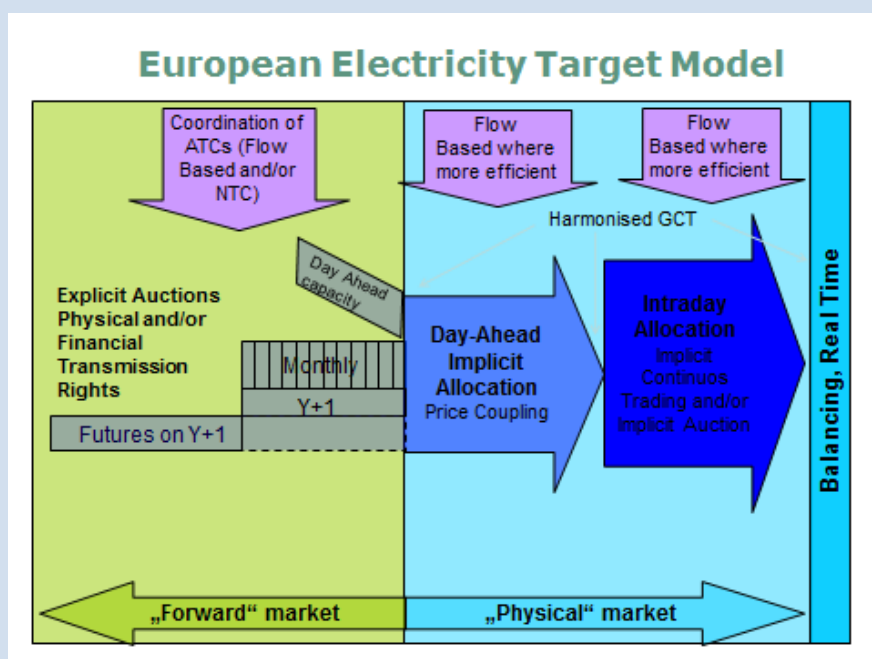
**A decisive step to achieve the structural measure to allow for new actors to have access to and being able to supply electricity generated from lignite was achieved through the adoption of Commission Decision (C(2018) 2104 of 17 April 2018) and the law adopted by the Hellenic Parliament on "Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions" (FEK: A 75/2018).** This followed a ruling by the European Court of Justice in December 2016 to bring around 40% of PPC's lignite-fired generation capacity under the control of other market participants. As part of the fourth review, the corporate steps required (and also set out in the adopted law) for the two spin-off companies were taken allowing for the international tender to be launched by PPC on 30 May 2018. The divestment is expected to be completed by end-2018. At the same time, the electricity auctions by PPC continue to be carried out through the NOME auction system. The fourth review agreed upon a gradual de-escalation of the quantities

coupled with concrete criteria related to the progress of the lignite divestiture tender (Art. 42, FEK: A 105/2018), in order for quantities to reflect – upon the successful completion of the tender – the actual capacity that will still be under PPC's control and hence, beyond direct access to other market participants. A joint assessment of the NOME auction system by the Greek authorities and the institutions is planned to take place in September 2019, which will assess the impact of the lignite divestiture and launch of the Target Model (both expected to happen during first quarter of 2019, see below for details on the Target Model). This joint assessment, also referred to in the updated and signed KYSOIP action plan for NOME (FEK: B 2266/2018) will form the basis to allow for decisions to be taken on the future of the existing electricity auctions, including the possible need for other measures to be taken. Finally, a Joint Ministerial Decision was adopted (FEK: B 2280/2018) to confirm the so called 'reserve price' for the NOME auctions to be carried out during the next 12 months.

**Progress has been made during the fourth review on the Target Model with the four markets (day-ahead, intraday, balancing and forward) now scheduled to enter into operation in April 2019 (initially envisaged to have been in place by August 2018) and to be coupled thereafter with Bulgarian and Italian markets.** During the fourth review it was agreed that the market rulebooks to be adopted by September 2018 for the four markets will remove any bidding restrictions, such as maximum and minimum bidding and clearing prices, in order to be fully compliant with EU legislation. In terms of progress made as part of the fourth review this included three key elements that have all been met, namely: (i) the establishment of an energy exchange (HeNex); (ii) submission of the market Rulebooks for the day-ahead, intraday and balancing markets to the Greek Energy Regulatory Authority (RAE) for approval; and (iii) defining the technical specifications of the relevant IT systems for day ahead and intraday markets. The box below provides a summary of the Target Model.

#### Box 5. The transition of the Greek electricity market towards the EU Target model

**The Target Model for the European electricity market is the vision shared across all stakeholders on the future market design.** The model is the blueprint with top-down guidance for regional market integration projects and is being implemented bottom-up through regional market coupling projects and top-down through the network codes that the European Agency for the Cooperation of Energy Regulators (ACER), the European Commission and the European Network of Transmission System Operators (ENTSO-E) develop which are then applied at the Member State level. The figure below presents a flow chart of the Target Model and its design to set the essential harmonisation requirements while allowing justified regional flexibility for the regional and inter-regional integration initiatives.



Note: (i) NTC - Net Transfer Capacity; and (ii) GCT - Gate Closure Time

**The transition of Greece towards implementing the EU Target Model has been and continues to be an important priority among the structural reforms carried out in the energy sector under the ESM Programme.** The overall aim of the Target Model is to facilitate cross-border trade and ensure security of energy supply in Greece and across Europe.

Throughout Europe today, cross-border electricity networks abide by specific grid operation and trading rules that were once set at the national level, but are now drawn up at the EU-level. The EU-wide rules allow for a more efficient management of electricity flows, as interconnections between countries increase.

**To that end, the redesign of the electricity market and of the regulatory framework in Greece has been necessary, in order for the markets to become compliant with the EU legislation on cross-border trade.** This entails the harmonisation of the Greek electricity market with the provisions of Network Codes and Guidelines (NCG) in order to allow for Europe-wide coupling with the other European wholesale electricity markets, in accordance with the Target Model. The reform of the Greek electricity market pursued under the ESM programme has therefore sought to address the regulatory and technical changes required to comply with the Regulation establishing a guideline on *Capacity Allocation and Congestion Management (CACM)* that entered into force on 15 August 2015 as well as the Regulation establishing a guideline on *Electricity Balancing (EB)* that entered into force on 18 December 2017.

- **The provisions of Capacity Allocation and Congestion Management (CACM)** govern the establishment of cross-border EU electricity markets in the day-ahead and intraday timeframes, as well as methods for the calculation of interconnection capacity.
- **The Electricity Balancing guideline** is about creating a market where countries can share the resources used by their transmission system operators to make generation equal demand always. It sets down rules on the operation of balancing market that Transmission System Operators (TSOs) use to procure energy and capacity to keep the system in balance in real time. The objectives of the guideline include increasing the opportunities for cross-border trading, the efficiency of balancing markets, increase security of supply, limit emissions and diminish costs to customers.

**Once the Target Model is operational by April 2019 and enables the full functioning and interconnection of the Greek energy market,** it is expected to result in improved competitiveness, which will be to the benefit of the Greek consumers, as purchasing prices should become more affordable and at the same security of energy supply will be strengthened.

**Other reforms in the electricity market have also advanced during the review,** including agreement to a more gradual phasing out of the so-called supplier surcharge, in order to ensure that the Renewable Energy Sources (RES) account will be maintained in balance. As a consequence, the already applied reduction of the supplier surcharge for 2018 (35%) will be followed by further gradual de-escalation to take place in 2019 (50%) and 2020 (70%), while it will cease to be applied as of 2021, as set out in the legal provision adopted (Art. 40, FEK: A 105/2018).

**An element which is being addressed is the public sector arrears toward PPC, while limited progress has been achieved concerning private sector arrears as the company still suffers from its long-standing inability to collect overdue revenues from its customers (incl. the public sector).** For the public sector a supplier contract has been agreed as part of the fourth review, which resulted in PPC receiving a substantial part of the arrears owed by the public entities (EUR 62 million). Further, a supply contract for a specific number of public entities was agreed between the Government and PPC that means that through paying PPC in advance and taking advantage of a specific discount for large consumers, the Government will be able to reduce its annual electricity bill (FEK: B 2279/2018).

**Further reforms were made to avoid any fiscal risks occurring as a result of the Social Residential Tariff scheme (SRT).** The authorities reformed the SRT scheme in February 2018 to make the scheme more targeted with a focus on supporting GMI recipients as well as with specific income-tests and lower benefits for non-GMI recipients. Nevertheless, the new scheme represented a potential fiscal risk to the Public Service Obligation (PSO) account since the allocated budget did not fully take into account of potential substantial future increases in take-up rates. In order to avoid any adverse fiscal risks, the authorities adopted two legal provisions in the Omnibus law. The first provision (Article 41, FEK: A 105/2018) limits the maximum government appropriation to the PSO budget to EUR 0 million in 2018, EUR 59 million in 2019 and EUR 68 million in 2020. The second provision (Article 124, FEK: A 105/2018) ensures a six monthly review of the PSO account by the energy regulator to allow for timely adjustment of the special account levy. In addition, the authorities have asked technical support providers from the World Bank to investigate the relatively low take up of the SRT by GMI recipients.

**In the gas market, the liberalisation process is ongoing, with full ability for all customers to choose their own supplier from January 2018.** Improved competition is being ensured by the unbundling of distribution from supply, improved regulation and the increase in the quantities auctioned by the incumbent DEPA under the gas release programme. The fourth review agreed on a tender structure to be followed for DEPA that will result

on an overall corporate restructuring with networks and international projects to be part of a separate entity where the state will maintain sole control, whereas the wholesale and retail will form a separate entity with the State selling a majority/controlling stake of 50% + 1 share. The agreed tender process includes specific measures to ensure that progress towards unbundling is maintained as well as to mitigate the risk of vertical conflict of interest. For example, a legal provision has been adopted (Art. 125, FEK A 105/2018) to ensure the interrupted continuation of the gas release programme following the privatisation of the 'commercial' part of DEPA. This will ensure that Greek consumers' interests are protected through facilitating a level playing field to suppliers that should attract new market actors to enter.

**Another key step in liberalising the gas market was the selection of the preferred bidder for the natural gas transmission system operator (DESFA).** The selected tenderer that will own 66% of DESFA is currently carrying out the notification and certification processes that are expected to be completed by October 2018.

### *Water and transport*

**Further consolidation of recent reforms in the water sector has been achieved in the course of the fourth review.** The Greek authorities have amended law 3199/2003 to strengthen the inclusiveness, transparency, and efficiency of the decision-making process in the water supply system by reviewing the composition and functioning of the National Water Committee, the National Water Council, and the Advisory Commission for Water. To this end, the National Water Committee has been expanded to include the Minister of Labour, Social Insurance and Social Solidarity and the Minister for Administrative Reforms; two representatives of social and environmental NGOs have been added to the National Water Council (which now should meet at least twice a year, will publicly available minutes of the meetings); and a representative has been added to the Advisory Commission for Water of each the Ministry of Labour, Social Insurance and Social Solidarity.

**In addition, the new unit on "Costing & Pricing of Water Services" of the Special Secretariat for Water has been staffed and made operational.** The Special Secretariat for Water, member of the network of European Water Regulators, is now better equipped to fulfil its role of supervision of the Greek water system through the regular collection of information on all the water companies of the country, including the water companies of Athens (EYDAP) and Thessaloniki (EYATH). Two evaluation reports have been finalised in the course of the fourth review with technical support: one on the existing system of regular collection of information and on the progress towards the development of the Full Information System and another on the business plans and concession agreements of EYDAP and EYATH. Furthermore, the authorities have finalised a tender to draft the multi-annual strategic plan for SSW, aimed at strengthening its governance, administrative capacity and financial autonomy, and the corresponding annual operational plan outlining specific actions, steps, timelines that will contribute to the implementation of the strategic plan. To that end, the authorities have provided input to the plans specifying the role, mission and competences for the SSW in relation to other organisations in the water sector.

**The Authorities have also ensured that SSW will have access to information from the relevant ministries and local authorities on all the water companies of the country.** This will allow SSW to have a full picture of the sustainability and needs of the water system by analysing data on water quality and data and projections on detailed administration costs and revenues, physical assets and investments of water companies.

**Strategic changes are underway in the transport and logistics sector with the preparation of a general transport master plan and the implementation of the logistics action plan.** The authorities, with technical support, are preparing a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics) that will contain infrastructure, organisational, institutional and operational measures to improve efficiency in the transport sector. The master plan by March 2019 will establish a long-term strategy for the sector with a horizon year of 2037. This project, which is supported by the SRSS is being managed by the EIB and has two components: the drafting of a comprehensive multi-modal transport plan and the development of capacity building, institutional support, data management, etc. On logistics, the authorities have continued the implementation of the logistics action plan. Some of the priorities are the facilitation of transit procedures and added value services; the creation of agro-logistics centres; supporting the Athens International Airport to become an international logistics hub and completion of the Thriassio multimodal complex.

## Box 6. Reform of the water sector

**Major reforms have been undertaken in the water sector under the ESM programme to ensure its sustainability, reliability and accountability.** In order to achieve this objective, five major actions have been undertaken by the authorities in the context of the ESM programme: (i) the issuance of a Joint Ministerial decision on water costing and pricing rules applying to all the water companies in the country; (ii) the creation of a Special Secretariat for Water to supervise the application of such rules; (iii) the realisation of a database to collect and compare data from all the water companies; (iv) the professionalization of the management of local water companies; (v) the adaptation of the composition of the National Water Committee and the rules of the National Water Council. This box discusses each of these elements.

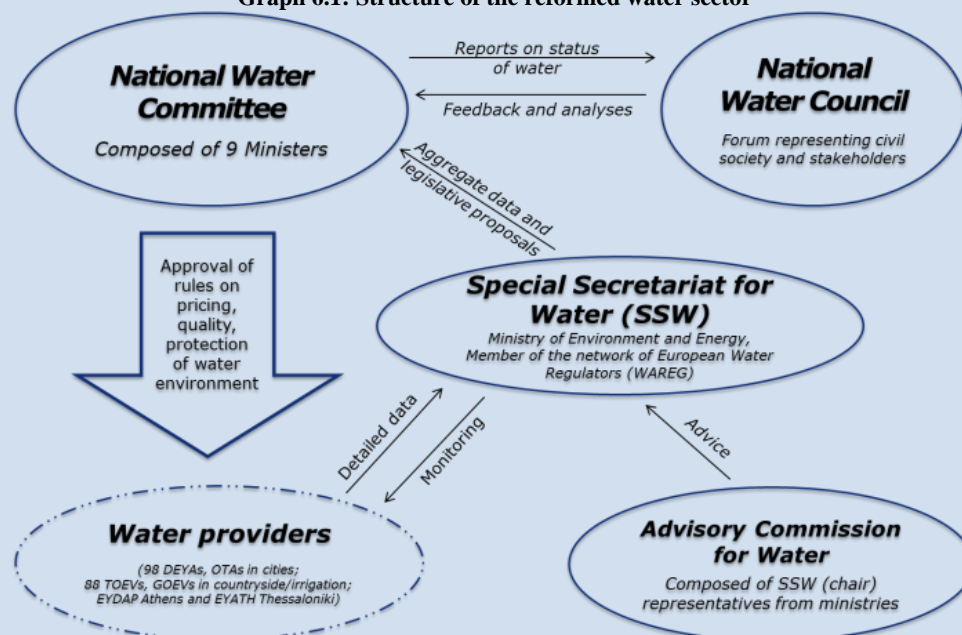
**The Joint Ministerial Decision on water costing and pricing rules aimed at ensuring that the price of water reflects its full cost.** The rationale behind this provision adopted by the National Water Committee is that if water users pay a lower price than the full cost, then it will be the society at large to integrate the bill, transferring the burden to finance the system to every citizen and implicitly subsidizing heavy water users. In addition, a price consistent with the cost of supplying water also contributes to minimise the waste of a scarce resource and to incentivise businesses to adopt water-saving technologies and practices. Finally, by ensuring that water companies are in a condition of financial equilibrium, with adequate plans for investments and human resources, also the sustainability, independence and continuity of the service is guaranteed.

**The Special Secretariat for Water is the institution tasked with the coordination of the management and the protection of water resources, the implementation of rules on costing and pricing, and the monitoring of water services, among other tasks.** Its current organisational structure has been defined in the Joint Ministerial Decision 322/2013 and in the course of the third review it has been adequately staffed to perform its functions. The need for a supervisor of the water services stemmed from the complexity and articulation of the system, which is composed of a large number of agents with different institutional nature and organisational structure, with different practices and heterogeneous standards of performance.

**Within the Special Secretariat for Water, a database has been realised, and is currently being expanded, to collect and compare data across water companies.** Through this digital database it will be possible to consistently monitor and compare the performance of water companies across the country through a full range of indicators on physical assets, human and financial resources, collection rates, frequency of service disruption. This tool will thus support the authorities in ensuring the sustainability of the system by prioritising investments and planning in advance for future human resource needs.

**The professionalization of the management of local water companies has been achieved through legislation in 2017 on the competences of the water companies' directors and the composition of boards.** The boards of the local water companies have been transformed significantly by opening them to public scrutiny by introducing at least one member of environmental or social organisations of the area and by ensuring professionalism of independent board members and board chairs are selected through transparent calls for interest with minimum competence standards and competitive appointments.

Graph 6.1: Structure of the reformed water sector



**The adaptation of the composition of the National Water Committee and the rules of the National Water Council aims at further strengthening the accountability of the water system.** The National Water Committee, which is the inter-



ministerial authority entrusted the implementation of the guidelines on the sustainability of the water system, including water pricing, has been expanded with the inclusion of the Ministers of Administrative Reforms and of Labour, Social Insurance and Social Solidarity in order to ensure that special pricing rules and other social policies be implemented coherently across different areas of the country. The National Water Council, which is an advisory body designed to guarantee the participation of all the relevant stakeholders in the water system during the decision making by the National Water Committee, has been expanded to include two representatives of social and environmental NGOs and will have to meet at least twice a year and make the minutes of the debate publicly available. This change should make the institution more relevant in the public debate on water policies and in the analysis of the reports on the status of waters and implementation of the relevant legislation submitted by National Water Committee to the National Water Council and to the Parliament.

## 5.4 PRIVATISATION

### Hellenic Corporation of Assets and Participations

**The Hellenic Corporation of Assets and Participations (HCAP) was established at the time of the first review through law 4389/2016 in line with the statement of the Euro Summit of 12 July 2015.** The purpose of HCAP is to manage valuable Greek assets; to maximize their value, which it will monetize in order to contribute to strengthening the development of the Greek economy and reduce the financial obligations of the Hellenic Republic. HCAP became fully operational under the second review with the appointment of the Supervisory Board and of the Board of Directors and the elaboration of the key internal regulations for the functioning of HCAP.

**As part of the fourth review, a number of prior actions have been adopted to enable HCAP to deliver upon its potential.** These actions are resolving the main remaining outstanding issues for the full operation of HCAP, namely (i) the finalisation of the internal regulations; (ii) the completion of the transfer of the SOEs agreed under the second review and the transfer of additional real estate assets to HCAP; (iii) the review of the boards of HCAP's subsidiaries OASA and ELTA; (iv) the submission of business plans by the SOEs transferred to HCAP, in which HCAP is the majority shareholder, in line with the strategic plan of HCAP; (v) amendment of the articles of association of the SOEs transferred to HCAP, in which HCAP has the majority shareholding, so that there is compliance with the codified company law 2190/1920.

**Following the adoption of the most important chapters of the internal regulations as part of the second review of the ESM programme, a number of chapters were prepared and adopted by the General Assembly as prior actions for the third review.** As a prior action for the fourth review, the General Assembly has adopted the last pending chapter related to HCAP's investment policy on 19 June 2018.

**Based on the amended HCAP law, several types of investments are envisaged: (i) investments by the Greek State (art 200(3)) and (ii) investments by HCAP,** comprising (a) investments into the own assets of HCAP (article 200(2)(a) of the HCAP Law) and (b) investment in companies or assets which are not direct subsidiaries or other subsidiaries of HCAP (article 200(2)(b)). The relevant chapter of the internal regulations on the investment policy includes, inter alia, the scope of the investment policy, the policy objectives and the risk appetite of the Corporation as well as diversification/allocation/concentration considerations.

**The transfer of the SOEs agreed under the second review and the transfer of additional real estate assets to HCAP in accordance with the process agreed under the third review have been completed.** As a prior action for the fourth review the HCAP Law has been amended for the transfer of the shares of GAIAOSE to HCAP. The transfer will be effective from 1 July 2018 for the avoidance of financial consolidation issues. GAIAOSE manages the State's rolling stock and the real estate assets of OSE, whereas it manages also a number of real estate assets, which are under its possession. With a view to transferring OAKA (Olympic Athletic Centre of Athens) to HCAP by the end of 2018, as a prior action for the fourth review, the authorities have provided a detailed list of actions needed to achieve this transfer, and a timetable for their completion. The list includes actions for the determination and funding of the amounts needed to maintain or overhaul OAKA facilities as applicable, conversion of OAKA to a sufficiently capitalised *societe anonyme* and transfer to HCAP. In addition, the authorities have established a working group, including representatives of HCAP, to oversee implementation

of those actions. Finally, based on the process agreed among the authorities and the institutions, within the framework of the third review, a significant package of real estate assets has been identified by the consultants of HCAP, following a screening of the relevant data bases. Subsequent to the identification, the list of the real estate assets to be transferred to HCAP has been submitted to the Minister of Finance for approval. The Minister issued the relevant decision on 19 June 2018, following the relevant authorisation by KYSOIP (FEK B' 2317/19.05.2018). The decision is the legal title for the transfer of the assets to ETAD/HCAP.

**The boards of HCAP's other subsidiaries OASA and ELTA have been reviewed as a prior action under the fourth review.** The Board of Directors of HCAP has reviewed the Boards of OASA and ELTA with the support of external consultants, who provided the assessment report. Following the review, the BoD of HCAP is in the final stages of completing the procedure for replacing members of the two BoDs. The process of the review of the boards of the remaining SOEs and appointment of directors to any vacancies will be one of the primary tasks of HCAP for the coming months.

**SOEs which had been transferred to HCAP and in which HCAP is the majority shareholder have submitted their business plans.** The unlisted SOEs, in which HCAP is the majority shareholder, submitted their business plans by end-April 2018. For listed companies the management of the companies has confirmed that they have updated business plans. Thus, the prior action is done. Following the submission of the business plans, HCAP has proceeded to the phase of assessing the submitted business plans, inter alia whether they are in line with the strategic plan of HCAP.

**The articles of association of the SOEs transferred to HCAP, in which HCAP has the majority shareholding have been amended.** The amendments foresee a change in the appointment procedure of the members of the BoD of the SOEs, resulting from the relevant amendment in the HCAP Law in January 2018 as well as changes needed to achieve compliance with the codified Company Law. Amendments in the articles of association of SOEs have been agreed at Board level of HCAP and approved by General Assemblies of the SOEs.

## Privatisation Projects

**Privatisation helps to make the economy more efficient and contributes to reducing public debt.** Implementation of the Asset Development Plan (ADP) of the Hellenic Republic Asset Development Fund (TAIPED) regarding all its core assets is key to stimulate private investment, increase efficiency, and provide financing to the State. Progress has been made in several areas, notably on the financial closing of the sale and transfer of 67% of the shares of the Thessaloniki Port Authority S.A.; the financial closing for the sale of 5% of the telecommunication company OTE; the selection of the preferred bidder for the acquisition of 66% of the Hellenic Gas Transmission System Operator (DESFA); the preliminary view of DG COMP that the pre-notified agreement on the extension of the concession agreement for the Athens International Airport, does not involve unlawful State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union; the acceptance by the BoD of TAIPED of the improved financial offer for the acquisition of 100% stake in EESSTY (ROSCO) S.A., submitted by TRAINOSE S.A. - ROSCO provides rolling stock maintenance and availability services to train operating companies; the launching and the conclusion of the expression of interest phase for the joint sale of a majority stake (50.1%) in Hellenic Petroleum (HELPE) by the State and the other strategic shareholder of HELPE, PanEuropean Oil and Industrial Holdings S.A. (POITH); and the launching of the binding offers phase for the long-term concession of the Egnatia motorway. It should be noted, however, that there were delays over the past two years in the implementation of the privatisation programme as laid down in the Asset Development Plan in August 2015 which was scheduled to be completed prior to the conclusion of the ESM Programme.

**As part of the fourth review, the authorities have committed to take the necessary measures to move forward with key privatisation projects.** As prior actions for the fourth review, TAIPED has proceeded to the updating of its ADP, whereas the Government Council for Economic Policy (KYSOIP) has endorsed the ADP approved by TAIPED. The ADP is expected to be implemented after the end of the programme according to its agreed timeline. Further, within the same framework, the Board of Directors of TAIPED, with the help of

external advisors, has reviewed the corporate governance structure of DEPA and Egnatia S.A. and assessed the Board of Directors of the specific companies. In the case of DEPA the review assessed the current members positively and thus no replacement was necessary. In the case of Egnatia, there was a need for filling vacant posts. Two new members were appointed in the BoD of Egnatia on 19 June 2018.

**Progress on key ongoing privatisation projects is presented below.** It should be noted that the financial closure of a number of transactions included in the privatisation programme can only be achieved in the post programme period.

**Hellenic Gas Transmission System Operator (DESFA):** On 16 February 2018, two binding offers were submitted for the acquisition of 66% (31% stake owned by TAIPED and 35% stake owned by HELPE) of DESFA's share capital. The Board of Directors of TAIPED selected the preferred bidder on 19 April 2018. The tender folder has been submitted to the Court of Audit for approval on 30 May 2018. The transaction is scheduled to be completed before the end of the year. This follows up on delays in the implementation of the transaction. The SMOU signed in July 2017 was providing for the nomination of the preferred bidder by August 2017 and the financial closing of the transaction by the end of 2017.

**Egnatia motorway:** The privatisation process for the Egnatia motorway has been characterised by systematic delays. Over the past weeks steps have been taken to overcome obstacles in the effective launching of the binding offers phase, which arose in January 2018, following the launch by the Ministry of Infrastructure of the process for the expression of interest for the procurement, design and installation of an electronic system of tolls (e-tolls). More specifically, as a prior action for the fourth review, the Joint Ministerial Decision (JMD) 6686/2014 (as in force) was revised to provide for the disconnection/exemption of the Egnatia motorway concession from the ongoing e-tolls tendering process of the Ministry of Infrastructure and Transport. The revised JMD was published in the FEK on 24 May 2018 (FEK B' 1893/24.05.2018). The JMD will be confirmed in the next phase of the tendering procedure of the Ministry of Infrastructure. Following the adoption of the revised JMD and the amendment of the tender documents, TAIPED and its consultants have drafted the Concession Agreement, which was approved by the BoD of TAIPED and along with the Request for Binding Offers have been sent to the Prequalified Investors on 15 June 2018. On 22 May, the Ministry of Infrastructure and Transport, in cooperation and in agreement with TAIPED, has submitted its response to the clarification questions sent by DG MOVE regarding the new tolling policy that will be implemented in the Egnatia motorway and its vertical axes. Furthermore, on 7 June, the Ministers of Infrastructure and Transport and Finance have issued a JMD providing for the new toll pricing policy for the Egnatia motorway and its vertical axes. This new tolling policy will enter into force in Egnatia motorway on 1 January 2019 subject to clearance by DG MOVE. It also provides that the applicable exemptions granted to residents and businesses in several prefectures and municipalities adjacent to the Egnatia motorway from payment of tolls will cease to apply as from 1 January 2019. On 2 March, Egnatia S.A. signed the contract for the construction of the Asprovalta toll station. Egnatia SA has additionally instructed the contractor of the two, new Operations and Maintenance Contracts (O&M) to commence construction of the Frontal Toll Stations of Strymoniko and Kavala. Furthermore, the Ministry for Energy & Environment approved the environmental terms for all remaining frontal and for all lateral toll stations (except four). The construction for all toll stations will commence as soon as the environmental terms for the remaining 4 toll stations are also approved, based on the specific option of the contract. Last but not least, on 15 June, the Inter-ministerial Committee of Assets Restructurings and Privatizations has issued a decision (text agreed with TAIPED – FEK B' 2274/15.06.2018), in accordance with article 2 par. 5 of Law 3986/2011, pursuant to which TAIPED is entitled to include in the scope of the services concession agreement of the Egnatia tender the obligation of the concessionaire to finance, study and perform all the necessary works pertaining to the upgrade of motorway standards of (a) the Halastra – Polykastro section of the Halastra – Evzoni vertical road axis and (b) the Christos – Ambela section of the Thessaloniki – Serres – Promachonas vertical road axis, such sections measuring approximately 54 km in total. The financial closing of the Egnatia transaction is expected before the end of 2019.

**Hellinikon (land development project of the site of the former airport of Athens):** The project, when implemented, is expected to have a significant positive impact for the Greek economy (creation of a large



number of jobs and added value generation). However, the project was recurrently facing headwinds (forestry, archaeology issues). A very positive development under the third review has been the signing and publication on 1 March 2018 of the Presidential Decree (PD), regarding the approval of the Integrated Development Plan. The PD is providing clarity on all potential disputed area issues (heights of the high-rise buildings, procedure to be followed for the handling and preservation of any new archaeological findings within the site etc.). Within the framework of the fourth review, the authorities have completed the enactment of a law for the establishment of the management authority of open and public areas and facilities (the relevant legislation was included in the Omnibus Law approved by Parliament on 14 June 2018 (FEK A' 105/14.06.2018)); and continue to implement without delays the revised timetable agreed in the working group on the fulfilment of all Conditions Precedent relating to the adoption of the necessary ministerial decisions (urban planning, approval of studies) and the award of the casino licence (actions included in the GPAs) to ensure financial closing by December 2018.<sup>7</sup>

**Thessaloniki Port:** Following a long delay of the privatisation process, binding bids were submitted on 24 March 2017. The selection of the highest bidder and reserve bidder was taken on 24 April 2017, whereas on 20 November 2017 the Court of Audit confirmed that TAIPED can proceed to executing the transaction's legal documents (Share Purchase and Shareholders' Agreement). The Share Purchase Agreement and Shareholders' Agreement were signed on 21 December 2017. The concession agreement was ratified by Parliament on 22 February 2018. The financial closing of the OLTH transaction took place on 23 March 2018 with the transfer of the majority stake of 67% of Thessaloniki Port Authority S.A.'s (ThPA) shares to the South Europe Gateway Thessaloniki Limited against the payment of EUR 231.926 million.

**Athens International Airport (AIA):** The TAIPED Board of Directors approved on 30 May 2017 the extension of the Concession Agreement of AIA following bilateral negotiations between HRADF and AIA. The financial closure of the transaction is subject to clearance by DG Competition of the European Commission in the context of a State aid notification (Articles 107-109 TFEU). The Greek authorities have pre-notified the transaction to DG Competition for preliminary assessment before formal notification. DG Competition has sent a series of questions and requests for clarifications and several meetings took place between the two sides. A very positive development has been that on 15 June 2018 the Directorate-General for Competition has come to the preliminary view that the pre-notified agreement for the extension of the concession agreement, does not involve unlawful State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union.

**Other projects:** TAIPED is working on preparatory actions for the implementation of all privatisation transactions included in the Asset Development Plan. Within the framework of the fourth review, The OTE tender process was completed on 15 March 2018 without the submission of any offers. As per Deutsche Telekom's (DT) right of first refusal under the Shareholders' Agreement, a notice was sent to DT on 16 March 2018 based on the 20-day VWAP. Following the notice sent on 16 March 2018, Deutsche Telekom AG exercised its right of first refusal for the acquisition of 5% of OTE's shares for EUR 284.052 million. The transaction on OTE has been financially closed on 30 May 2018, with the transfer of the 5% shares to Deutsche Telekom AG against a payment of EUR 284.052 million.

**On Hellenic Petroleum (HELPE),** an agreement has been reached between PanEuropean, TAIPED and the Greek authorities on the terms of the sale of 50.1% of HELPE. The Expression of Interest phase was launched on 18 April 2018 via an international open tender process for the joint sale (the State along with the other strategic shareholder of HELPE, PanEuropean Oil and Industrial Holdings S.A. (POITH) of a majority stake (50.1%) in

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<sup>7</sup> As to the Condition Precedent relating to the relocation of users, the Greek authorities have made significant progress with the relocation of the existing public users (actions included in the GPAs) in line with the agreed timetable. In particular, (i) relocation was completed for Customs Department and all other services supervised by the Ministry of Finance; all services supervised by the Ministry of Defence including the Aviation Factory, the National Meteorology Centre and the Air Force Procurement Unit; all services supervised by the Ministry of Culture and Sports including all Sports Organisations; services supervised by the Ministry of Health including the Hospital of American Military Basis; and services of the Municipality of Alimos; (ii) significant progress has been made in relation to the relocation of OSY (buses depot) (70% until today - completion by end of June according to the timetable); Civil Service Aviation (75% until today - completion by end of June according to the timetable); services of the Attica Regional Authority (75% until today - completion by end of June according to the timetable); the Fish Research Centre (75% completion of the administrative process to ensure physical relocation by November 2018 as agreed); and the services of the Municipality of Elliniko-Argyroupoli (50% until today); and (iii) special relocation arrangements were agreed with the investor/developer for social welfare organisations; police and fire police departments.

HELPE according to an MoU signed between the Greek Authorities, POITH and TAIPED. The deadline for the submission of expressions of interest was 30 May 2018. Five investment schemes submitted expressions of interest. The financial closing of the transaction is expected in the first half of 2019.

**On Public Gas Corporation (DEPA):** TAIPED has hired legal and financial advisors since April (in alignment with the respective SMOU requirement) with the mandate to assist TAIPED in the privatization of DEPA's stake. The privatization transaction structure has been agreed between the Greek Authorities and the institutions (see also section 5.3 Energy above). The tendering process for the commercial activities will be launched in November 2018, whereas the financial closing is expected by the end of 2019. For the network activities the tendering process is expected by the end of 2019.

**Overall, the picture in the implementation of the privatisation programme is mixed with progress in some areas and delays elsewhere.** Proceeds in 2017 amounted to EUR 1.4 billion. The financial closing of the sale of 67% of the share capital of the port of Thessaloniki and the finalisation of the sale of 5% of OTE (telecom company) shares mean that the proceeds for the first half of 2018 amounted to EUR 734 million. The transactions of Hellinikon and the extension of the Concession Agreement of AIA have not yet been financially closed due to reasons which are largely beyond the control of the Greek Authorities. In the case of Hellenikon the timetable has been revised to December 2018 due to several delays accumulated since the onset of the ESM programme; the latter delay was due to objective reasons, beyond the control of the Greek Authorities, whereas the transaction for the extension of the concession agreement has been subject to DG COMP clearance and acceptance of the terms of the extension by the investors. Besides the Hellinikon and the extension of the concession agreement for the AIA, the DESFA and the ROSCO transactions are also expected to be financially closed before the end of 2018. Should these four transactions be financially closed by the end of the year, additional proceeds of over EUR 1.5 billion are expected in the second half of 2018, which would give a cumulative yield of some EUR 4.5 billion since the start of the ESM programme. It remains feasible to complete additional key tenders in 2019 which could generate potentially significant yields. The estimated financial yield of transactions which are now being finalised are being upgraded, against the background of positive economic growth and the emergence of Greece from the stability support programme. This is in the interest of Greece and its creditors as these proceeds are directed to loan servicing.

## 6. Pillar IV: A modern State and Public Administration

### 6.1 PUBLIC ADMINISTRATION

**Public administration reforms are a key pillar of the ESM programme. The package of legislative reforms which was agreed under the programme was largely completed as part of the third review, while the fourth review has focused mainly on delivery through the actual implementation of these important reforms covering broad aspects of the Greek public administration.** A key reform has been to set the corner stones for the development of a comprehensive Human Resource Management System, through the introduction of a mobility scheme (incl. development of organigrams and job descriptions) and annual performance assessments. Other reforms include the launch of a transparent and open selection process for the appointments of senior management and adoption of an Inter-Ministerial Coordination Manual to enhance overall coordination at the central government level.

**A key element in developing a Human Resource Management System has been the introduction of a modern mobility scheme allowing for public officials to be transferred where the most urgent needs are.** This scheme has replaced a cumbersome and non-transparent process which mainly relied on secondments as the mode of mobility, even if the needs of the receiving entity were of a more permanent nature. Under the new legal framework, secondments are not excluded, but rather are regulated by limiting their period to 12 months (with the possibility to be extended for three additional months). A first mobility cycle was launched in November 2017 and the second cycle was launched in April 2018. In the first cycle, more than 800 vacancies were published; 2,000 candidates expressed an interest in 90% of the available positions. Some delays incurred in terms of the originating entity submitting the needed administrative documentation required of the candidates shortlisted, and in order to ensure a smoother process a legal amendment was passed, setting specific time limits to the originating entities to submit the required documentation. In order to ensure that the period between selection and actual transfer is kept to one month, a legal amendment was adopted to facilitate the process of appropriations, thereby allowing for the selected public official to take up her/his new position. The first mobility cycle is close to finalisation, with selection certificates issued for 234 out of 456 vacancies for permanent transfers and actual transfers expected to be completed by July 2018. The reasons why not all vacant positions being filled include (i) the 'receiving entity' not satisfied with qualifications/experience of the candidates; (ii) candidates withdrawing interest and/or opting for another position. There are encouraging signs that the second mobility cycle will be completed more quickly than the 1<sup>st</sup> cycle and that there is increased interest, both in terms of participating entities and candidates applying. Ministries and Independent Authorities are the entities with the vast majority of vacancies during the initial two mobility cycles, while secondments still account for a relatively high number, but seem to be decreasing. The third mobility cycle is planned to start after the actual transfers of the previous cycles are completed.

**2018 has seen significant progress being made by public entities completing their organigrams and job descriptions.** An electronic platform has been developed by the Ministry of Administrative Reform (MAR) providing a single platform where each entity uploads its digital organigram and will allow for each job description to be connected with the corresponding employee. The response rate regarding the digital organigrams is satisfactory, while the completion of job descriptions is currently behind schedule. It should be noted that this is an exercise performed for the first time for the majority of public entities and it is important that this exercise is completed to fully reflect the structure and needs of the respective entity. The target set for June 2018 for 53 entities to have completed both organigrams and job descriptions was met and actually exceeded, as 60 entities had to date completed this exercise. In order to facilitate the process, a manual was circulated by MAR to all public sector entities and a training programme started on how to populate the database. In addition, a selective number of pilot entities completed their digital organigrams and job descriptions through setting out at the unit level respective job descriptions for all unit positions. MAR plans to expand on this platform, which

by 2019 should include all entities of the general government and their public officials to be identified in a specific unit and number.

#### **Significant improvements have been made in the implementation of annual performance assessments.**

Besides the authorities' intention to cover the entire scope of the law (i.e. around 230,000 employees), the performance assessment of 2017 will be conducted electronically for the first time. The annual assessment was initiated in May and is expected to be finalised by July 2018 (as per FEK: B 1882/2018 with an extension granted through FEK: B 2271/2018). It entails the following steps, all carried out using an online tool: (i) self-assessment by the public official; (ii) assessment by the public official's immediate superior; and (iii) assessment by a manager/director two levels above the public official. By mid-June the self-assessment step has been completed for c. 56% of all officials having been registered by the respective HR departments on the online database (i.e. 90,808 out of 161,252 in total). According to the authorities the reason why only 161,252 employees were registered in the database from the initially estimated 230,000 was the limited time provided to the respective HR departments to complete the registration. The authorities have also indicated that a number of these will proceed to do the performance assessment using paper, although the authorities were not in a position to provide an estimate of how many.

#### **Box 7. Towards a comprehensive Human Resources Management System**

**A significant reform to enhance the Greek public administration is the development of a comprehensive Human Resource Management System (HRMS) which will allow for the effective and efficient allocation and management of resources.** The key elements of HRMS are now in place through the mobility scheme (incl. development of organigrams and job descriptions), annual performance assessment of public officials and a transparent selection process of all senior managers.

- 1. The mobility law (4440/2016) introduced a uniform system of mobility in the public administration and local government.** This law replaced the previous system that almost exclusively relied on secondments with a new transparent and systematic system open to all public servants. In order to allow a public entity to be part of the mobility scheme, the entity is required to prepare an organigram and job descriptions (see Art.4). Job descriptions need to be prepared for each position which specifies the profession, policy area, main responsibilities, required qualifications and desirable skills for the relevant position. Both organigrams and job descriptions are uploaded to the mobility platform. The mobility scheme is currently carried out in three cycles per year with the second cycle having being launched in April 2018. Before the beginning of each mobility cycle, each entity sends its requests for transfers and secondments to the Central Mobility Committee which evaluates them. Once evaluated, the approved vacancies are published on an electronic platform with the public servants having the required qualifications for the specific vacant position invited to electronically submit an application to the receiving entity within 15 days. The submitted applications shall be assessed within 45 days (see table below for a complete timeline per mobility cycle). Candidates' evaluation shall take into account the relevance of their formal and substantive qualifications, their past performance assessments, their experience in exercising the respective duties and each item of their staff record demonstrating the suitability for the position.

**Table 7.1: Timeline for mobility cycles**

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Requests by entity														
Evaluation of requests														
Candidates Application														
Evaluation of applications														
Completion of transfer														

- 2. A new performance assessment system introduced (Law 4369/2016) aiming at the continuous improvement of the individual performance of public servants and enhancing the overall efficiency of the public service.** Each public official is assessed each year by his/her two hierarchical supervisors. The assessment criteria are classified into: (a) administrative ability (e.g. professional competence, initiative); (b) collaboration with co-workers and service-minded

towards citizens; and (c) effectiveness (quantitative and qualitative work performance). The law also sets out the requirement of an advisory interview, which allow for each employee to discuss with his/her supervisor ways to improve his/her performance, through developing new abilities/skills for the benefit of himself/herself as well as for the unit. The first performance assessment under the new system was conducted in 2017, while in 2018 it will be conducted electronically.

3. **A new system for recruitment of senior managers based on full transparency and objectivity (Law 4369/2016).** The new selection system of top civil servants will be performed through a non-political panel chaired/supervised by the Supreme Council for Civil Personnel Selection (ASEP), thereby ensuring the de-politicization of the public administration. The new selection mechanism is based on formal qualifications, including professional and managerial experience, also for the first time recognising experience obtained from the private sector when applying for these managerial positions.

**The Ministry of Administrative Reform (MAR) has confirmed its intention to complete by end-2019, the "Digital Organizational Chart of the Public Administration and Local Government"**, which will contain the structure and staffing of all public entities. This will entail all the organisational units of the entities of the general government, with each public official being linked to a specific unit and corresponding job description. The main purpose of completing job descriptions and subsequently linking them with the existing personnel is to provide a comprehensive and accurate picture of the allocation of human resources across the public administration, thereby facilitate the identification of staff shortages based on existing needs and the drafting of a medium-term recruitment plan both in terms of the priority areas and the required qualifications. The "Digital Organizational Chart of the Public Administration and Local Government" will be based on an integrated management information system that will also enable each public servant to have a unified identification number.

**Following completion of the digital platform, this will form the basis for the establishment of medium-term Human Resource Management System (HRMS)**, which will mark a significant achievement in modernising the Greek public administration and enabling it to carry out its responsibilities in a professional and dedicated manner towards its citizens and the private sector.

**An important reform underway concerns the process for appointing middle and senior managers in the public administration.** The reform is related to the application of a new selection procedure set out in Law 4369/2016 to all levels of management, including the replacement of politically appointed Secretaries General with Administrative Secretaries, an initiative raised by the Greek authorities and agreed with the institutions. According to the legislation, the Administrative, Sectoral and Special Secretaries will have fixed-term mandates and cannot be replaced on a discretionary basis. However, the implementation of this reform encountered some challenges due to the lack of a minimum set of eligibility criteria for the Administrative, Sectoral and Special Secretary positions as was in place for the remaining management positions (Directors-General, Directors and Heads of Unit). In order to address this identified shortcoming and to ensure a sufficient level of homogeneity across calls, specific measures were taken as regards eligibility requirements, thereby ensuring that the appointment process shall lead to appointments being made on pre-defined objective criteria focusing solely upon competence and getting the right person for the job. Therefore, during the fourth review corrective actions were taken in order to ensure that all appointments are made in a coherent and objective manner, thereby ensuring the overall integrity of this key reform. This involved a review of the eligibility condition in all 69 calls by a joint working group set up by the Ministry of Administrative Reform (MAR) and its technical assistance providers, *Expertise France*. Minimum criteria set up in accordance to the existing legal provisions and EU practices, included education levels, languages, work experience and management experience. On the basis of this review, and in order to be fully aligned with the aforementioned actions, 22 calls were agreed to be relaunched by July 2018. This will also entail that the so called ASEP grid will be updated accordingly and thereafter be applied for all 69 calls. It is therefore expected that the appointments of all 69 Administrative Secretaries posts will be finalised until December 2018. It was also agreed that an independent review (with technical assistance support) is to be carried out following completion of this round of appointments and that the authorities will proceed with actions on the basis of the review's possible recommendations, including changes to the underlying legislation. The aim is to ensure that future appointment exercises shall remain in line with the spirit as well as the letter of the agreed legal framework.

**Notwithstanding the difficulties encountered in the appointment process of the Administrative Secretaries, overall good progress has been made in the appointments of Directors-General.** Until mid-June 62 Directors-General have been appointed with the remaining 28 to be appointed by July 2018. Regarding Directors, the calls for the initial 223 Director positions across all Ministries were launched by mid-June, with the remaining 172 calls to be launched by July, while all the appointments are expected to be completed by

October 2018. Finally, calls for all Heads of Division will be launched in October 2018 with a view to completing the appointments by December 2018.

**Other reforms to improve the efficiency of the public administration include the preparation of a Manual for Inter-Ministerial Coordination and a review of the hazardous allowance scheme.** The Manual sets out the current bodies and processes in place to ensure efficient coordination, but is also complemented by an implementation plan setting out specific actions (e.g. strengthening the General Secretariat for Coordination and couple the annual Action Plan for each Ministry and the Comprehensive Government Programme with the adoption of the budget) to further improve the coordination and cooperation at the central government level. The 4<sup>th</sup> review also saw some progress as concerns initiating the review of the current hazardous allowance scheme, with an inter-ministerial committee presenting a detailed study, including a methodology on provisional quantifications regarding allowances for hazardous and dangerous work. On the basis of this study, ministerial guidance has been provided to the Committee, in agreement with the institutions. This is expected to lead to a revised system to be finalised by early 2019, which will also take into consideration practices currently applied in other EU Member States, and could in the medium- to long-term result in some cost-savings.

**Codification of Greek legislation is a major project which is expected to last several years.** The authorities have already started working on the legal codification of the labour law. A National Gateway for Codification is expected to be completed by mid-2022.

### 6.3 ANTI-CORRUPTION

**The authorities have revised the Strategic plan against corruption.** This is the third version of the plan published in 2013 and already revised in 2015. The actions implemented under the former plan remain visible on the website of the General Secretariat against corruption. The actions from the former plan which were not yet completed are introduced in the new plan, along with a series of new actions including a large number aiming at fully implementing past actions. As concerns Greece's international binding commitments (OECD convention, GRECO), the plan includes the commitment to take all necessary steps to close the gaps and fulfil binding recommendations from international institutions and organisations by end of 2020. Finally, the input of technical support in the plan has been considered and, for instance, the authorities commit to publish all of the OECD technical support deliverables upon the conclusion of the project by end of 2018. The authorities have also completed the legal framework necessary for controlling the financing of political parties by publishing the required secondary legislation.

### 6.4 INDEPENDENT AGENCIES

**The process for reviewing and subsequently strengthening the legislative framework for independent agencies has progressed.** However the exercise has proven to be more complex than expected and adjustments have been made to some implementation deadlines. The authorities have submitted draft horizontal legislation, accompanied by an explanatory memorandum; in consideration of the large number of entities involved and the complexity of issues to be assessed in cooperation with the European Commission for compatibility with EU legislation and best practices, the draft will be revised internally by the relevant Commission services and further revised and elaborated upon by the authorities to address comments and to set forth proposals for reorganizing the field, including, where appropriate, merging eligible entities and abolishing redundant ones, reassigning functions to relevant services of the central administration and abolishing redundant entities. In light of the above, the principles of future legislation on the Hellenic Competition Commission and the Regulatory Authority for Energy will be laid down upon finalization of the horizontal legislation. Finally, the authorities have submitted a report setting forth the principles of future legislation on the Regulatory Authority for Passenger Transport (RAEM).



## ANNEX: Debt sustainability analysis and programme financing

### 1. DEBT SUSTAINABILITY ANALYSIS

**Greece's debt-to-GDP decreased from 180.8 % in 2016 to 178.6 % in 2017 and it is expected to decrease further from 2019.** The DSA projections assume that Greece will continue its arrears clearance programme in 2018 such that it would have cleared all remaining arrears by the end of 2018. The projections build on the final disbursement of EUR 15 billion; thereby, the total programme disbursement amounts EUR 61.9 billion, which is EUR 24.1 billion lower than the original envelope of the programme. The DSA also incorporates all the short-term relief debt measures outlined in the Eurogroup statement of May 2016, and implemented by the ESM. The assumptions in the DSA baseline scenario regarding the other main input parameters are the following:

- Short-term real GDP growth has been updated, and assumed to be in line with the Commission's 2018 spring forecast. Long-term real GDP growth is projected to level off to 1% after 2022, when the output gap has closed also reflecting the effects of population ageing. Inflation is projected to gradually converge from 0.9% in 2018 to about 2% in 2023 and to maintain this level thereafter. As a result, nominal growth is projected to level off at about 3% over the long run.
- Total privatisation revenues from bank and non-bank assets are estimated at about EUR 14 billion between 2018 and 2060, of which EUR 11.5 billion from the privatisation of non-bank assets. These projections for privatisation proceeds are based on already agreed sales and concessions. No further bank recapitalisation is foreseen at this stage and it is assumed that more than three-quarters of the funds used for bank recapitalisation in 2015 can be recovered from the privatisation of bank assets (EUR 4.5 billion), of which EUR 2 billion have been already repaid in February 2017.
- In terms of the primary balance path, the analysis assumes that Greece reaches the programme targets of a primary surplus of 3.5% of GDP in 2018. Afterwards, Greece is expected to maintain the 3.5% of GDP primary surplus until 2022, after which the primary surplus starts to decrease 0.5 pps. per year levelling off at 2.2% of GDP as of 2025.
- Market rates modelled as the expected risk-free rate plus a risk premium, are expected to reach 4.1% in 2019, to gradually increase to 5.4% by 2030 in line with the projected increase in the risk free rate, and to reach 5.1% in 2060. The average market re-financing rate after the end of the programme stands at 5.1%.
- It is assumed that Greece will gradually use part of the available cash reserves to partially cover its debt servicing obligations, drawing its cash balance down to EUR 12 billion by 2022.

**Based on these assumptions Greece's debt-to-GDP ratio is expected to reach 188.6% in 2018, 169.9% in 2020, 136.6% in 2030 and 127% in 2060.** The gross financing need (GFN) is forecast at 21.8% of GDP in 2018, before strongly decreasing to 9.6 % in 2020. The GFN-to-GDP rate is projected to increase from the 2020s onwards, reaching 28.1% in 2060. This is above the thresholds levels which the Eurogroup, in its statement of May 2016, considered to be sustainable. Given the high debt-to-GDP and GFN-to-GDP levels, concerns remain regarding Greece's debt sustainability under this scenario.

**A more conservative scenario was also simulated to reflect a more unfavourable economic environment.** In this scenario, nominal GDP growth is reduced by 0.2 p.p. per year on average compared to the baseline scenario between 2023 and 2060, reaching a long-run level of 2.8%. The primary surplus is assumed to follow the baseline scenario path until 2022 and then immediately decrease to 1.5% as of 2023. The rest of the assumptions are unchanged. In this adverse scenario:

- The debt dynamics become explosive from the 2032 onwards and debt reaches around 235% of GDP in 2060.
- The picture is similar for GFN-to-GDP: it exceeds 20% from 2033 onwards and exceeds 50% by 2060.

**The high debt and gross financing needs ratios resulting from the DSA analysis points to serious concerns regarding the sustainability of Greek public debt.** These concerns should be addressed inter alia through the continued implementation of the far-reaching reform programme initiated during the ESM programme, a process which requires strong ownership on the part of the Greek authorities. It will also require the implementation of the additional debt-mitigating measures agreed by the Eurogroup on 22 June 2018, building upon the conditions and commitments set down in the Eurogroup statements of 25 May 2016 and 15 June 2017.

In detail, the Eurogroup agreed to implement the following debt relief measures:

- The abolition of the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme from 2018 onwards.
- The use of 2014 SMP profits from the ESM segregated account and the restoration of the transfer of ANFA and SMP income equivalent amounts to Greece (as of budget year 2017).
- A further deferral of EFSF interest and amortization by 10 years and an extension of the maximum weighted average maturity (WAM) by 10 years, respecting the programme authorized amount.

**These measures are sufficient to restore sustainability under the baseline scenario** as gross financing needs would remain below 15% of GDP over the medium term and would comply with the 20% threshold in the long run. At the same time, the debt-to-GDP ratio would remain on a downward path dropping to below 100% of GDP by 2060.

**Debt sustainability, and thus the need for additional debt measures, should be assessed in a manner that caters for a number of downside risks.** There is uncertainty surrounding the capacity of the Greek government to sustain high primary surpluses over several decades. In addition, there are significant downside risks to growth linked to ageing populations and trends in total factor productivity. All these factors are captured in the adverse scenario summarised above. Under this adverse scenario, the medium-term measures agreed by the Eurogroup would make a positive contribution to debt sustainability for some time but would only ensure GFN ratios remain below the agreed thresholds until 2036.

**The Eurogroup will review at the end of the EFSF grace period in 2032, whether additional debt measures are needed to ensure the respect of the agreed GFN targets, provided that the EU fiscal framework is respected, and will take appropriate action, if needed.** The Eurogroup will take into account a positive assessment in the post programme surveillance, particularly in the fiscal area and economic reform policies.

**In this context for the long term, the Eurogroup also recalled the May 2016 agreement on a contingency mechanism on debt which could be activated in the case of an unexpectedly more adverse scenario.** If activated by the Eurogroup, it could entail measures such as a further re-profiling and capping and deferral of interest payments of the EFSF to the extent needed to meet the GFN benchmarks defined above.

Table 4. Greece: main DSA results

		2018	2019	2020	2030	2040	2050	2060
Debt-to-GDP	Baseline	188.6	178.3	169.9	136.6	127.8	124.9	127.0
	Adverse	188.4	179.7	172.6	149.8	158.9	186.6	234.8
GFN-to-GDP	Baseline	21.8	11.6	9.6	15.4	21.0	25.6	28.1
	Adverse	21.8	11.7	9.8	18.1	28.2	40.2	53.3

Source: European Commission



Table 5. Greece: underlying assumptions

										Average	Average
Assumptions			2018	2019	2020	2030	2040	2050	2060	(2019-2060)	(2023-2060)
	Primary surplus (% of GDP)	Baseline	3.5	3.5	3.5	2.2	2.2	2.2	2.2	2.4	2.2
		Adverse	3.5	3.5	3.5	1.5	1.5	1.5	1.5	1.7	1.5
	Nominal growth (%)	Baseline	2.8	3.6	3.9	3.0	3.0	3.0	3.0	3.1	3.0
		Adverse	2.9	2.8	3.2	2.8	2.8	2.8	2.8	2.9	2.9
	Re-financing rates (%)	Baseline	3.2	4.1	4.3	5.4	5.1	5.0	5.1	5.1	5.2
		Adverse	3.2	4.1	4.4	5.7	6.0	6.0	6.0	5.7	5.9

Source: European Commission

Table 6. Debt and gross financing needs (% of GDP) under the baseline before and after medium-term measures

		2018	2019	2020	2030	2040	2050	2060
Debt-to-GDP	Before measures	188.6	178.3	169.9	136.6	127.8	124.9	127.0
	After measures	188.6	177.5	168.9	131.4	116.9	106.6	96.8
GFN-to-GDP	Before measures	21.8	11.6	9.6	15.4	21.0	25.6	28.1
	After measures	21.8	10.8	9.4	11.1	16.2	18.4	19.8

## 2. Programme financing

**The ESM programme with an envelope up to EUR 86 billion was agreed with the Greek authorities in August 2015.** A total of EUR 46.9 billion have been released up to the third review, split in many disbursements from August 2015 until June 2018 (see Table 7). Of the total disbursed amount, EUR 30.8 billion covered debt servicing needs, EUR 8.8 billion covered other fiscal needs (including EUR 7.0 billion for arrears clearance and EUR 0.5 billion for structural funds needs) and EUR 5.4 billion covered bank recapitalisation needs, of which EUR 2 billion have already been repaid to the ESM. Overall, EUR 39.1 billion out of the EUR 86 billion available under the ESM programme envelope have not yet been disbursed.

Table 7. Greece disbursements under the ESM programme (August 2015 –June 2018), in EUR billion

Dates of disbursement	Amount disbursed	Purpose	Review
20/08/2015	12.0	Debt service needs	Launch of the programme
20/08/2015	1.0	Fiscal needs	Launch of the programme
24/11/2015	1.3	Debt service needs	Launch of the programme
24/11/2015	0.4	Arrears clearance	Launch of the programme
24/11/2015	0.3	Structural funds needs	Launch of the programme
01/12/2015	2.7	Bank recapitalisation	Launch of the programme
08/12/2015	2.7	Bank recapitalisation	Launch of the programme
23/12/2015	0.5	Debt service needs	Launch of the programme
23/12/2015	0.3	Fiscal needs	Launch of the programme
23/12/2015	0.2	Structural funds needs	Launch of the programme
21/06/2016	5.7	Debt service needs	1 <sup>st</sup> review
21/06/2016	1.8	Arrears clearance	1 <sup>st</sup> review
26/10/2016	1.1	Debt service needs	1 <sup>st</sup> review
26/10/2016	1.7	Arrears clearance	1 <sup>st</sup> review
10/07/2017	6.9	Debt service needs	2 <sup>nd</sup> review
10/07/2017	0.8	Arrears clearance	2 <sup>nd</sup> review
30/10/2017	0.8	Arrears clearance	2 <sup>nd</sup> review
28/03/2018	3.3	Debt service needs	3 <sup>rd</sup> review
28/03/2018	1.9	Cash buffer	3 <sup>rd</sup> review
28/03/2018	0.5	Arrears clearance	3 <sup>rd</sup> review
15/06/2018	1.0	Arrears clearance	3 <sup>rd</sup> review
<b>Total Aug-15 to June 18</b>	<b>46.9</b>		

**Satisfactory performance on net arrears clearance unlocked the final EUR 1 billion from the ESM programme envelope dedicated to arrears clearance.** This disbursement was linked to the third review and was released on 15<sup>th</sup> June 2018 on the basis of a positive assessment on the progress in net arrears clearance and e-auctions by the European institutions. Overall, ESM has disbursed EUR 7 billion for arrears clearance, as envisaged in the beginning of the programme. Until early June 2018, the total stock of net arrears has been reduced to below EUR 3 billion from EUR 9.7 billion in end-June 2016. The authorities need to continue with arrears clearance with a view to eliminate all arrears.

**Greece's debt service needs** amount to EUR 3.9 billion for six months, EUR 15.6 billion for 12 months and EUR 19.2 billion for 16 months after the programme ends. Financing needs – which include the latest state primary balance projections of the European institutions – amount to EUR 2 billion in the first six months, gradually increase to EUR 14.3 billion for 12 months and reach EUR 17.6 billion for 16 months after the programme ends (Table 8).

Table 8. Greece post-programme needs, cumulative starting from September 2018 (in billion EUR)

	4 months (Dec-18)	6 months (Feb-19)	10 months (Jun-19)	12 months (Aug-19)	16 months (Dec-19)	24 months (Aug-20)	28 months (Dec-20)
<b>Debt service</b>	1.6	3.9	9.3	15.6	19.2	27.7	29.7
<b>Financing needs</b>	0.9	2.0	8.9	14.3	17.6	25.4	27.1

Note: Financing needs include the projected state cash primary balance. No liability management exercise is assumed.

With a view to further contribute to market confidence as Greece exits the programme, the ESM governing bodies are expected to approve the disbursement of the fifth and last tranche of the ESM programme amounting to EUR 15 billion. This would lead to an end-programme cash balance of EUR 24.1 billion<sup>8</sup>, which is considered appropriate and would facilitate Greece's market access after the end of the programme. This cash buffer would cover the financing needs for around 22 months following the end of the programme in August 2018. This cash balance includes domestic proceeds from previous market issuances totalling EUR 4.4 billion<sup>9</sup> and other domestic resources of almost an equal amount. No future market issuances are taken into account.

Of the final tranche, EUR 5.5 billion are expected to be disbursed in the segregated account to cover for the debt service needs until the end of the year and the remaining EUR 9.5 billion are expected to be disbursed in the cash buffer account. The latter amount would be governed by safeguards concerning the use of it. The disbursement of the fifth tranche would leave an unused buffer from the ESM financing envelope of EUR 24.1 billion at the end of the programme. The unused amount derives mainly from the substantially lower public bank recapitalisation needs compared to what was originally foreseen<sup>10</sup> and from higher domestic proceeds from the cash management of the General government resources through increased repo operations.

Table 9. Greece overview of financing needs during the programme period (billion EUR)

	2015	2016	2017	2018				Aug 15 - Aug 18
	Aug-Dec	Jan-Dec	Jan-Dec	Jan-May	Jun	Jul	Aug	
<b>A. Financing needs</b>	<b>22.7</b>	<b>11.7</b>	<b>21.0</b>	<b>2.7</b>	<b>3.4</b>	<b>2.6</b>	<b>1.6</b>	<b>65.7</b>
State cash primary balance ('-'= surplus)	2.4	-3.9	0.3	-0.6	1.2	-1.5	-0.1	-2.2
Debt service	14.5	12.5	17.7	2.7	1.2	3.1	0.7	52.5
Amortisation and maturing debt	13.4	7.5	12.1	0.6	0.8	2.4	0.0	36.8
Interest payments	1.1	5.0	5.6	2.0	0.4	0.7	0.7	15.7
Arrears clearance (Total)	0.4	3.1	3.0	0.6	1.0	1.0	1.0	10.0
<b>B. Financing sources</b>	<b>22.7</b>	<b>11.7</b>	<b>21.0</b>	<b>2.7</b>	<b>3.4</b>	<b>2.6</b>	<b>1.6</b>	<b>65.7</b>
State deposit financing	-1.6	-1.0	3.7	-14.4	2.1	-12.4	1.6	-22.0
Privatisation revenues	0.0	0.5	3.4	0.4	0.3	0.0	0.0	4.6
ANFA/SMP profits	0.0	0.4	0.3	0.3	0.0	0.0	0.0	1.0
Use of subsector deposits through repo operations	0.3	1.4	3.6	8.6	0.0	0.0	0.0	13.8
Bond issuances	0.0	0.0	1.4	3.0	0.0	0.0	0.0	4.3
Programme financing	21.4	10.3	8.5	5.7	1.0	15.0	0.0	61.9
<b>Total State Deposit Stock (end-of-month)</b>	<b>2.2</b>	<b>3.2</b>	<b>0.9</b>	<b>15.3</b>	<b>13.2</b>	<b>25.6</b>	<b>24.1</b>	<b>24.1</b>

<sup>8</sup> The end-programme cash balance includes all state deposits and not only those in the cash buffer account.

<sup>9</sup> Greece raised EUR 1.4 bn through the issuance of a 5-year bond in July 2017 and EUR 3 bn through a 7-year bond in February 2018.

<sup>10</sup> Only EUR 5.4 bn were used for bank recapitalisation out of an estimated total of EUR 25 bn, of which EUR 2 bn have been already repaid.



## Implementation of Prior Actions – state of play as of 20 June 2018

	SMoU action	Status	State of play
	<b>I. Delivering sustainable public finances</b>		
	2.1 Fiscal policy		
1	<b>MTFS 2018-2022.</b> Adopt the MTFS 2019-2022.	Done	A final draft was assessed and agreed with the institutions, and adopted as part of the Omnibus Bill.
2	<b>Post-programme package.</b> The authorities will bring forward the implementation of the personal income tax measures to 2019 if the IMF, in cooperation with the European Institutions and the Greek authorities consider that a frontloaded implementation is needed in order to reach the agreed 3.5% primary surplus fiscal target in 2019 without growth-detrimental measures, and if needed will adopt legislation, in agreement with the institutions, to ensure the exact achievement of the fiscal target, in a manner that is positive for growth. In addition and based on an assessment and agreement by all institutions and in consultation with the Greek authorities, following a transparent process, the authorities will adopt the necessary secondary legislation for the implementation of the expansionary package starting in 2019.	Done	Frontloading of the implementation of the personal income tax is not needed and secondary legislation determining the size of the expansionary package is to be agreed before the measures are implemented. Timeline for the preparation of the relevant JMDs was submitted, including a brief description of the JMDs.
	<b>2.2 Tax policy reforms</b>		
3	<b>Tax codes.</b> (a) Review preferential tax treatments for the shipping industry in the light of the indications of the European Commission; (b) undertake a technical review of the ITC provisions after its 3-year application, identifying problems and loopholes and proposing	Done	The authorities have taken following actions to fulfil the prior action: (a) Report of review received from authorities on 19 June 2018. (b) Law 4549/2018 of 13 June 2018, article 115 (c) Law 4549/2018 of 14 June 2018, articles 116-7 (d) Law 4549/2018 of 14 June 2018, article 111 (VAT Code)

	SMoU action	Status	State of play
	amendments with the objective of clarifying and ameliorating its application and eliminating conflicting provisions, (c) reform the business tax incentives for employment, environmental protection, and the production of audio-visual work in agreement with the institutions; (d) codify and simplify the VAT legislation, aligning it with the TPC and eliminating outstanding loopholes and (e) review the TPC interest regime and (f) the authorities have amended the Code of Public Revenue Collection to provide for the extension of the e-auctions mechanism to auctions conducted by the revenue authorities under the Code of Public Revenue Collection under its provisions.		and 112 (TPC Articles 10 and 11); (e) Report on Interest Rate Regime of 15 June; (f) IAPR circular issued on changes in KEDE and Code of Civil Procedure: POL 1011/2018 of 18 January 2018.
4	<b>Tax policies. Review KEDE.</b> In parallel with the review by the Ministry of Justice, the IAPR will review the effectiveness of the application of the KEDE for auctions and e-auctions; and, if needed, adopt legal or procedural amendments.	Done	IAPR Reports have been prepared on e-auctions activities for April and May. IAPR circular on Application of new CCP Rules has been adopted: POL 1115/2018 of 18 June 2018.
5	<b>ENFIA.</b> (i) The authorities with the aid of technical support will align property tax assessment zonal values with market prices, through legislation if needed and will issue legislation for a permanent unit dedicated to property revaluation; (ii) the authorities will legislate to adjust tax rates and broaden the property tax base if necessary in a revenue neutral way in order to issue ENFIA bills by August 2018.	Done	The authorities have taken following actions to fulfil the prior action: (i) Law 4549/2018 of 13 June 2018, article 126 for the new ENFIA tax rates and thresholds, (ii) a distributional analysis of the proposal, the 2-year convergence plan of objective values to market prices, (iii) Law 4549/2018 of 13 June 2018, article 127-29 for new unit (iv) Report on a IT system and role of GSIS, 15 June 2018 (v) Report on Two year strategy for valuation received on 17 June.
6	<b>VAT.</b> The authorities will ensure that the VAT discount on the remaining islands is eliminated by end-June 2018	Done	As per Art. 74 of Law 4509/2017, which extended the VAT discount for the 5 islands in December 2017, the discount is set to expire on 30 June 2018. The MTFs has confirmed the elimination of the discount.
	<b>2.3 Public revenue reforms</b>		
7	<b>IAPR.</b> The authorities will proceed with the hiring plan for 2017 – 2018, as agreed with the one-off injection of resources through the Supreme Council for Civil Personnel Selection (ASEP).	Done	The authorities produced a hiring plan for IAPR for the period 2018-2019 which includes details about the various expected inflows and outflows. The expected result would bring the IAPR staffing level to 13322 staff at end 2019 (which is the target). Among the inflows are included 560 hiring through the proper competitive procedure in 2018, and 998 in 2019. ASEP produced timelines for its recruitments. These hiring are launched by cabinet acts (ΔΠΑΑΔ/Φ.ΕΓΚΡ. /21/791 - 20.3.18; ΔΠΑΑΔ/Φ.ΕΓΚΡ. /36/18674π.ε. - 4.4.2017; ΔΠΑΑΔ/Φ.ΕΓΚΡ. /36/18674π.ε. - 4.4.2017 ΔΠΑΑΔ/Φ.ΕΓΚΡ. /42/37999 - 5.3.2018; ΔΠΑΑΔ/Φ.ΕΓΚΡ. / 168 /17034 -

	SMoU action	Status	State of play
			11.6.2018, and ΔΠΠΑΑΔ/Φ.ΕΓΚΡ. 33/2006 18.06.2018
8	<b>Improving fight against tax evasion. Cooperation Justice – IAPR.</b> The previously received pending orders not in their final stage of audit will be transferred back to the prosecutors.	Done	Authorities sent to the institutions on 15 June 2018 an agreed template with data on the prosecutor cases sent out of IAPR to the prosecutor's office. The 7133 cases considered as low value have been sent back to the prosecutor for further evaluation. (As agreed IAPR has kept for full investigation 1271 cases considered as high value cases).
9	<b>Improving public revenue collection and debt management.</b> The procurement of the software allowing for further automation of the debt collection, embracing notably fully automatized garnishment procedure, with a key procedural step as specified in the TMU.	Done	Decision to appoint the evaluation committee for the bids: Ref. No: A.T.Δ. A 1005271 ΕΞ 2018/12.1.2018
10	<b>Fight smuggling and improve customs efficiency.</b> The authorities will pass, if necessary, legislation to reinforce domestic tobacco manufacturers' responsibility of their distributors by supply chain.	Done	The process to create supply chain responsibility for tobacco manufacturer is taken through three legal instruments: - a Ministerial Decision on due diligence measures (Official Gazette no 1813/21-5-2018). - article 116 of the law L. 4537/2018, amending the Article 3 of law 4410/2016, which has added an article 100C to the Customs National Code. - article 110 of the Law L4549/2018 "omnibus bill" making compulsory the payments of penalties by modification of the art. 119B of the Customs National Code (in law 2960/2001).
11	<b>EFKA. Single SSC debt database.</b> <i>(In order to ensure full completion of the registration of all social security contributions debts in the single social-security-contribution debt database managed by KEAO, the authorities will set up a dedicated team, by December 2017, to start clearing the paper cases and introduce the relevant information into KEAO database).</i> (i) The team will produce a report about the cases that have been dealt with and, based on the number of the remaining cases to be checked, will propose a timeplan for completion of the integration into KEAO debt database; (ii) all social security contributors debt in all instalments will be entirely transferred to KEAO.	Done	The prior action encompasses two types of former social security contributions debt to be transferred to the single centre for social security contributions debt collection KEAO: - Debt included in paper files still stored in the old social security funds: Authorities produced on 27 February 2018 the decision nominating the committee needed to sort out the paper files in the former funds and to estimate how long for this debt to be sent to KEAO. The report from the committee was sent to the institutions on 20 April 2018. - Debt in instalments still present in the former funds and monitored by KEAO: Authorities sent to institutions on 15 June 2018 a report from KEAO mentioning that 557 Million have been transferred to KEAO (and 43 million of instalment debt were relative to drop out from instalments). Authorities completed the report on 18 June 2018 by producing data showing a relevant increase of the stock of debt in KEAO up to 33.7 billion euros of debt (with surcharges) in KEAO. Authorities completed the report on 18 June 2018 by producing data showing a relevant increase of the stock of debt in KEAO.



	SMoU action	Status	State of play
	<b>2.4 Public Financial Management and Public Procurement</b>		
	<b>2.4.1 Public Financial Management</b>		
12	<b>Chart of Accounts - Financial Management Information System.</b> Finalise the design of the integration of the Financial Management Information System (FMIS) and the new Chart of Accounts so as to ensure the full use of the FMIS to support the implementation of the new Chart of Accounts in the 2019 State budget.	Done	<ul style="list-style-type: none"> <li>- IT contractor officially accepted to incorporate the new specifications of the Chart of Accounts (administrative and economic classifications) into the FMIS system within the timeline required for the preparation and execution of the State Budget 2019.</li> <li>- This ensures that the new CoA will be adopted in the budget preparation already this year and its execution in 2019.</li> <li>- The PD on the new CoA is published: PD 54/2018. The PD incorporates the necessary amendments after the first testing phase.</li> </ul>
13	<b>Arrears audit. Measures to tackle structural problems.</b> Based on the recommendations of the final report presented to the authorities and the institutions, the authorities will take corrective actions to address structural shortcomings leading to the accumulation of new arrears.	Done	<ul style="list-style-type: none"> <li>- GAO coordinated with the entities audited by the Hellenic Court of Audit (HCA) and the relevant ministries a draft action plan for the implementation of recommendations of systemic nature made by HCA. The draft was shared with the institutions on 15 June 2018.</li> <li>- Along the same lines, IAPR developed its own draft action plan based on the HCA recommendations and shared it with the institutions on 15 June 2018.</li> <li>- Following the HCA recommendations under GAO's responsibility, GAO issued two circulars in order to ameliorate: i) the Commitment Registry (Ref # 2/47972/0026) and ii) the monthly reporting arrears' accumulation (Ref # 2/47972/0026).</li> </ul>
	<b>2.4.2 Public Procurement</b>		

	SMoU action	Status	State of play
14	<b>Remedies Review Body.</b> The authorities will appoint the remaining members of the Body and complete the selection procedure and appoint its scientific and administrative personnel.	Done	(a) Appointment of remaining members: The appointment of the remaining members of the Remedies Review Body has been completed. FEK number has been sent to the institutions. (b) Scientific personnel: List of selected candidates sent. (c) Administrative personnel; EL authorities sent the requested documentation to show that the selection process is mature and that all necessary posts have been covered with temporary contracts).
	<b>2.5 Sustainable Social Welfare</b>		
	<b>2.5.1 Sustainable Social Welfare: Pensions</b>		
15	<b>Recalibrate pension benefits.</b> The cross-check between digital records and paper documents will be completed.	Done	The authorities have completed the cross-check between digital records and paper documents. The treatment of international pensions (some 55.000 cases) is going to be resolved by mid- September 2018.
16	<b>Recalculate and process pension applications.</b> The authorities will calculate and process all main pension applications of 2016 and 30% of main pensions applications submitted in 2017 and at least 13.800 of supplementary pension applications submitted from 1.1.2015 and 31.12.2016.	Done	A letter from the Vice Governor of EFKA received on 11 June 2018 confirming that 66% of main pension applications submitted in 2017 have been processed, well above the 30% target. A letter from the Vice Governor of EFKA received on 25 June 2018 confirming that all pension applications submitted in 2016 that were technically and legally feasible have been processed. A letter from the Deputy Governor of ETEAEP confirming the target of 13.800 processed supplementary pension applications has been reached was received on 17 May 2018.
17	<b>EKAS.</b> The Ministerial Decision setting all the details for the awarding of EKAS in 2019 will be adopted.	Done	The MD was issued 15 June 2018 (FEK B 2227/2018).
18	<b>EFKA. Full merge.</b> (i) The full merge of all insured persons and related data into the single pension fund EFKA including transfers of relevant staff from GAO and any legal or administrative step required for the actual transfer of databases, software and IT infrastructure, will be fully completed; (ii) On 2 May 2018, Eurostat has published its official opinion on the classification of the journalists pension fund (EDOEAP) within the general government periphery. In light of this opinion, the authorities, within one month following the publication, will adopt the necessary measures in consultation with the institutions and in compliance with the supreme court ruling (5/2002), including measures to ensure the full alignment to ETEAEP rules as defined in Articles 96	Done	i) A letter from the Vice Governor of EFKA confirming the full merge was received on 17 May 2018.  ii) As part of the omnibus bill the pension rules of the journalists fund (EDOEAP) were fully aligned to the rules of the unified supplementary pension fund (ETEAEP), which also ensures that no public funding of EDOEAP's deficit can occur. Additional revenues can only fund health care services offered by EDOEAP.

	SMoU action	Status	State of play
	and 97 of law 4387/2016 and any other measure necessary to guarantee that no public funding of EDOEAP's deficit can occur. Additional revenues (if any) can only fund health care services offered by EDOEAP.		
19	<b>EFKA. Portfolio.</b> EFKA will take concrete steps for the diversification of its investment portfolio in line with best practices, to ensure that it holds no controlling stakes in any private company.	Done	EFKA transferred shares to TMEDE via Ministerial Decision on 15 June (without informing the institutions before or after the event). As a result EFKA's stake decreased to 46.2% according to the BoG (to be confirmed). The second phase of the capital raising exercise for Attica ongoing which may, if successful, lead to further dilution of EFKA. Law in place to shift EFKA's voting rights above 33% to HFSF. The authorities have provided a written commitment that EFKA and HFSF will enter into a special agreement no later than by end-July to make the transfer of voting rights to the HFSF operational and effective, while protecting the independence of the HFSF.
	<b>2.5.2 Sustainable Social Welfare: Health care</b>		
20	<b>Rationalisation of health-care expenditure.</b> In order to address the remaining part of the recent overspending on "other items" in the EOPYY budget for "Other Illness Benefits" (125 million in 2017) EOPYY will extend the clawback to include optometrist services and special education services.	Done	Secondary legislation issued (FEK B 2284).
21	<b>Rationalisation of health-care expenditure.</b> The authorities will implement the 14 measures included in the EOPYY Action Plan to reduce the amount of excess spending.	Done	The authorities implemented all the measures in the mutually agreed EOPYY action plan. We have received all the deliverables for the measures (these consist of several board decisions, as well as elements included in the Omnibus Bill. For measure 11, which needed secondary legislation, the FEK number is B' 2315.
22	<b>Rationalisation of health-care expenditure.</b> At least new additional 20 of the therapeutic protocols for patient care pathways (primary and secondary care) will be introduced in the e-prescription system compared to their December 2017 number.	Done	HDIKA has introduced 20 additional protocols that are operational in the e-prescription system.
23	<b>Rationalisation of health-care expenditure.</b> (a) the complete matching of all Social Security Number (AMKA) holders with the available family doctors will be finalised by May 2018 and (b) the compulsory patient registration system with a family doctor, who will act as a gatekeeper, will be in place and fully operational by end of May 2018, with gatekeeping to be gradually implemented over 2018.	Done	All materials received (AMKA GP matching, publication of information on MoH and EOPYY websites, communication strategy and materials, list of registered patients, evidence of launched calls). Agreement on revised MD on referrals. ADA number 9161465ΦΥΟ-ΦΧΟ.
24	<b>Execution of clawbacks.</b> As a prior action, (i) EOPYY will finalise the legal procedure for the offsetting of the residual outstanding clawback	Done	Institutions have received official documentation of the uncollectable amounts and of outstanding clawback with an official statement by EOPYY. Detailed

	SMoU action	Status	State of play
	(2013-2015) for all outstanding amounts except those for which it is not legally/technically possible to perform the offset; (ii) any outstanding uncollected clawback amount related to 2016 will be offset and collected for health care providers and (iii) the authorities will extend the clawback ceilings for diagnostics, private clinics, pharmaceuticals to the next four years up to 2022; (iv) the clawbacks of 2017 (and for 2016, for pharmaceutical companies) will be collected/offset according to the timetable specified in the TMU (Section P).		figures have been provided for clawbacks of 2016 and 2017 and so have the legislative pieces to speed up their collection (Omnibus Bill, FEK number B'2214 for pharmaceutical instalments and FEK B' 4313/11.12.2017 for other private providers). The clawbacks have been extended to 2022 with the Omnibus Bill, with an MD to set the 2019 ceilings envisaged in the legislation.
25	<b>Centralised procurement.</b> In May 2018 present the plan to increase the proportion of centralised procurement further in 2019; the appointment procedures under the rules set by Law 4369/2016 must be started as a prior action.	Done	Institutions received operational plan and strategic plan, launch of the call for the expression of interest (which needed to wait to refer to the FEK of the omnibus), staffing of the selection committee with MD (FEK B 4125 as amended by FEK B773), official board document adopting operational and strategic plans).
26	<b>Reducing pharmaceuticals spending.</b> Publish a revised price bulletin in May 2018.	Done	Institutions received the spreadsheet of the repricing and received the link from the website of the MoH with the relevant MD Αριθμ. Πρωτ: Δ3(α)/44071, σελ: 43818)
27	<b>Reducing pharmaceuticals spending.</b> The authorities will adopt further measures to improve cost-effectiveness of pharmaceutical spending with a view to reaching the 40% generics penetration target.	Done	MD on generics stocks agreed and FEK available (FEK B 2285) Legislation on equalisation finalised. FEK number B 2308.  Definition of rebate included in the Omnibus, quantification of impact provided.
	<b>2.5.3 Sustainable Social Welfare: Social safety nets</b>		
28	<b>SSI. Activation pillar.</b> The requirement will be introduced for all individuals in SSI-beneficiary households who are able to work and are not employed nor in education or training, to register as jobseekers at OAED.	Done	Authorities submitted revised draft JMD. Assessed as compliant. JMD published on 15 June 2018.
29	<b>Social Welfare Review. Disability benefits.</b> With the view to apply a new disability assessment to all contributory disability and welfare benefits (including under Law 4387/2016) by end-2018, on the basis of the results from the on-going pilot programme, adopt legislation to extend gradually to the entire country the new business processes for disability welfare benefits and to expand the pilot testing of the new functional disability assessment;	Done	The draft legislation for the national roll-out of the new administrative procedures and the expansion of the pilot has been received and assessed positively. Provision voted on 14 June 2018 (Omnibus bill, Art. 17 and 18).
30	<b>Social Welfare Review. Transport benefits.</b> Commence the implementation of the reform of the system of transport subsidies,	Done	Authorities submitted a draft JMD and a roadmap for the conclusion of the contracts between OASA and the Ministry of Labour (adoption by

	SMoU action	Status	State of play
	following the introduction of the electronic ticket reform by transportation companies, starting from the city of Athens.		KYSOIP/KYSKOIP). Assessed as compliant.
31	<b>Social Welfare Review. Housing benefits.</b> Adopt new legislation to specify the design of a means-tested housing benefit, developed with advice from the World Bank, to be fully rolled out as part of the growth-enhancing measures.	Done	Authorities submitted draft JMD specifying the design of the new benefit. Assessed as compliant. JMD published on 15 June 2018.
	<b>III. Safeguarding financial stability</b>		
	<b>3.1 Enable an active NPL secondary market</b>		
32	<b>NPL secondary market.</b> The authorities will continue to take any necessary actions to enhance the functioning of a dynamic NPLs' secondary market.	Done	Building on the discussion paper regarding remaining impediments to the Greek NPL market prepared by the authorities and following consultations with the institutions, the authorities have adopted legal amendments through the provision included in the omnibus law 4549/2018 (OJ A 105, article 69).
	<b>3.2 Debt restructuring and insolvency procedures</b>		
33	<b>OCW.</b> Impediments identified in the OCW assessment will be addressed, including through necessary legal amendments.	Done	The authorities have prepared a concept paper and a draft proposal on legal provisions amending the OCW law (primary and secondary legislation). Amendments were adopted, following consultation with the institutions, through the omnibus law (articles 45-55 of law 4549/2018). A ministerial decision (MD) allowing the state creditors (IAPR and KEAO) to propose debt settlement solutions similar to those they accept or counter-propose in the context of the OCW to debtors not in scope of the OCW has been published (FEK B 2319, 19.06.2018)
34	<b>Insolvency legislation. Household insolvency.</b> The authorities will amend the household insolvency law and take additional actions to address the identified shortcomings as specified in the Technical Memorandum of Understanding.	Done	The authorities have prepared a concept paper and draft legal provisions amending the Household Insolvency law. Amendments were adopted, following consultation with the institutions, through provisions included in the omnibus law 4549/2018 (OJ A 105, articles 56-68). In addition, the authorities submitted on 15 June the action plan for enhancing the processing of household insolvency cases which has been agreed .
	<b>3.3 Governance of the HFSF and banks</b>		
35	<b>Shareholdings.</b> The authorities will take all necessary actions to ensure that any future ordinary shareholdings of the central administration (State) in credit institutions will be transferred <i>ipso jure</i> to the HFSF.	Done	Draft legal amendments of the DTC law and HFSF law agreed with the institutions and adopted as part of the omnibus bill.
36	<b>HFSF.</b> The mandate of the HFSF shall be extended until end-2022.	Done	Draft legal amendments agreed and adopted as part of the omnibus bill.

	SMoU action	Status	State of play
	<b>IV. Structural policies to enhance competitiveness and growth</b>		
	<b>4.1 Labour market and human capital</b>		
37	<b>Review of labour market institutions. Representativeness mechanism.</b> With a view to promote and monitor the representativeness of sectoral collective agreements, the government, after consultation with the social partners and in agreement with the institutions, will issue a circular specifying the administrative procedure to assess representativeness at sectoral level.	Done	Authorities adopted the circular establishing the administrative procedures to measure representativeness. Assessed as compliant.
38	<b>Review of labour market institutions. Arbitration in collective bargaining.</b> the authorities, taking account of the independent legal report and the outcome of the consultations with the social partners, will adopt legislation to : (a) reintroduce the discretion of the mediator to submit a proposal to allow parties to resume bilateral negotiations; (b) allow the unilateral recourse to arbitration only for the party that has accepted a mediation proposal while the other refused it, or in case that the other party had refused to enter in the mediation procedure; (c) extend the duration of the term of the OMED Board members; and (d) review the list of criteria to be taken into account in the arbitration decision to add the purchasing power of wages.	Done	Authorities submitted draft legislation, assessed as compliant. Provision voted on 14 June 2018 (Omnibus bill, Art. 15 and 16).
39	<b>Undeclared work. Information exchange.</b> Complete the automatic exchange of information between the databases of the Ministry of Labour, the Ministry of Finance, SEPE, IAPR, OAED, IKA (EFKA) and the Greek police.	Done	Formal confirmation of the completion of the project provided by the General Secretary for Digital Policy.
40	<b>ALMP.</b> Introduce the new delivery model for ALMPs, starting with the launch of a pilot project as a prior action.	Done	Authorities are working on the implementation of the pilot with the assistance of the World Bank. The JMD and OAED Board decision for the launch of the calls for the set of new active labour market measures designed specifically for the pilot have been published.



	SMoU action	Status	State of play
41	<b>Education.</b> By March 2018, (i) adopt legislative measures on future appointments and evaluation of head teachers and senior ministry of education staff to ensure a depoliticised, transparent and meritocratic process including the involvement of ASEP in relevant committees and upgrade their role within the school units and specifying their career prospects (ii) pass a law on upgrading the bodies responsible for evaluations and (iii) pass a law on the evaluation of senior education staff, school self-evaluation and rational use of resources.	Done	Bill adopted. Law 4547/2018 (A' 102). FEK 102 of 12/6/2018.
	<b>4.2 Product markets and business environment</b>		
42	<b>Toolkit I. Building materials.</b> On building materials, the authorities will enter into a contract with the Standardisation Body in order to start by June 2018 the harmonisation of the 372 technical specifications according to its categorisation (Project 2).	Done	The contract between the Ministry of Infrastructure and ELOT has been formally signed (execution date: date of signature).
43	<b>Investment licencing. Follow-up phase.</b> The authorities have agreed with the institutions to implement: (i) horizontal reforms on specific sectors; (ii) launch of the tender to renew the licensing IT system for notifications, approvals and inspections; (iii) the second phase of installation licensing.	Done	- Agreed primary and secondary legislation on Environmental industries, installation and operational licence. Articles 70 to 79 of Omnibus bill in line with agreement following three corrections adopted on 20 June. - IT system (ILIMS): ILIMS tender has been published on 12 June 2018
44	<b>Investment licencing.</b> A mapping of the status of investment licensing reform in the Greek economy will be completed, including sectors included in law 4442/2016 as well as the rest of the economy.	Done	Mapping received
45	<b>Investment licencing.</b> Following the adoption of a time-bound action plan for the promotion of effective and coordinated ex-post controls and inspections for businesses, for slaughterhouses, the training activities will be finalised and pilot inspections will be launched as prior action.	Done	- Human resources: done. - Slaughterhouses: done. - Hygiene in KYE: 8 pilot inspections were realised between April 16-18 and 19-20 in Thessaloniki and Athens respectively with the participation of Public Health inspectors and representatives from World Bank. The institutions received a progress report on 15 May 2018. - Fire safety: 4 pilot inspections were realized in April 23-27 in Nafplion and Athens with the participation of 20 officials from the Hellenic Fire Safety from 13 different regions and representatives from World Bank. The institutions received a progress report on 15 May 2018.
46	<b>Ex-post assessments.</b> By May 2018, the government will address (i) the pending recommendations no. 4 and 17 of the ex-post assessment on business parks through the publication of a KYSOIP decision and the	Done	Business Parks: The authorities have adopted the following legislation to address the recommendations:-Rec 4:KYSOIP: FEK-2231-14/06/2018

	SMoU action	Status	State of play
	issuance of a circular; and (ii) the recommendations of the ex-post assessments on book prices and tourism by May 2018; (iii) address the recommendations of the ex-post assessments on tourism.		<p>-Rec 17: Circular: ADA-ΩΣΧΝ465X18-ΛΦΘ</p> <p>Tourism:</p> <ul style="list-style-type: none"> <li>• Recommendations on tourist coaches; admin. procedure: agreement reached between the institutions and the EL authorities – provisions agreed and adopted in the Omnibus law;</li> <li>• Recommendations on recreational vessels: agreement reached - relevant provisions implementing the agreement agreed and enacted in the Omnibus law</li> <li>• Recommendation re the minimum duration on car rental with a driver: Agreement with the Ministry of Infrastructure. Provision adopted in the Omnibus Law - provisions of MD on car rental agreed and adopted (FEK 2311 B' 18/6/2018)</li> </ul> <p>Book prices:</p> <p>The study on book prices has been completed. Provisions agreed with the EL authorities and enacted in the Omnibus law</p>
47	<p><b>Modernise the Company Law.</b> The government a) has prepared a review on changes needed to bring Law 3190/1955 in line with best practices. Based on the recommendations of the review, the government will, as a prior action, amend Law 3190/1955;</p> <p>b) has prepared an assessment in cooperation with the European Commission and involving the consultation of key stakeholders. Based on the recommendations of the review, the government will, as a prior action, submit a progress report, along with draft provisions on mergers and acquisitions, with a view to adopting legislation by October 2018;</p> <p>c) has prepared a review on changes needed to bring Law 2190/1920 in line with best practices. Based on the recommendations of the review, the government will, as a prior action amend Law 2190/1920.</p>	Done	<p>(a) Law 3190/1955: The authorities submitted the review, explanatory report and proposed amendments to law 3190/1955 on limited liability companies; the law was enacted on 31.5.2018 and was published in the OJ (law 4541/2018, OJ A 93/2018).</p> <p>(b) Mergers and acquisitions: a law-drafting committee was formed on 9 February 2018 for the assessment of provisions in force and the preparation of consolidated legislation grouping them. An interim report and accompanying document were submitted, the latter containing draft provisions on corporate transformations. on 8 June.</p> <p>(c) Sociétés Anonymes: The authorities have reviewed law 2190/1920 on sociétés anonymes and amended it as appropriate. The law was enacted on 4 June 2018 and published in the OJ (law 4548/2018, OJ A 104/13.6.2018).</p>
48	<b>Regulated professions. Private clinics.</b> The authorities will, following agreement with the institutions, as a prior action, place under public consultation the draft law relating to the requirements and procedure for the establishment of private clinics with a view to adopting it by mid-July 2018.	Done	Draft has been agreed with the institutions and officially put into public consultation.
49	<b>Regulated professions. One-day clinics.</b> The authorities will amend the	Done	(i) MD on urban planning and MDs on medical acts re ophthalmology and

	SMoU action	Status	State of play
	legal framework in agreement with the institutions in order to reduce restrictions (including on different medical specialties and on mixed operations) to the establishment and operation of one-day clinics, taking into consideration EU best practices.		<p>plastic surgery have been adopted.</p> <p>(ii) MD on medical acts (4 specialties): enacted</p> <p>(iii) Provisions of Omnibus Law on mixed operations; EOPYY coverage; and hospital use medicines in ODCs adopted;</p> <p>(iv) MD on technical specifications (FEK 2283B/15.6.2018)</p>
50	<b>Cadastre.</b> By April 2018, the authorities will produce and agree with the Institutions a roadmap and timetable with key steps for a) the completion of the cadastral mapping and b) the completion and ratification of the forest maps, with a final deadline 31/06/2021 for both.	Done	Timetables, revised road map and risk matrix submitted and approved.
51	<b>Agriculture.</b> Ensure that the Greek Payment Authority of Common Agricultural Policy Aid Schemes (OPEKEPE) is staffed with the necessary permanent staff in specific fields (technicians, agronomists and surveyors) trained in Geographic Information System and photo-interpretation in order to perform the regular update of the Land Parcel Information System (LPIS) and assure the correct yearly execution of the LPIS Quality Assessment, including the definition of appropriate remedial action when so required	Done	Ortho-photos renewed covering 100% of the country, parcel information digitised and updated. Organigramme of OPEKEPE modified, department strengthened with 25 full time jobs. Note 37672 of 11 May 2018.
52	<b>Structural funds.</b> The Ministerial Decision associated with legislation setting up a registry of experts to ensure the supervision of co-financed projects will be agreed with the institutions and adopted.	Done	The authorities have issued the MD (FEK 2046) on 6 June 2018.
	<b>4.3 Regulated Network Industries (Energy, Water, Transport)</b>		
53	<b>Energy. Lignite.</b> Following the adoption of Law 4533/2018, the Hellenic Republic will fully, timely and correctly implement all the necessary steps for the effective divestment to the purchaser(s) of the Divestment Business(es) in accordance with the Commission Decision (C(2018) 2104) and the adopted law "Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions" (FEK A 75/2018, Law 4533/2018), including the necessary regulatory and corporate measures and/or resolutions, the carve-out and spin-off of the Divestment Business(es), as well as the official launch of the international open tender procedure run by PPC,	Done	<ul style="list-style-type: none"> <li>- EC decision adopted by the College on 17 April 2018 (C(2018) 2104)</li> <li>- law adopted on 25 April 2018, "Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions" (FEK A 75/2018, Law 4533/2018).</li> <li>- International tender: procurement notice published on PPC's website on 30 May 2018;</li> <li>- PPC BoD approved (24 May 2018) corporate steps required for two spin-off businesses. GEMI (General business registry) announcement for two spin-off businesses done on 25 May 2018.</li> </ul>

	SMoU action	Status	State of play
	that will be based on a fair valuation and will ensure the legitimate financial interests of the company and its shareholders		
54	<b>Energy. NOME.</b> (a) The authorities will, as a prior action, revise the reserve price of the auctions based on RAE's proposal, to incorporate (i) CO <sub>2</sub> prices as specified in law 4389/2016, as amended by law 4393/2016, and (ii) updated data for PPC production costs, in line with the methodology deriving the initial Reserve Price. (b) Following the first joint assessment with the Institutions, taking into account the lignite structural measures and the indicative plan for the introduction of the forward market under the Target Model, the authorities will amend the KYSOIP action plan and legislation related to NOME. See details in the SMoU.	Done	<p>The authorities have completed all parts of this prior action:</p> <ul style="list-style-type: none"> <li>- Legal provision adopted amending Art. 135, Law 4389/2016 (FEK: A 105/2018);</li> <li>- Adopted update of KYSOIP NOME Action Plan signed by Ministers on 11 June 2018 (FEK: B 2266/2018);</li> <li>- Joint Ministerial Decision to revise the reserve price for NOME auctions for next 12 months (FEK: B 2280/2018) .</li> </ul> <p>Note: agreed joint assessment to take place in September 2019 (i.e. following completion of divestiture) and depending on PPC's shares (capacity and retail), to agree on what measures (e.g. continuation of NOME, other structural measures).</p>
55	<b>Energy. PPC financial situation.</b> The authorities will , finalise the electricity supply contract between the Hellenic Republic and PPC for public entities as agreed in the 3 <sup>rd</sup> review and clear all arrears of public sector entities covered by this supply contract.	Done	<p>Prior action contained following:</p> <ol style="list-style-type: none"> <li>1. Ministerial Decision issued for all electricity suppliers setting out rules/procedures for Government to pay electricity suppliers in advance in return for discounted prices (FEK B 1942/2018, 31 May 2018).</li> <li>2. Ministerial Decision issued on how to pay arrears owed by the general Government to electricity suppliers (FEB B 2008/2018, 4 June 2018).</li> <li>3. Legal provision adopted (following review/clearance by the institutions) to allow GAO to clear/pay arrears of public entities directly to PPC (and then claim back). (FEK A 93/2018, 31 May 2018).</li> <li>4. Payments carried out by GAO on arrears due as of 30 April 2018 for public entities part of the supply contract. Total payment of c. EUR 62 million.</li> <li>5. MoU between PPC-GAO: setting out how the discount will be provided and listing all public entities the supply contract will apply for. Overall discount/saving estimated at EUR 90 million.</li> <li>6. Ministerial Decision confirming/approving supply contract with PPC as per arrangements agreed/set out in the MoU (FEK: B 2279/2018).</li> </ol>

	SMoU action	Status	State of play
56	<b>Energy. Social Residential Tariff.</b> As a prior action the authorities will introduce a legislative amendment in the Law 4067/2012 that will ensure that no fiscal issue will arise for the years 2018, 2019 and 2020 from the review of the Social Residential Tariff for electricity that is part of the PSO account.	Done	<p>Prior action consists of two parts:</p> <ul style="list-style-type: none"> <li>- authorities adopted two legal provisions in the Omnibus law. First provision (Article 41, FEK: A 105/2018) limits the maximum government appropriation to the PSO budget to €0 million in 2018, €59 million in 2019 and €68 million in 2020. Second provision (Article 124, FEK: A 105/2018) ensures that the PSO account will be balanced every half year through adjusting the special account levy.</li> <li>-Low take up by GMI beneficiaries taken up with World Bank TA on 18 June.</li> </ul>
57	<b>Energy. RES account.</b> (i) The supplier surcharge will be reduced by the forecast annual surplus in the RES account for 2018 (Step 1 – amendment adopted on 25 April 2018 by the Hellenic Parliament, Article 143 of Law 4001/2011, included as Article 12 of FEK A 75/2018); (ii) the supplier surcharge will be further reduced and equal (a) by 1 January 2019, 50% of the total charge; and (b) further reduced by 1 January 2020, 30% of the total charge; and (c) will be completely phased out by end of 2020; (iii) the CO <sub>2</sub> permission rights (current revenue stream of RES account) will be set at least at 65% for 2019 and 2020; (iv) any surplus of the RES account, beyond the buffer, until full removal of the supplier surcharge will be allocated to the reduction of the supplier surcharge; (v) commitment to maintain a buffer of EUR 70 million; and (vi) if a deficit arises of the RES account other revenue streams, including the ETMEAR will need to be increased accordingly. Further, the authorities commit to maintain the RES account in balance, for example through committing to notify to EC and introduce a new RES revenue scheme that will become operational in 2021 and be fully compliant with the Energy and Environmental Guidelines (EEAG).	Done	<ul style="list-style-type: none"> <li>- Step 1 agreed and amendment adopted on 25 April 2018. Main changes: (i) reduction of PCHEFEL by 35% and effective as of 1 April 2018; (ii) introducing a buffer of EUR 70 million; and (iii) confirm that any over-performance of RES Account for 2018 will exclusively be allocated to reduce PCHEFEL further.</li> <li>- Step 2 agreed and draft law amendment submitted by authorities on 25 May 2018. Legal provision adopted:).</li> </ul> <p>Main changes: (i) PCHEFEL extended till end of 2020 (at the latest) with gradual de-escalation; (ii) CO<sub>2</sub> permission rights revenue charged to RES account to be increased from 60% to 65% for 2019 and 2020; (iii) any surplus of RES account to be exclusively allocated to the further reduction of PCHEFEL; (iv) buffer maintained at EUR 70 million for 2018-2020; and (v) any deficit of RES account needs to be balanced through increase of ETMEAR (or other RES revenue – except for PCHEFEL).</p>
58	<b>Energy. Capacity mechanism.</b> The new capacity mechanism will be notified.	Done	DG COMP informed authorities that it can proceed to notify the mechanism on 15 June.
59	<b>Gas market.</b> The authorities will, agree with the institutions on the overall corporate restructuring and tender structure for DEPA assuming the successful completion of transactions for the EPAs and in a way that will eliminate any horizontal or vertical conflict of interest for the entity(ies) to be sold and, if/where applicable, propose specific and effective mitigating measures. The agreement reached as concerns the	Done	<p>Completed actions for this Prior Action:</p> <ul style="list-style-type: none"> <li>- Term Sheet: setting out corporate restructuring, specific market design features and measures, shares of 'networks part' and 'commercial part' to be sold.</li> <li>- Legal provision adopted on gas release programme (market measure), Art.</li> </ul>

	SMoU action	Status	State of play
	overall tender structure of DEPA will need to be consistent with the agreed privatisation commitments of HELPE.		<p>125, FEK: 105/2018. - ADP updated (part of privatisation PA).</p> <p>In summary, outcome should lead to a more conducive market design features, while at the same maintain strategic assets (i.e. networks) under State control. Commercial part (wholesale and retail) will be sold with private investor given sole controlling right, with the State maintaining a minority share (c. 15%) and with well-defined veto right as concerns security of supply. Note: as concerns the transactions DEPA is involved in: (a) SPA with ENI (EPA Thess) signed on 16 May 2018 and ENI has proceeded with notification to HCC; and (b) SPA with Shell (EPA Attiki has been signed with notification by EPA Attiki taking place by end of June (note: the SPAs/notifications are outside scope of this Prior Action).</p>
60	<b>Energy. Target model.</b> The authorities will launch the Target Model, including the day-ahead, intraday, forward and balancing markets by April 2019. To implement this, the authorities will, (i) set up the entity to be created as a successor of LAGIE (i.e. HENEX <sup>11</sup> ); (ii) ensure that HENEX and IPTO will submit to the Regulator all market Rulebooks for day-ahead, intraday and balancing markets, removing any bidding restrictions such as maximum and minimum bidding and clearing prices without prejudice to the maximum and minimum technical limits set in accordance with Article 41(1) and 54(1) of Regulation 2015/1222, in order to be fully compliant with EU legislation at the time the Target Model will be launched in April 2019; (iii) ensure that HENEX will complete the functional design specifications for the IT systems for the day-ahead and intraday market; and (iv) undertake a joint assessment with the institutions on the progress made regarding the corporate and technical aspects of the project, and take the necessary actions in line with the agreed roadmap to ensure that the Target Model is functioning will be launched by April 2019.	Done	<p>Prior Action consisted of three parts:</p> <ul style="list-style-type: none"> <li>- LAGIE proceeded with GEMI (General business registry) announcement for HeNex on 14 May 2018. HENEX to be 'formally' operational as of 14 June 2018;</li> <li>- HENEX to submit to RAE market Rulebooks for day-ahead, intra-day and balancing (removing any bidding restrictions).</li> <li>- HENEX shared functional design specifications for IT system(s) with the institutions / authorities</li> </ul>
61	<b>Water utilities.</b> (i) The SSW, with technical support, will deliver an evaluation report on the existing system of regular collection of information and on the progress towards the development of the Full Information System. It will also finalise the assessment of the business	Done	<p>(i) Done. (ii) ii.a, ii.b and ii.c: Done: ii.d: data request circular sent, ADA number 66BZ4653Π8-ΓΣ7 (iii) Done: Law 4519/2018, art. 29 for composition of administrative bodies</p>

<sup>11</sup> In accordance with the omnibus law (FEK A 5/2018, Law 4512/2018, Article 96, 15<sup>th</sup> January 2018) the electricity exchange should had been established by 15 April 2018.



	SMoU action	Status	State of play
	plans of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH); (ii) the authorities, with technical support, will launch: (ii.a) the strategic plan for SSW for a six year period, from 2018 to 2023, with the aim to strengthen the governance, the administrative capacity and the financial autonomy of the SSW within the Ministry of Environment and Energy; (ii.b) an operational plan for the years of 2018-2019 including specific actions, steps, timelines for the remainder of 2018 and for 2019, that will contribute to the implementation of the 6 year Strategic Plan. (ii.c) The authorities will provide input to the Plans specifying the role, mission and competences for the SSW in relation to other organisations in the water sector. (ii.d) In the context of the preparation of the Strategic Plan, the Authorities will ensure access to information to SSW from the relevant ministries and local authorities on water companies, in order for them to have a full picture of the sustainability and needs of the water system. Inter alia, the required information set includes data on water quality and data and projections on detailed administration costs and revenues, physical assets and investments of water companies; (iii) the authorities will amend law 3199/2003 to further strengthening the inclusiveness, transparency, and efficiency of the decision-making process in the water system by reviewing the composition and functioning of the National Water Commission, the National Water Committee and the Advisory Commission for Water; (iv) the new unit "Costing & Pricing of Water Services" of SSW will be operational.		and ΦΕΚ 2213 Β'/13-06-2018 for nomination of NGO representatives (environment: "Δίκτυο Μεσογείου SOS"; social: "Παιδικά Χωριά SOS Ελλάδας"). (iv) Done.
	<b>4.4 Privatisation</b>		
62	<b>The Asset Development Plan (ADP).</b> The ADP will be updated on a semi-annual basis and approved by TAIPED. KYSOIP will endorse the updated plan.	Done	The ADP has been approved by the BoD of TAIPED and endorsed by KYSOIP.
63	<b>Government Pending Actions.</b> The authorities will conclude the remaining Government Pending Actions identified by the institutions and TAIPED and which are due by May 2018 and that are not listed in this section.	Done	
64	<b>Tenders. DESFA.</b> On DESFA, the nomination of the preferred bidder has been completed on 19 April 2018. The Share Purchase Agreement and Shareholders' Agreement will be signed (subject to approval by the	Done	Binding offers were submitted on the 16 February. Following the review of Dossiers A, the financial offers of the two consortia were unsealed on 29 March 2018. The BoD decided to invite both of the bidders to submit an

	SMoU action	Status	State of play
	Court of Audit), with a view to achieve a financial closing by the end of 2018.		improved offer by the 11 <sup>th</sup> of April. The BoD of TAIPED selected the preferred bidder on 19 April 2018. The tender folder was submitted to the Court of Audit for approval on 30 May 2018. As the signing of the Share Purchase Agreement and the Shareholders' Agreement was subject to approval by the Court of Audit (outside the control of the executive), and this approval has not yet been given, the prior action can be considered as done.
65	<p><b>Tenders. Egnatia.</b> (a) <u>By 22 May</u>, the Minister for Infrastructure and Transport and the Minister for Finance in agreement with the institutions and TAIPED will revise Joint Ministerial Decision (JMD) 6686/2014 (as in force) to provide for the disconnection/exemption of the Egnatia motorway concession from the ongoing e-tolls tendering process of the Ministry of Infrastructure and Transport. The Concession Agreement for Egnatia will provide that the EGNATIA concessionaire will be: (1) free to select, design/procure, finance, install, and operate a distance-based e-toll system (GNSS technology for heavy vehicles over 3.5 tons, ANPR technology for all other vehicle) or decide to join the system procured by the Ministry of Infrastructure and Transport for the other motorways, if applicable; (2) allowed to design and operate the above system as a barrier controlled system; (3) exclusively responsible for the management and control of Egnatia toll revenue collection; (4) required to ensure that the tolls system implemented in Egnatia is compliant with applicable EU law; and (5) required to ensure that the tolls system implemented in Egnatia is interoperable and compatible with the electronic tolls system of the Ministry of Infrastructure, if applicable, and those of other EU member states systems. The revised JMD should also guarantee the above under 1-5. The JMD will be accompanied by a relevant amendment of the tender documents of the ongoing e-tolls tendering procedure of the Ministry of Infrastructure to implement the disconnection of the two projects <u>by 15 June 2018</u>. (b) Following the adoption of the revised JMD and the amendment of the tender documents, TAIPED will release the draft Concession Agreement to the tender participants <u>by 15 June</u>; in this regard, <u>by 30 May</u>, the Ministry of Infrastructure and Transport will provide to TAIPED all necessary technical specifications to allow TAIPED prepare the draft Concession Agreement. (c) <u>By 22 May</u>, the Ministry of Infrastructure and Transport, in cooperation and in agreement with TAIPED, will submit its response to the clarification questions sent by DG MOVE regarding the new</p>	Done	<p>On (a) Joint Ministerial Decision (JMD) 6686/2014 (as in force) to provide for the disconnection/exemption of the Egnatia motorway concession from the ongoing e-tolls tendering process of the Ministry of Infrastructure and Transport was revised and published in the FEK on 24 May 2018. The JMD will be confirmed in the next phase of the tendering procedure of the Ministry of Infrastructure. – Done.</p> <p>On (b) TAIPED and its consultants have drafted the Concession Agreement, which was approved by the BoD of TAIPED and along with the Request for Binding Offers have been sent to the Prequalified Investors on 15 June 2018. – Done.</p> <p>On (c) the new toll pricing policy was submitted to DG MOVE for approval in January 2018. Clarification questions have been sent by DG MOVE on 12 March 2018. On 23 March, TAIPED sent to the Ministry draft answers to DG Move's follow up questions of 12 March. On <u>22 May 2018</u>, the Ministry of Infrastructure and Transport, in cooperation and in agreement with TAIPED, has submitted its response to the clarification questions sent by DG MOVE regarding the new tolling policy that will be implemented in the Egnatia motorway and its vertical axes.</p> <p>- Done.</p> <p>On (d) the JMD providing for the new toll pricing policy for the Egnatia motorway and its vertical axes was signed on 4 June 2018 (and published in FEK on 76 June 2018). The JMD will stipulate that this new tolling policy will enter into force in Egnatia motorway on 1 January 2019 subject to clearance by DG MOVE. It also provides that the applicable exemptions granted to residents and businesses in several prefectures and municipalities adjacent to the Egnatia motorway from payment of tolls will cease to apply as from 1/1/2019. – Done.</p> <p>On (e) Signing of the contract for the construction of the Asprovalta toll station took place on 2 March 2018.</p> <p>The Thessaloniki frontal toll station is also under construction.- Done.</p> <p>On (f), Egnatia SA has instructed the contractor the two, new Operations &amp; Maintenance Contracts (O&amp;M) to commence construction of the Frontal Toll</p>

	SMoU action	Status	State of play
	<p>tolling policy that will be implemented in the Egnatia motorway and its vertical axes. (d) <u>By 30 May</u>, the Ministers of Infrastructure and Transport and Finance will issue a JMD providing for the new toll pricing policy for the Egnatia motorway and its vertical axes. The JMD will provide for the implementation of the toll pricing policy which was approved by the Board of TAIPED and notified by the Greek Authorities to DG MOVE for clearance. The JMD will stipulate that this new tolling policy will enter into force in Egnatia motorway on 1/1/2019 subject to clearance by DG MOVE. If DG MOVE's decision clears a different pricing policy, the JMD and the draft Concession Agreement will be revised accordingly. The Ministry of Transport and Infrastructure will issue a new MD (or amend the existing MD) providing that the applicable exemptions granted to residents and businesses in several prefectures and municipalities adjacent to the Egnatia motorway from payment of tolls will apply until 31/12/2018 and no further extension will be given. (e) <u>By 22 May</u>, Egnatia S.A. will sign the contract for the construction of the Asprovalta toll station with the preferred bidder and instruct the constructor to commence its construction immediately. Within a week upon completion of the construction of the toll stations of Asprovalta and Thessaloniki (Oreokastro), the Minister for Infrastructure and Transport and the Minister of Finance will adopt, in agreement with TAIPED, a JMD by virtue of which (i) the abovementioned toll stations will be put in operation and (ii) the toll rates to be applied respectively shall be determined based on the current toll pricing policy applied to the already existing Egnatia toll stations. (f) <u>By 22 May</u>, Egnatia SA will immediately instruct the contractor of the two, new Operations &amp; Maintenance Contracts (O&amp;M) to commence construction of the Frontal Toll Stations of Strymoniko and Kavala. (g) Upon the approval of the modification of environmental terms permits by the competent Ministry for Energy &amp; Environment (no later than mid-June 2018), Egnatia SA will immediately trigger and put in effect the options of the two O&amp;M contracts for the immediate commencement of construction of all remaining Frontal Toll Stations and of all Lateral Toll Stations (except four, for which the commencement of the construction will follow by the end of July) envisaged in JMD 6686/29.5.2017 (no later than end-June 2018). (h) <u>By 30 May</u>, the Inter-ministerial Committee of Assets Restructurings and Privatizations will issue a decision (text to be agreed</p>		<p>Stations of Strymoniko and Kavala – Done.</p> <p>On (g) the Ministry for Energy &amp; Environment approved the environmental terms for all remaining frontal and for all lateral toll stations (except four). The construction will commence as soon as the environmental terms for the remaining 4 toll stations are also approved based on the specific option of the contract. Thus, the specific action can be considered as done.</p> <p>On (h) the Inter-ministerial Committee of Assets Restructurings and Privatizations issued a decision (text has been agreed with TAIPED), in accordance with article 2 par. 5 of Law 3986/2011, pursuant to which TAIPED is entitled to include in the scope of the services concession agreement of the Egnatia tender the obligation of the concessionaire to finance, study and perform all the necessary works pertaining to the upgrade of motorway standards of (a) the Halastra – Polykastro section of the Halastra – Evzoni vertical road axis and (b) the Christos – Ambela section of the Thessaloniki – Serres – Promachonas vertical road axis, such sections measuring approximately 54 km in total. The decision was issued on 15 June 2018 (FEK B' 2274/15.06.2018) – Done.</p>

	SMoU action	Status	State of play
	with TAIPED), in accordance with article 2 par. 5 of Law 3986/2011, pursuant to which TAIPED shall be entitled to include in the scope of the services concession agreement of the Egnatia tender the obligation of the concessionaire to finance, study and perform all the necessary works pertaining to the upgrade of motorway standards of (a) the Halastra – Polykastro section of the Halastra – Evzoni vertical road axis and (b) the Christos – Ambela section of the Thessaloniki – Serres – Promachonas vertical road axis, such sections measuring approximately 54 km in total. Egnatia S.A. will be transferred to the Ministry of Infrastructure and Transport following the date of commencement of the concession.		
66	<b>Tenders. Hellenikon.</b> The authorities will complete (a) the relocation of the existing users (actions included in the GPAs); (b) the enactment of a law for the establishment of the management authority of open and public areas and facilities and (c) implement the revised timetable agreed in the working group on the fulfilment of all Conditions Precedent relating to the adoption of the necessary ministerial decisions and the award of the casino licence (actions included in the GPAs) to ensure financial closing by December 2018.	Done	<p>A revised detailed timetable for the completion of Conditions Precedent has been finalised and agreed with all stakeholders. The revised timetable includes a detailed roadmap concerning (a) the issuance of all necessary administrative acts; (b) completion of the award procedure for the casino licence; (c) relocation of existing users; and (d) the enactment of law for the establishment of the management authority of open and public areas and facilities as well as the Metropolitan Park of Hellinikon.</p> <p>Until today, the EL authorities meet all deadlines for all Condition Precedents (see (a), (b) and (d) above) according to the Revised Timetable agreed. Relocation has been completed for the majority of public users (all services of Ministry of Finance, Defence, Culture and Sports, Health. Significant progress has been made in relation to the large users supervised by the Ministry of Infrastructure (buses depot and Civil Service Aviation) where relocation will be completed by end of June according to the timetable. Special arrangements were agreed with the investor for the relocation of police and fire police departments as well as social welfare organisations. Progress has been made in case of the Fish Research Institute and the services of the Municipality of Elliniko, where completion is scheduled ahead of the financial closing deadline,</p> <p>On (b) the relevant legislation was included in the Omnibus Law approved by Parliament on 14 June 2018 (FEK A' 105/14.06.2018. – Done.</p>
67	<b>Tenders. Other projects.</b> (a) The authorities have launched the tender	Done	On (a): The OTE tender process was completed on 15 March 2018 without the

	SMoU action	Status	State of play
	for the sale of 5% of <b>OTE</b> and for the joint sale (by PANEUROPEAN and TAIPED) of at least 50.1% of <b>HELPE</b> . The unsold stake of TAIPED (15.5%) will be transferred to HCAP. They will launch the tender for the sale of 30% of <b>AIA</b> (subject to clearance of the extension of the concession agreement by DG COMP). (b) On <b>DEPA</b> : the updated ADP will provide for the sale of 65 percent of DEPA or another form of transaction of equivalent effect. To this end, the ADP will provide for the agreed privatization transaction structure between the Greek Authorities and the institutions. The tender will be launched once the assessment of potential obstacles to competition, as a result of the exit of any of the current shareholders of the EPAs, will be concluded. (c) On <b>PPC</b> : the launch of the tender for the sale or other form of monetization of 17% of PPC provided it generates at least equivalent financial benefits to the Hellenic Republic compared to the sale will follow at a subsequent stage.		<p>submission of any offers. As per DT's right of first refusal under the Shareholders' Agreement, a Notice was sent to DT on 16 March 2018 based on the 20-day VWAP. Following the notice sent on 16 March 2018, Deutsche Telekom AG exercised its right of first refusal for the acquisition of 5% of OTE's shares. - Done</p> <p>On AIA – the transaction cannot proceed unless there has been a formal completion of the extension of the concession agreement. – Thus it can be considered as done.</p> <p>On HELPE – An agreement has been reached on the terms of the sale of 50.1% of HELPE between PANEUROPEAN, TAIPED and the Greek authorities. The EoI phase was launched on 18 April 2018. – Done.</p> <p>On (b) DEPA: TAIPED has hired the legal and financial advisors for DEPA. The institutions and the Greek authorities agreed on the privatisation transaction structure in first week of June. The updated ADP has incorporated the agreed privatisation transaction structure. – Done.</p> <p>On (c ) PPC: the tender cannot proceed prior to the completion of the divestment of the lignite units (tender launched on 30 May 2018 and expected to be completed end 2018). Thus, it can be considered as done.</p>
68	<b>Tenders. AIA.</b> The extension of the concession agreement will be ratified in parliament (subject to the prior issuance of the required decisions by the relevant European authorities).	Done	<p>The draft agreement on the extension has been pre-notified to DG COMP. On 15 June 2018 the Directorate-General for Competition has come to the preliminary view that the pre-notified agreement for the extension of the concession agreement, does not involve unlawful State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union. However, several steps are required till the ratification, which include DG COMP's official clearance, the amendment of the Concession Agreement and the approval by the Court of Audit.</p> <p>Delays on this transaction arose from the lengthy procedure of DG COMP clearance. The lengthy procedure is leading, however, to significantly higher proceeds from the transaction. Thus, the prior action can be considered as done.</p>
69	<b>Tenders. OLTH.</b> The concession agreement will be ratified in Parliament by March 2018.	Done	The concession agreement was ratified on the 22 February.

	SMoU action	Status	State of play
70	<b>Tenders. Review of DEPA and Egnatia boards.</b> The Board of Directors of TAIPED, with the help of external advisors, will (a) review the corporate governance structure of DEPA and Egnatia S.A. and assess the Board of Directors of the specific companies and (b) replace executive and non-executive members if needed.	Done	TAIPED hired advisors for a review of the corporate governance structure of DEPA and Egnatia S.A. and assessment of the BoDs. The respective reports have been completed and submitted by the Advisors to TAIPED's management in mid-March. In the case of DEPA the review assessed the current members positively and thus no replacement was necessary. In the case of Egnatia, there was a need for filling vacant posts. On 15 June, the BoD of TAIPED decided to fill two open vacancies from a pool of candidates as provided by an external Human Resources advisor. On 18 June TAIPED advised the Chairman of Egnatia Odos S.A. BoD for the appointment of the selected (and approved by the BoD of TAIPED) non-executive members and called for a General Meeting, according to Law 2190/1920, in order to nominate and elect the new BoD members. A General Meeting to that purpose took place on 19 June appointing the new members.
71	<b>HCAP. Internal Regulations.</b> The General Assembly shall adopt the chapter of the company's internal regulation on the investment policy, following agreement with the institutions on the specific content of this document.	Done	The General Assembly adopted the chapter on the investment policy on 19 June 2018, following preparatory work involving consultants and in agreement with the institutions.
72	<b>HCAP. SOEs business plans.</b> Submission of business plans to HCAP by the SOEs transferred to HCAP, in which HCAP is the majority shareholder.	Done	HCAP has notified the BoDs of the SOEs of the need for the preparation of business plans. The non-listed SOEs, in which HCAP is the majority shareholder, have submitted their business plans. For listed companies the management of the companies has confirmed that they have updated business plans.
73	<b>HCAP. Boards of SOEs</b> The Board of Directors of HCAP will review the Boards of ELTA, OASA, and replace executive and non-executive members if needed. For the listed companies, the review and replacement of executive and non-executive members if needed, will be in full compliance with the regulatory framework in place.	Done	The HCAP BoD on 9 March 2018 decided to initiate the process for selecting advisors to assist with the BoDs' assessment. The advisors have been selected and the process for the review of the BoDs of OASA and ELTA has been launched. The report of the consultants has been submitted to the BoD of HCAP. The BoD has decided as to which members should be replaced and the Candidates Committee has elaborated a long list of potential candidates. The Candidates Committee will hold the interviews between 18 – 22 June 2018, with a view to having the final decision by the end of June.
74	<b>HCAP. Boards of Directors.</b> The additional non-executive members of the Board of Directors of HCAP will be appointed.	Done	Invitation for interest for candidates has been published. The SB selected and appointed two new board members on 31 March 2018. The new members assumed their duties on 16 April.



	SMoU action	Status	State of play
75	<b>HCAP. Real estate transfer.</b> Based on the process agreed among the authorities and the institutions, identification of the real estate assets to be transferred and completion of the transfer of the real estate assets.	Done	Consultants have been hired by HCAP. The consultants of HCAP have requested more detailed data on the assets included in the national cadastre on the assets belonging to the state or to an unknown owner to HCAP so as to proceed with the screening process. The additional data has been provided to HCAP at the end of March and the screening has started. The identification of assets has been completed by the consultants. Following the identification, the list of the real estate assets to be transferred to HCAP was submitted to the Minister for approval. The Minister issued the relevant decision, following the relevant authorisation by KYSOIP (FEK B' 2317/19.06.2018). The decision is the legal title for the transfer of the assets to ETAD/HCAP.
76	<b>HCAP. SOEs transfer to HCAP.</b> (i) Amendment of the articles of association of the SOEs transferred to HCAP, in which HCAP has the majority shareholding, so that there is compliance with the codified company law 2190/1920.	Done	Amendments in the articles of association of SOEs have been agreed at Board level of HCAP and is in the process of organizing the General Assembly meetings of the SOEs for approval by HCAP of the amended and codified articles of association. The new text has been agreed with the subsidiaries. The General Assemblies for the adoption of the new Articles of Association have been convened and approved the amendments.
77	<b>HCAP. SOEs transfer to HCAP.</b> (ii) Due to implementation difficulties related to the carve-out of GAIAOSE assets and rights from the company as set out in the TMU of July 2017, the HCAP law will be amended for the transfer of the shares of GAIAOSE to HCAP. Policy goals relevant to the company will be addressed in accordance with the HCAP coordination mechanism. The transfer will be effective from 1 July 2018.	Done	The relevant amendment of the HCAP Law was included in the Omnibus Bill approved by Parliament on 14 June 2018 (FEK A' 105/14.06.2018).
78	<b>HCAP. SOEs transfer to HCAP.</b> (iii) With a view to transferring OAKA to HCAP by the end of 2018, and as a prior action, the authorities shall provide a list of actions needed to achieve this transfer, and a timetable for their completion. The list shall include the determination of the amounts needed to maintain or overhaul OAKA facilities as applicable, provision for these amounts by the State in compliance with any applicable legal constraints, conversion of OAKA to a sufficiently capitalised <i>societe anonyme</i> , and transfer to HCAP. As a further prior action, the authorities shall establish a committee or working group, including representatives of HCAP, to oversee implementation of those actions.	Done	The authorities have prepared and given to the institutions a detailed list of actions needed to achieve this transfer, and a timetable for their completion. The list includes the actions for the determination and funding of the amounts needed to maintain or overhaul OAKA facilities as applicable, conversion of OAKA to a sufficiently capitalised <i>societe anonyme</i> , and transfer to HCAP. The authorities have set up a working group, including representatives of HCAP, to oversee implementation of those actions (relevant ministerial decision published on 6 June 2018).

	SMoU action	Status	State of play
	<b>V. A modern State and Public Administration</b>		
	<b>5.1 Public administration</b>		
79	<p><b>Mobility.</b> The authorities are already implementing the new mobility scheme. The appointing authorities of the receiving services will (i) issue the selection certificates regarding the first cycle signifying the completion of the selection process and (ii) adopt a legal amendment to facilitate the swift completion of the salary fiche allowing for the actual transfer to take place without the risk of the originating entity holding it up. Actual transfers will be completed by July 2018. Final decision on employee mobility will be taken by the receiving service with a vacant position, without involvement of the political level, and according to pre-defined rules to limit disruption in the departing service. This will rationalize the allocation of resources as well as the staffing across the general government. According to Law 4440/2016, mobility is primarily carried out in the form of transfers, whereas secondments are only allowed in special circumstances and for strict time periods that cannot be extended.</p>	Done	<p>The prior action included two steps:</p> <ul style="list-style-type: none"> <li>- Law amendment (Art. 120, FEK: A 105/2018) to facilitate the process of appropriations, thereby shortening the time needed for the actual transfer to happen following the selection decision.</li> <li>- Issuing of all selection certificates for permanent transfer positions part of first mobility cycle. In total 234 selection certificates issued (for 456 positions open for transfers).</li> </ul> <p>Second mobility cycle has started (with increased number of vacancies and participating entities). A growing concern is the continued use of secondments, which should really just be used for exceptional/special circumstances. The third mobility cycle is planned to start after the actual transfers of the previous cycles are completed</p>
80	<p><b>Appointments.</b> (a) The authorities will complete a study in conjunction with technical support of the minimum requirements of the job announcements for all Administrative, Alternate Administrative and (Special) Sector-Level Secretaries positions listed in the TMU, taking into account the factors included in Article 7 of 4369/2016. Based on the results of the study the authorities will take appropriate actions where needed by July 2018; (b) the appointments of 55 thematic Directors General will be completed with the remaining 35 thematic Directors General by July; and (c) the call for 220 of all Directors will be launched with the remaining 175 by July.</p>	Done	<p>Prior actions contained three parts:</p> <p>a) Administrative Secretaries (incl. Special and Sectoral Secretaries): study carried out in order to address calls lack of homogeneity, specifically for the job descriptions issued by each Ministry. Study suggested the following minimum eligibility criteria to be applied on current call, through updating of the ASEP grid: (i) education: Bachelor degree (at least); (ii) a foreign language (besides Greek); (iii) working experience: 5-20 years; and (iv) management experience: 1-8 years (calls must not have the explicit requirement that management experience must be obtained in the public sector).</p> <p>Applying these criteria it was assessed that 22 calls were non-compliant. Authorities committed to: (i) update the ASEP grid and re-launch these 22 calls by July 2018 (all 69 calls will be assessed on the basis of the revised ASEP grid); and (ii) following completion (by end of 2018) of the appointments of 69 Administrative Secretaries (incl. Special and Sectoral Secretaries) carry out an independent review with technical assistance support that will recommend improvements (e.g. amendments of existing legal provisions).</p>

	SMoU action	Status	State of play
			<p>b) Directors-General (DGs): confirmation of 62 appointment decisions (remaining 28 DGs to be appointed by July 2018);</p> <p>c) Directors: launch of 223 calls for Director (remaining calls (172) to be done by July 2018).</p>
81	<p><b>Performance assessment.</b> (i) the web-based/online tool/platform for performance assessment, at the initiative of M.A.R., has been launched and is fully operational; (ii) a Ministerial Decision, setting the timeframe for the second performance assessment will be issued; and (iii) the first step (self-assessment by the employee) will be completed for the majority of positions, with the remaining steps to be completed by July.</p>	Done	<p>Prior action contains three steps:</p> <p>Completed:</p> <p>(i) web-based/online platform used for the performance assessment: as a consequence now covers the entire scope of the law in the performance assessment of 2018 (this eliminates the need for a roll-out plan).</p> <p>(ii) Ministerial Decisions issued (FEK: B 1882/2018 with an extension granted, FEK: B 2271/2018) that sets the timeframe for the second performance assessment: (a) until 3 June 2018, HR departments should have completed procedure registration of officials (161,252) and assign two evaluators; (b) self-assessment, 4-18 June 2018; (c) 1st evaluator should have completed the assessment until 4 July 2018; and (d) 2nd evaluator until 18 July 2018.</p> <p>(iii) confirmation by MAR that majority of officials (90,808 out of 161,252) have completed online the self-assessment part of the performance assessment.</p> <p>Notes: (a) according to authorities the reason why the overall number of employees registered did not reach 230,000 was the limited time given to HR departments to complete the registration. A number of these (unclear at this stage how many) will proceed to do the performance assessment using paper; (b) employees opting not to complete the self-assessment will still be evaluated by the hierarchy (1st evaluator and 2nd evaluator) as provided by law (the law provides for specific sanctions for the evaluators that opt not to do the assessment).</p>
82	<p><b>Organigrams and job descriptions.</b> A comprehensive Human Resource Management System (HRMS) will be created that will allow for the effective management of the all public administration's personnel. As a first step the authorities will initiate a platform in which both digital organigramms and job descriptions will be interconnected. As a <b>prior action</b> a manual will be circulated to all public sector entities and a training programme started on populating the database; and a selective number of pilot entities will complete organigrams and job descriptions thorough setting out at the unit level respective job descriptions for all unit positions</p>	Done	<p>Prior action contained two steps:</p> <p>(a) manual and training programme: manual has been circulated to all public entities providing clear instructions on how to populate needed information (i.e. organigram and job descriptions) into the platform and training programme has been initiated by MAR.</p> <p>(b) pilot entities have completed digital organigram and job descriptions: this will provide a digital organigram at the unit level covering all job descriptions/positions.</p> <p>According to the authorities, at least 6 months are needed in order to upgrade the electronic platform so as to interconnect data from census database and</p>

	SMoU action	Status	State of play
			<p>mobility platform. The ultimate goal is linking job descriptions with the existing positions and have a comprehensive picture of the public sector employment (identify staff shortages, draft a medium-term recruitment plan both in terms of the priority areas and the required qualifications).</p> <p>To date, 209 entities have entered the platform and the first 60 'pilot entities' have uploaded all their job descriptions.</p>
83	<p><b>Hazardous job allowances.</b> The authorities will (i) publish the short-term plan on protection and prevention as specified in the law, (ii) provide to the institutions the initial opinion of the Committee regarding allowances for hazardous and dangerous work, together with the detailed study and provisional quantifications, as specified in the law, and (iii) agree with the institutions the guidance provided by the ministers to the Committee.</p>	Done	<p>Prior action contained three parts/deliverables:</p> <ul style="list-style-type: none"> <li>- Short-term plan on protection and prevention: prepared by the Hellenic Labour Inspection under the auspices of the Directorate of Health and Safety at Work, Ministry of Employment).</li> <li>- Initial opinion/report of Committee: the report was prepared by a 17-member committee representing various Ministries and stakeholders.</li> <li>- Guidance provided by Ministers to Committee – providing direction for the Committee to continue its work, in order to have a JMD in place by February 2019. Guidance also included a high-level timeplan and will set out that the revised scheme needs to be budget neutral.</li> </ul>
84	<p><b>Coordination.</b> Following the submission of an Inter-Ministerial Coordination Manual in April 2018, the authorities will (i) formally adopt the Manual to enhance structures and procedures within the government and the public administration, which includes the preparation, coordination and arbitration of policies, and (ii) commit to an implementation plan of how the structure and procedures will be applied by the government, notably by re-enforcing the role of the existing Secretariat General for Coordination.</p>	Done	<p>Authorities have sent the Coordination Manual in Greek on 19 April 2018 (EF prepared translated version into English). The manual has been sent to all ministries and uploaded at the General Secretariat of the Government's website (<a href="http://www.ggk.gov.gr/wp-content/uploads/2018/06/Εγχειρίδιο-για-τις-διαδικασίες-δωπουργικού-συντονισμού-της-Ελληνικής-Κυβέρνησης.pdf">http://www.ggk.gov.gr/wp-content/uploads/2018/06/Εγχειρίδιο-για-τις-διαδικασίες-δωπουργικού-συντονισμού-της-Ελληνικής-Κυβέρνησης.pdf</a>).</p> <p>Implementation plan has been prepared and submitted, which includes that the Action Plan for each Ministry will be issued in October each year along with the draft budget being submitted to the Parliament while the comprehensive Government plan will be issued in December each year with the adoption of the budget by the Parliament.</p>
	<b>5.2 Justice</b>		
85	<p><b>E-auctions. Legal and technical impediments.</b> In order to support lenders' capacity to auction foreclosed properties, the authorities will make an assessment of potential legal and technical impediments to the further improvement of electronic auctions by May 2018, including a review of the mechanism for decreasing the asking price in the event of failed auctions. These impediments, if any, will be addressed, by</p>	Done	<p>Following recently submitted reports on the progress of e-auctions, including new registrations of notaries across the territory, the authorities have been submitting periodic reports on a regular basis. The reports detail the latest developments on the number of auctions conducted, auctions projected and substitutions effected in regions where no registered notaries are available; the authorities provided an updated monthly report in the agreed format covering</p>

	SMoU action	Status	State of play
	adopting necessary legal amendments including a review of the mechanism for decreasing the asking price in the event of failed auctions.		the period up to 31 May and followed with an update on 11 June 2018. The report shows good progress overall, confirming the positive trend in all respects (number of auctions conducted, number of auctions announced on the platform, distribution of auctions (conducted or future ones) as well as of registered notaries throughout the territory. Authorities have adopted legislation allowing for the adjustment of auction prices based on an expert valuation report in the event of failed auction through a provision t included in the omnibus law 4549/2018 (OJ A 105, article 23).
	<b>5.3 Anticorruption</b>		
86	<b>Political parties financing.</b> The authorities will fully implement the legal framework for the financing of the political parties, notably by ensuring that all necessary secondary legislation is adopted.	Done	Authorities passed legislation. These secondary legislations are several decisions, taken in application of: - article 7 para 4 "indicative act with exact amounts of coupons per party". This is done by Indicative Act No. 251/130/10.01.2018. ( AΔA: 04-0525). - article 7 para 4 and "decision on procedure to return coupons". Decision of the President of the Audit Committee. Protocol Number: 14014/8582/28.11.2017. Date: 28-11-2017. (AΔA: 02-0509). - in application of art 21 para 1 sub para e which allows for needed secondary legislation, a decision of chairman of committee, a Decision on form of financial data. This option has been used in the case of JMD No. 41648/22-12-2016 (GG II 4394/30-12-2016) regarding the form of the financial data provided in art. 16 of. L. 3023/2002. - article 16A para 1: decision on draft documents and details on special report on elections income and expenditures. Decision of the President of the Audit Committee. Protocol Number: 4462/3082/27-3-2018. (GG II 1166/29.03.2018).
87	<b>National anticorruption plan.</b> The update of the national anti-corruption plan will include a commitment to assess the implementation of the Code of Conduct of members or Parliament and, based on this assessment, it will be revised, if needed, by June 2018.	Done	The Third National anti- corruption Plan (NACAP) has been agreed and published on the General secretariat against corruption website: <a href="http://www.gsac.gov.gr/index.php/el/ethniko-sxedio/ethniko-stratigiko-sxedio-kata-tis-diafthoras-2018-2021">http://www.gsac.gov.gr/index.php/el/ethniko-sxedio/ethniko-stratigiko-sxedio-kata-tis-diafthoras-2018-2021</a>
88	<b>Independent entities.</b> The authorities and independent agencies will, enact legislation to reorganize the field, including merging eligible entities, reassigning, where appropriate, functions to relevant services of the central administration and abolishing redundant entities; and finalize	Done	On 13 March, the authorities submitted a revised partial version of the draft law, along with a partial draft explanatory report; according to the SMoU conditionality, they should also have submitted a horizontal review, whose findings were intended to provide guidance for the drafting of the law; The

	SMoU action	Status	State of play
	and enact, after consultation with the institutions, the legislation on bringing horizontal provisions in line with the results of the horizontal review and best practices. With a view to amending any primary and secondary legislation to bring these in line with best practices by July 2018, the authorities will agree with the institutions the principles of future legislation, included detailed drafting where possible relating to (i) the Hellenic Competition Commission; (ii) the energy regulator RAE and (iii) the Regulatory Authority for Passenger Transport (RAEM).		<p>authorities submitted further additions to the draft law on 15 May, 31 May and 4 June. The institutions' comments were submitted on 23 May and additional ones on 28 May. While agreement was reached on a number of issues, several pending ones remained, including important issues of compatibility with EU legislation. Given that the draft still requires work in consultation with the relevant DGs, it was resolved that it would not be adopted but subjected to COMM for internal consultation; following its completion, the draft should be further revised and completed by the Authorities.</p> <p>Regarding individual entities, in light of this situation, the principles of future legislation on the Hellenic Competition Commission and the Regulatory Authority for Energy should be laid down upon finalization of the horizontal legislation. On 17 June, the authorities submitted to the institutions a report setting forth the principles of future legislation on the Regulatory Authority for Passenger Transport (RAEM). Further to exchanges between COMM and the authorities, a revised report was agreed on 19 June.</p>