



EUROPEAN COMMISSION

DIRECTORATE GENERAL

ECONOMIC AND FINANCIAL AFFAIRS

Brussels, 14 August 2015

**Report on Greece's compliance with the draft MOU commitments and the commitments
in the Euro Summit statement of 12 July 2015**

Main Findings

Greece has requested support from its European partners, to restore sustainable growth, create jobs, reduce inequalities, and address the risks to its own financial stability and to that of the euro area. A Memorandum of Understanding (MoU) has been prepared in response to a request of 8 July 2015 from the Hellenic Republic to the Chairperson of the Board of Governors of the European Stability Mechanism (ESM) for stability support in the form of a loan with an availability period of three years.

The Euro Summit of 12 July stressed the crucial need to rebuild trust with the Greek authorities. The MoU outlines a set of prior actions for a first disbursement under the ESM programme, which follows on from two sets set of measures already adopted by the Greek authorities on 16 and 22 of July 2015. This report assesses compliance with the prior actions. It was compiled by European Commission staff, in liaison with ECB staff.

This report provides an assessment of the 58 prior actions identified in the MoU or related to the correction of legislation passed on 16 or 22 July.

Pending a final version and translation of the legislation passed in the morning of 14 August 2015 (the "Omnibus law"), this report assesses that the received legislation broadly complies with the prior actions identified in the draft MoU. The prior actions include measures that (i) reverse most policy roll-backs of recent months, (ii) amend and complete some reforms in the package of measures adopted on 15 and 22 July 2015, and (iii) are covered in the main chapters of the MoU. This includes important reforms on fiscal measures, revenue collection, pension and health systems, competition in product market reforms including energy, and in regulated professions, and insolvency codes.

The institutions consider that, in some areas, further steps are needed to clarify and implement the adopted measures, or to complete the actions. Also, there is a need for further corrections of legislation adopted over the past months, but which still required technical work before being adopted, or of legislation passed as part of the package of prior actions, to ensure full consistency with reforms agreed with the institutions. In the absence of overriding technical constraints, all of these actions should be completed by September 2015.

2.1 FISCAL POLICY

Action 1 - Gradually abolish the refund of excise duty on diesel oil for farmers in two equal steps in October 2015 and October 2016

The Omnibus law (subparagraph D5) reduces the subsidy to €200 per 1000 litres from 1 October 2015 and to 0 from 1 October 2016. However, the text does not make it entirely clear that the diesel oil subsidy will be fully repealed as of October 2016.

DONE – pending further clarification

Action 2 - Increase the tonnage tax

The Omnibus law (subparagraph D4.2) provides for an increase in the tonnage tax of 4% p.a. for the coming 5 years (2016-2020). In addition, the levy on maritime intermediary companies (e.g. chartering, brokerage of sales and purchases of ships), which was initially imposed in 2013 for a four (4) year period (2012-2015), was extended for another 4 years (i.e. 2016-2019) and the respective levy rates were increased for that period by 2 p.p. compared to the current ones.

DONE

Action 3 - Launch the 2015 ENFIA exercise in order to issue bills in October 2015 with the final instalment due in February 2016

The MoU requires that the ENFIA property tax should raise €2.65 billion revenues in 2015. The Omnibus law (subparagraph D3.a) ensures that the first instalments will be paid at the end of October 2015 with the final instalment at the end of February 2016.

DONE

2.2 TAX POLICY REFORMS

Action 4 - Eliminate the cross-border withholding tax introduced by the instalments act

Paragraph 1 of Article 21 of Law 4321/2015 imposed a 26% withholding tax on cross-border transactions with non-cooperative jurisdictions, with jurisdictions that have a privileged tax regime (defined as a CIT rate less than half that in Greece). A Ministerial decree determined that the withholding tax was to come into operation on 1 September 2015. The withholding tax is clearly in breach of the requirement for the free movement of capital. The Omnibus (subparagraph D1.11.g) law repeals this article.

DONE

Action 5 - Reverse the recent amendments to the ITC introduced in laws

A number of amendments to the Income Tax Code were made in the laws 4321/2015, 4328/2015, 4030/2015 and 4031/2015. A substantial number of these amendments have been reversed in the Omnibus Law (see prior actions 48-50 and 53-56 below). In addition, a reduction in the advanced rate of tax for farmers introduced with article 2(8) of 2028/2015 has been reversed by the Omnibus Act.

A number of further important amendments need to be modified or repealed by October 2015. These include articles 2(1) and 2(3) of law 4028/2015, concerning taxation of agricultural income and rents respectively. The regime of alternative minimum taxation, imputed rents on own-use business property

also need to be re-examined. The system of late payment of interest and the filing deadlines for Personal Income Tax will also need to be reviewed.

DONE –further measures are due by October 2015

Action 6 - Clarify that the VAT island discounts will be fully eliminated by end-2016 and define the transitional arrangements.

As a correction to the legislation adopted on 15 July 2015, the Omnibus law (subparagraph D2.3) clarifies that the VAT discounts for Aegean Islands will be phased out by 31 December 2016. The reduced rates of VAT will be phased out progressively between three groups of islands currently benefitting of the discount: the first group from 1.10.2015, the second group from 1.6.2016, and 1.1.2017 in the rest of the islands. A joint Ministerial decision will determine the composition of the three groups. A further change was made to ensure that both processed and unprocessed meat products were taxed at the same reduced VAT rate, reducing the scope for a VAT fraud.

DONE

2.3 REVENUE ADMINISTRATION REFORMS

Action 7 - Modify the legislation applicable to garnishment for collection of public debt

The legislation on garnishments provided for a very high threshold (1500 euros) and a limit of 25% above the threshold, which limited the capacity to collect on high income debtors. This legislation is provided for in the article 31 of the code of public collection, which is amended by the Omnibus law (subparagraph D1.8). The authorities reduced the threshold to a lower limit (1000 euros for salaries and pensions, and 1250 on a bank account), and raised the cap, in a progressive way, up to the level where all the salary or pension is garnished (1500 euros). These limits are made applicable for social security contribution debt by a specific provision.

DONE

Action 8 - Amend the 2014–15 tax and SSC debt instalment schemes

The Omnibus law (subparagraph D1.14 and D1.15) addresses the issues in the instalment schemes introduced in autumn 2014 and in March 2015. It increases the interest rates to the ECB refinancing rate +5% in order to discourage arbitration of debt against the state. It allows the administration to reduce duration of a scheme. It allows the tax administration to exclude from a scheme a debtor who would not remain compliant on his new taxes payments. A social measure was included by which vulnerable debtors (high income to debt ratio, low debt, real estate under a threshold) could retain their 0% interest rate. Secondary legislation is needed implement the schemes. A technical error seems to have been made in making the final amendment to Omnibus law. If that is confirmed the provision must be corrected

DONE – pending editorial correction Action 9 - Amend the basic instalment scheme/TPC to adjust the market-based interest rates and suspend until end-2017 third-party verification and bank guarantee requirements

The Omnibus law (subparagraph D1.14 and D1.15) modifies certain elements of the Basic instalment scheme introduced in 2013 to allow debtors in temporary shortage of liquidity to repay their tax and social security debt within a year. The interest rates are lowered by 3p.p. (to ECB refinancing +5%), in

order to remain slightly above market rates, and some burdensome administrative conditions for entering (bank guarantee, for instance) are suspended for 2 years..

DONE

Action 10 - Accelerate procurement of software for VAT network analysis and for further automation of the debt collection, embracing inter alia fully automatized garnishment procedures

The Omnibus law (subparagraph D1.16) provides the elements justifying application of an accelerated procurement, in derogation from standard procurement rules, to allow for swift purchase of important software to support debt collection, one enabling identification and analysis of VAT carousels and other fraud and another to improve automation of collection of tax debt, including by expanding automated electronic garnishment.

DONE

Action 11 - Adopt immediately legislation to transfer, by end October 2015 all tax- and customs-related capacities and duties and all tax- and customs-related staff in SDOE and other entities to the revenue administration and

Action 51 - Tax competences given to SDOE

In March 2015 the authorities gave back tax investigation competences to the corps for the prosecution of financial crime (SDOE). In the MoU they agreed to suppress this competence and transfer to the tax administration the related staff and resources. The Omnibus law (subparagraph D7) passes legislation repealing the provisions adopted in March 2015, provides for this transfer and establishes key principles. An action plan has been provided to the institutions, and the action will be completed by October 2015.

DONE

2.4.1 Public Financial Management
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Action 12 - Ring-fence the account for the management of EU structural funds instruments and of Greece's national contributions

A Joint Ministerial Decision signed on 14 August 2015 ring-fences the account for the management of EU structural funds instruments and of Greece's national contributions in order to ensure timely disbursements on EU co-financed projects. A reference to this was made on the Omnibus law. The Joint Ministerial Decision sets the modalities on how this ring-fencing will be implemented.

DONE

Action 57 - Fiscal council - as requested from the Euro Summit

The Greek government committed at the Eurosummit of 12 July 2015 to making the Fiscal Council operational before finalizing the MoU. For this to happen, the government adopted a Ministerial Decision to start on 17 July 2015 the open procedure to select the members of the board. The selection process regarding the members was completed and government decision was adopted on [13] August 2015. The minister of finance will be in a position to issue the nomination decision only following confirmation of selected candidates by the ethical committee in parliament, which is expected as soon as Parliament resumes from the current recess. As specified in the MoU, following completing the process for the appointment of the Board Members of the Fiscal Council, the Government will by

September 2015 issue the needed secondary legislation to make the Council fully operational (including budgeting and staffing) by November 2015.

DONE – further steps necessary ahead of full operationalization by November 2015

Action 58 – Quasi-automatic correction mechanism

The authorities have included in the Omnibus the corrections to the 15 July legislation concerning the automatic spending cuts.

DONE

2.5.1 PENSIONS

Action 13 - Clarify the rules for eligibility for the minimum guaranteed pensions after 67 years

A clarification of the existing rules for all pension funds was required to ensure that the amendments to paragraph 27 in law 4334/2015 apply to all minimum guaranteed pensions. The Authorities provided on 31.7.2015 an explanatory note to law 4334/2015 that describes adequately the current rules of guaranteed minimum pensions for all private sector pension funds with direct reference to these rules in the secondary legislation. A similar explanatory note concerning public sector pensions was received on 1.8.2015. Circular not yet issued.

PENDING check of adopted Omnibus Law

Action 14 - Issue all circulars to ensure the implementation of the 2010 laws

The full implementation of the 2010 pension law (law 3863/2010 for private sector pensions and law 3865/2010 for the public sector) required that necessary circulars will be issued. The circulars that ensure the implementation of the private sector (L. 3863/2010) and public sector (L. 3865/2010) pension laws were received by the institution on 31.7.2015 and 1.8.2015 respectively, but are not yet issued.

PENDING

Action 15 - Correct law 4334/2015 to among others correctly apply the freeze on monthly guaranteed benefits

The Omnibus law (subparagraph E2.3) ensures that by 31.12.2021 the thresholds of pension for old age, invalidity and death of main or supplementary insurance bodies, including the Bank of Greece, as provided for in the relevant statutory and general provisions, are kept at the rates of 31.07.2015.

DONE

Action 16 - Extend the freeze of guaranteed minimum pensions to the public sector

The Omnibus law amends the provisions in law 3865/2010, to extend the freeze of guaranteed minimum pensions until 31.12.2021..

PENDING check of adopted Omnibus Law

Action 17 - Eliminate gradually the grandfathering to statutory retirement age and early retirement pathways

The Omnibus law legislates the gradual abolition of the grandfathering of statutory retirements rights by 2022 for both the private [and the public] sector, by providing a table with transitional retirement ages.

PENDING check of adopted Omnibus Law

2.5.2 HEALTH CARE

Action 18 - Appointment of hospital CEOs

The Omnibus law (subparagraph F.4) repeals Article 15 of Law 4332/2015 giving full power to the Minister of Health to dismiss existing hospital CEOs, which, by allowing appointment decisions not only based on merit, undermined the efforts towards a more efficient, cost-effective and depoliticised health care system.

DONE

Action 19 – Repeal MD FEK 117/2015 on sanctions for misconduct relating to prescriptions

The authorities adopted the Ministerial Decision 117/2015 following a Council of State Decision. After interactions with the institution, it has been assessed that it would be preferable not to repeal that MD until a new legislation would be introduced, to avoid a legislative vacuum. The authorities have committed to continue reforming the health care sector, by, amongst others, controlling public expenditure and managing demand for pharmaceuticals. They have expressed the intention to re-enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines, thereby re-establishing a prior MoU commitment. In line with this commitment, the authorities have agreed to formulate a new legislation upon completion of a dialogue at technical level with the authorities that is currently ongoing and expected to be completed by October 2015. The ongoing dialogue will ensure that the legislative measures are calibrated so as to correct the legislative setting, currently allowing doctors to exceed expenditure limits, while ensuring that doctors are able to perform their duties at the highest standard, in a constant effort towards greater efficiency and quality for patients.

NOT APPLICABLE – repeal not possible without creating legal vacuum, legislation will be changed by October 2015

Action 20 – Re-establish INN prescriptions based on active substance

The Omnibus Law introduce amendments to Circular No G5/oik.26225 of 8 April 2015. These amendments re-instate the obligation for doctors to exclusively prescribe the active substance, with due exceptions in cases of chronic diseases as set out in articles 6.4 and 6.5 of the Ministerial Decree FEK 3057/B/18-11.2012. The proportion of prescriptions including a specific medicine brand, according to these exceptions, cannot represent more than 15% of the total number of prescriptions per doctor per year, in line with article 6.6 of the MD of 18 November 2012. These exceptions are meant to leave room for complex cases, while maintaining the overall objective to manage pharmaceutical demand and contain overall costs.

DONE

Action 21 – Repealing the grandfathering for medicines in the market in 2012

The penultimate draft of the Omnibus law (subparagraph F1) did not properly repeal a provision in paragraph 4 of article 22 of Law 4213/2013 so that the rules on pricing as set in that article shall apply retrospectively to all medicines, irrespective of the date of their adoption.

PENDING check of adopted Omnibus Law

Action 22 - Clawbacks

The authorities have agreed in the MoU to establish claw backs for 2015 for diagnostics and private clinics and delink the 2014 claw back for private clinics from the 2013 one. The agreed commitments have been substantiated by the adoption of various Ministerial Decrees to implement the necessary extension of the claw backs to the expenditure on pharmaceuticals, as well as to on diagnostics services and on services provided by private clinics.

The Omnibus Law modifies art.11 par e of L.4052/2012 to extend past pharmaceutical claw back until the end of 2018.

In addition to this, the authorities have circulated a Ministerial Decree by the Ministry of Health setting up an extension of the claw back system for 2015 using the 2014 ceiling levels. A further Ministerial Decree has been received which sets the 2015 claw back in the area of diagnostic tests and extends it until 2018. The authorities have also produced a Ministerial Decree extending the expenditure provisions to 2018 and they have circulated a decision from EOPYY, as well as an MD, detailing budgets and formulae to specify the amount of expenditure that is allowed on private clinics. Several details of these MDs are currently undergoing potentially important revision and have not yet been agreed.

PENDING - signature of MD only possible after adoption of Omnibus law

2.5.3 SOCIAL SAFETY NETS

Action 23 - Agree the terms of reference and launch a comprehensive Social Welfare Review

The Terms of Reference to launch the Social Welfare Review [were in the process of being agreed] by the Government and the institutions. According to the latest text sent to the authorities by the institutions, an initial report with recommendations for policy reforms will be issued in December 2015. This report will contain a synthesis of the work done up to that date and indicative fiscal savings. The government also has agreed the design principles of a further Guaranteed minimum income scheme for Greece. The final agreement and launching of the review is thus still pending.

PENDING

3. SAFEGUARDING FINANCIAL STABILITY

Action 24 - Develop a credible strategy for addressing the issue of non-performing loans (NPLs)

A Working Group has been established by the authorities composed of all relevant stakeholders in order to develop a holistic strategy on the management of NPLs that aims to minimize implementation time and the use of capital resource while drawing on the expertise of external consultant(s) for both strategy development and implementation. To this extent the strategy should identify a number of impediments in reducing the NPL burden to the financial system and the Greek Economy. A NPL strategy has been presented with a significant number of comprehensive proposals and amendments in

current laws and regulations and providing initiatives for increasing operational effectiveness in NPL management.

Nonetheless, the institutions uncovered a number of serious issues with the strategy (especially limitations on NPL market and proposal to set up a public Asset Management Company) and made proposals to the authorities for its improvement. An update strategy has not yet been received.

PENDING

Action 25 - Amendments to the corporate insolvency law

The Omnibus law (subparagraph C3) includes amendments to the corporate insolvency law necessary as a first step in the short term to improve the efficiency of legislative framework and procedure and help banks' efforts to recover NPLs. The institutions have received an action plan for addressing the issues associated to corporate bankruptcy judges (i.e. additional judges, longer term and training).

DONE

Action 26 - Amendments to the household insolvency law

The Omnibus law (subparagraph A4) amends the household insolvency law to ameliorate the framework and address the excessive backlog of pending cases that lead to overly debtor friendly environment prone to abuse. The main changes to the framework refer to the introduction of a time-bound stay on enforcement in line with cross country experience, the establishment of a stricter screening process to deter strategic defaulters from filing under the law, include public creditor claims in the scope of the law providing eligible debtors with a fresh start. Further measures to address the large backlog of cases were agreed (e.g. increasing the number of judges and judicial staff, prioritization of high value cases, and short-form procedures for debtors with no assets and no income). The Omnibus law demands to a Ministerial Decree the setting of criteria for the protection of the primary residence of truly vulnerable debtors. The authorities should issue primary legislation to tighten the eligibility criteria for protection of the primary residence while protecting the vulnerable debtor in line with the proposal made by the institutions.

PENDING – provisions on eligibility criteria to be adopted by September 2015

Action 27 - Adoption of the insolvency administrators

The Omnibus Law (subparagraph C3) contains enabling legislation for the creation of the regulated profession of insolvency administrators, not restricted to any specific profession and in line with good cross-country experience. The authorities will define by presidential decree the details for the exercise of this profession.

DONE

Action 28 - Adoption of provisions to reactivate the Governing Council of Private debt

The Omnibus Bill (subparagraph A4) includes legislation for the creation of a Special Secretariat to support the work of the Government Council for the Management of Private Debt and organise the information and the provision of advisory services to the consumers. The details for the functioning of the Special Secretariat will be determined by a Presidential Decree. A Prime Minister decision for the activation the Government Council of Private Debt is needed.

DONE – publication of decision pending

4.1 LABOUR MARKET AND HUMAN CAPITAL

29 - Reverse the legislation of the after-effect of agreements legislated in art 72 of 4331/2015 of 2 July 2015

The Omnibus (subparagraph E2.4) act explicitly repeals paragraph 1 of Article 72 of law 4331/2015, that fully restored the after-effect length and content amended in 2012..

DONE

4.2 PRODUCT MARKETS AND BUSINESS ENVIRONMENT

Action 30 - Implementation of all pending recommendations of the OECD competition toolkit I, except OTC pharmaceutical products, Sunday trade, building material and one provision on foodstuff.

In line with the commitment, the Omnibus Law (subparagraphs A.2 and A.3) adopts the pending OECD competition of toolkit I on bakeries, milk, promotions, sales periods, tourist buses, and truck licenses. On bakeries, the strict distinction between bakeries and bread stations is removed. On milk, the maximum shelf live restriction of pasteurised milk is removed. On promotions, when the product is being sold as part of a multi-package, the obligation to sell the product individually as well is removed. On sales periods, in addition to regular and interim sales periods, sales are permitted throughout the year. On tourist buses, the closed route restriction for tourist buses is explicitly repealed. On truck licenses, the gross profit and tonnage criteria and the temporary license for private-use trucks are removed. On foodstuff, in line with the commitment, the Joint Ministerial Decision of 12 August 2015 (protocol number 1349/88930) introduces more flexible definitions for ingredients of pudding and cream. On pharmacy ownership, the Omnibus law (subparagraphs D.12.17/18) abolishes the provision of Art. 6 of Law 328/1976 and provides for a Joint Ministerial Decision to define the criteria for an establishment licence of a pharmacy. This is not in line with the OECD recommendation and the agreed text during the negotiations as it does not open the ownership of pharmacies to non-pharmacists. While in line with the Euro summit statement, the MoU provides more time for the adoption of the recommendation for pharmacies related to over-the-counter-pharmaceuticals, the action on pharmacy ownership is part of the prior actions.

PARTIALLY DONE – Legislation on ownership of pharmacies to be adopted by September 2015

Action 31 - The implementation of a significant number of the OECD toolkit II recommendations on beverages and petroleum products.

The Omnibus law (subparagraphs D.6 and D.12) adopts provisions related to only 11 out of the 88 OECD toolkit II recommendations on beverages and petroleum. In addition, it also adopts one provision where additional clarifications are needed to ensure that this is in line with the OECD recommendation. The authorities have presented draft Ministerial Decisions related to 6 OECD toolkit II recommendations, and draft Presidential Decrees regarding 2 recommendations, but are as such not yet in force. Other recommendations could not be implemented for technical reasons. The authorities committed in the MoU to completing the adoption of the remaining recommendations by October 2015.

PARTIALLY DONE – the largest part of the recommendations will need to be adopted by October 2015

Action 32 - The opening of the restricted professions of notaries, actuaries, and bailiffs.

In line with the commitment, the Omnibus law (subparagraph C.2) reduces the fee of notary acts for property transactions up to EUR120,000 from 1 percent to 0.8 percent. In line with the commitment, the Association of Actuaries was accredited on 18 June 2015 in accordance with Presidential Decree 53/2013 as amended by Law 4254/2014. Examinations took place in July 2015. In line with the commitment, the Omnibus law (subparagraph G.1) broadens the geographic area in which court bailiffs can be active, with a Ministerial Decision to be issued by December 2015; and lays out criteria for the determination of fees, with a Ministerial Decision to be issued by October 2015.

DONE

Action 33 - The liberalisation of the market for tourist rentals.

In line with the commitment, the Omnibus law (subparagraph A.3.4) removes as of 1 November 2015 the 30-day restriction on tourist rentals. In the MoU, the authorities commit to adopting legislation to make the liberalisation of tourist rentals fully effective by October 2015.

DONE

Action 34 - The elimination of non-reciprocal nuisance charges and alignment of the reciprocal nuisance charges to the services provided.

In line with the commitment, the Omnibus law (subparagraph D.12.4-D.12.16) eliminates or removes earmarking for [13] nuisance charges. In the MoU, the authorities commit to eliminating pension-related nuisance charges by October 2015 and to continue work on reciprocal nuisance charges.

DONE

Action 35 - Reduction of red tape, including on horizontal licensing requirements of investments and on low-risk activities as recommended by the World Bank, and administrative burden of companies based on the OECD recommendations.

In line with the commitment, the authorities submitted on 12 August 2015 the Presidential Decree on the investment licensing law related to livestock activities (protocol number SD98/12-8-2015). In the MoU, the authorities commit to adopting a roadmap, including prioritisation, for the investment licensing reform by September 2015, and to adopting secondary legislation according to this prioritisation by June 2016.

In line with the commitment, the Omnibus law (subparagraph A.1) reduces administrative burden on small companies by simplifying financial statements and audit requirements. In the MoU, the authorities commit to adopting the pending OECD recommendations on environment and fuel trader licenses by November 2015.

DONE

Action 36 - The establishment of a committee for the inter-ministerial preparation of legislation.

The authorities aimed to adopt on 12 August 2015 the cabinet act for establishing the inter-ministerial committee for the investment licensing reform. The adoption of the cabinet act is pending.

PENDING

4.3 REGULATED NETWORK INDUSTRIES (ENERGY, TRANSPORT, WATER)

Action 37 - Adopt the reform of the gas market and its specific roadmap, leading inter alia to full eligibility to switch supplier for all customers by 2018.

The Omnibus Law (subparagraph B.1) introduces the reform of the Greek gas market, which removes significant restrictions to competition, coming from a specific exemption from the application of the Third Energy Package, and separates supply of gas from distribution, in order to properly regulate distribution and stimulate investment. The reform is underpinned by a roadmap including secondary legislation and regulation, to be implemented starting from September 2015. The market will be progressively liberalised, i.e. consumers will be able to choose their supplier, starting from industrial consumers and reaching full liberalisation in 2018.

DONE

Action 38 - Notify the reformed capacity payments system (including a temporary and a permanent mechanism)

Greece agreed with the European Commission a new scheme for capacity payments, focusing on the supply of flexibility services, at the end of 2014. Following a first notification, the Commission requested some clarifications that were pending and were blocking the adoption and implementation of the reform. The authorities have now resumed the notification process, sending the pending replies, in order to adopt a reformed temporary scheme in September 2015. This will still be at a regulated price, but with much lower levels of compensation per unit and with very significant overall savings, which are expected to be passed on to consumers. Further discussions with the Commission will be necessary to define the auction-based permanent scheme.

DONE

Action 39 - Notify NOME products to the European Commission.

NOME (Nouvelle Organisation du Marché de l'Electricité) is a system under which the incumbent in the Greek electricity market (PPC) will auction its lignite and hydro generation capacity, in order to spur competition in the supply market. Under the second programme, this was considered an interim measure in the process that would have led to the spin-off of a new company from PPC (Small PPC), which currently owns around 98% of the supply market. Under the third programme, the authorities have committed to discuss with the Commission the design of NOME in order to avoid the spin-off of Small PPC, however achieving equivalent results in terms of competition. The design process will be completed in agreement with the Institutions by October 2015, and should lead to an auction of 25% of PPC's lignite and hydro capacity, that should move to 50% by 2020. The authorities notified to the Commission (technically pre-notification) a proposal that was put in public consultation by RAE in May 2014.

DONE

Action 40 - Legislate that by 2020 no undertaking will be able to produce or import, directly or indirectly, more than 50% of total electricity produced and imported in Greece

The Omnibus law (subparagraph B.2) sets the deadline of 2020 by when no undertaking will be able to produce or import, directly or indirectly, more than 50% of total electricity produced and imported in Greece. This measure, complementary to NOME, gives a medium-term anchor of the evolution of the electricity market, as it explicitly limits the market shares of participants. This will lead to greater

competition and positive effects for consumers. The current incumbent has around 70% of the Greek generation capacity.

DONE

4.4 PRIVATISATION

Action 41 - The cabinet will endorse the Asset Development plan approved by HRADF on 30/7/2015

The Economic Council has endorsed the Asset Development plan on 14 August 2015. The plan envisages a comprehensive relaunch of the privatization plan by the Hellenic Republic Asset Development Fund, with proceeds of EUR 6 ½ billion by 2017 and some 10 billion by 2020, with major privatizations or concessions taking place during the next 3 years (ports, airports, railway, real estate etc). This endorsement gives political backing to HRADF to proceed with privatization.

DONE

Action 42 - The government and HRADF will announce binding bid dates for Piraeus and Thessaloniki ports of no later than end-October 2015, and for TRAINOSE ROSCO, with no material changes in the terms of the tenders;

The Board of Directors has approved a new timeline for the tenders (October 2015 for Piraeus Port Authority, February 2016 for Thessaloniki Port Authority, and December 201[5] for TRAINOSE ROSCO. The dates will be posted officially to the investors in the Virtual Data Room, and a press release by HRADF has been issued on 13 August 2015.

DONE

Action 43 - Authorities take irreversible steps for the sale of the regional airports at the current terms with the winning bidder already selected;

The Economic Council has [endorsed] the deal on 13 August 2015 and has authorized the Minister of Finance to sign the Concession agreement with the preferred bidders.

PENDING

Action 44 - Authorities will conclude around 20 selected pending actions identified by HRADF

The Government has concluded a number of pending actions needed to allow several ongoing tenders to continue/concluded, including for Hellinikon, regional airports, TRAINOSE-ROSCO, and other real estate tenders. These actions by various ministries would allow tenders to proceed as envisaged in the plan.

PENDING

5.1 PUBLIC ADMINISTRATION

Action 45 -Align non-wage benefits such as per diems, travel allowances and perks, with best practices in the EU, effective 1 January 2016.

The Omnibus bill (subparagraph D9) includes common rules to be followed across the public sector, and covers travel expenses, per diem, and some perks such as mobile phones. The reform of special leaves will be done in October 2015. Some further areas of non-wage benefits could be covered in October 2015.

DONE

5.3 ANTI-CORRUPTION

Action 46 - Update and publish a revised Strategic Plan against corruption; and they will implement it according to its timeline.

The authorities updated the revised Strategic Plan against corruption and published in Greek and in English on the website of the Secretariat General for combatting corruption on 13 August 2015. The plan sets an implementation timeline, which spans until the end-2017, and it includes key actions such as revision of the legal framework, including the law on financing of political parties, the adoption of a code of conduct for the members of the Parliament. It also clarifies the new organizational set up to be put in place in the wake of the nomination of a Minister of State in charge of the fight against fraud.

DONE

Action 56 - Repeal the amendment exempting political appointees in maritime ministry from wealth registry for some

Article 51 of Law 4331/2015 waived the obligation of the civilian staff of the former Ministry of Mercantile Marine and the Aegean to file a declaration of assets. The Omnibus law (paragraph Z) reinstated this obligation.

DONE

5.4 STATISTICS

Action 47 - Launch the process for appointing a President of ELSTAT in line with law

The process to appoint a new president of ELSTAT has been initiated. Eurostat has been formally asked to nominate three members, while the government will also nominate other two and the committee will be formed after 17 August 2015 to prepare the terms of the call.

DONE

- MEASURES TO ENSURE CONSISTENCY WITH EUROGROUP STATEMENT OF 20 FEBRUARY 2015 ON PRE-CONSULTATION

Action 48 - Tax Policy: cross-border withholding on non-deductible business expenses

Complied with, see prior action number 4 (above)

DONE

Action 49 - Tax Policy: VAT withheld instalment schemes

The Omnibus act (subparagraph D.12) repeals Article 18 of Law 4321/2015 that allowed withheld VAT to enter instalment schemes. VAT is withheld on behalf of the state and should therefore not be eligible for instalment schemes,

DONE

Action 50 - Tax Policy: deductions for VAT annual declarations

Article 22 of 4321/2015 allowed deductions from annual VAT returns until the 7th month of the next calendar year. The Omnibus Act (subparagraph D.2) reduces the period to the 4th month after the end of the calendar year.

DONE

Action 51 - L4321/2015 Tax Administration: Tax competences given to SDOE

Complied with. See Action number 11 above.

DONE

Action 52. Tax Administration: Competences of SGPR wrongly given to other authorities

The omnibus law (subparagraph D.7)corrects the March 2015 legislation, which has given to the minister or to head of the local tax offices powers that should have been granted to the head of the semi-autonomous public revenues administration.

DONE

Action 53 - Special deduction for agents of OPAP and exemption from ENFIA of the Hellenic Tourist organisation

The Omnibus law (subparagraph D.12) repeals Article 2(2) of law 4328/2015, which provided special deductions for agents of OPAP from realised sales for provisions for bad debt.

DONE

Action 54 - A 2 percent discount to individuals and legal entities for prompt filing of a personal income tax (article 2: 4, 5)

The Omnibus law (subparagraph D.12) [repeals] Articles 2(4) and 2(5) of [WHICH LAW?] provide a 2% discount for individuals and legal entities respectively. Such a discount is excessive amounting to effectively an annual interest rate of some 8%.

DONE

Action 55 - Exemption from ENFIA to Hellenic Tourism Organization

The Omnibus law repeals (subparagraph D.3) Article 3 of law 4328/2015 which provides exemptions from ENFIA for the Hellenic Tourist Organisation.

DONE

Action 56 – Law 4331/2015 Repeal the amendment exempting civil appointees in maritime ministry from wealth registry

The requirement for civil servants to make wealth declarations was suspended by law 4331/2015. This requirement has been restored by the Omnibus law (paragraph G).

DONE

Annex 1: Actions to be taken by Greece ahead of the next disbursement (set of Prior Actions)

Annex 1: Actions to be taken by Greece ahead of the next disbursement

	Action defined in MOU	Status
2.1 Fiscal policy		
1	gradually abolish the refund of excise tax on diesel oil for farmers in two equal steps in October 2015 and October 2016	Done pending clarifications
2	increase the tonnage tax	Done
3	launch the 2015 ENFIA exercise in order to issue bills in October 2015 with the final instalment due in February 2016	Done
2.2 Tax policy reforms		
4	eliminate the cross-border withholding tax introduced by the instalments act (law 4321/2015)	Done
5	reverse the recent amendments to the ITC introduced in laws (4328/2015 and 4331/2015)	Done further measures due by October
6	clarify that the VAT island discounts will be fully eliminated by end-2016 and define the transitional arrangements	Done
2.3 Revenue administration reforms		
7	on garnishments , eliminate the 25 percent ceiling on wages and pensions and lower all thresholds of €1,500 while ensuring in all cases reasonable living conditions	Done
8	amend the 2014–15 tax and SSC debt instalment schemes	Done pending editorial correction
9	amend the basic instalment scheme/TPC to adjust the market-based interest rates and suspend until end-2017 third-party verification and bank guarantee requirements	Done
10	accelerate procurement of software for VAT network analysis and for further automation of the debt collection, embracing inter alia fully automatized garnishment procedures	Done
11	adopt immediately legislation to transfer , by end October 2015 all tax- and customs-related capacities and duties and all tax- and customs-related staff in SDOE and other entities to the revenue administration	Done
2.4.1 Public Financial Management		
12	ring-fence the account for the management of EU structural funds instruments and of Greece's national contributions	Done
2.5.1 Pensions		
13	clarify the rules for eligibility for the minimum guaranteed pensions after 67 years	Pending check of Law
14	issue all circulars to ensure the implementation of the 2010 law	Pending check of Law
15	correct law 4334/2015 to among others correctly apply the freeze on monthly guaranteed benefits	Done
16	extend the freeze to the public sector	Pending check of Law
17	eliminate gradually the grandfathering to statutory retirement age and early retirement pathways	Pending check of Law
2.5.2 Health care		
18	amend Law 4332/2015 repealing part of Law 4052/2012 (reorganisation and restructuring of the health sector under the MoU) on the appointment of hospital CEOs	Done
19	repeal MD FEK 1117/2015, in order to re-enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines	Not Applicable
20	re-establish full INN prescription	Done
21	reduce the price of all off-patent drugs	Pending check of Law
22	establish claw backs for 2015 for diagnostics and private clinics and delink the 2014 claw back for private clinics from the 2013 one	Pending Signature of MD only possible after adoption of law
2.5.3 Social safety nets		
23	agree the terms of reference and launch a comprehensive Social Welfare Review,	Pending

3. Safeguarding financial stability		
24	develop a credible strategy for addressing the issue of non-performing loans	Pending
25	amendments to the corporate insolvency law	Done
26	amendments to the household insolvency law	Pending provision on eligibility criteria to be adopted by September 2015
27	adopt legislation to establish a regulated profession of insolvency administrators	Done
28	adopt provisions to re-activate of the Government Council of Private Debt , and establishing a Special Secretariat to support it	Done publication of the decision pending
4.1 Labour market and human capital		
29	reverse the legislation of the after-effect of agreements in art 72 of 4331/2015 of 2 July 2015	Done
4.2 Product markets and business environment		
30	implement all pending recommendations of the OECD competition toolkit I , except OTC pharmaceutical products, Sunday trade, building material and one provision on foodstuff	Partially Done legislation on ownership of pharmacies to be adopted by September 2015
31	implement a significant number of the OECD toolkit II recommendations on beverages and petroleum products	Partially Done largest part of recommendations to be adopted by October 2015
32	open the restricted professions of notaries, actuaries, and bailiffs	Done
33	liberalize the market for tourist rentals	Done
34	eliminate non-reciprocal nuisance charges and align the reciprocal nuisance charges to the services provided	Done
35	reduce red tape , including on horizontal licensing requirements of investments and on low-risk activities as recommended by the World Bank, and administrative burden of companies based on the OECD recommendations,	Done
36	establish a committee for the inter-ministerial preparation of legislation.	Pending
4.3 Regulated Network Industries (Energy, Transport, Water)		
37	Adopt the reform of the gas market and its specific roadmap, leading inter alia to full eligibility to switch supplier for all customers by 2018,	Done
38	notify the reformed capacity payments system (including a temporary and a permanent mechanism)	Done
39	notify NOME products to the European Commission.	Done
40	Legislate that by 2020 no undertaking will be able to produce or import, directly or indirectly, more than 50% of total electricity produced and imported in Greece	Done
4.4 Privatisation		
41	endorse the Asset Development plan approved by HRADF on 30/7/2015	Done
42	The government and HRADF will announce binding bid dates for Piraeus and Thessaloniki ports of no later than end-October 2015, and for TRAILOSE ROSCO , with no material changes in the terms of the tenders;	Done
43	take irreversible steps for the sale of the regional airports at the current terms with the winning bidder already selected;	Pending
44	authorities will conclude around 20 selected pending actions identified by HRADF	Pending
5.1 Public Administration		
45	align non-wage benefits such as per diems, travel allowances and perks, with best practices in the EU, effective 1 January 2016	Done
5.3 Anti-corruption		
46	update and publish a revised Strategic Plan against corruption ; and they will implement it according to its timeline.	Done
5.4 Statistics		
47	launch the process for appointing a President of ELSTAT in line with law	Done

Reviewing and amending measures to ensure consistency with the Eurogroup agreement of 20 February 2015

N	Action	
48	<u>L4321/2015 - Tax Policy: cross-border withholding on non-deductible business expenses</u>	Done
49	<u>L4321/2015 - Tax Policy: VAT withheld instalment schemes</u>	Done
50	<u>L4321/2015 - Tax Policy: deductions for VAT annual declarations</u>	Done
51	<u>L4321/2015 - Tax Administration: Tax competences given to SDOE</u>	Done
52	<u>L4321/2015 - Tax Administration: Competences of SGPR wrongly given to other authorities</u>	Done
53	<u>L4328/2015 - special deduction for agents of OPAP</u>	Done
54	<u>L4328/2015 - a 2 percent discount to individuals for prompt filing of a personal income tax (article 2: 4, 5)</u>	Done
55	<u>L4328/2015 - exemption from ENFIA to Hellenic Tourism Organization</u>	Done
56	<u>L4331/2015 - Repeal the amendment exempting political appointees in maritime ministry from wealth registry for some</u>	Done
57	<u>Fiscal council - as requested from the Euro Summit</u>	Done further steps necessary ahead of full operationalization by November 2015
58	<u>Quasi automatic correction mechanism</u>	Done