

Report on Greece's Compliance with the Milestones for the disbursement of the March 2013 sub-tranche

(26 April 2013)

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

Eurogroup decision on disbursement

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

For the March 2013 tranche of EUR 2.8 bn, a double milestone was agreed:

- Complete the staffing plans for line Ministries, use them to identify redundant positions and employees and on this basis set quarterly targets of mandatory exits through end-2014
- Revises downward the price of medicines, based on the three EU countries with lowest prices (Quarterly update of price list)

Public administration

The government defined in March 2013 a timetable for completing the evaluation of structures and staffing plans for the whole public administration, involving over 650,000 staff, before end-2013.

Within this timetable, on 23 April 2013 the Governmental Council for Reform, chaired by the Prime Minister, adopted the functional reviews of the structures and the staffing plans of the central administrations and many entities under line Ministries, covering a total of 211,500 staffed positions.

The Greek authorities, in a letter of 26 April 2013, identified over 13,000 positions to be suppressed by 2015 compared to 2012, with 70% of the overall target to be achieved by end-2013 and 85% by end-2014. They also identified an estimated pool of about 19,000 employees in the various line ministries and agencies, from which they will place at least 12,500 persons in the mobility scheme by end-June 2013, as committed. They reiterated the commitment to place cumulatively 25,000 employees in the scheme by end-2013. Finally, they set cumulative quarterly targets for mandatory exits through end-2014, including voluntary exits from the mobility scheme, as in the table below. Concerning 2013, they specified that these cumulate to 4000 exits, with a significant fraction frontloaded.

Quarter	Cumulated exits
Until Q3 2013	2000
Until Q4 2013	4000
Until Q1 2014	5000
Until Q2 2014	9000
Until Q3 2014	11000
Until Q4 2014	15000

Health Care

The Ministry of Health and its agencies completed the pricing exercise in February and the new prices are already applied. They are on average 5% below those of November 2012 (which, in turn, were 15% below those of April 2012). The re-pricing involved 10.500 pharmaceutical products, on the basis of data from across all the EU member-states. It is expected that the re-pricing will contribute, amongst other measures, towards a further reduction in the pharmaceutical expenditure and the achievement of the 2013 targets in this area.

Recommendation

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

Annex

Table 13. Milestones for the disbursement of 3 sub-tranches of the 2nd disbursement

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

Source: Compliance report: Occasional Paper 123, 2012

http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp123_en.pdf