

# Greece: Technical Memorandum of Understanding

## Accompanying the MoU of the ESM programme

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# Greece: Technical Memorandum of Understanding

## Accompanying the MoU of the ESM programme

1. This Technical Memorandum of Understanding (TMU) is a supporting document for the Memorandum of Understanding. It sets out the definitions of the indicators subject to quantitative targets, including performance criteria and indicative targets. It also describes the methods to be used in assessing programme performance and the information needed to ensure adequate monitoring of the targets.

### General Government

2. **Definition:** For the purposes of the programme, the general government includes all units classified as government units in the published Register of the General Government Entities of the Hellenic Statistical Authority (ELSTAT) as reflected in the most recent EDP notification, in accordance with the rules specified in the *European System of Accounts 2010 (ESA2010)* and the *Manual on Government Deficit and Debt Implementation of ESA 2010 (ESA2010 MGDD)*.<sup>1</sup>

## DEFINITIONS AND REPORTING STANDARDS

### A. Modified General Government Primary Cash Balance

3. **Definition:** The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus general government interest payments. The MGGCB is defined as the sum of the cash balances of general government entities as included in the Register of the General Government Entities of ELSTAT in accordance with ESA2010 rules. The delineation of the above the line and below the line transactions, and classification of the main revenue and expenditure categories is in accordance with the rules specified in the *ESA2010* and the *ESA2010 MGDD*.

- The ordinary state budget. The cash balance of the ordinary state budget will be measured from above the line, based on: (i) gross ordinary budget revenues (recurrent and non-recurrent), minus tax refunds; minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance; plus (iii) the balance of operations performed through the accounts outside the budget, in particular the Treasury Single Account.
- The cash balance of the public investment budget. The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.
- Other Sectors (EBFs, SOEs, local governments, social security funds and hospitals). The cash balance of the remaining sectors of the general government will be measured from above the line based on: (i) gross revenues (including transfers from the State government as well as from

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<sup>1</sup> On sectorization, both manuals are consistent with the general principles of the Government Finance Statistics Manual (2014) (GFSM2014).

other subsectors) minus (ii) expenditures, as published monthly on the official website of the Ministry of Finance.

4. Consolidation. The sum of cash balances will be derived from the aggregated revenue and expenditure of all general government entities excluding all intra and inter-sectoral transactions.

5. **Adjustments:** The MGGPCB will exclude:

- the part of the public investment budget (revenues and expenditures) related to EU structural funds and their co-financing;
- all transfers related to Eurogroup decisions regarding income of euro area national central banks (SMP and ANFA revenue) including the BoG, stemming from their investment portfolio holdings of Greek government bonds;
- receipts from the sale of non-financial assets such as land, buildings and from leases, concessions or licenses (recorded as one-off transactions);
- total general government migration-related expenditure, net of EU transfers to the Greek budget for migration-related costs consisting of (i) operational expenditure of the Ministry for Migration Policy from 2017 onwards, (ii) state expenditure recorded under the special budget account for migration expenditure codes (590 to 596 as well as other special budget accounts for migration expenditure in code group 590 agreed with staff of the IMF/EC/ECB/ESM for Ministries, 078 for Decentralized Administration and 187, 188 and 238 for regional services of Ministries. Migration-related expenditure will exclude wages and salaries of permanent civil servants for the purposes of this adjustor. Delayed EU fund payments related to migration expenditure already deducted from previous years' programme balance will be also excluded. The total adjustment will not exceed 0.2% of GDP per annum.
- payments related to support of the banking system that are part of the programme's financial sector strategy (except payments for deposit guarantee schemes);<sup>2</sup>
- any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the most recent stress test. The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place;
- any refunds concerning taxes and any payments of arrears as defined in Section C, excluding unprocessed pension claims, made with special financing for arrears clearance.

6. **Supporting material:** All of the following will be provided within five weeks of the end of each reporting month:

- For the State, EBFs, and SOEs, the Ministry of Finance will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures including interest expenses, accounts payable distinguishing third parties, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign currency cash balances at the Bank of Greece, and all other sources of cash financing.
- For local governments, the Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures, accounts payable distinguishing third parties, as collected in the Ministry databank.
- For the social budget and hospitals, the Ministry of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures

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<sup>2</sup> Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, European Commission, and ECB staff.

and accounts payable distinguishing third parties, in the social security funds, the central healthcare fund (EOPYY) and public hospitals.

- Finally, with a view to cross-check above and below the line primary cash balances, the Bank of Greece will provide detailed monthly data on net acquisition of financial assets and liabilities of the State and all non-State subsectors of the General Government as defined above: local authorities, social budget entities, extra-budgetary funds, and state enterprises included in the definition of general government. The entity that will be in charge of the operation of the Treasury Single Account (TSA) will provide monthly data on the outstanding amount of the TSA, and inflows and outflows passing through the TSA grouped by main categories, and distinguishing above and below the line transactions and possible other economic flows. A template agreed with the institutions and compiled and provided by the GAO based on the information provided by the above entities will reconcile above (General Government Bulletin) and below the line (BoG) data, including asset and liability stocks and flows reconciling differences between BoG deposit data and c-table deposit data.
- Monthly data by budget code on the use of the special account allocated for refugee spending, including data on wage and nonwage-related spending, within three weeks of the end of each month. Results of the ex-post surveys of line ministries on migration-related spending on a quarterly basis.
- Monthly data on payments of spending arrears, tax refunds, and pension claims accrued in previous years and paid with special appropriation for arrears clearance or/and with ESM special financing for arrears clearance.
- Monthly data on the offsetting of tax liabilities with tax refunds and government expenditure (including all state and general government current payables or arrears), based on available information provided by IAPR.

## B. State Budget Primary Expenditure

**7. Definition.** The state budget primary spending consists of state budget expenditure minus interest paid by the state budget. State budget expenditure includes called guarantees to entities inside and outside the general government.

**8. Adjustments:** State budget primary expenditure will exclude the following:

- payments related to support of the bank system that are part of the programme's financial sector strategy;<sup>3</sup>
- expenditures related to EU structural funds and their co-financing;
- any payments of state spending arrears or transfers for settlements of general government arrears from special appropriation for arrears clearance;
- debt assumptions of other general government entities.

**9. Supporting material.** The General Accounting Office of the Ministry of Finance will provide monthly expenditure data, as defined above.

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<sup>3</sup> Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, EC, and ECB staff.

## C. The Stock of Domestic Arrears and Other Payment Claims

**10. Definition.** For the purpose of the programme, domestic arrears and other payment claims are defined as: (i) unpaid invoices of the general government owed to third parties that are 90 days past their due date; plus; (ii) the stock of tax refund claims of third parties that have received an AFEK (verified and non-verified) but excluding those under legal dispute, and any unprocessed tax refund claims that have exceeded 90 days since the claim was filed; and (iii) any processed and unprocessed pension claims that have exceeded 90 days since the retirement application was filed. In case no due date is specified on a given supplier contract, an unpaid commitment is in arrears 90 days after the receipt of the invoice. Tax refund claims that have received an AFEK and processed and approved pension claims are due immediately. The net accumulation of arrears and other claims is calculated as the change in the stock of general government spending arrears (excluding arrears to be offset with clawback and rebate), processed (AFEK) tax refund claims, unprocessed non-AFEK tax refunds and pension claims older than 90 days.

**11. Supporting material.** Monthly data on spending and tax refund (processed) gross arrears of the general government will be provided by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will publish this information on its website. The Ministry of Finance will also provide for the institutions data on accounts payable overdue by 0–30, 31–60, and 61–90 days for general government entities as reported in the commitment registers as well as (i) stock of spending arrears; (ii) stock of unpaid processed tax refund claims, showing verified and unverified claims; (iii) stock of unpaid unprocessed tax refund claims, distinguishing those that are older than 90 days. Tax refund arrears data (including the age of tax refund claims) will be based on information provided by General Secretariat for Information Systems and General Secretariat for Public Revenue / Independent Authority for Public Revenue (IAPR). The GSPR / IAPR will fill out the tax refund template provided for this purpose on a monthly basis. Unprocessed pension claims, including the age of the claims, will be provided by the Ministry of Labour. Information on clawback and rebate will be provided by the Ministry of Health and EOPYY. The coverage of the current reporting of general government contingent claims will be assessed in consultation with the institutions, and extended according to an agreed timetable to cover all contingent claims that are not currently reported on monthly basis.

**12. Supporting material.** The first disbursement for arrears clearance under the fourth tranche will be approved on the basis of a report by the European institutions assessing that there has been progress in clearing net arrears amounting at least to 150% of the amount of the aggregate disbursement allocated to arrears clearance under the third tranche since July 2017; i.e. it will include a requirement to use own resources to clear arrears in the proportion of 1:2 relative to programme funds disbursed for arrears clearance under the third tranche. This implies reaching a target stock of net arrears of EUR 4.1 billion by December 2017. Any following disbursements for arrears clearance will be conditional on a report by the European institutions assessing that there has been progress in clearing net arrears amounting at least to 200% of the amount of the cumulative disbursements allocated to arrears clearance under the fourth tranche taking as a benchmark level the target stock of net arrears of December 2017 defined above, i.e. own resources need to be used in the proportion of 1:1 relative to programme funds for arrears clearance. The final disbursement of the fourth tranche will include a follow-up obligation to clear any remaining stock of arrears with the full use of programme funds and own resources, with a target of eliminating the whole stock by the end of the programme. To this end, the authorities will provide monthly reports on the financing from the overall envelop for arrears clearance and the account dedicated to arrears clearance, the utilization of the special appropriation for clearance of arrears, as well as on the relevant payments, based on data reported through the BoG, the GAO FMIS and surveys.

## D. The Overall Stock of General Government Debt

**13. Definition.** The overall stock of general government debt will refer to general government gross debt, as defined in the Excessive Deficit Procedure (EDP), i.e. covering the state, extra budgetary funds, state owned enterprises, local governments, social security funds, and hospitals consistent with the Registry of the General Government Entities of the Hellenic Statistical Authority (ELSTAT) as reflected in the most recent EDP notification. Holdings of intra-government debt will be consolidated. The ceiling reflects total outstanding gross liabilities in the form of deposits, debt securities, and loans. It will not include accounts payable and will be measured at

nominal value as defined in the EDP.<sup>4</sup> The programme exchange rates will apply to all non-euro-denominated debt.

**14. Adjustments.** The ceiling on the overall stock of EDP general government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2017 EDP general government debt.

**15. Supporting material.** Preliminary data on the total stock of general government debt will be provided to the European Commission, ECB and IMF staff by GAO/PDMA consistent with the EDP definition (using the most recent available data) no later than 40 days after the end of each quarter. Final data on the total stock of general government debt will be provided to the EC, ECB and IMF staff by PDMA no later than 100 days after the end of each quarter.

**16. The programme exchange rates.** All foreign currency-related assets, liabilities, and flows will be evaluated at “programme exchange rates” as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The programme exchange rates are those that prevailed on December 29, 2017. In particular, the exchange rates for the purposes of the programme are set: €1 = 1.1993 U.S. dollar, €1 = 135 Japanese yen, and €1 = 0.842126SDR.

## E. Ceiling on New General Government Guarantees

**17. Definition.** New guarantees are guarantees extended during the current fiscal year, but for guarantees for which the maturity is being extended beyond the initial contractual provisions, only 50 percent of the full value will be counted. Modification of existing guarantees (without changing the maturity, amount guaranteed, and beneficiaries of the loan) will not be treated as new guarantees. In case of a change in the beneficiaries, the State will assess whether there is an increase in the liability (and/or potential contingent liabilities) of the State and if the State's position as a guarantor is adversely affected. If the new beneficiary meets the exact same requirements as the old beneficiary and neither the liability of the State nor the state position as a guarantor is adversely affected, a modification of existing guarantees (without changing the maturity and amount guaranteed), will not be treated as new guarantees.

**18. Coverage.** The ceiling on the new general government guarantees shall include all new guarantees granted by any entity that is classified in the Register of the General Government Entities of ELSTAT (as reflected in the most recent EDP notification) under general government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of general government debt as defined above. The ceiling includes any guarantees to the Institute for Growth but shall exclude: (i) guarantees related explicitly to financial stability goals of the programme (e.g. government-guaranteed bank bonds or emergency liquidity assistance (ELA)); (ii) guarantees related to EIB or ESIF financed loans; (iii) guarantees related to loans provided by the EIB or ESIF through the trade finance facility up to an outstanding amount of €500 million; (iv) guarantees granted by ETEAN (up to a total outstanding amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); (v) guarantees granted under a risk sharing instrument of the EU structural funds (see COM (2011) 655 final) that do not create contingent liabilities for the Greek State; and (vi) guarantees granted to individuals and businesses for proven damages from natural disasters less any amounts received as compensation insurance up to a total amount of €30 million.

**19. Supporting material.** All new and modified central government guarantees will be reported in detail, identifying amounts and beneficiaries, and a risk assessment of calls and probability that the guarantees will be called. The report on modified guarantees, in which the beneficiary has changed, will include an assessment of the State's modified position as a guarantor. The General Accounting Office will provide the data monthly within three weeks after the end of each month. Non-state entities classified under the general government shall report the new guarantees they extended to the General Accounting Office monthly within three weeks after the end of each month.

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<sup>4</sup> Under EDP, nominal value is considered to be equivalent to the face value of liabilities.

## F. “Programme” Primary Balance and Overall Monitoring and Reporting Requirements

**20. Definition.** For the purposes of the programme, the primary balance is defined as ESA 10 general government balance (B.9) minus ESA 10 general government consolidated interest payable (D.41), adjusted for the factors delineated in paragraph 21.

**21. Adjustments.** The balance (B.9) will exclude the following:

- the sale or lease of real estate (e.g. land, buildings);
- total general government migration-related expenditure net of EU transfers to the Greek budget for migration-related costs (see paragraph 5);
- costs related to banking support (see paragraph 5);
- all transfers related to Eurogroup decisions in regard to income of euro zone national central banks (SMP and ANFA revenues; see paragraph 5);
- any other transactions related to debt-reducing measures agreed in the context of the programme, such as the reduction of Greek Loan Facility (GLF) interest margin which are counted below the line in the debt sustainability analysis;
- any payments from banks that would undermine their solvency or liquidity (see paragraph 5).

The balance (B.9) will include the following:

- change of the stock of outstanding tax refunds claims without AFEK older than 90 days, net of the amount of rejected tax refund claims that exceeds the normal annual rejection volume (5% of the flow of new claims submitted in the respective year)<sup>5</sup>.

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

## G. Coordination on Data and Statistical Provisions

**23.** Exchange of the information and data among ELSTAT, Ministry of Finance/GAO, and the BoG will be based on a Memorandum of Understanding, regularly reviewed and updated at least on an annual basis and no later than April 2017. In particular, ELSTAT will provide the following information to the General Accounting Office, EC, ECB, and IMF, that would make it possible to compile timely projections based on the ESA 2010 and programme definitions:

- A bridge table between KAE and ESA 2010 codes. Each update of the bridge table by ELSTAT is to be provided as soon as available.
- A bridge table between the detailed list of EDP T2A/C/D adjustments and the ESA 2010 codes for each adjustment line.
- Completed detailed EDP tables (including analytical details), as soon as the clarification process of the Greece EDP data is concluded by Eurostat.
- Completed supplementary table on the financial crisis, as soon as the clarification process of the Greece EDP data is concluded by Eurostat

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<sup>5</sup> This adjustor will apply only in the fiscal year 2016 and onwards.



- Data on bank support adjustments, by subsectors and ESA 2010 codes.
- Data on consolidation of inter and intra-governmental transactions by economic categories.
- Tables on revenue and expenditure (ESA T200) for the state, EBFs and SOEs, hospitals, local government and social security funds.
- Data by KAE for the state bridged into ESA categories, and including the ESA adjustments for each category.
- Changes in the Register of the General Government Entities, as soon as the change is agreed with Eurostat.

## MONITORING OF KEY PERFORMANCE INDICATORS (KPI)

### H. KPI on Revenue Administration

Progress in revenue administration will be defined as reaching or exceeding the targets set in TMU Table 9.

#### 24. Definitions:

- **A completed audit** is defined as an audit formally reported as finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the corrective assessment as referred to in Article 34 of the TPC has been issued, or the audit report states that no underpayment has occurred.
- **High Wealth Individual (HWI) audits** carried out on a legal person owned or controlled by the high wealth individual will also count as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual. Furthermore, audit of off-shore companies with the aim of identifying the natural person owing or controlling the offshore company will also be regarded as an HWI audit case. These audits will be reported separately.
- **Collection of new tax debt** is collection of debt accrued in the period from the 1<sup>st</sup> of December of the previous year till the 30<sup>th</sup> of November of the current year and does not include debt items of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities, such as parafiscal taxes and fines, rentals, services, loans, other parafiscal charges, other non-tax penalties, revenue stamps, debits and other non-tax fines, and other contributions.
- **Old tax debt collection** is collection during current year of debt accrued before 30<sup>th</sup> November of previous year.
- **Fresh tax audit cases** are closed audit cases, concerning tax years, fiscal years, cases, periods or obligations related to the last five years, including the year when an IAPR governor decision was issued to define the priority cases.
- **Audits from prosecutors orders:** The number of audits upon prosecutors order: refers to the amount of audit orders (per TIN) which occurs following prosecutor's order<sup>6</sup> (one prosecutor's order may be related to more than one audit order).
- **Taxpayer service:** The KPI is a ratio defined as follows. The numerator is the number of VAT refund claims paid or rejected within 90 days during the quarter. The denominator is the sum of the numerator and the number of pending VAT refund claims, for which 90 days have passed at the end of the quarter. The 90-day period refers to the period between a claim is made and final payment to the claimant is completed or the taxpayer is notified that the claim can be paid, or an offset has been made, or the claim is rejected.

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<sup>6</sup> TIN: tax identification number (compulsory for each taxpayer). One prosecutor order may refer to multiple tax identification numbers.

- **Tax paid on time:** The numerator is tax liabilities paid by due date, from the beginning of the year to the quarter-end; the denominator is total tax liabilities assessed that should be paid from the beginning of the year and to end of the quarter.
- **Enforcement measures:** The indicator is defined as a fraction where the numerator consists of the total number of debtors against whom some enforcement measure are taken by IAPR at the end of the quarter, and the denominator consists of the total number of debtors against whom IAPR could legally impose enforcement measures at the same date. Enforcement measures are defined as one of the following: garnishment orders, garnishments at the hands of third parties (including e-garnishments), auctions, mortgages, imposing liens against assets, garnishments on income or assets, seizures. From the denominator are excluded debtors which cannot, by law, be pursued<sup>7</sup>.
- **Controls by mobile unit:** Controls by units of the Customs administration operating on the territory and not at fixed points. These controls concern: the movement and storage of excisable goods (mainly), counterfeit goods, drugs, etc. and legal possession and use of vehicles.

**25. Supporting material.** Monthly Information will be made available by the Independent authority for public revenue (IAPR) in the Tax administration monitor no later than three weeks after the end of each month, including:

- On stock, collection, and write off of tax debt (old, new, and by Large Debtors Unit (LDU));
- On the number of debtors under enforcement:
- On assessed taxes and penalties<sup>8</sup>, collection of assessed taxes and penalties, percent of fresh tax audit cases in total completed audits, the stock of priority cases for audit, and inflows and outflows of such cases. The data will be provided for large taxpayers audit center (KEMEP), high wealth individuals audit center (KEFOMEPE), local and regional tax centers (DOYs), FAE, and investigation center (YEDDE).
- On stock, payment and rejection of tax refund claims (within or in more than 90 days during the period; for VAT, CIT, and PIT).
- On-time payment of VAT, income, and property tax: collection of taxes paid during the period before they become overdue. Amounts paid after they became overdue will also be mentioned in the table.
- Cases registered and closed by the Dispute Resolution Unit, with number of cases closed within the time limit (by explicit decision or by withdrawal of petition) and closed by implicit rejections. The table will also include suspension requests.
- There will also be a monthly report of the standard 15 tax collection tables by type of tax, by age of tax, by amount of debt due, by status of debtor.
- Instalment schemes, with amounts and number of debtors.

## I. KPI on Collections of Social Security Contribution

Progress in collecting social security contribution will be defined as reaching or exceeding the targets set in TMU Table 11.

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<sup>7</sup> According to legislation, debtors with due debts under an installment scheme, under judicial suspension, equal or less than 500 euro (basic debts, without interest and surcharges) and debts deemed uncollectible) cannot be pursued.

<sup>8</sup> The assessments will also include, for consistency and completeness purposes, information about cancellations because of assessment errors which may occur several months after the assessments. The percentage of collection will be calculated on the net assessment amounts.

**26. Definitions:** Social security fund payment compliance is defined as the ratio of the amount of current year social security contribution paid to the EFKA fund divided by the amount invoiced or declared for each reporting period, expressed as a percentage.

**27. Supporting material.** A monthly submission no later than three weeks after each month-end is required from EFKA on the following: total amount of social security contribution paid (flow), total amount of social security contribution invoiced or declared (flow), amount of SSC debt transferred to KEAO' s and KEAO's SSC debt collection.

## J. KPI on Public Financial Management

Progress in implementing public financial management reforms will be defined as reaching or exceeding the floor targets and staying at or below the ceiling targets as set in TMU Table 10.

**28. Definitions:**

- **Invoices received** by the state are the invoices or other equivalent documents consisting of a request for payment that have been submitted (accompanied by a submission document) by ministries to the fiscal audit offices (FAOs), or by suppliers to the general directorates of financial services (GDFSs) after the financial service responsibilities are transferred from FAOs to GDFSs, for payment, which include the information on the date when line ministries received the invoice from suppliers or the dates as specified in the Late Payment Directive.
- **An unprocessed pension application** is an application filed by an insured or entitled person for receiving an old age, disability or survivors' pension. The pension claim will be counted as unprocessed if a decision on the validity and amount due under the claim has not been reached by the end of the month following the month in which the application was filed.
- **Actual all social security funds-to-EOPYY transfer** is the amount of cash transfer to EOPYY and the expenditures paid by all social security funds (SSFs) on behalf of EOPYY year to date. The amount that should be transferred from all social security funds to EOPYY is the revenue collected by all social security funds on behalf of EOPYY during the same period, calculated as 6 percent on full monthly net (after measures) pensions received by each pensioner, and 6.45 percent on monthly insurable earnings of each worker. The exact amount of insurable earnings is calculated ex post based on monthly filings of Analytical Periodic Declarations.
- **Medical claims submitted by public hospitals to EOPYY electronically** are claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients on inpatient services with at least one night stay. No more than one claim is allowed for each inpatient service.

**29. Supporting material.** Monthly summary information on the following (i) stock of unpaid processed pension applications (number and total value of claims of the application); (ii) stock of unpaid non-processed pension applications (number and total value of claims of the application) provided by the Ministry of Labor; (iii) number of days and processing time of invoices received, invoices paid, and invoices rejected upon verification by the state government (including ministry of finance and line ministries), as well as invoices that have been neither paid nor rejected since the date of receipt of the invoice or the other dates as specified in the Late Payment Directive for a period longer than the ceiling days specified in the Late Payment Directive, (iv) the amount of all SSFs-to-EOPYY cash transfer, expenditure paid by all SSFs on behalf of EOPYY, and revenue collected by all SSFs on behalf of EOPYY, (v) the number of medical claims submitted by public hospitals to EOPYY electronically, and the number of inpatient services with at least one night stay, and (vi) the number of claims submitted by private entities (including private hospitals, clinics, diagnostic centers, etc) to EOPYY for insured patients and the number of full-scope audits conducted by EOPYY on those claims.

# MONITORING OF FISCAL AND FISCAL STRUCTURAL ACTIONS

## K. Contingent Fiscal Mechanism

**30. Definition.** For the purposes of paragraph 10a of article 233 of law 4389/2016 (FEKA94), the transition, from the general government result communicated by Eurostat to the terms of the Financial Assistance Facility Agreement, is made as defined in section G of this document, the resulting value being increased by the amount of any state expenditure in excess of 0.15% of GDP made as a result of standardized guarantee calls pursuant to the provisions of sub-sections bb and cc of case a of paragraph 1 of article 1 of law 2322/1995 as currently in force.

**31. Definition.** In the case where the contingency fiscal mechanism (Article 233, L. 4389/2016) is activated, the expenditure adjustments should be calculated taking into account any negative impact on general government revenues such as direct taxes and social security contributions that will result, so that the fiscal savings from these expenditure adjustments *net of any negative impact on revenues*, are equal to fiscal adjustment needed to correct any deviation identified (as outlined in paragraphs 3 and 10a of article 233 of L. 4389/2016). The net fiscal savings from the expenditure adjustments will be calculated by subtracting the following shares from the gross savings estimates: (i) pensions: 15 percent; (ii) wages and salaries: 45 percent; (iii) goods and services: 19.3 percent (iv) other categories: 0 percent. In the case where the contingency mechanism is activated and a Presidential Decree is issued to adopt expenditure adjustments, the maximum downward adjustment to discretionary expenditure categories will not exceed 5% the budget ceilings of the respective category for the year of application. Discretionary expenditure categories are defined as all those categories that do not involve pension benefits (main, supplementary, lump-sum, EKAS) nor public sector salaries/wages.

**32. Supporting material.** As outlined in paragraph 9 (b) of the legislated mechanism, in the event of under-performance in the real GDP growth rate in excess of 0.5 percentage points, the deviation to be corrected with expenditure cuts under the Mechanism will be reduced by half of the difference resulting from the projected real GDP growth rate in the table below and the real GDP growth rate as reflected in the annual ELSTAT announcement for March.

Table 8. Macroeconomic projections

	2017	2018
	Act.	Proj.
Real GDP (y-on-y % change)	1.4%	1.9%

Source: Greek Authorities; EC, ECB and IMF staff.

## L. Post-programme package

**33. Key deliverable:** The authorities as a key deliverable in May 2018 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, in the context of the final programme review, considers that, based on a transparent forward looking assessment, a frontloaded implementation is needed in order to reach the agreed 3.5% primary surplus fiscal target in 2019, which should be reached 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 in May 2018. The amount to be implemented will be in line with the institutions' projected over-performance relative to the agreed medium-term targets – on the assumption that the contractionary measures will have already been built into the baseline scenario – in order to ensure the achievement of the targets.

## Pensions

**34. Definition.** From 1 January 2019, the main pension benefit formula as introduced in Pension Law 4387/2016 will apply to all current pensions and those subject to transitional arrangements in Article 6 of law 4387/2016 (recalibration), where the difference between the recalibrated and the current pension is called the individual personal difference (Article 14 paragraph 2 in law 4387/2016). This personal difference, if negative (recalibrated lower than current pension), is eliminated in 2019, with the resulting decline in the main pension, including family allowances, limited to 18 percent. The remaining negative personal differences will be eliminated according to Article 14 of law 4387/2016. From 1 January 2019, the supplementary pension benefit formula as introduced in Pension Law 4387/2016 will apply to all current pensions (recalibration), and eliminate the remaining personal differences, while the resulting decline in the supplementary pension is limited to 18 percent. In addition, inflation indexation (Article 14 paragraph 3 in law 4387/2016) is suspended for all pensions in 2019-22. These measures are expected to yield net savings of 1 percent of GDP in 2019-2022.

## Personal income tax credit

**35. Definition.** As of 1 January 2020, the tax credit will be reduced by €650 from the current child-differentiated levels (ranging from €1,900 to €2,100) for wage, pension, and farming income in order to achieve savings of 1 percent of GDP (net of other measures).

	No children	One child	Two children	Three children
Previous	€1,900	€1,950	€2,000	€2,100
Prior Action	€1,250	€1,300	€1,350	€1,450

## Expansionary tax package

**36. Definition:** The *growth-enhancing tax package* matching in net terms the yield from the personal income tax reform encompasses (i) a reduction in PIT rates and the solidarity surcharge with a medium-term fiscal impact of 0.8% of GDP; (ii) a reduction in CIT rates with a medium-term fiscal impact of 0.1% of GDP, and (iii) a reduction in property tax (ENFIA) with a yield of 0.1% of GDP.

**37. Definition.** A reduction in PIT rates and the Solidarity Surcharge with a yield of 0.8% of GDP. A reduction of the lowest PIT rate from 22% to 20% for pooled employment and business income and for farmer income (medium-term impact of 0.5% of GDP).

**38. Definition:** A reduction in Solidarity Surcharge. A progressive change in the schedule of marginal tax rates for Solidarity Contribution, while keeping the current income thresholds (estimated medium-term impact of 0.3% of GDP):

Tax base	Tax rate
0-12,000	0%
12,001-20,000	0%
20,001-30,000	0%
30,001-40,000	2%

40,001-65,000	5%
65,001-220,000	9%
220,001+	10%

**39. Definition.** A reduction in CIT rates with a yield of 0.2% of GDP in 2020. A reduction of Corporate income tax rates from 29% to 26% for all legal entities, with the exception of the credit institutions of bullet 1, paragraph 1, article 3 of law 4261/2014. For the latter entities, the Corporate income tax rate will remain at 29 %.

**40. Definition.** A reduction in property tax (ENFIA) with a yield of 0.1% of GDP;. The main ENFIA tax will be reduced by 30% for each taxpayer with a Total ENFIA Tax (Base + Supplementary) up to €700, up to a maximum reduction of €70. For beneficiaries of Article 7(1) of the ENFIA law 4223/2013, the above limit will be doubled. .

### Expansionary expenditure package

**41. Definition:** The *growth-enhancing expenditure measures* encompass: (i) targeted social spending, which will include the implementation of a housing allowance (0.3 percent of GDP); an increase in the reformed child benefit (0.1 percent of GDP); school meals (0.1 percent of GDP); nursery/pre-school education (0.1 percent of GDP); means-tested reduction in health co-payments (0.1 percent of GDP); (ii) high-quality public infrastructure investments, including for energy efficiency, agriculture (0.15 percent of GDP); and (iii) eligible active labor market measures (0.15 percent of GDP). See table below that sets out the expenditure limits. To the extent that elements of the social welfare package were advanced to 2018, the use of available fiscal space will be specified in agreement with the institutions.

Growth-friendly Expenditure Measures – limits*	€ million	% GDP
Social programs	<b>1,430</b>	<b>0.7%</b>
School meals	190	0.1%
Pre-schooling - nurseries	150	0.1%
Unified child-family benefit	260	0.1%
Housing allowance	600	0.3%
Pharma co-payment	240	0.1%
Infrastructure programs	<b>300</b>	<b>0.15%</b>
Energy efficiency	100	0.1%
Agriculture infrastructure	100	0.1%
Investment law	100	0.1%
Active Labour Market Programs	<b>260</b>	<b>0.15%</b>
<b>Total expenditure</b>	<b>2,000</b>	<b>1.0%</b>
<b>GDP (EUR billion)</b>	<b>199</b>	<b>199</b>

Note: To the extent that elements of the social welfare package were advanced to 2018, the use of available fiscal space will be specified in agreement with the institutions.

**42. Definition:** Conditions on eligible ALMPs as part of post-programme expansionary expenditure package.

**43. Definition.** All ALMP measures eligible to be funded as post-programme measures must be developed and implemented in close co-ordination with existing ALMP programmes including those supported by EU ESF funding and with possible technical support from World Bank and after

consultation with DG Employment of the EU Commission. Measures must be implemented in the context of the new delivery model for ALMPs (SMoU 2.5.3 and 4.1), making use of upgraded profiling methodology and individual action plans for jobseekers, as well as continuous evaluation of programmes. The mix of eligible ALMP measures can include:

- Job search assistance, group counselling and mentoring programmes
- Expanded youth guarantee schemes focussed on youths not in employment, education or training (NEETs)
- Training, job experience and apprenticeship schemes aimed primarily at the private sector with certification of acquired skills and qualifications.
- "Public works Plus" schemes with strong activation component including skill enhancement, aimed at the most difficult to reintegrate groups. GMI/SSI recipients should be particularly targeted.
- The eligible schemes should not include long-term wage-subsidies or schemes aimed for highly-qualified workers in either the private or public sector. Training schemes should not include income support for beneficiaries.

## M. Tax policy

**44. Prior action.** Accelerate VAT deregistration procedures and limit reregistration

**45. Definition.** *Accelerate VAT de-registration procedures, limit re-registration.* Review TPC Articles 10 and 11 and art. 36 VAT code, so as to limit re-registration in intra-community transactions.

**46. Prior action.** The authorities will ensure that the VAT discount on the remaining islands is eliminated by end-June 2018

**47. Definition:** From July 1, 2018, the special VAT rates applied to 5 islands that have been hosting refugee hotspots (Kos, Leros, Samos, Chios and Lesbos) will be abolished, and the current special rates (4/9/17 percent) will be unified to the general rates applied in the Greek mainland (6/13/24 percent). Following the abolition of the VAT discounts for 32 islands from January 1, 2018, the abolition of the discount for the 5 remaining islands by end-June 2018 will eliminate the territorial variations of the VAT rates in Greece.

**48. Prior action:** codify and simplify the VAT legislation, aligning it with the Tax Procedure Code and eliminating outstanding loopholes.

**49. Definition:** This will include in particular: exceeding the threshold for the simplified regime will require reregistration under the regular VAT regime immediately, without waiting for the end of the financial (or calendar) year.

**50. Prior action:** undertake a technical review of the ITC provisions after its three year application..

**51. Definition:** This will include inter alia to undertake with Technical Assistance a review of the existing business tax incentives for Employment, Movies, and Environmental investment and to integrate updated and reformed provisions in the ITC

## Electronic auctions under the Code of Public Revenue Collection (KEDE)

**52.** As a **prior action** (in SMoU 2.2), 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 undertaken by the tax administration; and, if needed, adopt legal or procedural amendments that fall under the responsibilities of the IAPR.



## Property Valuation

**53. Prior action.** By May 2018, the authorities with the aid of technical assistance will legislate to align property tax assessment zonal values with market prices and will develop a dedicated team and a permanent IT system for property revaluation. As a prior action, 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 (SMoU section 2.2).

**54. Definition.** Property assessment zonal values will be aligned with market prices with the assistance of Technical support: (i) set up property revaluation working group and high-level steering group involving Bank of Greece and ELSTAT by end-June 2017 (ii) compile all required data, complete classification of properties and determine the nature of the value based and valuation methodologies relevant to individual categories of properties by December 2017; (iii) set up a permanent dedicated team and develop a permanent IT platform for property revaluation by May 2018; (iv) pass legislation to align property assessment values with market prices by May 2018; (v) Ministry of Finance in conjunction with IAPR will develop an ENFIA forecasting model to be able to project the impact of the revaluation of property assessment values by April 2018 and (vi) develop by June 2018 a database and associated project plan to enable the further updating of property tax valuations with market values on an on-going basis; and (vii) issue ENFIA bills based on new assessment values by end-August 2018. In case the new property assessment values result in a shortfall in ENFIA revenue against the budget target of €2.65 billion, legislation will be passed as a prior action to broaden the ENFIA tax base and adjust tax rates adjusted to reach that revenue target to preserve the fiscally neutral character of the reform.

## N. Arrears clearance

**55. Prior action.** Based on the recommendations of the final report presented to the authorities and institutions, the authorities will take corrective actions to address structural shortcomings leading to the accumulation of new arrears.

**56. Definition.** These corrective actions will be based on the recommendations issued by the Hellenic Court of Auditors (HCA) following the audit on arrears of General Government Entities to third parties, and will be compliant with the Late Payment Directive. GAO will amend the structure of the information kept in the commitment registers and collected via the e-portal to implement a comprehensive monitoring system of spending commitments, accounts payable and arrears. GAO will coordinate with the audited entities and the relevant ministries the development of an action plan including a timeline for the implementation of recommendations of systemic nature made by HCA, including legal framework revisions, changes in cash management and reporting practices. IAPR will develop its own action plan based on the HCA recommendations.

**57. Supporting material.** GAO will issue two circulars to: a) review the commitment registry addressing the shortcomings identified by the HCA final report; b) set up a monthly reporting system where all General Government Entities specify the nature and reasons for the accumulation of new arrears and update their plans for clearance of existing arrears. GAO will provide a draft plan containing the actions addressing the systemic recommendations made by the HCA, grouped by main categories. IAPR will present its own draft action plan based on the HCA recommendations grouped by main categories.

## O. Pension Reform

**58. Definitions:** The following provisions are needed to fully implement the 2016 pension reform (Law 4387/2016)

- The full merge of all insured persons and related data into EFKA: All personnel and functions related to the processing and payment of public sector pensions will be transferred to EFKA by May 2018.



- *EKAS*. The solidarity grant EKAS will be gradually phased out by end-2019 by reducing it by; €808 million by 2018; and €853 million by 2019.
- *Contribution rules*. The contribution and pension base for all self-employed will be broadened and modernized, including by switching from notional to actual income, subject to minimum required contribution rules. The state financed exemptions will be phased-out, and contribution rules for all pension funds will be harmonized by end-2019 with the structure of pension contributions in IKA, consisting of a 20 percent contribution rate taking into account specific provisions for farmers (complete harmonisation by 1 January 2022) and newly insured independent professionals (through lower contributions during the first 5 years of activity, to be repaid in full before the end of the 15th years of contributions and by one-fifth any time the annual gross personal income exceeds euro 18,000).
- *Benefits for past higher contributions*. Benefits should be provided in a fiscally neutral manner based only on accrual rates as defined in the primary law.
- *Income base for self-employed*. Starting from 1 January 2018, the contribution base for the self-employed is defined gross of social security contributions of the previous year. The contribution base is temporarily reduced by 15 percent in 2018, with no reductions thereafter.
- *Spending and contributions ceilings*. The ceilings will be set as temporary upper ceilings on the main pension payments of €2,000 per month and on multiple pensions at €3,000 per month (without any exemptions in both cases) and will be in force until end-2018. The ceiling for mandatorily insurable earnings for the calculation of the monthly insurance contribution of employees and employers, shall be ten-times the amount that corresponds to the entry-level basic salary provided each time for unmarried employees over 25 years old, currently at €586.08. This implies a ceiling for contributions at €5,860.80. Any reference to the minimum daily wage of an unskilled worker for determining pension rights is set as of the date of publication of Law 4387/2016.
- *Unified harmonised benefit rules*. The rules on disability and contributory welfare benefits need to be unified by June 2018 in a way that does not increase expenditure
- *Recalibration*. The existing pensions will be recalibrated on the basis of the new parameters of the uniform pension rule applied to the pensionable earnings in current value, with the exception of OGA. The recalculation will be supported by the creation of automatic electronic records of retirees that, among other information, will include full details on the length of retirees' service histories and pensionable earnings. In cases these data are not possible to recover, imputation techniques to be agreed with the institutions will be used. For ETEAP insured persons retiring after the entry into effect of Law 4387/2016, accrued rights up to 2014 will be recalculated with an accrual rate of 0.45, to align them to the current NDC system and taking into account higher contribution rates than those specified with the harmonised contribution rules. The calculation of lump sum pensions will be revised to guarantee actuarial fairness.
- *Freezing of pensions*. The individual recalculation of the pension benefit must be finalised as a prior action.
- *The calculation and processing of pension applications*: As a prior action, the authorities will calculate and process all main pension applications of 2016 that are legally and technically feasible 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.
- *Recording of insurance histories*: The authorities recorded data on insured persons targeting those over 55-years old ensuring that 50% of the relevant data entered in the system. An additional 40% will be recorded by June 2018 and the process will be fully completed by the end of the programme.
- *Efficiency gains related to the merging of social security funds into EFKA*. The authorities will implement the action plan adopted as part of the second reviews. Qualified personnel will be transferred to other administrations, including KEAO, the National Actuarial Authorities and EOPYY (the National Organisation for the Provision of Health Services), in order to strengthen their operational capacity.
- *Helios reports*: The authorities continue the regular publication of the Helios reports.

- As, according to the Eurostat official opinion, EDOEAP is inside the general government (ESA2010 definition), the authorities will adopt as a prior action by June 2018 all 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 and 97 law 4387/2016 with no other funding of pension benefits in addition to the employer and employee contributions as defined in Article 97 in law 4387/2016 and any other measure necessary to guarantee that no public funding of EDOEAP's deficit can occur. The necessary primary legislation, MDs and implementing circulars need to be issued as *prior action*. Additional revenues (if any) can only fund health care services offered by EDOEAP.

## P. Healthcare Reform

### Prior actions for the fourth review

#### Registration of patients with family doctors

**59. Deliverable.** As a prior action a) the complete matching of all the 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.

**60. Definition.** All patients to be registered with their GP.

**61. Concrete deliverables.** Any legal action necessary for the implementation of compulsory registration (primary/secondary as appropriate) must be implemented. Complete matching of all Social Security Number (AMKA) holders with the available family doctors (official document to be provided by the authorities). Official publication on Ministry of Health/EOPYY website of the registration process and its implications, to clearly state that, following registration with a family doctor (public or contracted by EOPYY), the citizen a) will be bound to that doctor for a period of at least six months before being able to switch; b) will not be allowed to visit other family doctors unless paying out of pocket (for EOPYY contracted doctors); c) will be obliged to be referred to contracted specialists by the family doctor. Proof of communication to each registered patient: official communication template provided as an official document; full list of patients who have registered over the territory and to whom this official communication has been forwarded and have been made aware of the change in the system. Specify the modality for patients to register with family doctors (this includes identifying the appropriate means to register and disseminate information to ensure it reaches all citizens (online platform, campaigning etc.).

#### Reduction of sectoral clawbacks

**62. Deliverable.** As a prior action the authorities will implement the 14 measures included in the EOPYY Action Plan to reduce the amount of excess spending.

**63. Concrete deliverables.** The authorities will provide the necessary legislation, primary and/or secondary, formalising the establishment of the new measure/measures and will complete and document the implementation of all the technical and administrative steps that are necessary for the full implementation of the measures.

#### Past clawbacks (2013-2015)

**64. Deliverable.** As a prior action EOPYY will finalise the legal procedure for the offsetting of the residual outstanding clawback (2013-2015) for all outstanding amounts except those for which it is legally/technically not possible to perform the offset.

**65. Concrete deliverables.** Primary and/or secondary legislation (if needed) together with memos detailing the quantification of the due amounts and evidence of the legal actions undertaken by EOPYY for each of the providers concerned. For all the amounts for which the offset is not legally/technically possible, evidence must be provided concerning the objective obstacles, with a detailed explanatory memo clarifying 1) the nature of the obstacles that make the offsetting impossible, 2) an explanation of any attempt made at overcoming these obstacles, 3) a detailed display of the owed/due amounts by provider (providers can be anonymised). This must be accompanied by a short note detailing the strategy to tackle these issues, should any of these be expected to be solved in the future (e.g. any amount under dispute on which a decision will be made in the future).

#### **Collect clawbacks of 1st semester 2017 with instalments**

**66. Deliverable.** Any outstanding uncollected claw back amount related to 2016 will be offset and collected as a prior action for health care providers. The calculation of the clawbacks of the first semester 2017 will be finalised by January 2018 and the clawback will be collected/offset according to the following timetable: 12 instalments except for providers for whom the amount clawed back according to this table would exceed 10% of their revenues in which case the collection/offset will take place in 24 instalments, **as a prior action** (see tables below). For pharmaceutical companies this collection scheme will also concern the outstanding clawback of 2016.

**67. Concrete deliverables.** Memo with calculations of clawbacks together with the plan for the monthly collection of clawback to be finalised in 12 or 24 months, according to whether the 12 month repayment scheme implies instalments above 10% of the provider's revenues (indicating amounts collected by month); evidence of notification to providers of the due amounts; documentation of the clearance by all involved parties of due and owed amounts. This concerns 2017 for health care providers and 2016 and 2017 for pharmaceutical companies.

**68.** For providers for whom the 12 month scheme gives instalments below or equal to 10% of their revenues (this applies to 2017 for HC providers and to 2016 and 2017 for pharmaceutical companies) with a time shift of two months.

<b>Provision of services</b>	Jan 2018	Feb 2018	Mar 2018	April 2018	May 2018	Jun 2018	...	Dec 2018
<b>Submission date of the invoice</b>	Feb 2018	Mar 2018	April 2018	May 2018	Jun 2018	Jul 2018	...	Jan 2019
<b>Payment</b>	April 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	...	Mar 2019
<b>Collection of clawback*</b>	1 out of 12 instalments	2 out of 12 instalments	3 out of 12 instalments				...	12 out of 12 instalments

\* 2017 for HC providers and to 2016 and 2017 for pharmaceutical companies.

**69.** For providers for whom the 12 month scheme gives instalments above 10% of their revenues (this applies to 2017 for HC providers and to 2016 and 2017 for pharmaceutical companies)

<b>Provision of services</b>	Jan 2018	Feb 2018	Mar 2018	April 2018	May 2018	Jun 2018	...	Dec 2019
<b>Submission date of the invoice</b>	Feb 2018	Mar 2018	April 2018	May 2018	Jun 2018	Jul 2018	...	Jan 2020
<b>Payment</b>	April 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	...	Mar 2020
<b>Collection of Clawback*</b>	1 out of 24 instalments	2 out of 24 instalments	3 out of 24 instalments				...	24 out of 24 instalments

\* 2017 for HC providers and to 2016 and 2017 for pharmaceutical companies.

### Extend the clawbacks

**70. Deliverable.** The 2018 claw back ceilings for diagnostics, private clinics and pharmaceuticals (both outpatient and inpatient) and other items already under clawback, including those to be added as a prior action (this refers to the category "Other items" in the EOPYY budget including optometrist and special education services as per the relevant prior action) will be extended by legislation up to 2022. The ceiling will rise in line with the authorities' forecast of the annual growth of GDP at constant prices (**prior action**).

### Strengthen the use of therapeutic protocols

**71. Deliverable.** As a prior action, introduce at least 20 of the therapeutic protocols due by January 2018 in the e-prescription system.

**72. Definition.** Therapeutic protocols refer to both pharmaceuticals and care pathways.

**73. Concrete deliverables.** Evidence of the development of new protocols and of their introduction in the HDIKA e-prescription system.

### Publication of May 2018 Price Bulletins

**74.** As a **prior action**, publish the May 2018 price bulletin to lower the prices of pharmaceuticals and contribute to the broader goal to contain excessive spending on pharmaceuticals

**75. Definition: Price bulletin.** This refers to the final version, after corrections and revisions, of the full list of pharmaceuticals that have undergone pricing and re-pricing, covering producer, wholesaler and retail prices, with a specification of:

- the three countries used for reference with the source of the information;
- the price of the previous repricing procedure
- ATC7;
- data to identify and describe the listed pharmaceuticals (producer, formulation and pack, barcode, a unique identifier code allowing to compare current bulletins with past ones to be able to observe price trends.

**76. Supporting documents.** The excel spreadsheet containing pharmaceutical prices and all the above listed additional variables should be forwarded to the institutions, alongside the relative Ministerial Decree legislating the new pricing round. In addition, these documents should be accompanied by a spreadsheet containing the formulas used to derive the proposed pricing, with the reference to the relevant legislation, and the list of all exceptions, together with its rationale.

#### **Adopt further measures to contain pharmaceutical spending**

**77. Deliverable: As a prior action**, adopt further measures to improve cost-effectiveness of pharmaceutical spending, amongst which by improving the incentive structure of pharmacists, reducing the switching from generics to off-patents, so as to encourage the sale of less costly drugs for any given active substance prescribed, including by updating the set-up of reimbursed prices and of patients' participation to ensure they promote the choice of cost-effective drugs and to promote the increase of generics penetration by volume to 40%.

**78. Definition.** This definition of generics does not include off-patents and aims to support the goal to increase the share of outpatient generic medicines in the market through the adoption of a potential array of measures changing incentives to providers and/or consumers in a way that would promote generics. Amongst other possible measures, a revision of the reimbursed prices by ATC4 and ATC5 should be implemented to ensure that patients are incentivised to choose the cheapest drug; in general the authorities should introduce measures to increase the share of outpatient generic medicines by volume to 40%.

**79. Supporting material.** Evidence of introduction of measures and of progress towards generics penetration goals (share of outpatient generic medicines by volume, decreased switching rate from prescribed generics to dispensed non-generics).

#### **Centralised Health Procurement**

**80.** As intermediate step the authorities adopted the Law on centralised health procurement, which will implement the first concrete steps towards reintroduction and strengthening of centralised health procurement; the authorities will also take additional steps as a prior action to increase over time: (i) the proportion of centralised procurement to 30 percent of total hospital expenditure, (ii) the share of centralised procurement by hospitals of off-patent and generic pharmaceutical products by active substance to 1/2 (and to 2/3) of the total, in line with agreed targets.

**81. Definition.** Centralised health procurement refers to the process of procuring items featuring in the total expenditure of hospitals, including pharmaceuticals, medical equipment, consumables and services. This process should be open and transparent and, by being centrally organised, should exploit the increased efficiency of a single purchaser.

**82. Concrete deliverables** By May 2018, a document will specify the timeline of implementation of the overall plan on centralised health procurement, which should be used, to centrally procure 30 percent of total hospital expenditure in terms of value. The plan should also contain the Operational Plan, which contains the details behind planned implementation. An additional plan should be produced by May 2018 to increase the proportion further in 2019. The appointment procedures under the rules set by Law 4369/2016 must be started as a prior action. This includes, specifically, the following actions **as prior actions**:

- a. launch of the call for expressions of interest by the competent Minister to be published on the website of the Ministry concerned and on the ASEP website for at least ten (10) days;
- b. set up of the Special Selection Board to assess the qualifications of applicants and submit to the Minister concerned a recommendation according to the criteria specified in the relevant legislation (Law 4369/2016).

**83.** Provide on a regular basis (every six months, March and September) data on the shares of total hospital expenditure procured through the centralized procurement system.

## All other Deliverables

### Execution of claw backs and regular audit

**84.** The overall clawback ceiling of EOPYY for health services provided to it by contracted private providers and included in the budget line "Other Illness Benefits", were set as follows: EUR 1,343 million in 2017 and at most EUR 1,407.5 million in 2018<sup>9</sup> to cover the vast majority of the total budget for this category (1525 million in 2017, to decrease to 1462.5 million in 2018 and return to the 2016 level of 1402 million from 2019 onwards). If EOPYY implements measures to increase revenues sufficiently, the spending ceiling may increase up to 1.525 million in the budget of the relevant year.

**85. Deliverable:** Execution of claw backs and regular audit. Specifically:

- They will calculate, apply and collect the claw backs for pharmaceuticals, diagnostics, private clinics and for other any relevant item under clawback according to the periodicity specified in the relevant legislation and perform regular audits. A note on the outcome of the auditing will be released every six months (June and December).
- They will continue to collect relevant data from EOPYY, the National Organisation for the Provision of Health Services, and regularly publish it (for each month  $t$ , reports are due until  $t-2$ ), including through monthly reports with analysis and description of detailed data on healthcare expenditure in the areas of pharmaceuticals, diagnostics and private clinics (including information on the progress against the expenditure ceiling and clawback execution).
- To assess and improve the performance of health care providers, EOPYY will carry out systematic monthly auditing of private clinics; the authorities will make use of the results of the monthly auditing to ensure regular clearance and settlement of outstanding amounts.

### Assessment of public sector capacity

**86. Deliverable.** Develop by May 2018 a mapping of the overall public sector capacity, including PEDY and hospitals, by region and by specialty, including equipment and availability of services, and by December 2018; based on this mapping, the authorities will develop an in-depth assessment to be used in the future to commission private providers per region subject to insufficient public capacity;

**87. Definition.** The authorities must carry out an assessment of overall public sector capacity, similarly to what has been done for Primary Health Care, to ensure that recourse to private facilities is justified based on transparent criteria linked to the assessment of insufficient public capacity at a given geographical area and at a given time.

**88. Supporting material.** Reports containing a mutually agreed set of indicators.

### Roll-out of primary care

**89. Deliverables.** Adopt the necessary legislation for the implementation of the roll-out of Local Health Units and start the implementation.

**90. Definition.** The authorities adopted the necessary legislation of the roll-out of Local Health Units (TOMYs) by May 2017. The implementation of a critical mass of TOMYs, i.e. 85 TOMYs, should be achieved by May 2018. As a precondition to the establishment of TOMY units, training has started for part of the staff and should be extended to adequate levels to cover all staff. Within the same framework, EOPYY will adjust the way it provides primary health care by implementing compulsory registration with a GP, to act as a gatekeeper in charge of referrals to specialists, which should become fully operational as a **prior action** for the fourth review (see relevant section). In this process, the authorities will ensure an efficient use of public resources by decreasing the stock of private GPs contracted by EOPYY by the corresponding amount of the new capacity created by the gradual establishment of new TOMYs. In other words, new capacity generated by new TOMYs will replace the supply by private GPs so as to avoid duplications. The authorities incorporated this commitment in the abovementioned legislation adopted in May 2017.

**91. Concrete deliverables.** Roll-out of Local Health Units started in December 2017. 85 TOMYs to be fully operational by May 2018. Implementation of compulsory registration with family doctor to begin by 1 January 2018 to be fully operational by **as a prior action**.

### Therapeutic protocols

**92. Deliverable:** Develop, by January 2018, a critical mass of prescription guidelines and therapeutic protocols for patient care pathways (primary and secondary care) for the pathways that have the greatest therapeutic and cost implications, to feed into the e-prescription system;

**93. Definition.** Therapeutic protocols refer to both pharmaceuticals and care pathways.

**94. Concrete deliverables.** Evidence of the development of new protocols and of their introduction in the HDIKA e-prescription system.

### System of e-referrals

**95. Deliverable.** Implement a new system of electronic referrals (e-referrals) to secondary care to be used by family doctors.

**96. Definition.** Develop and implement a new system of electronic referrals (e-referrals) to secondary care based on the e-record and integrated with existing protocols and guidelines. Priority should be given to referrals to diagnostics and elective surgery. By May 2018, this system, to pre-approve referrals to private sector providers, should also make use of all the available information waiting times (any available indicator at that time), and/or of the mapping of public sector (all the available information at that time).

**97. Supporting material.** Alongside information on planned development of the system, appropriate legislation formalising the criteria to authorise the use of private sector providers must be drafted in parallel. The criteria should be linked to public capacity to provide the service in question and to the waiting times to access it.

### Monitoring of waiting times

**98. Deliverable.** Reduce waiting times (including for elective surgery) in line with other EU countries and reduce unwarranted variation in waiting times across providers and patients (including across socio-economic and other patient characteristics).

**99. Definition.** Reduce the level of waiting times compared to 2017. In addition, reduce variation in waiting times within Greece. To determine this, start to publish the first available figures to reach 50% of the most relevant procedures by volume by May 2018. In addition, to support the efficiency of the system, the system of monitoring should be integrated with the system

of e-referrals, which, by May 2018, should be designed to account for information on waiting times as it becomes available.

**100. Supporting material.** Available figures on waiting times and development/implementation of monitoring system (including information on the integration of waiting times into the system of e-referrals).

### **Cost-effectiveness of pharmaceuticals**

**101. Deliverable.** Further reduce pharmaceutical prices through the negotiating committee and HTA (Health technology assessment)

**102. Definition.** They will make use of the negotiating committee to develop price volume and risk agreements, such as MEAs (Managed Entry Agreements), especially for innovative and high cost drugs. In deciding whether or not to introduce new innovative drugs in the positive list and in public hospitals, within the timetable specified in the European Directive 89/105/EC "Transparency Directive", they will duly take into account international best practice, i.e. innovative drugs cannot be added to the positive list unless having been previously reimbursed in 2/3 of the countries in which they circulate (at least 9). Additionally 50% of the countries in which the drugs are reimbursed must have an HTA in place. They will set-up a Health Technology Assessment (HTA) centre to evaluate which products to reimburse and under what conditions and agreements, in line with existing guidelines and with evidence of best-practice in the EU, which should only become operational once fully set-up.. As an intermediate step and **key deliverable**, toward the creation of a full-fledged operational HTA centre, the authorities established an HTA Committee, responsible for carrying out a revision of all the innovative medicines introduced in the positive list since January 2013, with the aim of eliminating those that are not deemed to be cost-effective, according to international best practice which is currently being developed.

**103. Supporting material.** They will report on the progress of the negotiating committee in developing price volume and risk agreements, producing explanatory notes in March and September. When necessary they will produce notes to document the decision making process prior to the introduction of new innovative drugs in line with international best practice and with EU Directives (as per above). They will document progress in terms of planned institutional settings, human resources and training, and regulatory framework needed to fully establish a HTA centre, producing explanatory notes every six months, in June and December, starting from June 2017.

### **Adopt DRGs**

**104. Deliverable.** By May 2018, start DRG implementation in pilot hospitals. By May 2018, present the action plan for implementation.

**105. Definition.** Introduction of activity-based costing (DRGs or suitable alternative) under technical assistance with regular and documentable proof of progress towards the long-term goal.

**106. Supporting material.** By May 2018 they will start the gradual implementing of the new DRG or alternative activity-based costing system, in order to cover all hospitals in the following months. Progress updates to be delivered every six months, June and December. Present the action plan for the implementation of the deliverables by May 2018.

### **Recurring health care commitments (reporting and/or actions)**

**107. Deliverable.** Maintain a regular flow of information concerning all the future deliverables, and especially regarding all the agreed commitments to regularly produce and circulate reports and/or compute/publish data and indicators.



**108. Definition.** A list of reports and recurring deliverables to allow for effective monitoring of progress in all areas.

**109. Supporting material.**

Annual report on human resources for the whole health care sector to be used as a human resource planning instrument with a focus on PHC (May 2018).

Monthly EOPYY reports with analysis and description of detailed data on healthcare expenditure in the areas of pharmaceuticals (including information on the expenditure, the expenditure ceiling and progress in clawback execution distinguishing actual clawback and rebates).

Monthly EOPYY reports on diagnostics and private clinics (including information on the expenditure, the expenditure ceiling and progress in clawback execution distinguishing actual clawback and rebates) should be received for each month  $t$  with until month  $t-2$ .

Financial reports of EOPYY (should be received for each month  $t$  with until month  $t-2$ ), which should contain detailed tables displaying the calculated amounts of clawbacks and rebate by each item for which an expenditure ceiling is defined by law (pharmaceuticals, diagnostics, private clinics, other items), together with the collected and uncollected clawback amounts (by each item and distinguishing by pure clawback and rebates).

A note on the outcome of the auditing of private clinics must be released and sent every six months (starting from December 2016).

By December 2018 publish waiting times for at least 50% of the most relevant procedures by volume.

**Quarterly (January, April, July, October) and yearly (March/April) reports on:**

- i. a set of activity related (input, process, output, outcome) indicators for public hospitals;
- ii. financial data for public hospitals;
- iii. public hospital performance based on benchmarking indicators.

**Price bulletin every six months (May and November).**

**110.** Positive and the negative list to be updated on a regular basis (art 89 (1) Law 4472/2017). Communication and explanatory notes on the regular update of the positive and negative list, including the excel spreadsheet with all the details including the price corresponding to a Defined Daily Dose (DDD) and the reimbursement and reference price of current and previous repricing procedure.

**111.** Regular (on a quarterly basis) information on the calculation and planned execution of clawbacks and rebates including (total amount distinguishing clawback and rebates, amount collected).

**112.** Report on progress towards implementation of universal coverage and Primary Health care System (this will be assessed biannually in June and December).

## Q. Social Safety Nets

**113. Prior action:** 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.

**114. Definition:** The legislation will foresee the progressive roll-out to the entire country, by the end of 2018, of the new business processes for disability welfare benefit, including the electronic submission and processing of applications, the automatic cross-checking of data and the creation of e-health files for applicants. The pilot project testing the inclusion of an assessment of functionality currently implemented in the Attica region will be expanded to cover the region of

Thessaloniki by mid-July 2018 and further extension to the region of Patra by end-September 2018. Result from the pilot will be assessed by November 2018 which will inform the law on applying a new disability assessment to all contributory disability and welfare benefits (including under Law 4387/2016) by end-2018.

**115. Prior action:** Commence the implementation of the reform of the system of transport subsidies, following the introduction of the electronic ticket reform by transportation companies, starting from the city of Athens.

**116. Definition:** The reform of the system of transport subsidies includes the following elements: i) set up of the automatic electronic cross-checking and processing by Idika of applications of registered unemployed and disabled individuals for free travel cards of the Athens public transport network; ii) the drafting and preparation of the relevant Public Service Obligation contracts between the Ministry of Labour and OASA, to reimburse the cost of the reduced-fare tickets for large families, the registered unemployed and the disabled, based on costings related to the actual usage of public transport by the relevant beneficiaries; iii) adoption by KYSOIP/KYSKOIP of a timetable for the conclusion of these contracts by September 2018.

**117. Prior action: adopt** New legislation to specify the design of a means-tested housing benefit, developed with advice from the World Bank, to be rolled out as part of the growth-enhancing measures.

**118. Definition:** The housing benefit will alleviate housing cost overburden by providing income support for the payment of rents and mortgage interest on the first residence subject to eligibility based on income and asset criteria, in line with other social welfare programmes. The equivalence scale to be applied for the income test will attribute a weight of 1 to the first household member, and of 0.5 for each additional household member with a limit of the maximum sum to 3. The income eligibility thresholds will be set at EUR 8000 of equivalised taxable income, including imputed income. The level of the benefit will be set at EUR 70 per month for a single individual, increased by 0.5 for each additional household member with a limit of the maximum household benefit set at 3 times the base benefit. In the cases where beneficiaries are paying mortgage interest, the benefit will be credited to the beneficiaries' bank account linked to the mortgage. In the cases where the beneficiaries are renting, the benefit will be credited to the bank account of the beneficiary who has signed the rental contract, which needs to have been registered.

## MONITORING PUBLIC REVENUE COLLECTION

### R. Assessment of the execution of the first Performance contract of the Governor of IAPR

**119. Deliverable:** An assessment of the experience with the 2017 performance contract of the Governor of IAPR will be done with the institutions.

**120. Definition:** To ensure that performance contract of the Head of the IAPR is interpreted in the context of IAPR's overall strategic objectives, the obligations of the IAPR's Governor (set in Article 1 of the performance contract) should be tied to operational and strategic objectives of the revenue agency. The assessment will also take into consideration the feasibility, potential administrative burden and the objectivity of the evaluation process. To this purpose the authorities will provide an evaluation report on the execution of the Head of the IAPR contract for 2017. On

the basis of the implementation experience, the authorities will assess whether the said contract actually reflects the principle that the individual performance indicators of the IAPR governor are determined by elements the governor can directly influence and will, if necessary, propose amendment to the contract and its annex.

**121. Supporting material:** report on the execution of the Head of the IAPR contract, the process, the feasibility, administrative burden and the potential issues of objectivity of the evaluation process. If needed draft amendments to the contract and/or its annex.

## S. IAPR IT budget

**122. Deliverable:** The IAPR will be given a specific budget envelope, within General Secretariat of Information Systems (GSIS) budget line, for central IT hardware and systemic software. The IAPR will define the priorities within this envelope. The GSIS will provide the hardware and systemic software as service provider on the basis of agreed costs. The framework and level of budget envelope within GSIS budget line will be agreed by May 2018.

**123. Definition:** This budget envelope for IT will differentiate and cover both current expenditures and investments. General Secretariat of Information Systems will provide the central hardware and systemic software mentioned above as service provider on the basis of agreed costs. The framework and level of budget envelope within GSIS budget line will be agreed..

**124. Supporting material:** Process for defining the agreed costs. Level of IT budget envelope within GSIS budget line for central IT hardware and systemic software for IAPR in 2019. Process for imputation of IAPR consumption on the envelope. Specific process between IAPR and GSIS for funding by structural funds, respecting the independence of IAPR.

## T. Hiring plan 2017-2019

**125. Prior action:** The authorities will proceed in 2018 with the necessary actions needed to pursue the implementation of the hiring plan for 2016-2019 as agreed in the one off injection of resources Milestone of October 2016.

**126. Definition:** The agreed hiring plan included recruiting through ASEP 28 IT staff in 2017, 700 staff in 2018. After IAPR concludes the screening of applicants through the mobility scheme, 60% of the remaining vacant positions (compared to a target level of 13 322) will be covered by recruitments in 2018 and 40% in early 2019, with a maximum threshold of 900 people. The decisions on the 2018 and 2019 recruitments for the remaining vacant positions will be taken at the latest by May 2018 based on the situation by that time and the process will be launched at the latest by June 2018.

**127. Supporting material:** Decision on the level of ASEP recruitments for the last 2018 and 2019 recruitments, decision showing the launching of the procedure, timelines produced by ASEP on the schedule of all these 2017 to 2019 recruitments.

## U. Pending prosecutor cases

**128. Prior action.** The previously received pending orders not in their final stage of audit will be transferred back to the prosecutors (SMoU section 2.3)

**129. Definition.** The pending orders will be transferred back by IAPR to the prosecutors in a way that IAPR retains a maximum of 1300 tax identification numbers. A precise monthly monitoring of all prosecutor cases in flow and stock is put in place.

**130. Supporting material:** primary and/or secondary legislation. Monitoring template defined in agreement with the institutions.

## V. Automation of debt collection

**131. Prior action.** The authorities will procure the software allowing for further automation of the debt collection, embracing notably fully automatized garnishment procedure.

**132. Definition.** The tender evaluation committee has been nominated before end of February 2018.

**133. Supporting material:** Decision nominating the evaluation committee.

## W. Large Debtor Unit and KEAO triage of large debtors

**134. Deliverable:** The authorities ensure the triage of the large debtors on the basis of the analysis of economic and financial data to determine their viability, starting by the debtors of the Large debtors unit and of the single centre for social security collection (KEAO).

**135. Definition:** The authorities have launched a process ensuring the triage of the large debtors on the basis of the analysis of economic and financial data to determine their viability, starting by the debtors of the Large debtors unit and of the KEAO. Internal circulars issued by the IAPR Governor and the Governor of EFKA defined the methodology for establishing the viability and capacity to pay of large tax and Social Security debtors. The first stage will be concluded with a report categorizing the debtors as financially viable, financially non-viable and intermediate group.

**136.** As a second stage a proposal will be issued with solutions for the viable and non-viable debtors. For the debtors categorized as intermediate group a second phase in depth assessment will be defined. It may be prepared with external assistance and use information such as sector potential (e.g. growth potential of the sector and competition intensity), business performance (e.g. projected future financial performance, brand, product quality, quality of assets), and management quality (e.g. technical skills).

**137. Supporting material:** Copy of the first stage report classifying large debtors of LDU and KEAO, (first stage of triage). Copy of the second stage proposal with solutions for the viable, non-viable debtors and guidance on the in-depth assessment for the debtors categorized as intermediate group.

## X. Publication of names of Tax and social security debtors

**138. Deliverable.** The authorities will publish and regularly update the list of large debtors of tax and social security contribution

**139. Definition.** The big debtors are defined as having 150 000 euros of debt and above for more than three month. Debt under an interlocutory injunction, a judicial decision, a suspension act of an administrative body, debt under an instalment schemes for which the conditions are being respected, debts characterized as uncollectible will not be published.

**140. Supporting material:** Link to publication website.

## Y. Monitoring measures against smuggling

**141. Deliverable:** The authorities will produce information and data allowing the monitoring of the anti-smuggling strategy. They will also do so to allow monitoring of registration of equipment

and license warehousing refers to tobacco supply chain products. The authorities will produce and update an action plan on the implementation of an efficient fuel marker system.

**142. Definition:** The action plan on the implementation of an efficient fuel marker system. The plan will notably include the following: A draft of a Joint Ministerial Decision for the determination of technical matters concerning the marking of liquid fuels will be submitted to the European Commission by end October 2017. The public call of interest for submissions of proposals for a fuel marker system suitable for use will be published by the end of February 2018. The fuel marker/s system will be chosen by end August 2018 and a full scale application is expected in May 2019.

**143. Supporting material:** For customs monitoring the following data will additionally be submitted: (i) for smuggling of fuel: VAT and excise tax receipts from energy products: petrol, diesel (heating and motor), LPG (heating and motor), kerosene, heavy fuel oil. Releases for consumption of energy products Number of GPS systems installed on tankers. Number of installations (fixed (above ground & underground) + mobile (land & maritime transport) involved and equipped with the inflow-outflow system, Fuel volumes included in monitoring system and as proportion of fuel production plus imports. Number of specific actions executed to combat fuel smuggling, initiated by the strategic / operational plan of combatting illicit trade of oil products (total + by agency involved); Number and quantity of fuel seizures made. Number of criminal prosecutions initiated in relation to fuel smuggling cases (outcomes of prosecutions to be included in implementation report); (ii) Similar indicators for alcohol and tobacco (Data on prosecutions to be produced by GSAC and transmitted by IAPR). The methodology for the calculation of the Fuel volumes included in monitoring system and as proportion of fuel production plus imports will be defined, in agreement with the institutions, by an internal decision of the authority by March 2018. For The action plan on the implementation of an efficient fuel marker system the authorities will produce the action plan by June 2017 and quarterly updates until completion, draft Joint ministerial decision and draft notice on call for interest.

## Z. Supply chain agreements between producers of tobacco and suppliers

**144. Prior action.** The authorities will pass, if necessary, legislation to reinforce domestic tobacco manufacturers' responsibility of their distributors by supply chain agreements (sMoU section 2.3).

**145. Definition.** The tobacco manufacturers would undertake the obligation to apply effective internal policies and procedures against cigarette smuggling in compliance with the provisions of existing laws and the provisions of the draft agreement. The tobacco manufacturers apply a complete set of due diligence measures and "Know Your Customer" procedures whenever engaging in business transactions. The tobacco manufacturers and the Independent Authority for Public Revenue will be bound by specific provisions for information exchange with the aim to combat smuggling. The tobacco manufacturers undertake the obligation to make payments to the Independent Authority for Public Revenue due to an objective responsibility concept in cases when their genuine cigarettes are seized by competent authorities at quantities in excess of a predetermined number of pieces.

**146. Supporting material:** Report on necessity and feasibility of supply chain agreements and on the proposed implementation method; legislation (if needed), copy of agreements.

## AA. Integration of all social security contributions debt into KEAO debt database

**147. Prior action:** The authorities will ensure full completion of the registration of all social security contributions debts in the single social-security-contribution debt database managed by KEAO.

**148. Definition.** The authorities will set up a dedicated team, by December 2017, to start clearing the remaining paper cases and introduce the relevant information into KEAO database. The team will produce a report about the cases that have been dealt with until March 2018, 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. The authorities will also transfer the 0.6 bn of debt (including surcharges) present in EFKA, of debtors paying in instalments and coming from the former funds into KEAO.

**149. Supporting material:** Decision creating the dedicated team. Report on the number of cases that have been dealt with until March 2018, and timeplan for completion of the integration into KEAO debt database. KEAO template showing inclusion into KEAO stock of debt of the 0.6 bn of debt (including surcharges) present in EFKA at end 2017.

## BB. Improvements of KEAO's business processes

**150. Deliverable:** KEAO's business process will be reviewed and adapted.

**151. Definition.** KEAO could segment its population of debtors in order to be able to manage them effectively and try to establish tailored treatments of debtors based on their individual circumstances and behavior. The more effective recovery approach would focus on the debtor instead of the debt and would make use of modern technique. KEAO should develop a realistic collection plan (strategy) that would allow tackling the huge volume of social security arrears in an efficient way. The plan should provide: (i) easy procedures to quarantine arrears that are not recoverable; (ii) segmentation between large and medium/small sized debtors; (iii) alternative recovery procedures for some categories of debtors; and (iv) possibly, automated write off of small and/or old debt. Small and medium sized debtors should be divided by debt size into different tiers with required minimal recovery actions for every tier.

**152. Supporting material:** Collection plan. Legislation if needed.

# MONITORING OF FINANCIAL SECTOR CONDITIONALITY

## CC. Non-Performing Loans secondary market

**153. Prior action:** The authorities will continue to take any necessary actions to enhance the functioning of a dynamic NPLs' secondary market. Specifically, amongst others, the authorities will:

- Apply only to consumers (as defined by article 3(a) of Directive Directive 2008/48/EC) the requirement of Law 4354/2015 for the seller to invite debtors to settle or restructure their debt prior to, and as a condition precedent to, the NPL sale, keeping the purchaser's obligation to resume any processes followed by the seller under the Code of Conduct of the Bank of Greece.
- Amend the law to clarify that notification of the transfer under Law 4354/2015 to each of the debtors of the portfolio may be done by any appropriate means, including electronic means.
- Specify clearly for banks and other servicers that the levy of Law 128/1975 becomes payable only if and when the loan performs in accordance with its terms and in that case the levy is not payable retroactively.
- Undertake further work to assess the "higher recovery" criterion, possibly backed by an expert opinion, or other criteria for the protection from criminal liability in the cases of sale of portfolios, as opposed to individual loans, which are currently not covered by the existing legislation.
- Expressly state that licensed servicers under law 4354/2016 fall under the definition of financial institution.



## DD. Out-of-Court Workout (OCW) Law

**154. Prior action:** In order to improve the application of the OCW framework, the authorities made an assessment to identify possible administrative and technical impediments to filing a complete application and reaching an agreement between debtors and creditors and submitted a draft proposal on amendments to law 4469/2017 aiming at the removal of these impediments. The necessary legal amendments will be adopted as a prior action.

**155. Definitions. Implementation measures:** The authorities will take any measure necessary to ensure the smooth implementation of the law and to handle the high number of expected applications in an efficient and orderly manner in anticipation of the entry into force of the law. More specifically:

**156.** To reduce the administrative burden of completing applications and reaching an agreement between borrowers and debtors, the authorities will: (a) adopt a general delegation to competent Ministers for issuing ministerial decisions dealing with specific unregulated issues; (b) reduce obligations on petitioners regarding the submission of such documents as can be accessed electronically, provided that data protection legislation requirements will be respected; (c) implement effective approaches and solutions for dealing with omissions, discrepancies, mistakes, inaccuracies in applications and (d) adopt a delegation to the competent Minister for the issuance of a ministerial decision settling all issues regarding the remuneration of coordinators.

**157.** To allow for a comprehensive restructuring of debt and taking into account the time passed since the adoption of the law, replace the cut-off date in article 2.4 and article 2.1a by the date 31 December 2017.

**158.** The provisions of MDs Article 15 paragraph 21 of the 4469/2017 (OCW law) will be extended to cover legal entities and natural persons whose debt does not exceed EUR 125,000. The regular OCW procedure should be extended for legal entities and natural persons falling under the provisions of the MDs applying Article 15 paragraph 21 whose debt exceeds EUR 125,000.

## EE. Household Insolvency Law

**159.** A **prior action**, the authorities will amend the household insolvency law and take additional actions to address the identified shortcomings, most notably by putting in place an appropriate mechanism for filtering out non-admissible petitions and for taking all necessary actions to significantly shorten the time span between the filing of the petition and the issuance of the court decision as well as eliminating the backlog of cases. The amendments agreed as a prior action will not affect the provisions of Law 3869/2010 regarding the protection of the primary residence except for the introduction of the market value for the assessment of properties.

**160.** Among others, the legislative, regulatory and implementation measures will:

- increase the efficiency of the screening process to identify non-entitled applicants and strategic defaulters;
- require a waiver by debtors of their right to banking secrecy to enable creditors participating in the proceedings to access relevant information;
- allow creditors to request the provision of state subsidy in lieu of the entitled debtors in the event the latter fail to exercise this right, taking at the same time precautions to safeguard State's interests within the limits of the allocated amounts;
- provide for the automatic termination of the suspension of enforcement measures in case of debtor's re-default as defined in the law, upon notice by the creditor to the debtor and the other creditors; provide for the right of debtors to reapply for a renewal of the suspension in case of force majeure or abuse of right;

- provide that debtors are not eligible for protection under the law if their application was dismissed because the debtors wilfully became insolvent, or they wilfully misrepresented their economic situation; in addition, provide that the automatic suspension does not apply when the debtors have resigned from two previous applications and reapply;
- expand the reinstatement of debts to cover applications that were rejected;
- consider as resignation the cancellation of the hearing, if no new hearing date is requested within 30 days;
- provide for a reasonable period for the payment of the difference between the lower instalment defined by the Court and the higher one defined pursuant to an appeal;
- provide for the right of the guarantors who complied with their obligation under the guarantee, to substitute themselves to the creditor in the repayment plan;
- reduce the obligation for the provision of documents by debtors, by requiring banks, authorities and any other relevant entity to provide them to the court;
- design an action plan with specific actions needed to target 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.

## FF. Hellenic Financial Stability Fund

**161. Prior action:** 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 *ipso jure* to the HFSF.

**162. Definition:** The authorities will adopt all necessary amendments to law 4172/2013 (DTC law) and, where applicable law 3864/2010 (HFSF law), to the above effect. Among others, the legislative amendments will include:

- All ownership rights, including voting rights, related to the shares the State would receive in cases of DTC conversion will be transferred to the HFSF *ipso jure*.
- Any dividends and other proceeds, including from the sale of the transferred shares, will be transferred to the State *ipso jure*.
- The rights arising under the HFSF law or the Relationship Framework Agreement shall apply regarding the transferred shares.
- The provisions of Art. 8 of the HFSF law will apply regarding the decision-making and approval process for the disposal of the transferred shares after the expiry of the call options stated in law 4172/2013 (DTC law). In all cases in which the HFSF disposes of all or a part of its shares, the HFSF will obtain a fairness opinion on the price of the disposal from an independent valuer qualified to provide such an opinion.

**161. Prior action:** The current mandate of the HFSF shall be extended until end-2022.

**162. Definition:** The authorities shall pass the necessary amendments to law 3864/2010 (the HFSF Law) to ensure that the current mandate of the HFSF shall be extended until 31 December, 2022.



## GG. Electronic auctions

### Regular and unimpeded flow of e-auctions

**163.** The authorities will: (i) provide detailed itemised progress reports, based on the template submitted by the institutions, monthly, covering the entire territory of Greece per notary association, (ii) review the mechanism for decreasing the asking price in the event of failed auctions and (iii) make any other effort needed to ensure a regular and unimpeded flow of e-auctions.

## MONITORING OF ACTIONS RELATED TO PRODUCT MARKETS

### HH. Investment Licensing

**164. Prior action - Sectors for phase 3:** In line with the investment licensing reform roadmap, the third phase of the investment licensing reform will be completed by mid-June 2018 and will cover the following sectors:

- Licensing review and simplification for the remaining industrial facilities of Group 3 of Annex L. 4442/2016 - including the operational license and several of the horizontal requirements. Adjustment of primary and secondary legislation for the simplification of licensing procedures in the following sectors:
  - Manufacture of tobacco products
  - Manufacture of textiles, apparel, leather and related products
  - Manufacture of wood and paper products, and printing
  - Manufacture of coke, and refined petroleum products
  - Manufacture of chemicals and chemical products
  - Manufacture of pharmaceuticals, medicinal chemical and botanical products
  - Manufacture of rubber and plastics products, and other non-metallic mineral products
  - Manufacture of basic metals and fabricated metal products, except machinery and equipment
  - Manufacture of computer, electronic and optical products
  - Manufacture of electrical equipment
  - Manufacture of machinery and equipment
  - Manufacture of transport equipment
  - Other manufacturing, and repair and installation of machinery and equipment.
- Licensing review and simplification for the environmental industry establishments, which correspond to business activities, under Group 5 of Annex L. 4442/2016 - Adjustment of primary legislation for the simplification of licensing procedures, with reference to time-bound secondary legislation if needed. It is noted that the specification of the activities to be examined from this group will be finalized after completion of the licensing inventory. The activities will be divided in two groups, mostly industrial activities and activities of public interests. The former will follow the same simplification reform as in Group 3, the latter will have an ad hoc procedure for the identification of land use.
- Licensing review and simplification for services under NACE-codes 95 and 96.1 which currently fall under industrial facilities and are included in Group 15 of Annex L. 4442/2016 - Adjustment of primary and secondary legislation for the simplification of licensing procedures.

**165.** The World Bank is currently supporting the Greek authorities in mapping all the sectors of the economy to provide a full assessment of the sectors not requiring license, the sectors simplified in the previous two phases of investment licensing, the sectors simplified in these years through different projects, the sectors with specific regulations, and the "rest of sectors". Upon completion of Phase 3, the sectors which will have not been reformed will be either sectors where no licensing

is needed (such as the majority of primary production and retail trade), sectors with specific regulations (such as financial sectors or electricity, including renewables) for which this reform is not applicable or "rest of sectors", as identified with the technical support of the World Bank and agreed with the institutions, for which implementation by June 2018 is not feasible as part of the third phase. The mapping of these sectors will be 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. Moreover, all sectors under a notification regime will be incorporated in the notification electronic platform. A tender for the upgrading of the system will be launched by mid-June 2018.

**166. Installation license – Phase B:** Pass primary legislation and refer to secondary legislation on: convergence towards one classification system for installation nuisance and environmental categories by 2021, either by designing an updated land-use and environmental classification or by using existing environmental classifications in installation licensing; notification system in industrial zoned areas, such as VIPE, VEPE, VIOPA, for activities that are not "SEVESO", "Offshore Safety" and "Hazardous Substances Transmission Pipelines"; extension of the transitional periods for continuing the operation of existing establishments in zoned and non-zoned areas.

**167. Inspection – pilot projects:** The pilot projects include the development and roll-out of tools to improve the inspecting procedures in the selected sectors (e.g., risk criteria, checklist and inspections guidelines), training activities for the inspectors, which are on-going, and the pilot inspection. The pilot project will be considered adopted once the plan is approved by KYSOIP which makes it of mandatory implementation for the respective authority.

## II. Ex-post assessments

**168. Tourism:** as prior action, the authorities will address in agreement with the institutions the recommendations (including removal of restrictions in the area of recreational vessels; tourist buses services; and car rental with driver).

## JJ. Regulated professions

**169.** On private clinics, the authorities following agreement with the institutions, as **prior action**, will place in public consultation the draft law to revise and modernise the legal framework on private clinics with a view to adopting it by mid-July 2018.

**170.** On one-day clinics (ODCs), by March 2018 (**prior action**), the authorities will amend the 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 ODC, taking into consideration EU best practices. The authorities plan to seek the scientific opinion of the Central Health Council as regards medical specialties.

## KK. Cadastre

**171.** The following contracts are exempted from the Cadastre Prior Actions:

- Contract KT5-09: "Cadastral Survey and Delivery of Support Services for the creation of the National Cadastre in the remaining areas of the Regional Unit of Thesprotia, Region of Epirus and Regional Unit of Corfu, Region of Ionian Islands"
- Contract KT5-29: "Cadastral Survey and Delivery of Support Services for the creation of the National Cadastre in the remaining areas of the Regional Unit of Rethymno, Region of Crete"
- Contract KT5-30: "Cadastral Survey and Delivery of Support Services for the creation of the National Cadastre in the remaining areas of the Regional Unit of Chania, Region of Crete"

- Contract KT5-31: "Cadastral Survey and Delivery of Support Services for the creation of the National Cadastre in the remaining areas of the Municipalities of Malevizio, Heraklion and Hersonissos, of the Regional Unit of Heraklion, Region of Crete"
- Contract KT5-26 "Cadastral Survey and Delivery of Support Services for the creation of the National Cadastre in the remaining areas of the Regional Unit of Santorini, Paros, Milos, Mykonos, Tinos, Andros, Naxos, Kea and Kythnos, Region of South Aegean Islands."

These contracts will be signed after the relevant Court decisions.

## MONITORING OF THE NETWORK INDUSTRIES

### *ENERGY SECTOR*

#### LL. RES account and replacement of supply surcharge

**172. Prior action:** As a prior action, (i) the supplier surcharge will be reduced by the forecast annual surplus in the RES account for 2018 (Step 1 – amendment adopted on 25th 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 1st January 2019, 50% of the total charge; and (b) further reduced by 1st January 2020, to 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 then other revenue streams (except of the supplier surcharge), 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). The reformed scheme and any additional revenues to be applied as of January 2021 should ensure that RES account remains in balance and viable on the way forward.

**173. Definition.** The decisions which adjust the unit charges of the ETMEAR shall be taken with the aim of eliminating the accounting debt (total of the cumulative accounting debt of previous years and the accounting deficit of the current year) of the special account for the RES and HECHP interconnected system and grid by the end of the calendar year in which those decisions are applied.

The abovementioned adjustment of the unit charges of the ETMEAR shall be implemented by the RAE by decisions adopted in December and in June (hereinafter adjustment months), and the resulting prices for those charges shall apply from the first day of the month following the adjustment month.

As per agreed Step 1, any surplus as confirmed at end of July and December for the years 2018, 2019 and 2020 respectively will be allocated exclusively to further reduce the supplier surcharge (while maintaining a buffer of EUR 70 million). LAGIE's responsibility to report on the actual inflows and outflows with report on RES account (a) as of end of June 2018 expected by end of August 2018 and (b) as of end of 2018 expected by end of January 2019.

Table 13. RES Account Balance Forecast for 2018 in m€ (LAGIE<sup>10</sup>).

	Inflows <sup>11</sup>	Outflows	Monthly balance	Cumulative balance
Jan 18	157.65	-132,98	24.67	67.16
Feb 18	169.72	-115,27	54.45	121,61
Mar 18	181,45	-158,52	22.94	144.54
Apr 18	158,38	-167,84	-9.45	135.09
May 18	161,13	-178,67	-17.53	117.55
Jun 18	181,04	-172,36	8.687	126.23
Jul 18	212,45	-191,88	20,57	146.81
Aug 18	200,13	-201,15	-1,02	145.79
Sep 18	169,24	-167,03	2,21	148.00
Oct 18	166,96	-151,22	15,75	163.75
Nov 18	164,87	-127,76	37,21	200.96
Dec 18	191,59	-136.20	55,39	256.35
Overall	2,114.63	-1,900.77	213.86	<b>256.35</b>

**174. Supporting Material.** (a) Legal amendment once Step 2 has been agreed; (b) once Step 2 has been agreed, the estimated forecast for 2019 will need to be adjusted accordingly and presented along with draft legal amendment; and (c) all data produced by LAGIE regarding the RES account balance, as provided to RAE for its semesterly decision on the ETMEAR adjustment, including cash flow statement of RES account and update on average delay (if any) to RES producers.

## MM. Provision of information and data regarding NOME auctions

**175. Deliverable.** LAGIE shall provide full and timely information on auction results, nominations, deliveries and re-sales on the secondary market, as well as market shares per player.

**176. Supporting Material.** LAGIE will provide to the institutions a report, with an executive summary in English, including (i) detailed information on nomination, deliveries, and re-sales, 10 days after the end of the month; and (ii) detailed information on auction results, two days after the NOME auction.

## NN. Provision of information and data regarding the joint assessment of NOME

**177. Prior action:** 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;

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, as a prior action, The authorities will implement the amended the KYSOIP action plan and legislation related to NOME. In particular:

<sup>10</sup> Source:

[http://www.lagie.gr/fileadmin/groups/EDSHE/MiniaiaDeltiaEL/JAN\\_FEB\\_01\\_02\\_2018\\_DELTIO\\_ELAPE\\_v1.1\\_04.04.2018.pdf](http://www.lagie.gr/fileadmin/groups/EDSHE/MiniaiaDeltiaEL/JAN_FEB_01_02_2018_DELTIO_ELAPE_v1.1_04.04.2018.pdf), page 35

<sup>11</sup> Source: LAGIE<sup>11</sup> Estimated inflows needs to be updated to take into account the reduction of the supply surcharge with 35% as effective of 01/04/2018 (see amended Article 143 of Law 4001/2011, Article 12 of FEK A 75/2018).

- Once the launch of the international tender and the spin-off of the lignite divestiture businesses takes place, additional quantities due to the adjustment mechanism on the assessment of the interim targets of June 2018 will be reduced by 50%. RAE will implement the modified monitoring mechanism, such that the adjusted quantities will be equally spread over the two auctions following the ascertainment of a deviation, which occurred in semester S;
- Once the selection of preferred bidder(s) and the signature of the SPA with the selected bidder(s) regarding the lignite divestiture will be finalized, the above adjustment mechanism will cease to be in effect;
- Once the financial closure of the agreement(s) and the selected bidder(s) take over the management of the respective plant(s) the overall NOME quantities to be auctioned in 2019 will be 13% multiplied by the total volume of electricity in the interconnected system in 2018;
- When the new electricity Markets are introduced under the Target Model, the NOME regulated forward products characteristics will converge with the characteristics of the new markets (forward, day-ahead and balancing), in particular with respect to their financial settlement, physical delivery and balance responsibility;
- The authorities will undertake a new joint assessment by September 2019 with the institutions in addition to the already existing semestrial impact assessment, inter alia taking into account:
  - the introduction of the new markets under the Target Model forward market,
  - the completion of the structural measures relating to lignite-fired generation capacity,
  - the effect of the NOME mechanism in the electricity market,
  - the evolution of the retail market shares,
  - the potential need for alternative policy and/or structural measures with the overall objective of maximizing the benefit to consumers.

The first such joint assessment by the authorities and institutions has taken place regarding the adjustment of the NOME mechanism due to the structural measures relating to lignite-fired generation capacity. For the future planned joint assessments, the authorities will provide all relevant information for this assessment to the institutions (see TMU Section QQ)

**178. Supporting Material.** A detailed proposal of how the de-escalation of NOME quantities will be applied in practice, including amendments to amend the Law 4389/2016. In addition, RAE and LAGIE will provide the results of all studies related to the NOME mechanism carried out or commissioned to the institutions within 10 days of finalising or receiving them respectively.

## OO. Provision of information and data regarding gas auctions

**179. Supporting material.** The Ministry of Environment and Energy will receive from HCC, in cooperation with RAE, and will provide to the institutions, detailed information on the results of all the auctions performed under the gas release programme, one week after each auction.

## PP. Provision of information and data regarding the target model

**180. Supporting material.** The authorities will provide a monthly update on the progress of achieving the milestones set out in the agreed the 'road map' (inserted below) setting out all milestones to be achieved for Target Model to be launched in April 2019.

## QQ. Greek Target model implementation – 'road map'

The Greek authorities commit to reforming Greece's electricity market, including forward, day-ahead, intraday and balancing market, with a view to improve price signals, in particular during times of scarcity. To that end, the Greek authorities should make the following commitments:

1. As of 1 April 2019 HENEX shall set up a day-ahead market which is compliant with the requirements as set out in Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management and technically ready to couple with Italy and Bulgaria as part of the wider Price Coupling of Regions (PCR) arrangements. To achieve this:
  - a. By mid-June 2018 HENEX will submit the relevant rulebooks for RAE's approval.
  - b. By June 2018 HENEX will initiate the process for the evaluation of the impact of the proposed set of products/order types of the Greek bidding zone in the framework of the relevant MRC and PCR project.
  - c. By September 2018 RAE will approve the rulebooks.
  - d. By March 2019 HENEX will start dry-runs for the day-ahead market coupling.
  - e. 1 April 2019 go-live of local day-ahead market and at the same time EL shall be technically ready to couple with Italy and Bulgaria.
  - f. To ensure the market coupling with Italy and Bulgaria, the Greek authorities shall ensure that relevant actors (TSO, NEMO, NRA) actively cooperate with their counterparts in the neighbouring Member States and provide a work plan as well as monthly reporting to DG ENER aiming at achieving the above target.
2. As of 1 April 2019 all market participants shall be able to place bids on the day-ahead market on portfolio basis apart from owners of conventional units who will place bids on unit basis. This design feature is intended to be in place only for some years in transition. RAE will assess in due time the evolution of the electricity market and the effect of the structural measures that are under implementation in order to move to portfolio bidding for all units, when the market is mature and the portfolio effect of the incumbent is diminished.
3. As of 1 April 2019 HENEX shall set up an intraday market and be technically ready to couple with Italy and Bulgaria as part of a continuous intraday market (XBID project) complemented with regional complementary auctions where necessary in compliance with the requirements as set out in Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management.
4. To achieve this:
  - a. By mid-June 2018 HENEX will submit the relevant rulebooks for RAE's approval.
  - b. After the Decision for the complementary regional auctions for the Italian borders, HENEX will initiate the discussions for the agreement of the necessary requirements with the Italian counterparts regarding the complementary regional auctions on the bidding zone border IT-GR.
  - c. By September 2018 RAE will approve the rulebooks.
  - d. By March 2019 HENEX will start dry-runs for the intraday market including any complementary auctions agreed with the neighbouring Member States.

- e. The local intraday market and the complementary regional auctions, if agreed with Italy and/or Bulgaria, should go-live on 1 April 2019.
  - f. To ensure full compliance with CACM, the Greek authorities shall ensure that relevant actors (TSO, NEMO, NRA) actively cooperate with their counterparts in the XBID project and a clear commitment with a work plan is provided aiming at implementing continuous trading through XBID as soon as possible (2nd or 3rd accession stream).
5. With regard to day-ahead and intra-day electricity prices by 1 April 2019, there shall be no restrictions on price bids or price limits. This shall be without prejudice to the maximum and minimum technical limits set in accordance with Article 41(1) and 54(1) of Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management and the approved NEMOs proposal on such limits<sup>12</sup>.
  6. Regarding the clearing and settlement, in the period of three (3) months after the setting up of the Energy Exchange, HENEX shall set up the ENEXClear. All respective clearing and settlement arrangements will be in place by the time of the go-live of both the intraday and day ahead markets (including the coupling scenarios).
  7. As of 1 April 2019 IPTO shall set up a balancing market which shall ensure future compliance with the requirements of Regulation 2017/2195 establishing a guideline on electricity balancing:
    - a. IPTO submitted the relevant rulebook for RAE's approval.
    - b. By September 2018 RAE will approve the rulebook.
    - c. By March 2019 IPTO will start dry-runs for the balancing market including the settlement of imbalances (calculation of imbalance volumes and imbalance prices).
    - d. 1 April 2019 go-live of the new balancing market, including settlement of imbalances, together with the day ahead and intraday markets.
  8. Until the common European platforms, as described within Regulation 2017/2195, are established, a local balancing market compliant to the requirements in force of the Electricity Balancing Guideline will be implemented, for market coupling to take place.
  9. Under the condition stated in point 5 above (no bidding restrictions in the day-ahead and intraday markets), by April 2019 the Greek authorities shall assess and notify the Commission whether an additional settlement mechanism shall apply to balance responsible parties by introducing a shortage pricing function in accordance with Article 44(3) of the Regulation 2017/2195 establishing a guideline on electricity balancing.
  10. By 1 April 2019, Greece will set up a new monitoring system for detecting potential abuses of dominant position and other anticompetitive practices on day-ahead, intra-day and balancing markets based on ex-post monitoring of market outcomes.

## RR. PPC financial situation (& PSO)

**181. 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.

**182. Definition:** The amendment will include the provision that no more than the amount shown in the table below will be transferred from the State budget to the PSO accounts in the years 2019 and 2020.

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<sup>12</sup> See ACER Decision 04-2017 on NEMOs HMMCP for single day-ahead coupling and ACER Decision 05-2017 on NEMOs HMMCP for intraday coupling plus annexes here: [https://acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Pages/Individual-decision.aspx](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Pages/Individual-decision.aspx).



PSO compensation	2017	2018	2019	2020	2021	2022
NII (incl. fuel consumption levy)	596,869,440	585,931,884	603,925,039	618,099,542	473,260,742	494,548,849
SRT	90,000,000	97,000,000	104,000,000	110,000,000	116,000,000	122,000,000
<b>Total cost</b>	<b>686,869,440</b>	<b>682,931,884</b>	<b>707,925,039</b>	<b>728,099,542</b>	<b>589,260,742</b>	<b>616,548,849</b>
<b>Total inflow from PSO charges</b>	<b>633,988,604</b>	<b>629,148,987</b>	<b>640,183,237</b>	<b>661,070,611</b>	<b>673,956,624</b>	<b>671,554,867</b>
<b>State funding inflow</b>	<b>476,000,000</b>	<b>0</b>	<b>58,375,764</b>	<b>67,028,931</b>	<b>0</b>	<b>0</b>
Deficit recovery of 2012-2016	359,970,228	0	0	0	0	0
New deficit (β)+(δ) of year v-1		-63,148,936	-9,366,038	0	0	-84,695,882
<b>(+) Deficit / (-) Surplus</b>	<b>-63,148,936</b>	<b>-9,366,039</b>	<b>0</b>	<b>0</b>	<b>-84,695,882</b>	<b>-139,701,900</b>

## WATER SECTOR

### SS. Water services

**183. Prior action:** By February 2018, 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.

**184. Definition:** The fulfilment of the above prior action includes the following actions to be taken by Greek authorities by February 2018:

- Add the Alternate Minister of Labour, Social Insurance and Social Solidarity as a member of the National Water Commission.
- Add two representatives of social and environmental NGOs to the National Water Committee.
- The National Water Committee should meet at least twice a year. The minutes will be publicly available.
- Add a representative of the Ministry of Labour, Social Insurance and Social Solidarity to the Advisory Commission for Water.

## MONITORING OF PUBLIC ADMINISTRATION CONDITIONALITY

### TT. Attrition Rule

**185. Definition.** The ratio of hiring during the year (excluding carryover from previous years) to exits during the previous year (including retirements and separations other than due to disciplinary procedures or verified illegal recruitment) for the general government. Effective 2016, hiring or re-hiring resulting from (i) re-entering service due to the increase of statutory age of retirement, and (ii) staff mobility within the public sector, except from Chapter B companies are exempt from the calculation. Conversions of temporary contracts into permanent contracts according to law 3938/2011 are exempt from the attrition rule provided that i) they were registered in the Apografi Database as temporary contracts and ii) there is adherence to the projected wage bill in the 2018 budget and the 2019-22 MTFS, certified by GAO, with the temporary contract ceiling to be adjusted by the number of conversions. The ratio of hiring to exits due to disciplinary procedures or verified illegal recruitment is one to one.

**186. Supporting material.** For permanent staff, a monthly report (15 days after the closing of each month) on the stock of total employment, new hiring and departures by entity for the general



government, including specific data distinguishing (a) exits due to disciplinary cases and illegal recruitments; (b) hirings due to Court decision; and (c) financed by reciprocal duties. For temporary staff a monthly report (15 days after the closing of each month) stock of total employment by entity for the general government. Monthly report on ESPA workers employed in the general government aggregated and by entity, also to be included to the Apografi database.

## UU. Ceiling on temporary contracts

**187. Deliverable.** A ceiling on temporary contracts will be introduced to ensure that the average number of contracts burdening the budget, as reported in the Census database, remains unchanged in 2017 and 2018 compared with 2016, preserving the projected general government wage bill. Conversions of temporary contracts into permanent contracts following a final Court decision will require action to ensure adherence to the projected wage bill in the 2018 budget and the 2019-22 MTFS. Conversions of temporary contracts into permanent contracts according to law 3938/2011 are exempt from the attrition rule provided that i) they were registered in the Apografi Database as temporary contracts and ii) there is adherence to the projected wage bill in the 2018 budget and the 2019-22 MTFS, certified by GAO. The temporary contract ceiling will be adjusted by the number of conversions and any other changes in the labour costs. Additional temporary contracts to cover needs coming from the refugee crisis, natural disasters and humanitarian crisis will be exempt from the ceiling.

Table 24. Ceiling on temporary contracts for 2017 and 2018 (2016 as baseline year).

Number of temporary contracts	2016
January	49,478
February	50,538
March	51,053
April	52,875
May	52,609
June	44,115
July	42,485
August	41,611
September	42,505
October	46,301
November	47,984
December	49,448
<b>Average 2016 - Ceiling on temporary contracts for 2017 and 2018</b>	<b>47,584</b>
<i>Source: Apografi database</i>	

Table 25. Temporary contracts for 2017.

<b>Number of temporary contracts, 2017</b>
January: 50,136
February: 50,287
March: 50,637
April: 51,398
May: 52,612
June: 46,146

July: 41,367
August: 40,873
September: 43,448
October: 46,720
November: 47,272
December: 48,300
<b>Average for 2017: 47,433</b>
<i>Source: Apografi database</i>

**188. Supporting material.** On a monthly basis, the authorities will provide tables containing: (i) number of temporary contracts burdening the budget, by entity, consistent with Section B of the monthly reporting tables in the Apografi database, line “Fixed term with limited duration, hourly paid, project contracts which burden the state budget.”; (ii) number of temporary contracts burdening the budget to cover needs coming from the refugee crisis, natural disasters and humanitarian crisis, by entity.

## VV. Appointments

**189. Deliverable.** Appointments:

- As prior action, (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.
- Additionally, (a) in October 2018 the appointments for all Directors will be completed; and (b) the call for all Heads of Division will be launched in October 2018, and Heads of Division will be appointed by December 2018.
- The authorities will provide a detailed report on the implementation of the above actions by June 2018.

### **Administrative, Alternate Administrative and (Special) Sector-Level Secretaries:**

1. Administrative Secretary of Ministry of Administrative Reconstruction
2. Special Sectoral Secretary for the National Printing House
3. Administrative Secretary of Ministry of Interior
4. Sectoral Secretary for Gender Equality
5. Sectoral Secretary for Waste Management
6. Special Sectoral Secretary of Citizenship
7. Administrative Secretary of Ministry of Economy and Development
8. Sectoral Secretary for Commerce and Consumer Protection
9. Special Sectoral Secretary for Public – Private Partnerships (SDIT)
10. Sectoral Secretary for Industry
11. Administrative Secretary of Ministry for Digital Policy, Telecommunications and Media
12. Sectoral Secretary for Digital Policy
13. Sectoral Secretary for Telecommunications and Postal Services
14. Special Sectoral Secretary for Communication Crisis Management
15. Administrative Secretary of the Ministry of Education, Research and Religious Affairs
16. Deputy Administrative Secretary of the Ministry of Education, Research and Religious Affairs

17. Sectoral Secretary for Religious Affairs
18. Sectoral Secretary for Research and Technology
19. Sectoral Secretary for Lifelong Learning and Youth
20. Administrative Secretary of the Ministry of Labour, Social Security and Social Solidarity
21. Sectoral Secretary for Management of Community and Other Resources
22. Sectoral Secretary for Welfare
23. Special Sectoral Secretary for Social Inclusion of Roma
24. Special Sectoral Secretary for Social and Solidarity Economy
25. Administrative Secretary of the Ministry of Justice, Transparency of Human Rights
26. Deputy Administrative Secretary of the Ministry of Justice, Transparency of Human Rights
27. Sectoral Secretary for Anti-criminal Policy
28. Sectoral Secretary for Transparency and Human Rights
29. Administrative Secretary of the Ministry of Finance
30. Sectoral Secretary for Public Property
31. Administrative Secretary of the Ministry of Health
32. Deputy Administrative Secretary of the Ministry of Health
33. Sectoral Secretary for Public Health
34. Administrative Secretary of the Ministry of Culture and Sports
35. Sectoral Secretary for Sports
36. Administrative Secretary of the Ministry of Energy and Environment
37. Sectoral Secretary for Spatial Planning and Urban Environment
38. Sectoral Secretary for the Environment
39. Sectoral Secretary for Energy and Mineral Raw Materials
40. Special Sectoral Secretary for Waters
41. Administrative Secretary of the Ministry of Transport and Infrastructure
42. Sectoral Secretary for Infrastructure
43. Administrative Secretary of the Ministry of Migration Policy
44. Sectoral Secretary for First Reception Service
45. Administrative Secretary of the Ministry of Maritime Affairs and Insular Policy
46. Sectoral Secretary for Ports and Maritime Investment
47. Sectoral Secretary for the Aegean and Island Policy
48. Administrative Secretary of the Ministry of Agricultural Policy and Food
49. Sectoral Secretary for Agricultural Policy and Management of Community Resources
50. Administrative Secretary of the Ministry of Tourism
51. Sectoral Secretary for Tourism Policy and Development
52. Secretary General for Anti-corruption
53. Special Secretary of Labor Inspections
54. Special Secretary of the Inspectors-Auditors of the Ministry of the Environment and Energy
55. Special Secretary of the Inspectors-Controllors Body for Public Administration (SEED)
56. Special Secretary of the Financial and Economic Crime Unit (SDOE)
57. Special Sectoral Secretary for Private Debt Management
58. Sectoral Secretary for Fiscal Policy
59. Sectoral Secretary for Information Systems and Administrative Support
60. Sectoral Secretary for Financial Policy
61. Special Sectoral Secretary for Coordination and Management of Asylum, Immigration and Integration Funds and Internal Security Fund and other resources
62. Special Sectoral Secretary for the Management of Sectoral Operational Programs of the European Social Fund
63. Sectoral Secretary for Strategic and Private Investments
64. Sectoral Secretary for Public Investments and National Strategic Reference Framework (NSRF – ESPA)
65. Special Sectoral Secretary for Sectoral Operational Programs of the European Regional Development Fund and the Cohesion Fund

- 66. Sectoral Secretary for Information and Communication
- 67. Sectoral Secretary for Social Security
- 68. Sectoral Secretary for Migration Policy
- 69. Sectoral Secretary for Transport

**190. Supporting material.** The authorities will provide to the institutions (i) all appointment decisions within 10 days from when they are taken and (ii) the decision by the Prime Minister relieving the existing Secretaries General from their duties of Article 13(1A) of law 4369/2016 by the time specified in the relevant provision, as amended according to paragraph 178(e) above. Regarding Directors General, the authorities will provide to the institutions (i) a list of all Director General positions at the time of launching the calls and (ii) all appointment decisions within 10 days from when they are taken.

**191.** The authorities will provide a detailed report on the implementation of the above actions following completion of each category: The authorities will provide statistics and assessment of the recruitment procedures for Administrative, Alternate Administrative and (Special) Sector-Level Secretaries, Directors Generals and Directors, including amongst others the number of applications, average rating of shortlisted candidates, private sector participation and selection, number of appeals and decisions on appeals.

**192.** The authorities will conduct a study (in consultation with technical assistance) on the job announcements for Administrative, Alternate Administrative and (Special) Sector-Level Secretaries (prior action) and take appropriate measures on the basis of its recommendations by July 2018. The study will (i) provide a methodology defining minimum eligibility requirements (taking into account the factors included in Article 7 of 4369/2016) for all Administrative, Alternate Administrative and (Special) Sector-Level Secretaries positions listed in the TMU and review each job announcement for the 69 positions/calls, before any appointments take place; and (ii) recommend appropriate corrective measures to be taken in order to ensure that all calls will fully respect the minimum eligibility requirements defined in the study.

## MONITORING OF ANTI-CORRUPTION CONDITIONALITY

### WW. Adoption of all necessary secondary legislation on funding of political parties and electoral campaigns

**193. Prior action.** 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 (SMoU section 5.3).

**194. Definition.** The competent authorities will take all needed secondary legislation to ensure that the legal framework of the funding of political parties and electoral campaigns is fully operational.

**195. Supporting material:** Delivery to the institutions of the three adopted secondary legislation taken in application of Art. 7 par. 4 (the first 4 subparagraphs and last subparagraph) and Art. 16A par. 1(a) of L. 3023/2002,

### XX. Update the national anti-corruption plan

**196. Prior action.** The authorities will update the national anti-corruption plan (SMoU section 5.3).

**197. Definition.** The update will allow revising deadlines of actions to take into account the current situation of implementation. Authorities will pursue the publication of the former plan in order to foster visibility of the actions done in the past. The revised national plan will include new actions, including those needed as follow up of implemented actions, and will-consider input from technical assistance. The update will expand the current national plan, notably by including a commitment to assess the implementation of the Code of Conduct of members of Parliament and, based on this assessment, the code will be revised, if needed, by June 2018. The updated plan will also include the creation by September 2018 of a monitoring procedure of a selection of important financial crimes, including notably corruption and money laundering cases with the objective to build a credible track-record of prosecuting and sanctioning such crimes. The purpose is to bring to the attention of the public in a consolidated document regular update of information on the progress of the treatment of these cases. The information available would follow usual data protection and penal procedure rules. A notice describing the proposal will be produced to be agreed by June 2018.

**198. Supporting material:** Delivery to the institutions and publication of adopted revised national anti-corruption plan.

Table 9. Key Performance Indicators on Tax Administration

Indicator	2017 Target				2018 targets			
	End-Mar.	End-Jun.	End-Sep.	End-Dec.	End-Mar.	End-Jun.	End-Sep.	End-Dec.
<b>Debt collection</b>								
Collection of tax debts as of the end of the previous year 1/	0.890	1.620	2.210	2.700	0.940	1.710	2.25	2.8
Collection of new debts in the current year (percent of new debt in the year) 1/	13%	16%	19%	24%	15%	18%	20.5%	24%
Collection of debts by Large Debtor Unit 1/	165	341	495	690	170	350	490	645
<b>Audits of fresh tax cases by the whole GSPR</b>								
Percent of tax audit cases in total completed audits 2/	60%	60%	60%	60%	70%	70%	70%	70%
<b>Tax audits and collection of large tax payers</b>								
Collection after audits in the year (percent of assessed tax and penalties) 1/	42%	41%	41%	41%	48%	48%	N/A*	N/A*
<b>Audits and collection of high wealth individuals</b>								
Collection after audits in the year (percent of assessed tax and penalties) 1/	24%	24%	24%	24%	16%	23%	N/A*	N/A*
<b>Taxpayer service</b>								
Percent of VAT tax refund claims paid or rejected within 90 days 3/	60%	65%	58%	70%	64%	69%	80%	95%
<b>Compliance and enforcement</b>								
Percentage of total tax paid on time for VAT, Income and Property taxes 4/	81%	83%	82%	83%	82%	84%	83%	84%
Percentage of debtors under enforcement measures 5/	47%	51%	54%	57%	53%	54%	57%	59%
<b>Pre litigation phase</b>								
Percentage of cases closed by explicit decision of the Dispute resolution Unit 6/	58%	77%	93%	95%	75%	80%	88%	91%
<b>Customs inspections</b>								
Control by mobile units	3 100	7 500	11 000	15 400	4 000	9 050	13 000	17 500

Source: Greek Authorities; EC, ECB and IMF staff

\*Institutions consider that the situation as concerns audits environment and framework does not allow to make proper estimation of a relevant KPI. They encourage authorities to look into the matter, taking stock of the changes which are underway (organization of fight against financial crime framework, rulings of the Council of state on statute of limitations) and to redesign, if needed, definitions and targets.

Table 10. Key Performance Indicators on Public Financial Management 1/

Indicator	2016 actual		2017 target				2018 target	
	End-Sep.	End-Dec.	End-Mar.	End-Jun.	End-Sep.	End-Dec.	End-Mar.	End-Jun.
1. Ceiling on average period for expenditure payments or rejection after receipt of invoices by state government, including ministry of finance and line ministries. 2/								
Ceiling on number of days	57	53	47	40	29	29	29	29
2. Ceiling on unprocessed main pension applications in thousands.								
Ceiling on pension applications	-	145	149	120	95	70	50	30
3. Floor on percentage of all social security funds-to-EOPYY actual transfer of the amount that should be transferred. 3/								
Floor on percentage	79%	-	90%	90%	92%	94%	96%	98%
4. Floor on percentage of number of claims submitted by public hospitals to EOPYY for insured patients electronically. 4/								
Floor on percentage	-	67%	73%	80%	90%	99%	99%	99%

Sources: Greek authorities; and EC/ECB/ESM staff.

1/ Cumulative targets from the beginning of the year unless otherwise specified.

2/ Applies to all invoices received since January 1, 2017. The average period is calculated on all the invoices paid or rejected during the quarter, and invoices still pending beyond the target. The period for each invoice is measured from when the invoice is received to the final payment, or to rejection upon verification, or to the test date if the invoice is pending beyond the target for the average for that test date (e.g. 29 days on Sept 30, 2017).

3/ The ratio in percentage is calculated as follows. The numerator is the amount of cash transfer to EOPYY and the expenditure paid by all social security funds on behalf of EOPYY during the period. The denominator is the revenue collected by all social security funds on behalf of EOPYY during the period.

4/ The ratio in percentage is calculated as the number of claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients divided by number of treatment cases provided by hospitals to insured patients.

Table 11. Key Performance Indicators on Social Security Contribution 1/

Indicator	2017 targets				2018 targets			
	End - Mar.	End-Jun.	End-Sep.	End Dec	End-Mar	End-Jun	End Sept	End Dec
<b>Social Security Fund Payment Compliance</b> Percent of total invoiced or declared current-year SSC amount paid to the fund 2/ EFKA	85%	86%	88%	89%	90%	91%	92%	93%
<b>KEAO Collection Performance and Enforcement</b> Collection of SSC debts transferred to KEAO 3/	252	504	755	1 007	280	560	900	1.200

1/ Cumulative targets from the beginning of each year.

2/ For each reporting period, social security fund payment compliance is calculated as the amount of current year SSC paid to the fund divided by the amount invoiced or declared, expressed as a percentage.

3/ In millions of euros.



