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Compliance Report The Third Economic Adjustment Programme for Greece

Second Review

June 2017

1. Introduction

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

The policies in the MoU are built around four pillars:

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

The first review of the ESM programme was concluded in June 2016, with a set of milestones completed in October 2016.

The agreement on the policy conditionality for the second review is set out in a supplemental Memorandum of Understanding (SMoU). The agreement has been based on the findings of missions to Greece carried out by the Commission between October 2016 and April 2017, together with ECB, ESM and IMF staff.

This report on compliance with the SMoU upon conclusion of the second review of the ESM programme has been prepared by the Commission staff in liaison with ECB staff. ESM staff has also been consulted.

The Greek authorities have acted to complete the prior actions agreed in the supplemental MoU required for the disbursement of the third tranche of the ESM programme. In particular, the Greek parliament adopted legislative acts to deliver a part of the actions agreed in the supplemental MoU through various pieces of legislation adopted mainly over November and December 2016[1] and through the omnibus law 4472/2017 of 18 May 2017 as well as the minibus law 4475/2017 of 12 June 2017. The government also adopted a host of secondary legislation, through Ministerial decisions and other acts, as agreed with the institutions.

Based on the above considerations, the ESM programme is on track, paving the way for the next disbursement to Greece of an amount necessary to cover the outstanding debt service until the expected completion of the next review, and an amount to help clear the sizeable stock of arrears in line with the agreed clearance plan.

[1] Laws 4403/2016, 4412/2016, 4438-4442/2016 and laws 4444-4447/2016

On three actions (extension of the voluntary contribution of the shipping industry (PA #10), recalculation and processing of pension claims (PA #41) and launch of the tender for DESFA (PA #119)), further technical follow-up will be undertaken before the end of June 2017. On the financing of political parties (PA #138), the authorities have formally sought an external assessment of recently amended legislation by GRECO (Group of States against Corruption), which is the competent international body. In light of this assessment, which can be delivered by GRECO only in autumn, the authorities have committed to amend the legislation as needed, which is also enshrined in the SMoU as a key deliverable.

2. Economic developments

Supported by the launch of the ESM programme in August 2015, the Greek economy demonstrated greater resilience in 2015 and 2016, compared to initial expectations. Real GDP in 2015 turned out to be only slightly negative, falling by 0.2%, but that is over two percentage points better than expected after the imposition of capital controls. Real GDP stagnated in 2016 which is also better than expected at the beginning of the programme and at the time of the first review in mid-2016. However, the nascent recovery in the second and third quarters of 2016 came to a halt in the last quarter of the year, reflecting amongst other factors delays in the completion of the second review and suggesting the fragility of the recovery.

The labour market shows signs of improvement. After a long period of steady decrease, and stalling in the last quarter of 2016, the unemployment rate started to decrease again since the beginning of this year to stand at 22.5% in March 2017 according to the Labour Force Survey (LFS), marking a five-year low. Employment also recorded some increase in the first quarter of 2017 according to the LFS statistics, following a downturn observed between August and December 2016.

The Greek economy is expected to grow at a robust pace, albeit somewhat slower than projected at the time of the first review. GDP growth is still set to gather pace in 2017 and 2018, reaching 2.1% and 2.4% respectively, down from 2.7% and 3.1% projected earlier. The downward revision is driven by two factors: First, the worse-than-expected economic performance in the fourth quarter of 2016 which implies a significantly lower carry-over effect to 2017. Second, the revision reflects more cautious assumptions regarding the return of investor and consumer confidence following delays in the completion of the 2nd review.

Private consumption and investment are projected to be the main drivers of growth in 2017-2018. Based on its observed resilience, private consumption is expected to be the main driver of growth in 2017, supported by an increase in employment. Business climate is also expected to improve, leading to the return of investment, albeit moderately, as financing conditions may ease only gradually. In 2018, growth of investments will accelerate further and gross capital formation will become the main contributor of growth. Contribution of net exports is expected to turn positive too in 2017 and 2018, based on the increased demand experienced by the Greek tourism sector. This projection is built on the assumption that the completion of the second review of the ESM programme will contribute to a sustained improvement in consumer and business sentiment and the easing of financing conditions amid a gradual relaxation of capital controls, which in turn has the possibility of attracting foreign investments.

The baseline is contingent on a swift pick-up in confidence following the completion of the second ESM programme review. Delays in the closing of the 2^{nd} review were reflected in stalling sentiment indicators and banks' deposit outflows since the end of last year. The GDP provisional estimate for Q1 2017 published on 2 June 2017 pointed to some rebound in the first quarter of the year. Nevertheless, the annual growth forecast crucially hinges on a relatively fast pick-up in economic activity following the closure of the review. Investment, in particular foreign investment, and exports are expected to be the most vulnerable components. Other risks are linked to the external environment: the impact of the refugee crisis, the impact of geopolitical developments in the area as well as Brexit. Finally, protracted public expenditure restraint or further postponement of public investments could put a significant drag on growth.

3. Pillar I: Restoring sustainable public finances

3.1 Fiscal developments and policy

3.1.1 Budgetary outcomes and prospects

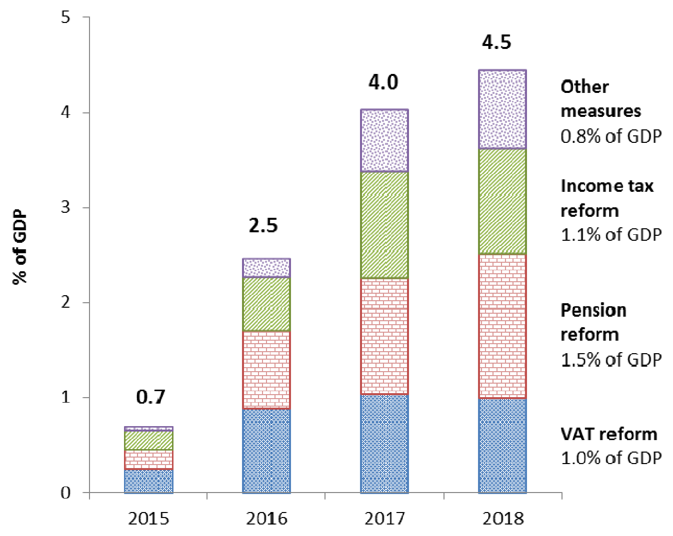
As part of the ESM programme agreed in August 2015, Greece committed to a revised fiscal path with a primary balance target of -0.25% of GDP in 2015 rising to a primary surplus of 3.5% of GDP by 2018 and to remain at the same level over the medium term. To demonstrate their commitment to this path, the authorities legislated in July and August 2015 fiscal measures worth 1.5% of GDP cumulatively through 2018 comprising primarily of a reform of the VAT system and pensioners' health contribution rate increases and stronger disincentives for early retirement. Additional parametric measures expected to yield 3% of GDP by 2018 were adopted as a prior action to conclude the 1st review. The fiscal adjustment from this package consisted of 1% of GDP from a major pension reform; 1% of GDP from a structural personal income tax reform; over 0.2% of GDP from an increase in the standard VAT rate, up to 0.2% of GDP from savings on the public sector wage bill, and the remaining 0.6% of GDP from other parametric measures mainly in the areas of indirect taxation.

Backed by these measures and partly as a result of macroeconomic developments favourable to government revenues, and further expenditure restraint, Greece attained a large primary surplus in 2016, over-performing vis-à-vis the fiscal target by almost 3.7pp of GDP. While Greece's economic performance in 2016 was only slightly better than envisaged in May 2016 – with real GDP remaining flat year on year against the 0.3% contraction projected earlier – almost all components of economic activity relevant for public finances turned out stronger in 2016 than forecast. In particular, compensation of employees recovered to nearly 3% growth against the initial projection of -0.4% while nominal consumption recorded a solid 1% growth against a 0.7% fall expected earlier. On the basis of the EDP notification released by Eurostat in April 2017, Greece achieved a primary surplus in programme terms[2] of 4.2% in GDP, over-performing by almost 3.7pp of GDP vis-à-vis the programme target of 0.5% of GDP. This over-performance was driven by a number of factors; however these will only have a limited impact in the following years.

Looking forward, the baseline projection factors in a package of parametric fiscal measures amounting to 4.5 percentage points of GDP through 2018 legislated since the launch of the ESM programme. The forecast for 2017-18 includes 1.5% of GDP through 2018 from the measures legislated in the summer of 2015; and 3% of GDP through 2018 from the consolidation package adopted as a prior action for the 1st review in May-June 2016 (see Graph 1). The baseline forecast does not include any yields from the large number of administrative and structural fiscal reforms in the SMoU, notably those to improve revenue administration that are showing strong progress in some areas in excess of the key performance indicators set under the programme, and to find savings through spending reviews that have been initiated.

[2] The definition of the primary balance as defined under the programme excludes one-off revenues and expenditures associated with the banking sector support, privatization and ANFA/SMP revenues. A detailed summary of the differences between the primary balance as reported in the EDP notification and under the programme definition can be found in the Annex. The Commission applies, in consultation with the other institutions, the programme adjustors to the data released by Eurostat.

Graph 1. Composition of parametric fiscal consolidation effort 2015-18 (net savings)



To provide an effective safety net of last resort to households at risk of poverty, a new Social Solidarity Income (SSI) – what is commonly known as the Guaranteed Minimum Income (GMI) scheme - is being rolled out in 2017. The GMI constitutes the backbone of the reformed Greek social assistance system and can make a real difference: up to 750,000 people will be eligible for the GMI programme, some 7% of the Greek population. The programme provides benefits of up to €4,800 per year for a couple with two children and is being reinforced by connecting recipients to other services and welfare benefits (e.g. food aid) and will be reinforced in June with active labour market policies, including training and public works schemes. Prior to its introduction, Greece was the only Member State, together with Italy, without a universal means-tested income support programme targeted to households at risk of poverty and exclusion. The GMI builds on the pilot projects that have been running in 13 municipalities since November 2014, following their ex-post evaluation carried out by the World Bank. The GMI has started to be rolled-out to the rest of the country in February 2017. The scheme rests on three pillars: poverty alleviation (means-tested income support), social inclusion (provision of social services) and labour market reintegration (provision of personalised active labour market services). The authorities benefitted from technical assistance for the implementation of the GMI rollout from the World Bank, contracted out by the SRSS. To foster labour market integration which is a prime driver of social inclusion, GMI beneficiaries are expected to become a key target group for the public employment service, and receive priority access to a number of active labour market schemes, including a new generation of public works embedding elements of training, upskilling and personalised support.

Following the introduction of the GMI, the baseline fiscal projection of the European institutions was updated in Spring 2017 with a revised macroeconomic forecast. This shows that Greece is on track to meet its ESM primary surplus target of 1.75% of GDP in 2017 but pointed to small a cumulative fiscal gap of €535m or 0.3% of GDP through 2018 (Table 1). The revenue over-performance from 2016 is however expected to only partly carry over to the following year (see Box 1). The fiscal outlook is expected to be bolstered by additional savings of 1.6% of GDP in 2017 from the measures legislated in the first review. General government revenues are expected to be further supported by the projected gradual closure of the output gap and smooth drawing of EU funds, as the impediments preventing a fuller use of the 2014-2020 envelope in 2016 have largely been resolved. This has enabled the authorities to roll-out the Guaranteed Minimum Income (GMI) scheme as of February 2017 at a cost of 0.4% of GDP per year without compensatory measures in 2017. Overall, the primary balance is expected to reach 1.9% of GDP in 2017 (against a target of 1.75% of GDP) and 3.2% of GDP in 2018 (against a target of 3.5% of GDP). The fiscal gap forecast by the European institutions for 2018 results mainly from the national rollout of the GMI.

Table 1. Main drivers of the baseline fiscal projections 2017-18, Spring 2017

	2016 Act.	2017 Proj.	2018 Proj.	Δ 2018-2016
Total revenues, % of GDP	**50.0**	**48.3**	**47.5**	**-2.5**
Total revenues, bn EUR	**87.9**	**87.4**	**89.2**	**1.2**
	Level	*y-o-y change (bn EUR)*		
Total revenues, bn EUR	**87.9**	**-0.5**	**1.7**	**1.2**
Macro		1.1	1.8	2.9
Revenue measures		1.8	-0.4	1.4
One-off and non-tax revenues		-0.3	-0.1	-0.3
Other adjustments 2/		-3.1	0.4	-2.7
Total primary expenditures, % of GDP	**45.8**	**46.4**	**44.3**	**-1.5**
Total primary expenditures, bn EUR	**80.6**	**84.0**	**83.1**	**2.6**
	Level	*y-o-y change (bn EUR)*		
Total primary expenditures, bn EUR	**80.6**	**3.5**	**-0.9**	**2.6**
Compensation of employees	21.6	0.3	0.1	0.4
Social transfers	39.2	-0.1	-0.3	-0.4
Investments	5.6	0.7	0.2	1.0
Intermediate consumption 3/	8.3	1.2	-0.8	0.4
Other expenditure & reserve 4/	5.8	1.3	-0.2	1.2
Primary balance, bn EUR 1/	**7.4**	**3.4**	**6.0**	**-1.3**
Primary balance, % of GDP 1/	**4.2**	**1.9**	**3.2**	**-1.0**

1/ Primary balance in programme terms

2/ Includes an adjustments for a change in the Single Treasury Accounts

3/ Includes 0.3bn of unspecified measures included in the 2017 Budget

4/ Includes subsidies and transfers

Source: European Commission

The fiscal baseline is subject to considerable uncertainty. The forecast does not include any yields from the large number of administrative and structural fiscal reforms in the SMoU, notably those to improve revenue administration that are showing strong progress in some areas in excess of the key performance indicators set under the programme, and to find savings through spending reviews that have been initiated. Downside risks are related in particular to potential slippages in the yields of measures already legislated under the programme but still to be implemented in 2017-18 – in particular the personal income tax and pension reforms. Additional uncertainties are related to macroeconomic environment as well as ongoing scrutiny of legality of the property tax and social relief programmes targeted at over-indebted households.

Box 1. What explains the better than expected fiscal outcome in 2016?

The general government primary balance according to the programme definition for 2016 was 4.2% of GDP, which is much higher than expected in August 2015, when the ESM program target for 2016 was set at 0.5% of GDP. The table below shows the adjustments made to transform the ESA primary balance outcome reported by Eurostat into the primary balance outcome under the ESM programme.

From ESA to programme primary balance in 2016

	mn EUR unless otherwise stated	**2016**
	Eurostat EDP balance, mn EUR	1,288
	Interest expenditure	5,649
	Programme Adjustors [= (1) + (2) + (3) - (4) - (5)]	419
1	Banking support (expenditure - revenues)	-57
	Primary expenditure	0
	Revenues	57
2	Migration costs net of EU transfers	30
3	Change in unprocessed tax refunds	847
4	Privatization receipts	26
5	ANFA & SMP transfers	375
	ANFA	332
	SMP	43
	Programme primary balance	7,356
	Programme primary balance - % of GDP	4.2

The over-performance vis-à-vis the target in accrual terms stems from several sources:

- Economic activity was backed by the surprising resilience of nominal private consumption and compensation of employees that supported revenue collection. In particular, compensation of employees recovered to nearly 3% growth against the initial projection of -0.4% while nominal consumption recorded a solid 1% growth against a 0.7% fall expected earlier, proving that the private sector remained resilient to the capital controls introduced in 2015.
- Corporate income tax receipts in 2016 strongly outperformed expectations due to a strong growth in taxable profits in 2015, which exceeded the underlying growth in gross operating surplus, and an improved collection rate. Taxable profits were supported by one-off factors related to low oil prices and the running down of inventories, while there were also some large one-off repayments of tax liabilities by companies in the liquidation process.
- In addition to the favourable impact of the macroeconomic environment and CIT receipts, the revenue outturn was positively affected by a number of one-off factors including higher-than-expected BoG dividends from ELA lending and stock-piling effects ahead of the increase in excise taxes on tobacco from January 2017.
- Primary expenditure in programme terms decreased in nominal terms in 2016 largely due to lower-than-expected investment spending but also due to continued overall expenditure restraint.
- On the other hand, the over-performance materialised despite the inclusion of a one-off bonus to pensioners worth EUR 617m (0.3% of GDP) implemented in December 2016 against the advice of the Institutions. The December 2016 package also included two measures affecting general government revenue: the authorities extended the VAT discount (due to be eliminated by January 2017) by an additional year for a group of islands affected by the migration crisis, while simultaneously increasing the excise duty on coffee products. Taken together, these measures are likely to have a small negative impact (-33m) on revenue in 2017 and positive one in 2018, assuming the VAT discount is abolished by 2018.
- Overall, less than a half of the over-performance in 2016 is related to revenues that have a carryover impact to the 2017 and medium-term.

3.1.2 Measures to reach the 2018 ESM fiscal targets

The authorities have adopted a EUR 535m (0.3% of GDP) package of measures to reach the 2018 ESM fiscal target. The package is broadly balanced in terms of its impact on revenues and expenditure. For the main part, it consists of savings coming from tax expenditures and social benefits that were identified in the context of the Social Welfare Review undertaken with the technical assistance of the World Bank and proposed by the authorities in December 2016 to cover the gap created by the roll-out of the GMI, which – in line with an existing SMoU commitment – was agreed to have a fiscally neutral impact. Additional savings include the new claw-backs on health spending, small savings in military allowances and the unified wage grids, and revenues from taxing short-term tourist rentals (see Table below).

Table 2. Parametric fiscal measures to reach the ESM primary surplus targets in 2016-2018 (net savings)

	% of GDP			m EUR		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Primary balance target 1/	0.5	1.75	3.5	879	3171	6571
Primary balance under baseline scenario 2/	4.2	1.9	3.2	7373	3429	6038
Fiscal gap under baseline scenario	**-3.7**	**-0.1**	**0.3**	**-6493**	**-258**	**533**
Total parametric policy package (I+II+III)	**0.0**	**0.1**	**0.3**	**0**	**125**	**535**
I. Social welfare review	**0.0**	**0.0**	**0.1**	**0**	**0**	**259**
Tax credit for medical expenses	0.0	0.0	0.1	0	0	121
1.5 percent discount on withholding	0.0	0.0	0.0	0	0	68
50% cut in heating oil allowance	0.0	0.0	0.0	0	0	58
Unprotected child benefit	0.0	0.0	0.0	0	0	5
Income Support for Low Income Families	0.0	0.0	0.0	0	0	2
Poverty and Natural Disaster Benefit	0.0	0.0	0.0	0	0	3
Unempl. benefits for entrants to the labour market	0.0	0.0	0.0	0	0	2
II. Other expenditure measures	**0.0**	**0.1**	**0.1**	**0**	**125**	**228**
Healthcare clawback extension/reduction	0.0	0.1	0.1	0	125	188
Performance incentives in the unified wage bill	0.0	0.0	0.0	0	0	33
Military allowances	0.0	0.0	0.0	0	0	7
III. Other revenue measures	**0.0**	**0.0**	**0.0**	**0**	**0**	**48**
Rental sharing tax reform	0.0	0.0	0.0	0	0	48
Fiscal gap after total permanent parametric policy package 3/	**0.0**	**-0.1**	**0.0**	**-6493**	**-383**	**-2**
Memo items: GDP - mn EUR				175 888	181 204	187 745

1/ Primary balance as defined under the Economic Adjustment Programme, 2/ Includes measures legislated in July 2015-June 2016

3/ (-) signals over-performance vis-à-vis target; (+) signals fiscal gap vis-à-vis target

A major reform of the welfare system, based on the relevant recommendations of the Social Welfare Review provided by the World Bank, will be implemented by 2018. This will aim at streamlining the system and better targeting the needs of the most vulnerable, including the re-direction of resources to the financing of the national SSI roll-out. It shall include (i) a streamlining of regressive tax expenditures that mostly benefit those at the top of the distribution; (ii) a reduction of the heating allowance benefit that was found that it is concentrated among those at the top of the distribution and makes up a relatively small share of the incomes of the poor; and (iii) an elimination of benefits overlapping with the SSI or family benefits, including the unemployment benefit for those entering the labour market.

Other elements of the fiscal package include structural measures focusing on improving expenditure efficiency and a reform of the rental sharing framework. The authorities have adopted structural measures to rationalise healthcare spending anchored through adoption of a closed budget (clawback ceiling) to cover items previously not under clawback in the budget category "Other illness benefits (cash & kind)" in 2017 and a subsequent reduction of the clawback ceiling in 2018. Further measures on the expenditure side include a rationalisation of the performance incentives in the public sector wage bill and of allowances in military sector, including (i) the eligibility conditions and calculation formulas for dangerous operations allowances, and (ii) the rationalisation of service abroad allowance by reducing positions and duration of postings abroad. Finally, the authorities have put in place a legislative framework of short-term tourist accommodation rentals. This provides a regulatory framework for the taxation of the property sharing economy to enable tax payments and safeguard tax revenues from occasional and short-term leasing of immovable property.

3.1.3 Measures for the post-programme period

Taking on board the statements of the Eurogroup, the policy package agreed with the Greek authorities in the context of the 2nd review of the ESM programme has been developed on the basis of a shared conditionality among all institutions which could provide a basis for the IMF to come on board with a new financing programme. This includes policies to enable Greece to achieve and sustain a primary surplus of 3.5% of GDP over the medium-term. To this end, it includes a fiscal package that was enacted on 18 May 2017, but which would enter in to force as of 2019. This provides additional guarantees to the achievement of the fiscal targets in the medium term, in view of divergences in projections between the European institutions and the IMF. Moreover, it helps restructure public finances in a more growth-friendly manner and brings pension expenditure and the tax-free threshold closer to the European average.

On the consolidation side, the package includes:

- a pension reform delivering net savings of 1% of GDP in 2019 and over the medium term, mainly through the immediate "recalibration" of negative personal differences of both main and supplementary pensions, i.e. reducing existing pensions in line with the new rules adopted in 2016 (by an average 14%). Nominal cuts in both main and supplementary pensions would be capped at a maximum of 18%. The recalibration is combined with an indexation freeze of all pensions in 2019-2022, in line with the political understanding reached by the Eurogroup on 22 May on the length of the medium term.
- a reduction of the personal income tax credit to broaden the tax base, delivering net savings of 1% of GDP in 2020 and over the medium term. The implementation of this measure can be brought forward 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 a frontloaded implementation is needed in order to reach the agreed 3.5% primary surplus fiscal target in 2019 in a growth-friendly manner. Provided that the achievement of the target is deemed to be secured in a growth-friendly manner, the size of the tax credit reduction introduced in that year can be adjusted by the Greek authorities in agreement with the institutions.

On the expansionary side, the package includes:

- a growth-enhancing tax package matching in net terms the yield from the personal income tax reform encompassing (i) a reduction in personal income tax rates with a medium-term fiscal impact of up to 0.8% of GDP; (ii) a reduction in corporate income tax rates with a medium-term fiscal impact of up to 0.1% of GDP, and (iii) a reduction in property tax (ENFIA) with an impact of up to 0.1% of GDP;
- a targeted spending package matching in net terms the yield from the pension reform composed of (i) an increase in spending on targeted welfare benefits (housing allowance; child benefits; school meals; nursery/pre-school education; means-tested reduction in health co-payments) at a cost of up to 0.7% of GDP (ii) high-quality public infrastructure investment of up to 0.15% of GDP, and (iii) active labour market policies of up to 0.15% of GDP.

The legislation provides that the implementation of the expansionary package is contingent upon the achievement of a primary surplus of 3.5% of GDP in a sustainable manner. The implementation can occur if, and to the amount which, according to an assessment provided by the institutions in consultation with the Greek authorities, it will not jeopardise the medium-term ESM programme targets. The European institutions expect that the medium-term ESM fiscal target of 3.5% of GDP can be reached by 2018 and maintained over the medium term: this is due to the fact that Greece will still have a negative output gap for those years and also because the pension reform adopted in 2016 will continue to deliver an increasing fiscal yield over time. Therefore, based on the current forecasts of the European institutions, the expansionary measures are expected to be implemented simultaneously to the consolidation measures and hence, the agreed post-programme package would be fiscally neutral if the European institutions' forecasts are correct.

This package of fiscal measures to enter into force as of 2019 was accompanied by supporting documents from the Greek authorities, which confirm that the measures are in line with Greek constitution and legal order. In addition, the authorities provided a detailed quantitative assessment of the distributional impact of the pension reform, which is an obligation to assess the reform's legality. In line with the SMoU commitment, the authorities have provided (i) a legal opinion that the pension reform is in line with the Greek

Constitution and the Charter of Fundamental Rights of the EU, which expressly refers to and reaffirms fundamental rights as they result, inter alia, from the European Convention for the Protection of Human Rights (ECPHR), which is part of the Greek legal order and (ii) a legal opinion certifying the robustness of the contingency provisions in the package.

Regarding the question of compliance of the pension reform with the Constitution and the ECPHR, the legal opinion under (i) reached a favourable conclusion, having taken into account a number of considerations including pertinent case law, both national and international (Council of Europe, Greek Council of State), namely:

- the fundamental constitutional principles relevant to the proposed reform (equality, proportionality, right to social security, equal burden sharing, social solidarity);
- the legislator's power to affect social security rights, including vested ones, in the name of public interest, taking into account that pension rights are not rights to a specific pension amount; also taking into account past pension policy measures as well as the evolution of tax burden over the years;
- the limit to the legislator's power, which lies in the obligation to preserve intact the core of the pension right, i.e. an adequate standard of living and participation to social life;
- factors justifying reductions (financial crisis, safeguarding the viability of the social security system, avoidance of creating imbalances to the detriment of other sectors of the economy, ensuring an equitable intergenerational burden sharing).

The legal opinion concludes that the Bill rescues the core of the pension right by making the minimum possible necessary cuts and is therefore in line with the Constitution and the ECPHR.

Regarding the question of compliance of the newly legislated contingency mechanism ("CM") with the Constitution, the legal opinion under (ii) also reached a favourable conclusion. It examined, firstly, the fundamental feature of the concept itself of a contingency mechanism, namely the fact that it constitutes legislation whose implementation is conditional upon the fulfilment of certain assumptions made by the provisions under examination. This feature was unequivocally and unreservedly pronounced to be fully compliant with the Greek constitutional order.

Having cleared this matter, the report further identified and investigated the constitutionality of the granting of a special delegation for the issuance of regulatory decrees to the Ministers of Finance and/or Labour, in particular in tax matters.

The opinion concluded in favour of the constitutionality of the delegation, notwithstanding the fact that the administrative acts shall regulate tax matters, on the grounds that the delegation in question does not contravene the prohibition of article 78 of the Greek Constitution with regard to the granting of legislative delegation in tax matters, provided that it relates to objectively non-essential aspects of the taxation, as indeed it does in the context of the CM, given the above-mentioned total lack of any discretionary power of the Minister and the automaticity of the definition of the contents of the regulatory act in direct relation to the prevision of divergence from the target.

The authorities have also adopted a medium-term fiscal strategy (MTFS) for 2018-21 as part of the Omnibus Bill, based on the agreed primary surplus target of 3.5% over the medium term. The MTFS envisages potential additional expansionary measures (both on the revenue and spending side) in case additional fiscal space becomes available. The possible implementation of such measures needs to be fully consistent with the implementation of the contingent package and must not jeopardise the achievement of the medium-term fiscal targets. The MTFS includes safeguards to this effect.

3.2 Fiscal Structural Reforms

3.2.1 Tax policy reforms

The authorities made improvements to the framework of tax legislation. The corporate tax law covering mergers and acquisitions was updated and has been fully implemented. Legislation was passed to begin the process of alignment of the code of public revenues with the code of civil procedure for enforced sale of assets at public auctions and the penalties for pre-Tax Procedures Code offences has been modernised. The extension of the voluntary contribution of the shipping community to 2018 has been agreed by the Board of Directors of the Shipowners' Union on 12 June and will need to be confirmed by the General Assembly on 26 June.

3.2.2 Public financial management and public procurement

Public financial management

Concerning public financial management the government adopted, as part of the omnibus law, legal amendments to strengthen the mandate of the Fiscal Council in the budget process to ensure full compliance with the Fiscal Compact. The Fiscal Council is already operational and executing its mandate, the first of bi-annual report on the budget was published on the autumn 2016. The government is also implementing reforms to improve public finance management practices and to enhance payment processes. Financial management functions have been improved since the beginning of 2017. Also the ex-ante payment audits conducted by the Hellenic Court of Audits were abolished for the central government as of January 2017. From now on, the HCA will only conduct ex-post and systemic audits for central government. The government has also taken steps to harmonise its cash management system by integrating central government bank accounts to the Treasury Single Account and closing central government accounts in commercial banks; the effort to reach a fully harmonised cash management system will continue by integrating also other general government entities' accounts into the Treasury Single Account. Finally, the authorities have adopted a medium-term action plan to comply with the Late Payment Directive, including by setting up a dedicated bank account in BoG where health contributions collected from EFKA on behalf of EOPYY will be transferred at the 5th, 15th and 25th of every month as a temporary solution. A more permanent approach for the automated transfer of health contribution will be decided in context of next review.

Concerning the arrears clearance programme initiated in June 2016, the stock of arrears has been reduced by EUR 3.3 billion until April 2017 and monthly reporting of progress is in place. Notwithstanding the progress in clearing arrears, further efforts will be required to clear the remaining stock of arrears and tackle underlying structural problems that lead to the accumulation of new arrears.

Public procurement

The authorities have adopted a National Strategy on Public Procurement. This strategy assesses major risks in the public procurement cycle, includes actions to increase management and administrative capacity, and fosters accountability and controls with a view to identifying systemic deficiencies and defining realistic solutions in the area of public procurement in Greece. Moreover, two implementing bodies at technical and political level have been established and started their work. A new centralised procurement scheme has entered into force to cover the needs of 2017 onwards. The Greek authorities have also continued to implement the necessary actions to ensure the operation of electronic auctions, with the launching of the new e-system (KHMDHS) taking place this week.

3.2.3 Public revenue reforms

The authorities have continued to complete the establishment of the Independent Authority of Public Revenue (IAPR). The budget of the IAPR, providing for a one off injection of resources, has been voted. The strategic plan and the business plan have been adopted. As for more operational matters, legislation has been passed to allow the reimbursement of travel costs and expenses for the management board of the IAPR and for the international expert assisting the board. A service-level agreement on IT systems has been signed. The IAPR's General Directorate for Financial Services has been put in place and was made fully operational at end 2016. Finally, the remaining 55 key managers have been appointed before end of 2016, as required and secondary legislation has been adopted defining which positions of managers need to rotate regularly.

Efforts to improve tax compliance and fight tax evasion have continued. The authorities have adopted a fully-fledged plan to increase tax compliance. This includes measures to improve declaration compliance and payment compliance. The authorities also passed legislation for the promotion and facilitation of the use of electronic payments. Regarding the fight against tax evasion, the authorities produced a policy paper to clarify the main axes and timeline of the reform to improve the model of cooperation between justice and tax administration in the fight against high level tax fraud, with the goal of rationalising competing and overlapping competences. Two pieces of legislation to this effect have been passed.

Customs efficiency and fight against smuggling have been reinforced. The authorities adopted a strategy against smuggling of fuel and cigarettes. They produced an action plan that will allow the implementation of the trade facilitation roadmap towards the establishment of the Single Window and the streamlining of pre-customs procedures. The authorities also produced a timeline for the full staffing and equipment of all mobile units, thus allowing the move from systematic fixed controls to risk assessed and targeted controls on the whole territory.

Centralization of collection of social security contributions into a single social security fund (EFKA) has been globally implemented, notably by the use of a self-employed contributor registry to bill the contributors from 2017 (save for the limited amounts of seamens' contributions, which will be merged into EFKA in July 2017).

3.2.4 Sustainable social welfare

Pensions

The implementation of the 2016 pension reform (Law 4367/2016) has made good progress. All secondary legislation (Ministerial Decisions and circulars) necessary for the implementation of the reform has been adopted. The pensioners' social solidarity grant (EKAS) is being gradually phased out by 2019. The EKAS awarding rules for 2017 were issued on 20 December 2016, reducing the cost of EKAS by EUR 570 million in 2017. In order to harmonise the contribution base of self-employed with other categories of workers, primary and secondary legislation was adopted changing the definition of the contribution base for self-employed as of 1 January 2018 from net to gross of social security obligations of the previous year, with a 15% reduction in 2018 only.

The authorities have also adopted an action plan on 28 April 2017 that defines the exact scope and timing for efficiency gains to be achieved through the merger of all social security funds into the single fund EFKA. The action plan includes binding quantitative targets for resource savings.

The authorities are progressing with the recalculation and processing of pension claims according to the new benefit rules. By end-May, they had recalculated 10% of claims and processed around 6% of claims, less than the 10% target set as a prior action because of technical problems linked to the application of the new benefit rule. The authorities confirmed that they are technically able to reach this target before the end of the month. This nevertheless implies that the process is behind schedule, and further catch-up will be required to ensure that the end-June key deliverable is completed without significant delay.

Health care

The authorities were called to implement a number of important structural reforms in the area of healthcare to improve the functioning and in general the efficiency of the health care system. The authorities passed legislation to set the budget of EOPYY and support the implementation of an additional clawback as well as other measures to rationalise health care expenditure. In addition, as part of the Omnibus Bill, they adopted further structural measures to contain excessive spending. These include a redefined and unified rebate system and the introduction of improved criteria to introduce new expensive medicines in the list of publicly reimbursed drugs. In addition, EOPYY has elaborated a method to control the reimbursement of items that were previously reimbursed directly to patients and the authorities have adopted secondary legislation to this effect.

To improve the financial management and cost effectiveness of hospitals, the authorities adopted legislation on centralised health procurement as part of the Omnibus Bill. The authorities have also provided evidence of being ready to promptly move forward with the necessary measures to enable the body in charge of centralised procurement (EKAPY) to soon become operational.

As part of a set of recurring commitments to support the decrease of pharmaceutical spending, the authorities are called to publish the bi-annual price bulletin to reduce pharmaceutical prices. The bulletin for May has been published as a prior action. The authorities have also adopted specific measures to target the behaviour of pharmacists, with an aim to support generics penetration by modifying incentives.

Social safety nets

The national rollout of the GMI scheme, the Social Solidarity Income, was successfully achieved as a prior action in February 2017 and has achieved a take-up of some 450,000 people. The authorities ensured its smooth rollout through providing communications materials and training for municipalities. A new Social welfare directorate has been created to deal with SSI. The authorities adopted legislation following the Social Welfare review of the World Bank to eliminate and streamline benefits overlapping with the SSI and to eliminate unnecessary tax expenditures.

4. Pillar II: Safeguarding financial stability

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

A roadmap for the relaxation of capital controls was designed and published by the Ministry of Finance on 15 May 2017. The purpose of the roadmap is to describe the controls currently in place and the macroeconomic and financial stability context in which they apply and to clarify the process of removal of remaining capital controls restrictions and thus further improve depositors' and investors' confidence.

Further measures have been put in place to support the resolution of the high amount of non-performing exposures (NPEs). The NPE ratio of the four core Greek banks remained at a high level of 45% as of end-2016, despite some progress in NPL resolution in the second half of 2016, broadly in line with the agreed NPE/NPL targets. Significant further efforts are required to meet the NPE/NPL targets for 2017 and the following years. To support this process, several legislative measures have been taken in the context of the second review to encourage voluntary debt restructurings of viable debtors, enhance the insolvency framework, reinforce the enforcement procedure through the introduction of electronic auctions and support external NPL servicing. Proper and timely implementation of these measures on a continuous basis is key to ensure their effectiveness for NPE resolution.

The reform of the out-of-court workout (OCW) framework, which was legislated on 28 April 2017, is a key element of the NPL resolution strategy. The OCW framework tackles the peculiarity of the Greek situation, where many firms have large debt both towards banks and the State (tax administration and social security entities). The law provides incentives for creditors and debtors to engage in voluntary negotiations and, for those debtors that are assessed as viable, to reach agreements on holistic debt restructuring solutions, covering all elements of their debts. Greek banks and authorities are working closely together to have the basic infrastructure in place for a functioning OCW system from August 2017 onwards. As an important pre-requisite for the promotion of voluntary debt restructurings, the authorities have also adopted legislation to provide legal protection for private sector and public officials involved in debt restructuring as long as they follow due process.

The modernisation of the insolvency framework and the strengthening of the enforcement procedure are also important elements aimed at supporting debt restructuring. In view of the importance of an effective insolvency framework for supporting debt restructuring, the authorities have modernised the Greek corporate insolvency code and have simplified the insolvency procedure for SMEs, which is expected to reduce its length and cost. As part of the modernisation of the institutional framework for insolvency, the authorities are also taking further steps to operationalise the profession of insolvency administrators; they have adopted necessary secondary legislation and launched the accreditation process. Furthermore, in order to tackle a prolonged standstill in enforcement, which obstructs the recovery of claims and causes significant losses for creditors, debtors and the economy as a whole, the authorities have adopted legislation to allow electronic on-line auctions and are developing the relevant technical infrastructure. It is crucial that all remaining steps will be timely completed with a view to ensuring that first electronic auctions will take place in September 2017.

In order to promote an active secondary NPL market, the authorities addressed the findings of an independent study and introduced legal amendments that simplified licensing and other requirements for NPL servicing companies. So far, only four servicer licences have been issued under the NPL servicing and market law, which was a key element of the first review under the ESM Programme. The revised NPL servicer license framework, specifically streamlined licencing process, is expected to lead to a significantly higher number of issued licences and thus contribute to a competitive NPL market; the BoG has issued the relevant Act on 22 May 2017. At the same time, the monitoring and reporting of key performance indicators has been implemented successfully. The first results show that all systemic banks have reached their relative targets in 2016, even though very minimal deviations in nominal terms are to be reported in two isolated cases.

The compliance phase of the governance reform of both the HFSF and commercial banks has made significant progress. A new CEO of the HFSF was appointed on 18 May. The reconstitution process in the boards of directors of the four core banks has progressed following the HFSF review in 2016, leading to a substantial overhaul of board compositions and new independent non-executive board members joining the boards. Throughout this process, the HFSF ensured that the minimum criteria of the HFSF law were consistently applied for replacements. The Ministry of Finance ensured that the same also holds for the State Representatives in the boards.

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

5.1 Labour market reforms

Under the ESM programme agreed in August 2015, Greece committed to achieve EU best practices across labour market institutions and to foster constructive dialogue amongst social partners. Major changes had been made to Greek labour market institutions and wage bargaining systems between 2010 and 2014, which considerably increased the flexibility of the Greek labour market. The aim of the current ESM programme is to improve the balance between flexibility and fairness, safeguarding the progress already made. To this end, a comprehensive review of the frameworks for collective bargaining, industrial action and collective dismissals was conducted between April and September 2016. The review was led by a group of eight independent experts, and involved a broad consultation of stakeholders. A final report with recommendations was issued in September 2016.

Taking the recommendations of the group of independent experts as basis for discussion, an agreement was reached on a new package of labour market reforms.

- On **collective bargaining**, the authorities agreed that the current framework would remain in force until the end of the macroeconomic adjustment programme. This includes maintaining the existing suspension of the 'favourability principle' (whereby, in case of overlapping collective agreements, the terms most favourable to the employee prevail), and of the possibility for the Minister of Labour to extend sectoral collective agreements to the entire sector. Legislation to confirm the suspensions was adopted as part of the Omnibus Bill, so as to ensure clarity regarding the legal interpretation of the 2011 provisions which had originally introduced such suspensions. In parallel to the legislation, the Government has committed to develop a reliable administrative system to assess the representativeness of social partners signing sectoral agreements.
- On **collective dismissals**, taking also in consideration a judgement by the European Court of Justice, the Greek authorities agreed to replace the existing framework of administrative approval of collective dismissals by the public authorities with a notification procedure of maximum three-months duration which does not involve ex-ante approval. The relevant legislation has been adopted as part of the Omnibus Bill. It was also agreed that a change in the thresholds that define dismissals as collective would not be required.
- On **industrial action**, in order to strengthen the existing guarantees in the civil code regarding the possibility for an employer not to pay salaries to the workers when the enterprise cannot operate because of a strike, legislation has been adopted to establish a fast-track judicial procedure to resolve such disputes. Such mechanism provides an effective balance to the existing formal prohibition of lock-outs, which is considered unanimously by all social partners as not being problematic for industrial relations and the assurances required for businesses to contain the additional costs of obstructed regular operations in case of a strike. In addition, the Greek authorities agreed to modernise relevant aspects of the legislation regulating trade union activity, protection and benefits, after consultation with the social partners. This includes in particular: i) the revision of the list of justified reasons for dismissal of workers under protection as trade union members (which is an *exclusive* list, i.e. a trade union member can be dismissed only for one of the reasons explicitly listed in the legislation); and ii) a rationalisation of the system of leave benefits for trade union members. As the required consultation with the social partners has begun but was not completed in time for an agreement on a comprehensive proposal to be reached, the authorities agreed with the social partners to take some first steps now in the context of the Omnibus bill and committed to continue the process of consultation for the possible further modernisation of the legislation on industrial action. On the first point, the agreement included the

addition of two new items to the list, covering the cases of theft or embezzlement against the employer, and of unjustified absence of more than three days. On the second point, the authorities proposed and legislated a streamlining and consolidation of the existing norms on trade union leave rights.

- The Greek authorities also agreed to assess the role of **arbitration** within the existing system of industrial relations, and to review in consultation with social partners the current procedures for mediation and arbitration by February 2018.

In order to streamline and rationalise the existing body of labour legislation, the existing laws will be codified into a Labour Law Code. A dedicated technical assistance project is being set up for this purpose.

Another important objective of the ESM programme concerns the fight against undeclared work. With the contribution of technical assistance by the ILO, an action plan to tackle undeclared work has been adopted and is already being implemented. The plan promotes an integrated approach to undeclared work, reinforcing the cooperation among different institutions, improving the knowledge about and the capacity to detect the phenomenon, reviewing the system of incentives to promote a transition to the formal economy, and strengthening the capacity of the labour inspectorate.

The expansion of vocational education and training (VET) has been identified as a key element to support growth and job creation. A number of steps are being taken to implement the reform of the VET system, following the adoption of an overall strategy and the finalisation of an implementation plan, which includes specific quantitative targets for the number of apprenticeship places to be created in the next school years for the newly reformed vocational lyceums. In addition, the quality frameworks for VET curricula and apprenticeships have also been adopted. The successful development of a well-functioning VET system depends on the capacity to involve and mobilise the business community. For this, a series of partnerships is going to be established, with the objective of supporting employers in offering quality work-based learning placements, ensuring the sustainable expansion of apprenticeships, and serving as the main effective outreach to companies.

The institutional capacity of the labour administration is also being strengthened, with the provision of technical assistance. The overall objective is that of improving the formulation, implementation and monitoring of policies in order to increase the ability to deliver welfare reforms, active labour market policies, and the design and absorption of Structural Funds. This also encompasses the on-going process of reform of the public employment service, and the development of a new, more modern approach for the delivery of active labour market programmes.

The authorities have also taken steps to further modernise the education system. They have brought the Private Education Act in line with MoU commitments, launched a new OECD report on the Greek educational system, and have issued a circular to implement the agreed three-year education action plan.

5.2 Product markets and business environment

An important part of the structural policy package is the reform of product markets. More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards. Following the decision of the Council of State on Sunday trade, the authorities adopted legislation that alleviates the current restrictions on shops size and type (e.g. shops-in-shop or maximum surface) in the areas where Sunday trade is allowed by a decision of the local authority. In addition, the primary legislation sets five touristic areas that will be allowed to operate on Sundays for the period May to October, with the exception of one Sunday in mid-August. Secondary legislation will be issued in June 2017 as a key deliverable for the exact definition of the limits of these areas. With the objective to increase competition and reduce average pharmaceutical prices, the adopted legislation will allow the implementation of the liberalisation of the prices of Over-the-Counter pharmaceutical products. Finally, the agreement between the Greek authorities and the Standardisation Agency will allow the harmonisation and standardisation of national technical standards with European standards for building materials.

Two thirds of the recommendations of the OECD competition assessment (Toolkit III) have been implemented as a prior action. This new round of an OECD competition assessment (Toolkit III) was launched in early 2016. The Toolkit III aims at the alleviation of unjustified and disproportionate restrictions in the access to markets. It relates to the sectors of e-commerce, media, construction, pharmaceuticals, chemicals and wholesale trade. In November 2016, the final report containing 371 recommendations was delivered. Consistent with the timeline agreed with the institutions, the authorities have so far adopted 270 recommendations; amongst others such important reforms as the abolishing of the exclusivity of central markets, further alleviation of restrictions in the fuel and transport markets and the elimination of advertising restrictions for plant protection products and pharmaceuticals have been implemented. In general, legal uncertainty was significantly decreased by removing old provisions which could be considered contradicting newer legislation, creating a more stable and transparent framework for businesses. The authorities are continuing work in close collaboration with the OECD and the institutions to fulfil the outstanding recommendations in the agreed timeframe.

With the support of the World Bank, the reform and simplification of the investment licensing procedures has continued. The framework law for the simplification of investment licensing was adopted in late 2016. The required secondary legislation for the first three key sectors that move into the notification process has been adopted, namely: a) Food and Beverage manufacturing, b) Shops of health safety interest (e.g. café, restaurant etc) and c) Tourism. Moreover, the adopted legislation on the licensing of enterprises in the food sector of animal origin has clarified the currently existent overlapping competences.

The alleviation of unjustified and disproportionate restrictions in regulated professions has continued. In November 2016, the authorities adopted primary legislation for the initiation of the committee and working groups' deliberation on removing restrictions in the engineers' activities, and a Presidential Decree is expected to be submitted to the Council of State by end-June 2017. In addition, primary and secondary legislation was adopted to address a number of recommendations on the basis of the recommendations of the external advisor and the OECD Toolkit III report in relation to key regulated professions such as stevedores, health providers, private employment agencies, lawyers. In addition, primary legislation was adopted as a first step to remove unjustified and disproportionate restrictions relating to the registry system for public works engineers. This will be followed up by a Presidential Decree to be submitted to the Council of State in June 2017.

Progress is being made towards reduce red tape. The licensing procedure for fuel traders was simplified, while the new law on One-Stop-Shops for businesses will allow the electronic incorporation of companies. Finally, the submission of the draft Presidential Decree on the External Environmental Assessors is the first step towards allowing the creation of external environment assessors' registry; it will facilitate/expedite environmental licensing.

Work has continued regarding the implementation of the recommendations of the first round of ex-post assessment on selected policies in relation to competition and licensing. Following the ex-post assessments in selected reforms stemming from the OECD's Toolkit Competition Assessment I and in Business Parks, a number of measures were adopted toward the full implementation of the reforms. In addition, the Terms of References of the second round of ex-posts impact assessments on the implementation of reforms in the context of the previous Economic Adjustment Programmes for Greece were agreed (i.e. tourism and book prices).

The authorities have pursued further reforms in the area of land use and cadastre. They have adopted primary and secondary legislation to improve the framework of spatial planning, and have uploaded forest maps covering about one-third of the country for public consultation. KYSOIP has endorsed the roadmap for nationwide cadastral offices, prepared with technical assistance from the World Bank. The authorities have already starting the drafting of primary legislation in accordance with the principles set out in the roadmap, to be adopted by September 2017.

5.3 Regulated Network Industries (Energy, Water, Transport)

Energy

Reforms in the Greek energy markets are progressing. They are expected to lead to greater competition, a decrease of distortions and an increase in investment, bringing benefits to all consumers. In the electricity market, the dominance of the incumbent (Public Power Corporation, PPC) is being reduced through several instruments, while in the gas market the liberalisation process continues to be implemented.

Following a ruling by the European Court of Justice in December 2016, a process has been launched under EU competition rules to bring around 40% of PPC's lignite-fired generation capacity under the control of other market participants. The technical principles based on which the exact package of divestment will be defined have been agreed and further specified in a formal communication of the Hellenic Republic to the Directorate-General for Competition of the European Commission.

The auctioning of electricity by PPC is being implemented, and, coupled with the divestment of lignite plants, is expected to bring the market share of PPC below 50% by 2020 as scheduled. Auctions are meant to increase competition in the retail electricity market, giving access to alternative suppliers to electricity produced by PPC's hydro and lignite generation capacity at marginal cost of production. The review introduced an increase of auctioned quantities and an acceleration of monitoring, in order to react more quickly to possible deviations. The schedule for revisions of the reserve price was also specified. A joint assessment, by the Authorities and the Institutions, was also introduced to evaluate the impact on the auctions of the implementation of structural measures and of the other market reforms which are expected to be completed under the programme, such as the transition to the target model. In April 2017, the retail market share of PPC was 86.66%, down from 95.24% of August 2015.

The completion of the full ownership unbundling of ADMIE, the transmission system operator, including the acquisition of a 24% stake by a strategic investor (State Grid of China), is a key step to unlock essential investment in the network. The closing is expected to occur on 20 June, following the completion of the ongoing regulatory and merger procedures by the European Commission.

An important element which is being addressed is the financial situation of PPC, which suffers from its long-standing inability to collect overdue revenues from consumers. Several instruments have been included in the programme, such as the clearing of arrears from the public and private sector and the adequate remuneration of PPC for public service obligations towards vulnerable customers and customers on the non-interconnected islands. This is a significant challenge, which will require decisive action in the short to medium term following the adoption of the action plan.

Other reforms in the electricity market have also advanced during the review, such as the implementation of the target model, the elimination of the debt in the RES account (financing of suppliers of renewable energy sources) and the implementation of the new RES support scheme.

In the gas market, the liberalisation process is ongoing, with full ability for all customers to choose their own supplier from January 2018. Improved competition is being ensured by the unbundling and regulation of distribution from supply, and the increase in the quantities auctioned by DEPA, the incumbent, under the gas release programme. Important issues of conflict of interest within the supply companies, which are majority-owned by DEPA but managed by international investors, will be resolved in the near future.

The re-launch of the privatisation of 66% of DESFA is a key element of the reform package. The expression of interest will be launched by TAIPED in the context of the review, and it was also agreed and legislated that DESFA will operate under full ownership unbundling rules. Apart from favouring investment, competition and proper management of the network, unbundling will also prevent the problems which provoked the failure of the previous privatisation, in which the acquisition by a vertically integrated operator raised significant concerns.

Water and transport

A stable regulatory regime is key for allowing much-needed investment in the water networks and to protect consumers in terms of pricing policies. The authorities have adopted secondary legislation setting out the principles for costing and pricing of water services. Furthermore, the administrative and regulatory capacity of the Special Secretariat for Water is being strengthened with the help of technical assistance. The Athens Thessaloniki water companies have launched a process of preparing business plans, including for investments and key capital projects for the next five years.

Strategic changes are underway in the transport and logistics sector. The authorities, with the support of technical assistance, have finalised the terms of reference for a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics) and thus establish a long-term strategy for the sector. In addition, the authorities have completed a comprehensive review of subsidies for all transport modes with a view to rationalise and prioritising public spending for transport subsidies. On logistics, the authorities have adopted secondary legislation required for implementation of the logistics law, finalised the logistics strategy and taken step towards its implementation.

5.4 PRIVATISATION

Hellenic Corporation of Assets and Participations

A new privatisation and investment fund, the Hellenic Corporation of Assets and Participations (HCAP) was established through law 4389/2016 in line with the statement of the Euro Summit of 12 July 2015. The purpose of HCAP is to manage valuable Greek assets; to maximize their value, which it will monetize in order to contribute to strengthening the development of the Greek economy and reduce the financial obligations of the Hellenic Republic.

Following the appointment of the Supervisory Board and subsequently the Board of Directors of HCAP, the latter has been constituted as a body and started working as from 16 February 2017. It started the process of assessing the members of the BoD of its subsidiaries, excluding the HFSF, and it is taking the steps required to proceed with the setting up of Public Holdings Company (EDIS), the subsidiary for State-owned enterprises.

The key internal regulations, that will make possible the full functioning of HCAP, have been adopted by the General Assembly, and the list of remaining SOEs that will be transferred to HCAP has been agreed. The internal rules will ensure that HCAP is managed on a professional and independent basis and operates in line with international standards and best practices, including the OECD Guidelines on the corporate governance of SOEs. The process of determining the remaining real estate portfolio to be transferred to HCAP has also been set up as agreed.

Privatisation Projects

Privatisation helps to make the economy more efficient and contributes to reducing public debt. Implementation of the Asset Development Programme of the Hellenic Republic Asset Development Fund (HRADF) (by means of direct sale, concessions, securitisations, or other forms of monetisation) regarding all its core assets is key to stimulate private investment, increase efficiency, and provide financing to the State. The Government and HRADF have taken important steps in advancing the privatisation programme forward over the past months, including the closing and handover of 14 regional airports to Fraport, whereas the HRADF BoD has approved the Athens International Airport (AIA) financial offer for the extension of the concession agreement. The financial closing for the latter is subject to approval by the relevant Greek and EU authorities.

As part of the review, the authorities have committed to take the necessary measures to move forward with key privatisation projects. KYSOIP has endorsed the Asset Development Plan (ADP) approved by HRADF. The procurement process for hiring advisers for the key remaining tenders under the ADP has been launched. The authorities have also taken the necessary measures to make further progress with the launch of tenders related to Egnatia. They have agreed with the investors on the specific actions resolving the outstanding issues on Hellinikon project, notably forestry and archeological issues, and the Integrated Development Plan was officially submitted by the investors to the competent authorities on 15 June. Moreover, the authorities have completed the necessary Government Prior Actions identified by the institutions and HRADF.

6. Pillar IV: A modern State and Public Administration

6.1 Public administration

Public administration reforms are a key pillar of the ESM programme. The package of legislative reforms which was agreed under the programme has been completed, and its implementation is progressing. Two key elements which were legislated during the review are the reform of specialised wage grids, which complements the already implemented reform of the unified wage grid, and key elements for the creation of a modern mobility system.

The reform of specialised wage grids completes the reform of the remuneration system of public administration employees. The reform followed the same approach which was used for the reform of the unified wage grid, which was approved in 2015 and implemented. Important elements were the reduction in the number of specialised grids (from 20 to 8), and the simplification and consolidation of a wide array of allowances. The reforms covers almost one third of the total public employees, with the other two thirds covered by the unified wage grid reform. The reform will imply some marginal additional costs which will be financed, among others, by a limited use of resources from some performance-related elements of the unified wage grid.

A modern mobility scheme was created, which promotes the use of job descriptions and will be linked with an online database that will include all current vacancies, with the first mobility exercise to be launched in September 2017. This scheme will replace a very cumbersome and inefficient process, which led to the abuse of secondments as an instrument of mobility. Secondments will be limited to exceptional cases and will not be able to last more than one year, while the transfer of employees will become the normal instrument for mobility.

Key elements for the de-politicisation of the public administration are being implemented. The process will lead to the complete renewal of the management, including the replacement of politically appointed Secretaries General with Administrative Secretaries, which will have a fixed-term contract and cannot be replaced on a discretional basis. Implementation of the new performance assessment scheme, which is an important element also for the recruitment of managers, is also ongoing.

6.2 Justice

The legislative framework and technical infrastructure for the regulation and conduct of electronic auctions has been enacted and the relevant technical infrastructure has been put in place. The new electronic auction system shall operate under the principles of fairness, transparency and maximization of the value of the proceeds through enhanced competition, by providing easy online access to all interested parties worldwide, dispensing with the need of their physical presence at the auction and guaranteeing legal certainty and security. The pilot version of the web portal was delivered in March 2017 and is currently being tested and perfected in view of its full operationalization by end-July. The legal amendments allow creditors to opt for the e-auction system also in cases where the seizure was imposed at any time prior to their entry into force. The necessary enabling legislation, regulating specific substantive, procedural and technical requirements, has been adopted.

6.3 Anti-corruption

The authorities have amended the legal framework for the funding of political parties. The new legislation improves the legal framework notably by applying only to past loans a provision limiting seizures on public political parties financing, and by abolishing a provision allowing EUR 150,000 per year of anonymous funding to be collected in "fund raising campaigns". However, is the legislation contains a provision reinstating anonymous coupons for financing of political parties. Such anonymous coupons can now represent up to 5% of the state financing of the respective party, or EUR 100,000 per year. This is not in line with the recommendation by GRECO "*to abolish the possibility to use anonymous coupons for donations to political parties, coalitions and candidates".* The authorities have asked for a further assessment of the legislation by GRECO, which is the competent authority. Given that such an assessment will not be available before autumn, the authorities have committed to bring the legislation fully in line with GRECO's recommendations immediately once the assessment becomes available; this commitment has also been enshrined in the SMoU. Regarding other elements of the legislation, the authorities adopted legislative amendments with further clarifications regarding provisions on lending by banks to beneficiaries of public political funding.

In order to **insulate financial crime and corruption investigations from political intervention** the authorities amended provisions of legislation put in place in 2015, deleting provisions which could be read as giving powers to the minister on individual investigations.

6.4 Independent agencies

The reform of the statutory framework for independent agencies in Greece will strengthen their autonomy and effectiveness by introducing a unified set of fundamental rules, horizontally applicable to all agencies, constitutionally protected ones and others; said rules will be benchmarked against European best practice and will further integrate EU acquis into Greek legislation. As part of the review, the main principles for the required revision of the legislative framework have been agreed with the authorities.

ANNEX: Debt sustainability analysis and programme financing

1. DEBT SUSTAINABILITY ANALYSIS

Greece's debt-to-GDP increased from 177.4% in 2015 to 179.0% in 2016, which was lower than estimated in the DSA scenario A of June 2016 (182.9%).[3] This is mainly due to the 2016 primary surplus (programme definition) of 4.2% of GDP which was well above the programme target of 0.5% of GDP. Despite the sizable primary surplus, the debt-to-GDP ratio increased due to debt-increasing stock-flow adjustments related to lower accounts payable and the net acquisition of financial assets. The accounts payable were reduced by EUR 2.1 bn in 2016 mainly due to the arrears clearance programme. The net acquisition of financial assets by EUR 3.1bn was mostly related to an increase of general government cash deposits.

Going forward, the debt-to-GDP ratio is expected to start gradually decreasing from 2017. The DSA projections assume that Greece will continue its arrears clearance programme in 2017 and 2018 such that it would have cleared all remaining arrears (EUR 6.5bn) by the end of the programme. The projections also assume that the total programme disbursement would be EUR 58.6 bn, which is EUR 27.4bn lower than the original envelope. The reduction in the estimate of programme financing is mainly due to lower bank recapitalization needs, a higher primary surplus and higher usage of subsectors' financial resources. The DSA also incorporates all the short-term relief debt measures outlined in the Eurogroup statement of May 2016, and approved by the EFSF/ESM governing bodies in January 2017 (see Box 1). The assumptions in the DSA scenario A regarding the other main input parameters are the following:

- Short-term real GDP growth is assumed to be in line with the Commission's spring forecast. Long-term real GDP growth is projected to level off to 1.5% after 2021, when the output gap has closed, and to decline to 1.25% after 2030 due to the effects of population ageing. Inflation is projected to gradually converge from 1.2% in 2017 to about 2% in 2024 and to maintain this level thereafter. As a result, nominal growth is projected to level off at about 3.25% over the long run.

- Total privatisation revenues from bank and non-bank assets are estimated at about EUR 17bn between 2017 and 2060, of which EUR 13bn from the privatisation of non-bank assets. These projections for privatisation proceeds are based on already agreed sales and concessions. No further bank recapitalisation is foreseen at this stage and it is assumed that more than three-quarters of the funds used for bank recapitalisation in 2015 can be recovered from the privatisation of bank assets (EUR 4.5 bn), of which EUR 2 bn have been already repaid in February 2017.

- In terms of the primary balance path, Greece is expected to reach a primary surplus of 1.75% in 2017 and 3.5% in 2018. Afterwards, Greece is expected to maintain the 3.5% primary surplus until 2022, after which the primary surplus starts to decrease 0.5 p.p. per year levelling off at 2.2% as of 2025. This is a substantial change compared to the June 2016 DSA, when the primary surplus was expected to remain at 3.5% until 2028, and is based on an analysis of sustainable primary surpluses in other high debt countries.

- Market rates, modelled as the expected risk-free rate plus a risk premium, are expected to reach 5.1% in 2019, to increase to 5.5% in 2021 in line with the projected increase in the risk free rate, and to slowly converge to 4.3% by 2060 thereafter. The average market re-financing rate after the end of the programme averages 4.9% in the projections.[4]

[3] Accrued interest payments of EFSF loans, for which deferral of interest was granted in 2012,are not recorded in the official EDP debt , while they are in the programme DSA in the year they accrue. The debt-to-GDP projection in June 2016 excluding the cumulative deferred interest of EFSF deferrals was 180.4% of GDP.

[4] In line with the modelling assumptions of the June 2016 DSA, a lower market rate risk premium sensitivity parameter to the debt level is assumed (3pp for every 1% debt-to-GDP higher than 60%) after the implementation of the short-term debt measures in order to reflect the reduced interest rate risk of the official sector loans to Greece.

Based on these assumptions for the scenario A, Greece's debt-to-GDP ratio is expected to reach 176.5% in 2017, 159.9% in 2020, 123.1% in 2030 and 91.2% in 2060. The gross financing need (GFN) is forecasted at 17.5% of GDP in 2017, before strongly decreasing to 9.3% in 2020. The GFN-to-GDP rate is projected to increase from the 2020s onwards, surpassing 20% after 2045 and reaching 20.8% by 2060. This is above the thresholds levels which the Eurogroup, in its statement of May 2016, considered to be sustainable. These projected debt dynamics already reflect the positive impact of the implementation of the short-term measures, which were estimated to reduce the debt-to-GDP and GFN-to GDP rates in 2060 by more than 20 and 5 percentage points respectively. Given the high debt-to-GDP and GFN-to-GDP levels, concerns remain regarding Greece's debt sustainability under this scenario.

Box 1. Short term debt measures

The updated DSA includes an estimated impact of short-term debt measures decided by EFSF/ESM governing bodies in January 2017 which are currently under implementation. The short-term measures will improve the debt sustainability in the long term by extending loan maturities and reducing interest expenditure on EFSF and ESM loans, taking advantage of current low market rates.

- **Smoothening the EFSF repayment profile under the current weighted average maturity**. The maximum weighted average maturity (WAM) under the EFSF Master Financial Facility Agreement (MFFA) was set at 32.5 years. Due to the early repayment of €10.9bn in February 2015 and other factors, the WAM was reduced to 28.3 years, which allowed extending the WAM by four years and at the same time smoothening the repayment schedule.

- **Using the EFSF/ESM funding strategy to reduce interest rate risk without incurring any additional costs for former programme countries by** (i) exchanging back-to-back floating rate notes with fixed rate notes and extending their maturity to long-term, (ii) taking interest rate swaps for ESM loans, and (iii) introducing matched funding for future disbursements to Greece under the current programme.

    - Notably, the implementation of the above schemes is subject to market conditions and the ESM will assess the feasibility and benefits of transactions for Greek debt sustainability on an ongoing basis.

- **Waiver of the step-up interest rate margin for the year 2017** related to the debt buy-back tranche of the 2nd Greek programme.

Two more conservative scenarios were also simulated to reflect a more unfavourable economic environment (scenarios B and C). In scenario B, the assumed growth rate for nominal GDP is lowered by 0.25 p.p. per year compared to the scenario A between 2023 and 2060, settling at 3%. The primary balance will level off to 2% as of 2025. In scenario C, nominal GDP growth is reduced by 0.55 p.p. per year compared to scenario A between 2023 and 2060, reaching a long-run level of 2.7%. The primary surplus is assumed to follow the scenario A path until 2022 and then immediately decrease to 1.5% as of 2023. In scenario C, the long-run interest rate for EFSF/ESM loans is 3.8% after 2030 compared to of 3.3% in scenarios A and B. Additionally, lower privatization proceeds are assumed throughout the DSA horizon.

- Debt-to-GDP stabilizes at a higher level in scenario B and starts increasing slowly from 2045 onwards, reaching 139% in 2060. The debt dynamics in scenario C become explosive from the mid-2030s onwards and debt reaches 241% of GDP in 2060.
- The picture is similar for GFN-to-GDP. In scenario B, it exceeds the 20% threshold in 2037 and reaches 32% by 2060; in scenario C, it exceeds 20% in 2033 and goes to 56% by 2060.

The scenario D assumes more favourable long-term growth and a better fiscal performance. Growth is assumed to be 0.2 pp higher compared to the scenario A after 2030. The overall primary surplus is assumed to average at 2.3% of GDP in the 2023-60. In this scenario debt-to-GDP is at 160% in 2020 and 122% in 2030, before decreasing to 75% in 2060. The GFN-to-GDP starts increasing slowly after 2021 but remains under the 20% threshold over the whole projection horizon reaching 16.9% of GDP in 2060.

The high debt-to-GDP and gross financing needs resulting from the DSA analysis points to serious concerns regarding the sustainability of Greek public debt. These concerns should be addressed inter alia through the sustained implementation of the far-reaching reform programme contained in the supplemental MoU, a process which requires strong ownership on the part of the Greek authorities. It also will require the implementation of additional debt-mitigating measures, building upon the conditions and commitments set down in the Eurogroup statements of 25 May 2016 and 15 June 2017. An appropriate combination of debt management measures (including the full implementation of the short-term measures), extension of maturities and grace periods for principal and interest, plus the use of SMP and ANFA equivalent profits would allow to bring Greek debt back to a sustainable level in gross financing needs terms.

Debt sustainability, and thus the need for additional debt measures, should be assessed in a manner that caters for a number of downside risks. There is uncertainty surrounding the capacity of the Greek government to sustain high primary surpluses over several decades. In addition, there are significant downside risks to growth linked to ageing populations and trends in total factor productivity.

Table 3. Greece: main DSA results

		2016	2017	2018	2019	2020	2021	2022	2030	2040	2050	2060
Debt-to-GDP	Scenario A	179.0	176.5	174.6	167.2	159.9	153.0	146.8	123.1	109.3	99.9	91.7
	Scenario B	179.0	176.5	174.6	167.2	159.9	153.0	146.8	129.3	123.2	126.2	139.0
	Scenario C	179.0	176.5	174.6	167.3	160.3	153.7	147.7	141.1	153.0	185.8	241.4
	Scenario D	179.0	176.5	174.6	167.2	159.9	153.0	146.8	122.3	104.7	90.3	75.4
GFN-to-GDP	Scenario A	15.0	17.5	14.2	13.5	7.7	6.3	9.5	14.7	19.2	21.4	20.8
	Scenario B	15.0	17.5	14.2	13.5	7.7	6.3	9.5	15.8	22.3	27.6	32.2
	Scenario C	15.0	17.5	14.2	13.5	8.0	6.7	9.9	18.5	29.6	42.2	56.6
	Scenario D	15.0	17.5	14.2	13.5	7.7	6.3	9.5	14.5	18.2	19.1	16.9

Source: European Commission

Table 4. Underlying assumptions

			2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	2050	2060	Avg 2019-60	Avg 2023-60
Assumptions	Primary surplus (%GDP)	Scenario A	1.8	3.5	3.5	3.5	3.5	3.5	3.0	2.5	2.2	2.2	2.2	2.2	2.2	2.4	2.2
		Scenario B	1.8	3.5	3.5	3.5	3.5	3.5	3.0	2.5	2.0	2.0	2.0	2.0	2.0	2.2	2.0
		Scenario C	1.8	3.5	3.5	3.5	3.5	3.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.7	1.5
		Scenario D	1.8	3.5	3.5	3.5	3.5	3.5	3.0	2.5	2.3	2.3	2.3	2.3	2.3	2.4	2.3
	Nominal growth (in %)	Scenario A	3.0	3.6	4.0	4.0	3.9	3.9	3.7	3.6	3.4	3.4	3.2	3.2	3.2	3.4	3.3
		Scenario B	2.7	4.1	4.0	4.0	3.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
		Scenario C	2.7	2.6	3.8	3.7	3.3	3.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.7
		Scenario D	4.1	4.1	4.0	4.0	3.9	3.9	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.5	3.5
	Re-financing rates (%)	Scenario A			5.1	5.4	5.5	5.5	5.5	5.5	5.5	5.3	4.9	4.6	4.3	4.9	4.9
		Scenario B			5.1	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.3	5.3	5.7	5.4	5.4
		Scenario C			5.1	5.4	5.5	5.6	5.6	5.6	5.7	5.8	6.0	6.0	6.0	5.9	5.9
		Scenario D			5.1	5.4	5.5	5.5	5.5	5.5	5.5	5.3	4.7	4.3	3.9	4.8	4.7
	EFSF rates (%)	Scenario A, B & D	1.5	1.3	1.3	1.4	1.6	1.8	2.1	2.3	2.5	3.1	3.3	3.3	3.3	3.0	3.2
		Scenario C	1.5	1.3	1.3	1.4	1.6	1.8	2.1	2.3	2.5	3.2	3.8	3.8	3.8	3.3	3.4
	Non-bank privatisation proceeds (€bn)	Scenario A, B & D (Total = €12.7 bn)	2.2	2.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0		
		Scenario C (Total = €4.3 bn)	2.2	2.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	Bank privatisation proceeds (€bn)	Scenario A, B & D (Total = €4.5 bn)	2.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0		
		Scenario C (Total = 2 bn)	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Source: European Commission

2. Programme financing

A new ESM programme with an envelope up to EUR 86 bn was agreed with the Greek authorities in August 2015. As part of the ESM programme, a first tranche of EUR 26 bn was approved in August 2015, including up to 16 bn for fiscal and debt service needs paid out in three disbursements. In addition, EUR 5.4 bn were disbursed under the first tranche in the form of ESM notes to Greece in December 2015 to meet recapitalisation needs of two systemic banks. The second tranche of EUR 10.3 bn was approved in June 2016 and was split into two disbursements. The first disbursement of EUR 7.5 bn was disbursed in June 2016, following the implementation of prior actions for the 1st review. Of this first disbursement, EUR 5.7 bn covered debt service needs, while EUR 1.8 bn was dedicated for domestic arrears clearance. The second part of EUR 2.8 bn was disbursed in October 2016 and was split again for arrears clearance and debt servicing. Out of this, EUR 1.7 bn was dedicated to arrears clearance after positive reporting by the European institutions on the progress of net arrears clearance. The remaining amount of EUR 1.1 bn was released for debt serving needs once the Greek authorities completed a number of milestones related to pension, privatisation (including the operationalisation of new privatisation and investment fund HCAP), bank governance, revenue agency and the energy sector.

The current projected programme funding over the course of the full ESM programme is lower by EUR 27.4 bn compared to the overall envelope of EUR 86 bn agreed in the August 2015 assessment. This is mainly due to substantially lower public bank recapitalisation needs compared to what originally foreseen (only EUR 5.4 bn were used out of an estimated total of EUR 25 bn, of which EUR 2 bn have been already repaid) and lower fiscal needs given the better-than-expected primary balance outcomes in 2015 and 2016. In addition, the authorities have improved the cash management of the General government resources through increased repo operations. The new SMoU requires further improvement of the centralization of subsectors resources for liquidity management purposes [*Section 2.4.1 in the SMoU*]. This is expected to provide additional cash resources by the end of the programme which is expected to be utilized for clearing arrears with own resources.

Compared to August 2015, the following main changes were made in the projected financing needs and resources:

- a reduction in the bank recapitalization needs by EUR 19.6 bn following the comprehensive assessment and the significant private capital raising of banks in the recapitalization exercise undertaken last year,

- an improvement in the state primary fiscal surplus of EUR 5 bn throughout the programme period following a better fiscal performance in 2015 and 2016,

- an increase of the projected available subsectors cash reserves in the Bank of Greece for liquidity management purposes by more than EUR 2 bn.

Overall, EUR 54.3 bn out of the EUR 86 bn ESM programme envelope have not yet been disbursed. For the remainder of the programme (June 2017-August 2018), Greece would need to cover EUR 18.9 bn in amortisation and interest payments, whereas the attainment of state cash primary surpluses in line with the ESM programme targets would reduce financing needs by EUR 5 bn. The authorities also need to clear arrears of about EUR 6.5 bn, of which up to EUR 3.1 bn could be financed through the programme. The remaining stock of arrears needs to be cleared through own resources in order to ensure zero stock of arrears by the end of the programme. Disbursements should also cater for the build-up of sizeable cash buffer by August 2018, in line with experience in former programme countries. A cash buffer of around EUR 9 bn would cover financing needs of around 10 months following the end of the programme. The ongoing cash management reform could increase further the cash buffer by the end of the programme if the subsectors' cash resources are better utilized for liquidity management purposes. However, the impact of the reform is not yet quantified and remains as an upside risk. Privatisation receipts are expected to lower financing needs by around EUR 2.2 bn over the remainder of the programme. As a result of the above, EUR 26.9 bn are estimated to be needed from the financing envelope, thus leaving an unused buffer from ESM financing of EUR 27.4 bn at the end of the programme. The envelope of unused ESM funds will increase when the new IMF programme is fully determined.

The authorities have made good progress in arrears clearance since June 2016. Between June 2016 and April 2017 the stock of arrears was reduced by EUR 3.3 bn. The arrears clearance process should continue with the aim to clear the whole remaining stock of arrears (EUR 6.5 bn in April 2017, including unprocessed tax refunds and pension claims) by the end of the programme using remaining programme financing dedicated to arrears clearance (EUR 3.1 bn) and own resources. It will be important for the authorities to re-direct much-needed liquidity towards the real economy in order to support growth.

The European institutions confirm that the clearance of net arrears until end-April complies with the requirements set in the Technical Memorandum of Understanding and is in line with the criteria established in the context of the first review. By end-April the total stock of arrears was reduced by EUR 3.3 billion or 93% of the cumulative disbursements for arrears clearance between June 2016 and April 2017 (EUR 3.5 billion). This performance overshoots the 80% target for net arrears clearance set as a precondition for the next ESM disbursement for arrears clearance. In addition, the Greek authorities have fully complied with the information sharing obligations. In particular they provided monthly data to the institutions on the movements of the dedicated account as well as on the gross and net arrears clearance until end-April 2017. The situation is summarised in the table 4 below. They also provided data with sufficient level of detail for the institutions to assess the progress being made in arrears clearance in line with the Technical Memorandum of Understanding. However, despite the liquidity provided through the programme, structural weaknesses that cause the accumulation of arrears remain and should be tackled by the reforms of the Public Financial Management system described in the new SMoU and the action plan for the late payments.

The size of the disbursement related to the 2nd review should allow the authorities to continue their arrears clearance programme and cover financing needs sufficiently until the next review so as to avoid further liquidity shortages. The size of the disbursement should cover financing needs until the next review, expected to be concluded by end-October.

Based on the factors above, the next disbursement of the programme linked to the completion of the second review could amount to EUR 8.5 bn. This envelope would cover Greece's financing needs until end-October 2017. Of this disbursement, a total of EUR 1.6 bn could be used for arrears clearance, while EUR 6.9 bn would cover debt service needs. The size of the disbursement takes into account the utilisation of available domestic resources for debt service as well for arrears clearance. The EUR 8.5 bn disbursement could be released to Greece in two parts. A first disbursement of EUR 7.7 bn could be released following the completion of the prior actions by the Greek authorities, of which EUR 0.8 bn would be used for domestic arrears clearance and EUR 6.9 bn would cover debt service needs. The remaining amount of EUR 0.8 bn could be made available for arrears clearance after the summer subject to positive reporting by the European institutions on the clearance of net arrears using also own resources in the proportion of 1:2 relative to the programme funds disbursed for arrears clearance under the first disbursement of the third tranche as defined in the Technical Memorandum of Understanding. The modalities of the disbursement will be spelled out in the ESM Managing Director proposal.

Table 5. Greece Financing Needs 2017-August 2018 with quarterly disbursements[5]

Financing requirements Greece	Aug-Dec 2015	Annual 2016	Annual 2017	Jan- Aug 2018	Total prog.	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
A. Gross financing needs	**22.8**	**12.4**	**19.1**	**11.5**	**65.7**	**0.1**	**1.2**	**5.9**	**0.6**	**-1.2**	**0.0**	**0.7**	**4.5**	**2.1**	**1.6**	**1.8**	**1.9**	**0.7**	**1.8**	**1.4**	**0.2**
State cash primary balance ('-'= surplus)	2.4	-3.9	-1.8	-3.7	-7.0	-0.1	0.2	-2.1	-0.8	-2.0	-0.9	0.0	3.7	-0.9	-0.3	0.5	-0.3	0.1	0.2	-2.0	-1.0
Debt service	14.5	13.2	17.4	11.8	56.9	0.2	1.0	7.4	0.9	0.2	0.3	0.2	0.4	2.5	1.5	0.9	1.8	0.2	1.1	3.0	0.8
Amortisation and maturing debt	13.4	7.5	11.9	3.9	36.8	0.0	0.6	6.6	0.4	0.2	0.0	0.0	0.2	0.4	0.0	0.2	0.0	0.0	0.8	2.4	0.0
Interest payments	1.1	5.7	5.4	4.4	16.6	0.2	0.4	0.8	0.5	0.0	0.3	0.2	0.2	0.1	1.5	0.7	0.3	0.2	0.4	0.6	0.8
Unwinding of repos/t bills	0.0	0.0	0.0	3.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0
Arrears clearance	0.4	3.1	3.5	3.5	10.4	0.1	0.0	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Arrears clearance (program financing)	0.4	3.1	1.9	1.7	7.0	0.1	0.0	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Arrears clearance (Own resources)	0.0	0.0	1.6	1.8	3.4	0.0	0.0	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
B. Financing sources	**0.0**	**0.8**	**4.4**	**1.4**	**6.7**	**0.0**	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**	**0.3**	**0.6**	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**
Privatisation revenues	0.0	0.5	4.1	1.1	5.7	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.6	0.0	0.0	0.5	0.0	0.0
ANFA profits	0.0	0.3	0.3	0.3	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
C. Net financing needs (A-B)	**22.7**	**11.6**	**14.6**	**10.1**	**59.0**	**0.1**	**1.2**	**5.6**	**0.6**	**-1.2**	**0.0**	**0.7**	**3.7**	**2.1**	**1.3**	**1.3**	**1.9**	**0.7**	**1.2**	**1.4**	**0.2**
Programme disbursement	21.4	10.3	13.5	13.4	58.6	0.0	0.0	7.7	0.0	0.8	5.0	0.0	0.0	5.0	0.0	0.0	5.0	0.0	0.0	3.4	0.0
State deposit financing	1.0	-0.1	-2.5	-3.3	-4.9	-0.4	0.7	-2.1	0.6	-2.0	-5.0	0.7	3.7	-2.9	1.3	1.3	-3.1	0.7	1.2	-2.0	0.2
Use of subsector deposits	0.3	1.4	3.6	0.0	5.3	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D. Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total State Deposit Stock (end-of-month)	**2.2**	**3.2**	**5.6**	**9.0**	**9.0**	**2.2**	**1.5**	**3.6**	**3.0**	**4.9**	**10.0**	**9.3**	**5.6**	**8.5**	**7.2**	**6.0**	**9.1**	**8.4**	**7.2**	**9.1**	**9.0**

[5]The transfer of the subsector deposits into the Treasury Single Account, in line with the agreed reform in the SMoU, is not reflected in the financing table.

Table 6. Arrears clearance June 2016 – April 2017

		end-Jun 2016	end-Sep 2016			end-Dec 2016			end-Apr 2017		
	in million EUR	Stock of arrears	Stock of arrears	Gross arrears cleared	Net arrears cleared	Stock of arrears	Gross arrears cleared	Net arrears cleared	Stock of arrears	Gross arrears cleared	Net arrears cleared
1	Spending arrears	5,209	3,779	1,767	1,430	2,668	2,748	2,542	3,195	2,992	2,015
2	Processed tax refunds	1,306	1,439	77	-133	1,226	198	80	1,051	226	255
3	Unprocessed tax refunds	1,766	1,580	31	186	1,040	182	726	850	230	916
4	Unprocessed pension claims	1,439	1,412	0	27	1,399	0	40	1,365	74	75
5	**Total arrears (1+2+3+4)**	**9,720**	**8,209**	**1,874**	**1,511**	**6,332**	**3,129**	**3,388**	**6,460**	**3,522**	**3,260**
	Arrears clearance as % of ESM disbursement				84%			97%			93%
	Cumulative ESM disbursement			1,800			3,500			3,500	

Implementation of Prior Actions

	MoU action	Status	State of play
Delivering sustainable public finances			
	Fiscal policy		
1	Adopt a budget for 2017	Done	Budget was voted on 10 December. L.4444/2016.
2	Adopt parametric measures to reach agreed fiscal targets up to end-2018, including implementation of first steps of the social welfare review.	Done	- MDs implementing the rationalisation in military allowances published (MD 843/6/38462, Σ 7924/2017 – GG 1761/B/22-5-2017, MD 841/26/38463, Σ 7925/2017 – GG 1762/B/22-5-2017). The fiscal impact is included in the adopted Medium Term Fiscal Strategy. (Done) - Social Welfare Review measures: monitored under #51 (Done) - Reform of healthcare clawback ceilings: monitored under #42 (Done) - Measures in the wage bill are implemented through the revised MTFS: monitored under #3 (Done) - Legislation for the rental sharing tax reform is adopted (Done)
	Post-programme fiscal package		

	MoU action	Status	State of play
3	Medium-term fiscal strategy (MTFS) for 2018-21 in line with agreed medium-term targets which should be reached without growth-detrimental measures	Done	MTFS, consistent with ensuring a primary surplus of 3.5% of GDP in 2018-2021 was adopted as part of the omnibus bill.
4	Pension reform delivering permanent net savings of 1% of GDP in 2019 – 2022	Done	Legislation passed and assessed..
5	Personal income tax reform to be implemented and delivering net savings of 1% of GDP in 2020-2022	Done	Legislation passed and assessed.
6	Growth-enhancing tax package matching in net terms the yield from the personal income tax reform encompassing (i) a reduction in PIT rates and the solidarity surcharge with a yield of 0.8% of GDP; (ii) a reduction in CIT rates with a yield of 0.1% of GDP, and (iii) a reduction in property tax (ENFIA) with a yield of 0.1% of GDP	Done	Legislation passed and assessed
7	Targeted spending package matching in net terms the yield from the pension reform composed of (i) an increase in spending on targeted welfare benefits (housing allowance; child allowance; school meals; nursery/pre-school education; means-tested reduction in health co-payments) 0.7% of GDP (ii) high-quality public infrastructure investment 0.15% of GDP, and (iii) active labour market policies 0.15% of GDP	Done	Legislation passed and assessed
8	Provide a legal opinion that the pension reform is in line with the Greek constitutions and the Charter of Fundamental rights and a detailed quantitative assessment of the redistributive impact of pension reforms	Done	Quantitative assessment of the redistributive impact of pension reforms assessed and accepted..
	Tax policy reforms		

	MoU action	Status	State of play
9	Review the corporate tax law covering mergers and acquisitions and implement the Income Tax Code (ITC) provisions concerning mergers (articles 52-55 ITC) and transfer pricing fines (article 56 Tax Procedure Code, TPC)	Done	Initial legislation adopted end-Dec 2016. Further amendments to legislation adopted in March 2017. Circular published (POL 1057/7.4.2017)
10	Extend the temporary voluntary contribution of the shipping community to 2018	Done subject to final verification	Board of Directors of the Union of Greek Shipowners agreed on 12 June 2017 to the extension to 2018. This will be confirmed by the General Assembly on 26 June 2017.
11	Undertake a review and reform of tax administration procedures for enforced sale of assets at public auctions aligning KEDE with Code of civil Procedure	Done	Law 4472/2017, article 78
12	Abolish article 6 of the law 2523/1997 for transitional cases	Done	Law 4472/2017, article 79
	Public revenue reforms *Independent Authority of Public Revenue (IAPR)*		
13	Complete the signature of the service level agreement between the Secretariat general for IT services of the Min of Finance as provider and the Independent authority for public revenue as IT consumer of services	Done	Authorities sent on 10/01 the Staff Level Agreement(SLA) which has been signed by Minister, secretary General of IT (GSIS) and Secretary General of Public Revenue (SGPR). The SLA includes the decision setting up the Committee for the Monitoring of the Service-Level Agreement (the EPSEE committee).
14	Pass legislation to provide for travel and accommodation expenses for the members of the management board of the IAPR not resident of Attica region	Done	Voted in law 4438/2016, article 51. published Government Gazette 'A 220/28/11/2016
15	Vote the IAPR budget as agreed	Done	IAPR budget adopted as part of the 2017 budget on 10 Dec 2016 (Law 4444/2016). The budget voted 212 million euros for current expenditures The budget does not include a separate amount for investment. This is to be financed either through ESF financing, PIP, or through reserves.
16	Select and appoint 55 of the key managers of the IAPR	Done	These appointments were enacted by the following decisions: 1047/C'/18-10-2016, 1067/C'/24-10-2016, 1134/C'/08-11-2016, 1134/C'/8-11-2016, 1183/C'/23-11-2016, 1184/C'/23-11-2016, 1212/C'/29-11-2016, 1221/C'/30-11-2016, 1232/C'/02-12-2016, 1282/C'/14-12-2016, 1283/C'/14-12-2016, 1335/C'/23-12-2016 and 1393/C'/30-12-2016.
17	The IAPR will adopt the strategic plan by March 2017	Done	Strategic plan published. Decision Δ.Σ.Σ. A 1045585 ΕΞ 2017/24.3.2017, published in the Government Gazette

	MoU action	Status	State of play
			(GG) on 27.3.2017, FEK 1053 B
18	The authorities will ensure that the General Directorate for Financial Services (GDFS) of the IAPR is fully functional by staffing and equipping it	Done	Authorities informed on 24/01 the institutions about the details of the operationalization of the GDFS. Institutions agreed that the action is done.
19	IAPR adopts the secondary legislation which defines positions of managers to be rotated	Done	Decision on rotation of managers is pages 363 – 364 of the Governor's decision on the Organisation of the IAPR (FEK B΄968/22-3-2017 - ΔΟΡΓ.Α.1036960/10-3-2017)
20	The IAPR will adopt a business plan	Done	Business plan agreed by institutions is published in the Government Gazette (FEK 1661, B', 15-5-2017, page 15647 and following)
	Public revenue reforms: *Improve compliance*		
21	Adopt a fully-fledged plan to increase tax compliance, which will include measures to improve declaration compliance and payment compliance	Done	Institutions agreed the plan and consider action as done on 20/03/2017. The plan is not a public document
22	Pass legislation for the promotion and facilitation of the use of **electronic payment**.	Done	Law has been voted on 19 December 2016 (L. 446/2016, articles 62 to 74 published FEK 240/22.12.2016.). Amendments were needed to include a time limitation for all businesses to be equipped in Points of Sale and to ensure consistency with IAPR independence. They were voted in articles 75, 76 and 77 of the omnibus bill on 18/05/2017.
	Public revenue reforms: *Fight against tax evasion*		
23	Produce a policy paper to clarify the main axes and timeline of the reform to improve the model of cooperation between Justice, and notably the financial prosecutor, and tax administration in the fight against high level tax fraud, with the goal of rationalising competing and overlapping competences.	Done	Policy paper agreed with institutions.
24	Adopt legislation to make the competences of the financial prosecutor consistent with the independence of the IAPR (modification of art.	Done	Article 63 of the omnibus bill.

	MoU action	Status	State of play
	17A of law 2523/1997)		
25	Adopt legislation allowing prosecutors to send information to the tax administration as a simple information and not necessarily as a binding request for full investigation	Done	Article 64 of the omnibus bill.
26	Pass legislation to exclude the tax administration and its staff from receiving and implementing preliminary audits ordered by the prosecutors	Done	This action is implemented through the modification of article 17A above in article 63 of the omnibus bill
	Public revenue reforms: *Customs and fight against smuggling*		
27	Adopt the strategy against smuggling of excisable products;	Done	The document was sent to the institutions on 26/10/2016 and agreed on 04/11/2016. It is a confidential document, not to be published.
28	Produce an action plan for the implementation the trade facilitation roadmap;	Done	Institutions provided follow-up comments on 17/05/2017. The authorities incorporated the institutions' comments in the action plan on 19/05/2017.
29	Produce a timeline for the full staffing and equipment of all the customs mobile control units.	Done	Draft action plan submitted on 06/12, with final deadline 01/07/2017. The action is then considered completed and institutions start to monitor the implementation of the plan on a monthly basis.
30	**Public revenue reforms: *Social security collection reforms*** Ensure that the self-employed contributors' registry is fully tested and operational in EFKA for starting the billing of contributions as from January 2017.	Done	Authorities confirmed on 23/03 that billing of self-employed for January and February has been completed on the same day. Institutions agreed that action is done.
	Public financial management		
31	Present a medium-term action plan to ensure compliance with the Late Payment Directive.	Done	Plan agreed on 20//05/2017. Automaticity of the transfer of health contributions from EFKA to EOPYY will be addressed later as part of the Treasury Single Account reform
32	Amend the national law transposing the Fiscal Compact so as to assign the Fiscal Council the responsibility of reviewing whether each draft budget law is in full compliance with the EU	Done	Adopted as part of the omnibus bill

	MoU action	Status	State of play
	Treaty on Stability, Coordination and Governance (TSCG) provisions. A positive assessment of compliance is required before the submission of the budget law to the Parliament		
	Public procurement		
33	A new centralised procurement scheme will enter into force to cover the needs of 2017 (onwards), on the basis of a plan developed by the General Secretariat of Commerce in cooperation with the European Commission.	Done	The plan was submitted on 11/10/2016 and the relevant draft MDs sent on 28/11/2016 and 21/12/2016. FEK B'4515/30.12.2016 for MD 137954 was received on 25 January 2017. FEK B'663/02.03.2017 for MD 20886 was received on 03 March 2017. Contract notices for the award of the framework contracts were issued on 31 March 2017. The action plan for the award of a framework contract was received on 6 March 2017 and has 7 September 2017 as deadline.
34	Adopt the Strategy on Public Procurement with a view to implementing its action plan as from its adoption date.	Done	Strategy was adopted on 20 January 2017 (50A/20.1.2017) - Two implementing bodies were instituted: First meeting of political body took place on 30 March.
35	The Greek authorities continue to implement the actions related to electronic auctions by making the necessary amendments to law 4412/2016 and adopt the Ministerial Decision to ensure the operation of the new KHMDHS system.	Done	Amendments to law 4412/2016 were adopted as article 47 of the omnibus (law 4472, GG A74 of 19 May 2017). MD 57654 was issued in Government Gazette B1781 of 23 May 2017. The operation of the new KHMDHS system started on 13 June 2017.
	Sustainable social welfare: *Pensions*		
36	With a view to progressively phase out the pension solidarity grant (EKAS), adopt the Ministerial Decisions for the awarding rules for 2017	Done	MD adopted FEK 4101/20.12.2016
37	For the full implementation of the pension reform legislated as prior action for the first review, adopt all the necessary circulars and Ministerial decisions	Done	All the necessary draft MDs and circulars have been adopted. The MD related to article 70.2 and the Presidential Decree (PD) related to article 52 will be transformed into a key deliverables. The Joint Ministerial Decision (JMD) related to articles 38.10 and MDs related to articles 54 and 83.1 need to deleted from the list as well as the circulars related to articles 11 and 27.

	MoU action	Status	State of play
			The articles the MDs refer to and the respective FEK numbers are as follows: art.5.4 under no.B 4005 (2016), 38.8 under no.B 4458 (2016), 39.18 under no. B 4569/30-12-2016, 39.2 under no.B 4330 (2016) 40.12 under no.B 4330 (2016) art.43.2 under no.B 4483 (2016) 45.5 under no.B 4421 (2016), art.43.2 under no.B 4483 (2016), 54 under no.B 4504 (2016), art.57 under no.YODD 729 (2016), art.70.10 under no.B 4486 (2016), art.73.1 under no.B 4415 (2016) and no.B 4320 (2016), art.73.2 under no.B 4412 (2016) and no.B 4318 (2016), art.80 under no.YODD 729 (2016) art.81.1 under no.B 4288 (2016), art.81.3 under no.B 55 (2017) art.86 under no.B 4504 (2016), art.87 under no.B 4214 (2016) and art.92.4 under no.B 4101 (2016). The articles the circulars refer to and their relevant diavgeia codes are as follows: art.7, code: 7ΝΓΤ465Θ1Ω- 0ΗΥ, art.8, code: ΨΜΨ6465Θ1Ω- ΧΦΑ, art.12, code: ΨΟ4Μ465Θ1Ω- ΡΦΘ, art.13, code: 6ΨΡΧ465Θ1Ω- 4ΚΜ and art.28, code: ΨΩΤΤ465Θ1Ω- 64Ω.
38	Amend the pension law so that, starting from 1 January 2018, the contribution base for the self-employed is defined gross of social security contribution obligations of the previous year. The contribution base is temporarily reduced by 15 percent in 2018, with no reductions thereafter.	Done	Part of the Omnibus bill adopted by the parliament. Assessed and accepted. The required follow up secondary legislation has been finalised and issued FEKnumber B 1985 on 8 July 2017.
39	Publish the monthly HELIOS report providing detailed statistical information on the number of pensioners and pension expenditure	Done	The authorities have published the January and February 2017 reports and provided the institutions with a timeline of the publication of the remaining pending reports.
40	Adopt an action plan setting out the exact scope and timing for efficiency gains to be achieved through the merger of all social security funds into the singe fund EFKA, and including binding quantitative targets for resource savings.	Done	The institutions have assessed and accepted the revised action plan (received on 28/4/2017).
41	Recalculate and process pension applications according to the new benefit rules (Law 4387/2016). At least 10% of all pension applications submitted between 13 May 2016 and December 2016 have to be recalculated and processed	Partially done	The authorities have provided information on the recalculated and processed applications, 10% has been recalculated and 6% fully processed by end-May. The authorities confirmed that they are technically able to process 10% of applications by the end of June.

	MoU action	Status	State of play
	Sustainable social welfare: *Health*		
42	*Rationalise health-care expenditure.* Adopt a clawback ceiling to cover items previously not under clawback in the budget category "Other illness benefits (cash & kind)".	Done	The authorities passed legislation (Law 4447, GG 241 / A / 12.23.2016) to support the implementation of the clawback as well as other measures to rationalise health care expenditure. MD published: ΚΑΔ number Δ 38138
43	*Rationalise health-care expenditure.* Adopt structural measures to contain excessive spending on diagnostics, pharmaceuticals and private clinics, and other items in the EOPYY budget not covered by clawbacks.	Done	Adopted as part of the omnibus bill.
44	*Execution of clawbacks and regular audits*. On the basis of the final results from the auditing of 2013 submissions, proceed to the settlement of any amount under dispute.	Done	The "Implementing Guidelines" from the MoF have been published and shared and collection can now be finalised..
45	*Improve the financial management and cost effectiveness of hospitals.* Adopt the Law on centralised health procurement.	Done	Adopted as part of the omnibus bill.
46	*Reduce pharmaceuticals spending.* Publish a bi-annual (May and November) price bulletin to reduce pharmaceutical prices.	Done	The authorities have issued the MD on Price Bulletin on 9/06/17 including price revision for those companies that applied for a voluntary price reduction.
47	*Reduce pharmaceuticals spending.* Improve the incentive structure of pharmacists including on profit structure to support the penetration of generics.	Done	Adopted as part of the omnibus bill. The follow-up secondary legislation (MD 43125-7-6-2017) has been finalised and issued.
	Social safety nets: reform of the social welfare system		
48	*Social Solidarity Income (SSI) rollout.* Adopt primary legislation and other measures to ensure the national rollout of the SSI scheme.	Done	Legislation adopted in December 2016 as part of the Bill on the national mechanism for the reorganization of the social benefits system (Law 4445/2016).
49	*Social Solidarity Income rollout*. The authorities will support the smooth implementation of the SSI by a.) providing training to the staff in all	Done	Memo from Ministry of Labour received on staffing of SSI Directorate on 11 May 2017.

	MoU action	Status	State of play
	municipalities, including through e-training modules; b.) ensuring the availability of communication materials and distribute these to municipalities across the country; c.) ensuring that the Directorate dealing with the SSI within the National Mechanism is staffed and operational to support the future smooth functioning of the SSI		
50	*Social Solidarity Income design.* Revise and issue the Joint Ministerial Decision to refine the design and benefit rates of the nationwide SSI, in the light of the interim results of the evaluation of the initial schemes by the World Bank;	Done	Joint MD issued with FEK B128 on 24 January 2017.
51	*Social Welfare Review.* Adopt legislation to reform the welfare system, based on the relevant recommendations of the Social Welfare Review provided by the World Bank, including: i. the elimination of benefits overlapping with the SSI or family benefits; ii. a reduction of the heating allowance benefit in 2018; iii. a streamlining of regressive tax; iv. the unemployment benefit for those entering the labour market	Done	Draft legislation received and assessed. Adopted as Law 4472/2017, articles 57 and 80.
II. Safeguarding financial stability			
52	**Preserving liquidity.** Prepare and publish roadmap for the relaxation of capital controls.	Done	The roadmap was published on the MoF website on May, 15, 2017.
	Non-Performing Loans (NPLs): Enable an active secondary NPL market.		

	MoU action	Status	State of play
53	Assess and address the impediments to the secondary market for NPLs identified in the report on the review of implementation of Law 4354/2015.	Done	BoG has assessed and agreed with relevant Ministries and the 4i how to address the identified impediments to the secondary market for NPLs identified in an independent expert report, which was mandated by the BoG. Following discussions at technical level, the authorities provided draft changes to the primary legislation on May 3, 2017 and the BoG provided draft changes to the relevant BoG Act on May 15, 2017.
54	Streamline the licencing process for NPL servicers by taking appropriate actions to ensure that i) the NPL servicing licence, if it does not include refinancing, is disconnected from Act 2577, ii) the business plan requirements, especially for servicers that do not provide refinancing, will be significantly simplified, iii) the anti-money laundering requirement for servicing companies that do not provide refinancing and do not handle third-party money, for loans held by an AML-compliant supervised entity, is removed, iv) the Fit and Proper requirements in the relevant BoG Act are simplified, v) the IT security assessment is waived if an appropriate ISO certification is submitted, vi) the restructuring strategy requirements provided for in secondary legislation are further simplified, vii) the processes of the Code of Conduct are not affected by a transfer of the loan, viii) BoG Act clarifies that the contact point requirement also includes virtual contact points regardless of the latter's location, ix) the requirement for opinion by a Ministerial committee is removed, and x) the purpose of the servicing companies , will be expanded to include the management of real estate property connected to the loan portfolio they have been assigned to service.	Done	Adopted as part of the omnibus bill. Governors (BoG) act for loan servicing companies has been signed and submitted to get Government Gazette ID from National Printing House on 22/05/2017 (**NPH Receipt (KAD) is 38601.**
55	**Non-Per forming Loans:** ***Out-of-Court Workout (OCW).*** Establish the legislation on OCW, by (i) allowing for both large and smaller	Done	The law has been passed on 28th April 2017 and published in the OJ (law 4469/3.5.2017, OJ A 62). Additional agreed provision adopted as part of the omnibus bill

	MoU action	Status	State of play
	debtors with a debt above a minimum threshold into the mechanism, including debtors with State, social security and/or debt towards the private sector; (ii) strengthening information requirements for applications; (iii) establishing principles for the preliminary screening of applicants; (iv) establishing efficient coordination and decision-making mechanisms among private and public creditors, primarily through the use of electronic platforms; (v) subjecting all elements of debt, including private and public debt, to the debt-restructuring mechanism and subordinating part of the claims, such as fines and surcharges, of both private and public debt; (vi) allowing for the possibility of using fast-track court ratification of the restructuring agreement where needed; and (vii) facilitating the initiation of insolvency proceedings in case of lack of compliance with the agreed restructuring plans or if the borrower has been assessed as non-viable.		The OCW amendments have been included in the omnibus bill. The full implementation of the OCW will require follow-up secondary legislation which is due for enactment by end-June / end-July 2017.
56	**Non-Performing Loans: *Liability of bank and public officials.*** Introduce a liability waiver for State/bank officials involved in loan reschedulings. With this aim, adopt legislative provisions to ensure: (a) that actions taken in relation to debt restructuring – either under the Out-of-Court Workout (OCW) framework or outside of it - by either private or public officials, in good faith, to the best interest of the creditor they are representing and in compliance with the applicable procedures and objective criteria, are considered legitimate as far as civil or criminal liability is concerned, according to the general principles and the safeguards of the existing	Done	Adopted as part of the omnibus bill.

	MoU action	Status	State of play
	legal framework and (b) that sufficient procedural safeguards are enacted to prevent the unwarranted pressing of charges in that context. The applicable procedures may include additional safeguards for cases concerning very large debtors.		
	Non-Performing Loans: *In-court insolvency*.		
57	In-court insolvency: Enact all necessary secondary legislation to fully regulate the profession of insolvency administrators.	Done	The enabling provision for the issuance of the MD on Training and the enabling provisions related to the remuneration of the IA committee and the examination fee payable by candidate IAs wishing to participate in the first certification procedure were enacted and published in the OJ (Law 4474/2017, article 32, OJ A80/8.6.2017). The MD on Training was enacted and published in the OJ (MD 42053/2017, OJ B 1996/9.6.2017), as was the MD on the remuneration of the IA committee (MD 43716, OJ B 274/9.6.2017).
58	The authorities will launch the accreditation process for insolvency administrators by publishing the notice of the examination for their accreditation.	Done	On 23 May 2017, the Ministerial Decision appointing members of the Insolvency Administrator Committee was published in the OJ (issue B 238); notice of the examination for the first certification procedure has been published in the OJ (Notice of the Insolvency Administration Committee No. 46318/2017, OJ C 535/9.6.2017)
	Non-Performing Loans: Insolvency legislation		
59	***Amend the corporate insolvency law*** to simplify and accelerate the course of insolvency procedures. The amendment shall among others include measures for (a) simplifying and accelerating the course of procedures (b) overcoming possible obstruction by uncooperative shareholders of the debtor company, (c) specifying the tasks of the insolvency administrator, and (d) reducing the discharge period of bona fide debtors to three years.	Done	The amendments reforming the Insolvency Code were voted on 22 December 2016; the relevant law (4446/2016) was published in the Official Journal on the same day (issue no. A' 240) thus completing the PA.

	MoU action	Status	State of play
60	***Corporate insolvency.*** Introduce amendments to the Insolvency Code to further simplify and accelerate the course of insolvency procedures involving SMEs.	Done	Adopted as part of the omnibus bill.
	Bank governance: Reconstitution of banks boards.		
61	The Hellenic Financial Stability Fund (HFSF) will make every reasonable effort to ensure that the reconstitution of the boards of the four core banks is finalised and that non-eligible members are replaced by new members nominated by the nomination committees of the banks who respect the criteria specified in the HFSF law. Any other changes in banks' governance recommended by the review should also be implemented.	Done	HFSF has sent an update of their plan to ensure compliance with the HFSF law on 9 May2017, approved by HFSF General Council. This confirms that they have made every reasonable effort.
62	The authorities will ensure that State representatives meet the minimum criteria of the HFSF law.	Done	Institutions have received a confirmation e-mail that the last non-compliant State representative has resigned and the Finance Minister signed the resignation on 18 May 2017.
63	Appoint a CEO in the HFSF in accordance with the requirements of the HFSF law.	Done	Following EWG approval, the Minister of Finance appointed the new HFSF CEO, as published in the Government Gazette on 18 May 2017.
III. Structural policies to enhance competitiveness and growth			
64	**Labour market: Collective bargaining** Adopt legislation in order to provide that the 2011 collective bargaining reforms will remain in force until the end of the ESM programme. This includes the suspensions of favourability principle and the extension principle.	Done	Adopted as part of the omnibus bill, Art. 16. The wording of the explanatory note accompanying the Article has been amended and is now fully in line with the agreement.
65	**Labour market: Collective dismissals** Amend the legislation on collective redundancies (Law 1387/1983) to replace the current framework of administrative approval of collective dismissals	Done	Adopted as part of the omnibus bill, Art. 17.

	MoU action	Status	State of play
	with a notification procedure of maximum three months which will not involve *ex-ante* approval.		
	Labour market: Industrial action		
66	Adopt legislation to enable the fast-track judicial procedure used to judge the legality of strikes to be also used for disputes arising from the application of Art. 656 of the Civil Code in cases of strikes.	Done	Adopted as part of the omnibus bill, Art. 20.
67	Following consultation with the social partners, modernise Law 1264/1982 and other relevant legislation by: (i) reviewing the list of justified reasons for terminating the contract of workers under protection as trade union members; (ii) rationalising the system of trade union members' leave benefits.	Done	Item (i) was adopted as part of the omnibus bill, Articles 18 and 19. On (ii), the authorities have publically committed to continue the process of social partners consultation for the possible further modernisation of the relevant provisions.
	Labour market: Undeclared work.		
68	Adopt an integrated action plan to fight undeclared and under-declared work.	Done	Final draft received on 19 May.
69	Appoint the Supreme Labour Council (ASE) as the institutional body responsible for coordinating and supervising the implementation of the action plan to fight undeclared work	Done	Amendment to change the regulatory framework of ASE was passed on 26 April (Law 4468/17, Article 15).
	Education and Vocational Education and Training		
70	Bring the Private Education Act (Law 4415/2016) in line with programme commitments concerning labour market policy and better regulation.	Done	Adopted as part of the omnibus bill

	MoU action	Status	State of play
71	Launch the new OECD Report for the Greek educational system with an initial report in July 2017 and a final report to be completed by November 2017.	Done	Contract signed on 4 May 2017. The authorities have sent to the OECD on 9 May 2017 a first report with background report essential for starting implementation of the study. Kick-off meeting took place on Monday 15 May.
72	Issue a circular with the three-year Education Action Plan, publish it in the appropriate government sites and implement it according to the timetable	Done	Circular sent to institutions on 19.05.17 and verified
73	The authorities will (a) legislate the quality frameworks for Vocational Education and Training (VET) curricula and apprenticeships and (b) finalise the VET implementation plan	Done	Joint MD signed. FEK 4367 of 20 February 2017. Final version of VET Implementation report agreed on 19 May 2019.
74	The Ministry of Labour will finalise with the Institutions the terms of reference and budget for the VET partnerships	Done	Documentation received on 18 May.
	Product markets: *Toolkit recommendations*		
75	*Toolkit I* - Building materials. In order to harmonise and standardise national technical standards with European standards for building material, conclude the agreement with the Standardization Body for the standardization of building materials, in accordance with the Toolkit I recommendations on building materials.	Done	Building materials: The contract between the authorities (Ministry of Infrastructure) and ELOT (Standardisation Agency) was signed on 29/11/2016.
76	*Toolkit III.* Adopt at least 250 of the recommendations identified by the OECD's Toolkit III aiming at the alleviation of unjustified and disproportionate restrictions in the access to market relating to the sectors of e-commerce, media, construction, pharmaceuticals, chemicals and wholesale trade.	Done	1) Regarding CH28, 29, W247, 248 and second part of W249 (responsible scientist, fertilisers, PA), draft amendment was adopted with the omnibus bill (law 4472, GG A74 of 19 May 2017, art. 120). 2) 270 recommendations are fulfilled with the adoption of the omnibus bill The recommendations were adopted through the following acts: - law 4403/2016 (Government Gazette (GG) Number 125, Issue A, July 7th 2016) - law 4412/2016 (A 147) - law 4447/2016 (A 241) - circular: ADA: Ω2Α84653Ο7-ΦΗΙ - law 4441/2016 (A 227) - Decision 787/2 EETT (GG B 3937, 7.12.2016)

	MoU action	Status	State of play
			- law 4446/2016 of 22 December 2016, as published in FEK A 240 - Circular 5170/140992 of 2016, ΑΔΑ: 6ΛΡΑ4653ΠΓ-ΣΛ3 - Amendment to JMD (GG 3859 of 1 December 2016) - MD 62952/5384, FEK B 4326/30.12.2016 - 4446/2017 (A 240) - MD Γ5 (α) οικ. 90552 (GG B 3890, 2.12.2016). - MD Αριθμ. Γ5(α)οικ. 97012, FEK 4215, 27 December 2016 - MD Αριθμ. 105265, GG B/3415 of 24 October 2016 - JMD Αριθ. 1745/121476 - JMD Αριθ. 1747/121488 - JMD Αριθ. 1746/121484 - Circular 1196 of 22 December 2016, ΑΔΑ ΨΩΔΡΗ-ΛΤ0 - Law 4442/2016 of 7 December 2016, as published in FEK A 230 - Law 4456/2017 of 1 March 2017, as published in FEK A24 - MD Αριθμ. ΔΥδρογ./Ε/Φ.5/172744 - JMD Αριθμ. 176/13383 (GG/FEK B 418, of 14 February 2017) - Decision Αριθμ. ΔΕΦΚΦ Α 1035092 ΕΞ 2017 (GG/FEK B 1000, of 24 March 2017) - Law 4465/2017 (GG/FEK A 47 of 4 April 2017), Articles 48-50 - MD Αριθ. 40350 (GG/FEK B 1234, of 7 April 2017) - JMD Αριθμ. 129/2016 (GG/FEK B 1138, of 31 March 2017) - JMD Αριθμ. 4612/98219 (GG/FEK B1292, of 12 April 2017). - Circular ADA: ΨΕΝΥ465ΧΘΞ-ΧΨΤ of 30 March 2017. - Circular ADA ΨΘΑΕ465ΧΘΞ-ΤΗΗ, of 30 March 2017. - Circular ΑΔΑ: 6Η6Κ465ΧΘΞ-3Φ5 of 4 May 2017. - EOF circular 16427 of 24 February 2017, amended by circular 44787 of 12 May 2017 - MD Αριθ. ΔΥδρογ./Ε/Φ.5/175577, GG B/1591 of 9 May 2017, Number 1. - MD Αρ. 5185/50742 (GG B 1664 of 15 May 2017), point 3. - MD Αρ. 52780/ΔΤΒΝ/894/Τμ.Δ/Φ.14.1 (GG B 1682 of 16 May 2017, Number 1. - law 4455/2017 (FEK A 22 of 23 February 2017). - JMD Αριθμ. οίκ. 20303/383 (FEK B1623 of 11 May 2017), as corrected in FEK B1721 of 18 May 2017, point 4). - Omnibus bill (law 4472, GG A74 of 19 May 2017). : Articles 55, 68, 90, 91, 94, 96, 104, 118, 119, 120 (fertilisers), 121.
77	*Toolkit I:* With the objective to increase competition and reduce average pharmaceutical prices**,** implement the Over-the-Counter (OTC)	Done	Primary legislation: Adopted as part of the omnibus bill (art. 86 of Law 4472/2017 – Government Gazette (GG) 74/19-05-2017).

	MoU action	Status	State of play
	pricing reform, excluding the OTC purchases by hospitals.		Secondary legislation: Adopted on 22/05/2017 (GG B' 1761/22-05-2017 – no. Γ5(α)οικ. 38152)
78	*Toolkit I:* Widen the scope of Sunday trade. As a first step toward addressing the OECD Toolkit I recommendation on Sunday trade and in line with the Council of State (CoS) ruling, the authorities will amend law 4177/2013 by removing the restrictions on the size and type of shops that can operate on Sunday. To address the CoS ruling's concerns, the legislation will be accompanied with detailed explanatory notes	Done	Adopted as part of the omnibus bill (art. 49-50 of Law 4472/2017 – GG74/19-05-2017). Adoption of secondary legislation (Ministerial Decision) is a June 2017 key deliverable for the third review of the ESM programme.
	Product markets: Investment Licensing.		
79	Simplify the licencing procedures by adopting primary and secondary legislation of the sectors of a) food and beverage, b) shops of health safety interest and c) tourism; including any required secondary legislation for the implementation of the notification procedure for the tourist sector.	Done	Primary legislation: Adopted on 30/11/2016 (articles 1-49 of Law 4442/2016 – GG 230/07-12-2016). Secondary Legislation: MD on Food & Beverages: Adopted on 28/03/2017 (GG B' 1061/ 28-03-2017 - οικ. 32790/392/Φ.15). JMD on pools: Adopted on 15/05/2017 (GG B' 1654/15-5-2017, no. 7888). JMD on KYE: Adopted on 18/05/2017 (GG B' 1723/18-5-2017, no. οικ. 16228). Roadmap: Agreed on 19/05/2017. JMD on Tourism: Adopted on 19/05/2017 (GG B' 1750/19-5-2017, no. οικ. 8592).
80	Adopt legislation to simplify the licensing procedures for the enterprises in the food sector of animal origin.	Done	Primary legislation: Adopted as part of the omnibus bill (art. 122 of Law 4472/2017 – GG74/19-05-2017). Secondary legislation: Adopted on 22/05/2017 (GG B' 1763/22-05-2017 – no. 1288)
	Product markets: Administrative burden		
81	With a view to facilitate/expedite environmental licensing, submit to the Council of State the presidential decree on the external environment assessors on environmental licensing.	Done	The draft Presidential Decree was submitted to the CoS on 29/11/2016 (Reference number (protocol number) 1874/29-11-2016).
82	Adopt primary legislation on one-stop shops for businesses to allow the electronic incorporation of companies.	Done	The law was adopted on 29/11/2016 (Law 4441/2016 – GG227/06-12-2016).

	MoU action	Status	State of play
83	Adopt legislation to address the pending OECD recommendations to simplify the licencing procedure for fuel traders.	Done	The law was adopted on 24/11/2016 (Articles 14-21 of Law 4439/2016 – GG222/30-11-2016).
	Product markets: Ex-post impact assessments		
84	Adopt measures, in agreement with the institutions, to address a number of recommendations of the first round of the ex-post assessments;	Done	A number of recommendations were adopted in November and December 2016 in the laws on investment licensing (article 52.4, 52.6, and 52.7 of Law 4442/2016 – GG 230/07-12-2016), on one stop shop (articles 16.1, 17.2, 18 of Law 4441/2016 – GG227/06-12-2016) and on Bankruptcy Code (article 114 of Law 4446/2016 – GG240/22-12-2016. Secondary legislation was adopted on: - MD on initial price was adopted on 15/05/2017 (GG B' 1664/15-05-2017, no. 52635). - JMD on logistics (rec. 2) was adopted on 16/05/2017 (GG B' 1668/16-05-2017, οικ. 53346/645/Φ.61). - JMD on business parks (rec. 8) was adopted on 18/05/2017 (GG B' 1722/18-05-2017, Φ/Α. 15/3 οικ. 55482/672). - JMD on business parks (rec. 37-38): was adopted on 18/05/2017 (GG B' 1722/18-05-2017, Φ/Α. 15/3 οικ. 55483/673).
85	Agree with the institutions the Terms of References (ToR) of the second round of the ex-post impact assessments of selected reforms (i.e. book prices and tourism).	Done	ToRs on book prices were agreed on 26/01/2017. ToRs on Tourism were agreed on 01/02/2017.
	Business environment: *Regulated professions*		
86	*Engineers:* Adopt primary legislation for the initiation of the committee and working groups' deliberation on removing unjustified and disproportionate restrictions in the engineers' activities.	Done	The law was adopted on 24/11/2016. (Article 29 of Law 4439/2016 – GG222/30-11-2016). Submission to the Council of State Presidential Decree on engineers is a June 2017 key deliverable for the third review of the ESM programme.
87	*Stevedores and other professions*: Adopt primary and secondary legislation to address the external advisor's recommendations on the profession of stevedores as well as a number of external advisor's recommendations on the other	Done	On *stevedores*, primary legislation was adopted, law 4455/2017 (GG A 22 of 23 February 2017). Secondary legislation was also adopted: JMD Αριθμ. οίκ. 20303/383 (FEK B1623 of 11 May 2017), as corrected in FEK B1721 of 18 May 2017, point 4).

	MoU action	Status	State of play
	professions.		On *health providers*, Adopted as part of the omnibus bill (art. 85 of Law 4472/2017 – GG74/19-05-2017). On other professions' recommendations, - *Chartered valuers*: Adopted on 23/11/2016 (article 42 of Law 4438/2016). - *Private employment agencies*: Adopted on 29/11/2016 (article 34 of Law 4441/2016 – GG227/06-12-2016). - *Health providers*: Legislation addressing some of the recommendations were adopted as article 119.14 of Law 4446/2016 - – GG A' 240/22-12-2016 and as articles 42.4, 42.5 and 100.1 of Law 4461/2016 - GG A' 38/28-03-2017. - *Lawyers*: One recommendation so that other professionals, as well as lawyers, can have access to the activities of the syndic was adopted with a Presidential Decree on 20/12/2016 (PD 133/2016 GG 242/29-12-2016). - *Public works engineers* (see below).
88	*Public works' engineers*: Adopt primary legislation on public works engineers' registries.	Done	Primary legislation: art. 118-119 of Law 4472/2017 – GG74/19-05-2017. Submission to the Council of State Presidential Decree on public works engineers is a June 2017 key deliverable of the third review for the ESM programme.
	Land use incl. cadastre.		
89	Amend the law governing spatial planning levels in Greece (law 4269/2014).	Done	The law was adopted on 21/12/2016 (Law 4447/2016 – GG241/23-12-2016).
90	Submit the Presidential Decree on land uses to the Council of State	Done	Presidential Decree has been submitted to the Council of State (letter ref: no 966/19.05.17).
91	Adopt a Ministerial Decision with the technical specifications for local and special spatial plans	Done	FEK no. 1976/ 7.6.2017 and 1975/ 7.6.2017
92	Upload the forest maps already completed by the cadastral agency EKXA and endorsed by the forestry services	Done	
93	The Government Council for Economic Affairs (KYSOIP) will formally endorse the new framework principles and roadmap for nationwide cadastral offices based on the technical assistance by the World Bank and in agreement with the EC. The new framework	Done	Institutions have agreed overall with the final draft and expect to have more detailed comments at the stage of law drafting. EL authorities are expected to consult with stakeholders. KYSOIP has formally endorsed the agreed draft 09/05.

	MoU action	Status	State of play
	will ensure adequate financial autonomy and administrative capacity of the new cadastral entity.		
	Network industries: Energy. *Electricity market*		
94	Formally propose structural measures that will be unconditionally implemented to comply with recent judgments of the European Courts in relation to Commission's decisions C(2008) 824 and C(2009) 6244 on lignite.	Done	Final conference call has taken place and proposal was submitted.
95	KYSOIP shall endorse the principles that will apply to the structural measures relating to the divestment of lignite-fired generation capacity.	Done	KYSOIP decision adopted on 9 May 2017. Publication in GG done.
96	*NOME auctions.* To increase competition in the retail electricity market, complete the sale and start the delivery of 8% of the total 2015 volume of electricity to alternative suppliers in the interconnected system	Done	Sale of 8% and start of delivery has taken place.
97	*NOME auctions.* The energy regulator RAE will decide, in accordance with the provisions of the KYSOIP NOME Action Plan, (i) the additional quantities to be auctioned, which shall be equal to the yearly targeted decrease for Public Power Corporation (PPC) retail market share, i.e. 12% for 2017 multiplied by the total volume in the interconnected system in 2016, (ii) the number of auctions which still need to be launched in 2017 in order to achieve the target and (iii) the quantities per auction	Done	On 22 December 2016, the energy regulator RAE decided on the auction quantities and schedule for 2017 (RAE's decision 619/2016. FEK B4396/30.12.2016).
98	*NOME auctions.* Mechanism for the revision of the auction reserve price: the Law 4389/2016 will be amended regarding the reserve price of the auctions so that in June of each year, starting from June 2017, the authorities will	Done	Adopted as part of the Omnibus bill (law 4472, GG A74 of 19 May 2017): article 101.

	MoU action	Status	State of play
	revise the reserve price of the auctions based on RAE's proposal, to incorporate (i) CO_2 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.		
99	*NOME auctions:* The KYSOIP action plan and the legislation related to NOME will be amended in order to increase auctioned quantities and bring forward monitoring to react more quickly to possible deviations. A more structural assessment, conducted jointly by the authorities and the institutions, is introduced in parallel to the normal one with the purpose to evaluate the impact of the introduction of the target model and of the implementation of structural measures.	Done	Adopted as part of the Omnibus bill (law 4472, GG A74 of 19 May 2017): article 101. KYSOIP decision of 9 May 2017, published in GG B 1690 of 16 May 2017.
100	*PPC financial situation.* The authorities and PPC will agree with the institutions a detailed action plan, including a specific timeline for its implementation, to address the issue of PPC arrears. This action plan will be based on best practices regarding arrears collection and non-accumulation and at least include (i) a timeline for clearing all public sector arrears by the end of 2017, (ii) a detailed plan on how to address the issue of electricity theft, (iii) a process for identification and taking recourse against strategic defaulters, consistent with the Greek Electric Energy Distribution Network Administration Code issued by RAE, and protecting the vulnerable clients, as defined by law, (iv) a clear timeline for the roll-out of smart and potentially pre-paid meters; and (v) a review of the billing frequency.	Done	Final version submitted on 14 June 2017.

	MoU action	Status	State of play
101	*PPC financial situation.* The authorities and the institutions will agree a roadmap to clear the accumulated PSO deficit for PPC.	Done	Final version was submitted on 14 June 2017.
102	*ADMIE.* Finalise the transaction of the sale of 24% of the shares of ADMIE. PPC and the strategic investor will sign the Share Purchase Agreement for 24% of ADMIE; the Shareholders' Agreement will be signed prior to the closing.	Done	Share Purchase Agreement was signed mid-December 2016.
103	*Capacity mechanism.* The authorities will forward to the European Commission the new adequacy study by ADMIE.	Done	Adequacy study received. Technical discussions will follow in order for the authorities to pre-notify the new mechanism in the next few weeks.
104	*Renewable Energy Sources (RES) account.* To regularise the situation of payments to RES producers, implement the revised legislation on the RES account by applying the adjustment mechanism for December 2016 with adjustments applying as of 1 January 2017, as specified in the legislation approved in October 2016.	Done	The energy regulator RAE's decision 621/2016 has been published, the RES-supporting ETMEAR surcharge was decreased on average. The authorities sent a response to the information request on 24 January 2017. An update by the authorities is necessary after the second review of the RES account by 31 March 2017.
105	*Target model.* To ensure the transition of the Greek electricity market to a more modern design, the authorities will provide a roadmap for the issuance of the necessary regulatory decisions, the approach taken in the drafting of the required technical codes and the steps for putting in place the technical tools (e.g. IT systems) to implement the day ahead, intraday, forward and balancing markets by 1 January 2018.	Done	Revised draft roadmap received on 17 May 2017. Further comments from the Institutions sent on 24 May 2017, agreed by the authorities.
106	**Network industries: Energy.** ***Gas market reform.*** The first auction under the revised gas release programme as endorsed by decision of HCC will take place. The quantity auctioned for 2017 will amount to 16% of DEPA's yearly gas	Done	The annual tender took place on 18 November 2016 and quantities amounted to 3.2 million MWh (60% of quantities for 2017, which amounts to the full quantity that was auctioned for 2016) and therefore a substantial increase. The authorities confirmed that the auction for first quarterly quantities took place on 13 December 2016. A note on the main specifications of the auction and its outcome would be appreciated.

	MoU action	Status	State of play
	supply to customers.		
	Network industries: *Water utilities*		
107	Adopt legislation setting out charging rules for water services taking also into account the ongoing work by the Special Secretariat for Water (SSW)	Done	After discussion at principal level draft was agreed with the authorities 05 May. The JMD was published in the Governmental Gazette (No. Δ38134/19.5.2017) on 22.05.
108	Take immediate steps to ensure that the SSW is adequately staffed in order to be able to carry out in full its tasks and will take concrete steps to strengthen the SSW to enable it to take regulatory decisions with the necessary degree of autonomy	Done	Greek authorities have made progress in hiring personnel to increase the administrative capacity of SSW.
109	The Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH) will launch a process of preparing business plans, including for investments and key capital projects for the next five years.	Done	Information sent by EL on 06/11/2016 confirm that EYDAP and EYATH have launched the process of preparing business plans.
	Network industries: Transport and logistics		
110	Activate the logistics law by issuing the JMD of art. 8, par. 8 law 4302/2014.	Done	Primary legislation has been adopted on 30/11/2016. Final draft JMD has been agreed and was issued on 16/05.
111	Adopt the logistics strategy with a time-bound action plan.	Done	The draft has been agreed in early 2017. A letter was sent by the Jr Minister for Transport to the PM to request that the action plan is endorsed by KYSOIP. The EL authorities made the first step for the implementation of the action plan by sending a draft proposal to set up a steering committee to be responsible for the implementation of the action plan.
112	Finalise the terms of reference for a general transport master plan for Greece covering all transport modes (road, railways, maritime, air	Done	Finalised Terms of Reference has been shared with EC on 27/01/2017. EIB is proceeding with the subcontracting process. The MD for the appointment of the Project Management Team for Transport Master Plan has been issued on 16/05.

	MoU action	Status	State of play
	and multi-modal, including logistics aspects)		
113	The authorities will prepare a comprehensive review of subsidies for all transport modes to be used as an input for the fiscal spending review.	Done	Deliverable 1: Review of subsidies 2013-2016 and deliverable 2: Reporting on tendencies 2017-2020 have been received.
	Privatisation: *Tenders*		
114	The term of life of the Hellenic Republic Asset Development Fund (HRADF or TAIPED) shall be extended for three years	Done	HCAP BoD approved the three years extension on May 11th 2017; The General Assembly of HRADF decided to extend the term of life of HRADF by three years on the 16th of May 2017.
115	Endorse through KYSOIP the Asset Development Plan approved by HRADF.	Done	The Asset Development Plan (ADP) has been endorsed by KYSOIP on 19/05.
116	HRADF will launch procurement processes to hire advisors for the key remaining tenders of the ADP including Hellenic Petroleum (HELPE); the electricity company (PPC), the gas company (DEPA), the water companies for Thessaloniki and Athens (EYATH, EYDAP, respectively), the telecom company (OTE) and the 30% stake in the Athens International Airport.	Done	Requests for proposal for all tenders have been prepared and the procurement processes to hire advisors have been launched.
117	**Egnatia** Motorway SA will (i) launch tender for constructing and fully equipping the three toll stations (Venetiko, Thessaloniki, Aliakmonas); (ii) for three remaining stations (Asprovalta, Kavala and Stimoniko). Egnatia SA will submit the complete file on Environmental Impact Assessment Study and the Ministry of Environment and Energy will initiate the procedure for the decision on environmental terms according to the relevant legislation (4014/11)); (iii) Egnatia SA will finalise the tender documents for the construction of these stations. (iv) The Hellenic Republic will issue a Ministerial Decision that will specify the	Done	(i) Done The tender for the three toll stations has been prepared and launched (21, 23 December 2016 for Venetiko and Aliakmonas and 7 April 2017 for Thessaloniki). (ii) Done For three remaining stations, Egnatia SA submitted the complete file on Environmental Impact Assessment Study and, the Ministry of Environment and Energy initiated the procedure for the decision on environmental terms according to the relevant legislation. Approval of environmental terms for the 2 new toll stations in Strymoniko and Kavala given in mid-May. (iii) Done Egnatia has finalised the tender documents for the construction of these stations (iv) Done A draft joint ministerial decision drafted and signed on 20 May 2017.

	MoU action	Status	State of play
	optimization scheme of the existing "open" toll system, as proposed by the Technical Advisor of the HRADF.		
118	On **Hellenikon** the Authorities will: (a) resolve the forestry and archaeology issues; (b) appoint the Special Committee of Experts in collaboration with the investors; (c) adopt a revised legislative framework regarding the granting of casino licenses in Attica Region.	Done	(a) The actions included in the roadmap agreed between the EL and the investors on the 7th of June, have been specified and fully agreed between the two parties on the 9th of June. Thus, the forestry and the archaeology issues can be considered as resolved. (b) There has been agreement between the Government and the investors on the composition of the Special Committee of Experts. (c) The revised legislative framework regarding the granting of casino licences in Attica Region was approved by Parliament in December 2016 (Art. 109, 4486/2016 – FEK 240/A/22-12-2016)
119	HRADF will initiate a new tender process for the privatization of 66% of **DESFA** (35% of HELPE and 31% of TAIPED), including (i) the launch of the call for the appointment of consultants, and (ii) the launch of the expression of interest. (iii) The authorities will modify the existing legislation to ensure that DESFA operates under full ownership unbundling.	(i) Done ii) Awaiting final verification (iii) Done	(i) RfP was uploaded on TAIPED website on 21 March 2017: http://www.hradf.com/en/procurement/view/626/paroxh-yphresiwn-xrhmatooikonomikoy-symboyloy-sto-taiped-gia-ton-desfa Proposals have to be sent by 25 April 2017. (ii) On June 13 2017, based on a request by the financial advisors of TAIPED in charge of the DESFA privatisation, the authorities asked to make some technical amendments to the legislation in order to improve the competitiveness of the tender process. The provision, the text of which has been agreed with the institutions, was submitted for adoption to Parliament on 15 June 2017. Adoption is foreseen at the latest by 22 June 2017, and TAIPED has confirmed it will launch the expression of interest, therefore completing the prior action, immediately thereafter. Provided that the amendment is adopted by Parliament as agreed with the institutions, and that TAIPED subsequently launches the tender, the prior action will be considered as done. (iii) Full ownership unbundling was adopted as part of the Omnibus bill (law 4472, GG A74 of 19 May 2017): Article 103.
120	The authorities will conclude the remaining Government Pending Actions identified by the institutions and HRADF and which are due by February 2017 (continuous action)	Done	All requested GPAs were adopted. The final outstanding one concerned the submission of a study by the University of Piraeus on the maintenance of infrastructure for TRAINOSE. This was done on 8 June.
121	The authorities will revise the legislation on the Hellenic Civil Aviation Authority (HCAA) in line with the Compliance Report of October 2016	Done	The amendments on HCAA law satisfy the commitments (technical adjustments to the legislation included in the compliance of the mid-September 2016 milestones.

	MoU action	Status	State of play
	Privatisation: ***HCAP***		
122	The General Assembly of Hellenic Corporation of Assets and Participations (HCAP) shall adopt the sections of the **internal regulation** listed below: a. Framework for the preparation of the strategic plan. b. Eligibility and appointment criteria of Members of the Supervisory Board; c. Internal Rules of the Supervisory Board; d. Eligibility and appointment criteria of the BoD; e. Evaluation and removal of the BoD; f. Remuneration & Compensation Policy for the BoD; remuneration should be set in a competitive range capable of attracting first-rate professionals. g SOEs Coordination Mechanism; h. Reporting & Audit; i. Corporate governance code of HCAP; j. Conflict of interest and non-compete for HCAP.	Done	The English as well as the Greek versions of the Internal Regulations have been agreed. The final agreed Greek versions of the documents were adopted by the General Assembly of HCAP on 12 June.
123	The *process for determining the remaining portfolio of SOEs to be transferred* should be jointly agreed between institutions and the Greek authorities. A list of assets for transfer shall be determined on the basis of the agreed criteria. The transfer of the agreed portfolio of assets should be undertaken immediately as a prior action.	Done	The list of SOEs has been agreed and included in the agreed TMU. A set of the remaining SOEs included in the agreed list, has been transferred via Law 4472/2017 (Art. 81). As agreed, due to legal impediments and the decision of KYSOIP adopted as part of the review, the transfer of a small number of SOEs will take place in September.
124	The *process for determining the remaining portfolio of real estate that will be transferred to the Fund* will be jointly agreed between institutions and the Greek Authorities. The	Done	Primary legislation required for the establishment of the working group consisting of GSPP, HRADF and ETAD has been adopted (Done). The content of the secondary legislation has been agreed between the authorities and the

	MoU action	Status	State of play
	process will include the setting up of a working group, composed of expert representatives of the Ministry of Finance, competent ministries and HCAP (via HRADF and ETAD). The authorities will adopt legislation to allow the setting up of the working group and granting its members as a group full access to all relevant databases as necessary to complete its mandate and in line with data protection laws. The understanding is that exclusions from real estate assets owned either by the State or by entities beneficially owned by the State will take place based on solid grounds to be jointly agreed between institutions and the Greek Authorities. No transfer of State real estate assets shall be made if this is against the Greek legislation.		institutions and the relevant ministerial decision, setting up the working group, was issued on 7 June. The action plan for the working group has been agreed between the authorities and the institutions.
125	The Supervisory Board (SB) of HCAP will complete the selection of the Board of Directors including the CEO and the Board of Directors will be constituted as a body.	Done	The SB has proceeded to the selection of HR consultants (Stanton Chase). Stanton Chase submitted the final list of candidates to the SB on 5th of January 2017. The SB has completed the process of interviewing the candidates and presented the list of candidates for the post of the CEO to the Minister of Finance on the 13th January 2017 and on the 20th of January the SB announced the appointed executive members (CEO and COO) as well as the chairman of the Board of Directors. The selection of the remaining members of the BoD has been completed and they were announced on 10 February.
126	The Board of Directors of HCAP will review the board of HRADF	Done	The corporate governance and board assessment report for HRADF has been submitted by the consultants to the BoD of HCAP on 1 June. Thus, the prior action can be considered as done.
127	The 10 regional port authorities will remain in HRDAF and HRADF shall proceed with the steps needed for concession agreements for those for which there is greater development potential. This will be included in the Asset	Done	The ADP has been updated and approved by KYSOIP on 19/5/2017. The updated ADP includes the ports. Agreement has been reached to transfer remaining regional airports to EDIS. The TMU has been updated to confirm that *a potential transfer also of the management and operation rights of the remaining regional airports shall be reviewed by*

	MoU action	Status	State of play
	Development Plan (ADP) as prior action. Ultimately, the 10 regional port authorities, including the ones for which concession agreements would have been concluded, will be transferred to EDIS. The remaining 23 regional airports will be transferred to EDIS.		*September 2017.* (TMU Table 12 footnote 1).
128	The authorities will provide the report prepared by the external advisor in relation to Hellenic Aerospace Industries (HAI) on the basis of the terms of reference agreed with the institutions.	Done	The Ministry of Finance had informal contacts with potential advisors but at the end it assigned the task to Ernst & Young. The report was given to the institutions on the 19th of May.
IV. Modern State and public administration			
	Public Administration. *Mobility.*		
129	Approve legislation to introduce a new permanent mobility scheme, which will promote the use of job descriptions and will be linked with an online database that will include all current vacancies.	Done	The law was voted on 25/11/2016 (Law 4440/2016).
130	In order to implement the scheme, draft organigrams of all Ministries which need reorganisation will be submitted to the Council of State	Done	Draft organograms submitted to the Council of State on 19 May 2017.
131	**Public Administration *Special wage grid.*** Approve legislation to complete the rationalisation of specialised wage grids, following the same methodology as used for the unified wage grid.	Done	First draft of legislation received on 27/11/2016 and assessed by 4i. New draft received on 10 May and assessed by the institutions. Approved in the omnibus bill (law 4472, GG A74 of 19 May 2017) with minor differences which do not change the assessment.
	Public Administration *Modernisation.*		

	MoU action	Status	State of play
132	The authorities will (i) submit to the Council of State the draft Presidential Decree to define the responsibility of Administrative Secretaries; (ii) approve legislation to define wages and allowances for Administrative Secretaries.	Done	(i) Following agreement with the institutions, draft approved by the Government Council for Reforms on 17 May 2017. Submission to the Council of State pending. (ii) Done: Adopted as part of the Omnibus bill (law 4472, GG A74 of 19 May 2017): Article 98.
133	The Government Council for Reform will finalise the appointment of all members of the selection committee for Administrative Secretaries.	Done	Appointment finalised by the Government Council for Reform on 17 May.
	Public Administration ***Selection of managers*.**		
134	The authorities will (i) approve the Ministerial Decision on structured interviews; (ii) issue the circular on recognition of private sector experience, to have service councils complete the process by the end of 2016; (iii) issue the circular on job descriptions.	Done	(i) The authorities have sent the text as published (ΔΙΔΑΔ/Φ.35.46/2267/οικ.32096/2016 ΦΕΚ 4123/Β/21-12-2016) (ii) Circular ΔΙΔΑΔ/Φ.31.56/2417/οικ.31389 of 8 December 2016 was sent to the 4i on 24 January 2017. (iii) Circular ΔΙΠΑΑΔ/ΠΡΟΣ/139/οικ.30155 of 23 November 2016 was sent to the 4i on 24 January 2017.
135	Launch the call for Directors General for HR and financial services, with appointments to be completed in September 2017.	Done	
136	**Public Administration** ***Performance assessment scheme.*** Complete all preparatory work and issue the required Ministerial Decision to implement the reformed performance assessment scheme.	Done	MD ΔΙΔΑΔ/Φ.32.14/750/οικ.30360 was issued on 22 December 2016 and published in FEK B'4134/2016. Information on the other preparatory work is pending.
137	**Justice.** ***Code of Civil Procedure Electronic auctions*.** In order to set up a system of electronic auctions: (a) adopt an amendment of the Code of Civil Procedure and the necessary enabling legislation to allow for the adoption of a Ministerial Decision to regulate all relevant details and requirements, substantive, procedural and technical, allowing the	Done	The primary legislation and the transitional provision were adopted as part of the omnibus bill. has been enacted by the authorities and published in the OJ (B 1884) on 30 May 2017. A further amendment to the CCP as per agreement with the authorities was enacted by the Parliament (Law 4475/2017 OJ A 83/12.6.2017) . Upon publication in the OJ, the MD was also amended, in a wording agreed with the institutions (OJ B 2030/13.6.2017) . The pilot version of the public platform was delivered by the developer and the authorities conducted a demo live session for the 4i technical teams, which was satisfactory.

	MoU action	Status	State of play
	implementation of electronic auctions; (b) adopt said Ministerial Decision, (c) enact the necessary transitional provision enabling parties to judicial enforcement proceedings to opt, immediately upon its publication in the Official Journal, for an electronic auction even if the seizure was imposed at any time prior to the amendment; and (d) deliver the pilot version of the electronic platform.		
	Anti-corruption		
138	Amend and implement the legal framework of the financing of political parties on key items;	Done [(ii) awaiting external verification]	Provisions in the omnibus bill will require an updated favourable opinion of GRECO (The Group of States against Corruption, the Council of Europe's anti-corruption monitoring body). More specifically: 1. The omnibus bill includes the limitation on seizures only apply to past loans. (Done) 2. The omnibus bill includes a provision allowing anonymous coupons up to EUR 100.000. This will require a positive assessment by GRECO, due in autumn. The authorities committed to amend legislation as needed in line with GRECO's recommendations immediately once they are available. (Awaiting external verification) 3. The authorities committed to amend the wording on loans (use of state funding as collateral) and on reporting requirements included in the omnibus bill, in order to enhance clarity (Done)
139	Adopt legislation insulating financial crime and corruption investigations from political intervention in individual cases, in particular by amending the provisions of Article 12 of the Law 4320/2015.	Done	Legislation adopted in articles 54 and 55 of law 4446/2016 FEK 240/22/12/2016.
140	**Independent Agencies.** Agree with the institutions on the principles and key elements of the revision of Law 3051/2002 on constitutionally protected independent agencies in order to strengthen the autonomy	Done	Agreement on the framework proposal submitted by the authorities was reached on 9 June 2017.

	MoU action	Status	State of play
	and effectiveness of all independent agencies and entities.		

List of key deliverables for future reviews

	Key deliverable	SMoU
	June 2017	
	I. Delivering sustainable public finances	
1	**Public revenue: IAPR.** The authorities will also ensure that the performance contract between the Minister of Finance and the head of the Agency is signed by June 2017	2.3
2	**Public revenue: Single social security fund (EFKA)** With a view to merging the collection of social security contributions into the IAPR by end-2017, the authorities will produce by June 2017, a policy paper laying out the key features, steps and timeline of this reform.	2.3
3	**Public procurement.** The Greek authorities will take all necessary measures to establish the Remedies Review Body (first-instance remedies) by June 2017 in view of it starting its operation (submission and review of remedy applications) by June 2017.	2.4.2
4	**Public procurement.** By June 2017, the authorities will adopt measures to improve the judicial remedies system in the area of public procurement (second-instance remedies), taking into account the establishment of the Remedies Review Body.	2.4.2
5	**Public financial management.** The authorities will ensure that an independent auditor will be selected by end-June 2017 to audit the government accounts payable and the arrears clearance programme from end-June 2016 up to end-December 2016.	2.4.1
6	**Pensions.** Recalculate and process pension applications according to the new benefit rules (Law 4387/2016). At least 30% of all pension applications submitted between 13 May 2016 and December 2016 have to be recalculated and processed by end-June 2017	2.5.1
7	**Health care: Rationalisation of health expenditure.** Develop a plan to restructure academic curricula and specialty training in medicine in order to increase the availability and enhance the training of general practitioners	2.5.2
8	**Social safety nets: expenditure reviews**. Complete a study for the rationalization of educational benefits by June 2017	2.5.3
	II. Delivering sustainable public finances	
9	**Debt restructuring and insolvency procedures.** By end-June 2017, the authorities will register all coordinator positions and adopt all required ministerial decisions to implement the OCW law.	3.2
	III. Structural policies to enhance competitiveness and growth	
10	**Labour market: simplification of legislation.** The technical assistance project for the codification of labour laws will be launched by June 2017.	4.1
11	**Labour market: undeclared work.** By June 2017, develop new risk-analysis rules for targeting inspections.	4.1

	Key deliverable	SMoU
12	**Product markets and business environment: Toolkit I recommendations.** By June 2017, the authorities will adopt legislation to further address the OECD recommendation on Sunday trade in line with the Council of State (CoS) ruling	4.2
13	**Product markets and business environment: Regulated professions.** The Government will submit the presidential decree to the Council of State towards liberalizing the reserved activities of engineers, in agreement with the institutions, by June 2017	4.2
14	**Product markets and business environment: Regulated professions.** The authorities will, in agreement with the institutions, submit the Presidential Decree on public works engineers' registries to the Council of State, by June 2017.	4.2
15	**Product markets and business environment: Regulated professions.** To address the external advisor's recommendations on the remaining professions/activities the authorities will adopt by June 2017, a first set of measures to alleviate unjustified and disproportionate restrictions.	4.2
16	**Structural funds.** The authorities will by June 2017 (i) adopt legislative and administrative acts and/or other appropriate means with equivalent effect to streamline the expropriation procedures under a new unified legislative framework; (ii) submit to the General Secretariat for Digital Policy a project proposal for an integrated geo-spatial and cadastral information system to manage and monitor expropriations including their costings; (iii) streamline and simplify the procedures related to archaeological works by codification of legislation and/or through other appropriate means with equivalent effect, including the application of binding deadlines for the delivery of permits, and (iv) adopt a Joint Ministerial Decision to set up a registry of experts to ensure the supervision of co-financed projects as required by article 28.8 of law 4314/2014.	4.2
17	**Structural funds.** The authorities will agree with the European Commission at the latest by June 2017 a list of 15 to 20 large, emblematic projects for the period 2014-2020 including timelines from approval to completion.	4.2
18	**Network industries: Energy.** ***PPC Financial situation.*** Following RAE's recommendation, the PSO level will be adjusted by June 2017, so that the accumulated deficit for PPC will be eliminated following a timeline which is appropriate both for PPC and the consumers, and in any case no later than December 2022.	4.3
19	**Network industries: Energy.** ***ADMIE.*** By June 2017, (ii) PPC will contribute 51% of ADMIE's share capital to HoldCo, (iii) HoldCo will proceed to the formal filing of the listing prospectus with the Hellenic Capital Market Commission; (iv) the transaction will be formally notified to the European Commission for regulatory and merger clearance.	4.3
20	**Network industries: Energy.** ***Capacity Mechanism.*** By June 2017, pre-notify a new capacity mechanism in line with Energy and Environmental Aid Guidelines.	4.3
21	**Network industries: Water.** The Special Secretariat for Water (SSW) will launch gradually a system of regular collection of information as from June 2017	4.3
22	**Privatisation: Asset development plan (ADP).** On the key remaining tenders of the ADP HRADF will hire the advisors by June 2017.	4.4
23	**Privatisation: Hellenikon.** The proposed Integrated Development Plan will be presented to the Central Administration Council and immediately after its formal submission (mid-June) the Secretary General of Public Property will in turn forward this to the relevant ministries for processing according to the relevant laws.	4.4

	Key deliverable	SMoU
24	**Privatisation: HCAP**. The Government will by June 2017 take a formal decision on the transfer of the Hellenic Aerospace Industry to EDIS	4.4
25	**Privatisation: HCAP**. The General Assembly shall adopt the remaining internal regulations for the remaining outstanding issues of the internal regulations: (a) remuneration and compensation policy for the Supervisory Board (June 2017);	4.4
	IV. A modern State and public administration	
26	**Public administration: Performance assessment.** The first assessment exercise on the basis of the reformed performance assessment scheme will be performed by June 2017	5.1
27	**Public administration: Allowances.** Allowances for dangerous and hazardous work will be aligned with the corresponding European legislation by June 2017	5.1
28	**Independent agencies: ELSTAT.** The government will by June 2017 in consultation with the Institutions: (i) legislate to facilitate the set up and staffing of the President's office consistent with the Mobility Law; (ii) legislate to give the President of ELSTAT greater autonomy and flexibility in deciding how the organisation's agreed budget should be spent; (iii) increase ELSTAT's budget from January 2018 to facilitate the recruitment and retention of highly skilled staff through the introduction of compensations based on job descriptions, consistent with the unified wage grid legislation; (iv) set up a framework for staff-level agreements to allow ELSTAT to contribute on a cost-paid basis to specific projects of other public bodies; (v) legislate the State indemnification of the ELSTAT President - and other ELSTAT officials acting upon his/her authority - against legal and other costs (including counsel's actual fees and personal financial liabilities) incurred as a result of legal challenges/actions/proceedings taken or threatened against them in relation to decisions made and actions taken (including potential omissions) pursuant to carrying out their official functions in compliance with applicable provisions and rules, statutory or otherwise.	5.2
	July 2017	
	I. Delivering sustainable public finances	
29	**Public revenue: Fight against tax evasion.** The new system of cooperation between justice and tax administration is fully operational by end July 2017	2.3
30	**Health care: Reducing pharmaceutical spending.** Set up a Health Technology Assessment (HTA) committee (July 2017) to prepare the establishment of an HTA centre by July 2018.	2.5.2
	II. Delivering sustainable public finances	
31	**Debt restructuring and insolvency procedures.** By end-July 2017, the authorities will complete and enact all remaining implementing actions of the OCW law, as described in the Technical Memorandum of Understanding.	3.2
32	**Debt restructuring and insolvency procedures.** By end July 2017, the authorities will fully operationalise the profession of insolvency administrators, by completing the enrolment of successful applicants into the relevant registry.	3.2
	III. Structural policies to enhance competitiveness and growth	
33	**Vocational Education and Training (VET)** The Ministry of Labour with the support of the Public Employment Service (OAED), the Ministry of Education and relevant stakeholders will by July 2017 launch pilot tenders for a series of major business community-led partnerships for VET, involving sectoral and local employer representative bodies and social partners, targeting initially a total of 4,000 apprenticeship places between 2017-18 and 2018-	4.1

	Key deliverable	SMoU
	19.	
34	**Vocational Education and Training (VET)** A cohesive and inclusive governance structure for VET will be put in place (JMD) by July 2017, ensuring representativeness of all key stakeholders, providing for the centralised payment, auditing and monitoring of all apprenticeship contracts, and fostering the role of the Public Employment Services Local Offices (KPA) at the local level. Apprenticeship co-ordination committees in the KPAs (OAED) will be established and activated, coordinating their tasks and responsibilities within the framework of the major VET partnerships, taking on board the role of the newly introduced employer counsellors in OAED.	4.1
35	**Product markets and business environment: Toolkit III recommendations.** The remaining Toolkit III recommendations will be adopted by July 2017 except for eleven recommendations	4.2
36	**Product markets and business environment: Investment licencing.** The authorities will adopt legislation (primary and secondary) by July 2017, in the quarry sector (second leg of the first round) and the areas selected for the second round.	4.2
37	**Product markets and business environment: Ex-post impact assessments.** By July 2017, the Government will address the pending recommendations of the ex-post assessments launched in October 2015 and adopt measures accordingly, in agreement with the institutions.	4.2
38	**Land use.** The authorities will by July 2017 submit to the Council of State a Presidential Decree to harmonise older legislation with Law 4269/2014.	4.2
39	**Structural funds.** The procedure for the selection of management posts of all European Structural and Investment Funds' structures will be launched with the official publication of the call for interest by July 2017	4.2
40	**Privatisation: Hellenikon.** The Authorities will (a) launch the public consultation of the Strategic Environmental Impact Assessment Study of the proposed Integrated Development Plan for Hellenikon, no later than one month from its official submission;	4.4
41	**Privatisation: HCAP**. The General Assembly shall adopt the remaining internal regulations for the remaining outstanding issues of the internal regulations: (b) accounting framework (by July 2017);	4.4
42	**Privatisation: HCAP**. The Board of Directors of HCAP will fill the vacant posts in the board of HRADF and replace executive and non-executive members if needed, by July 2017.	4.4
43	**Privatisation: HCAP**. The Board of Directors of HCAP will review by July 2017 the Board of ETAD	4.4
44	**Privatisation: HCAP**. The Minister will provide the Ministerial Guidance for the Strategic Plan by July 2017.	4.4
	IV. A modern State and public administration	
45	**Justice: E-auctions.** For the e-auction platform to be finalized and fully operational, testing and training will be completed by end-July 2017.	5.2

	Key deliverable	SMoU
46	**Independent agencies: Horizontal review.** By end-July 2017, the authorities and independent agencies will amend primary and secondary legislation as appropriate so as to bring horizontal provisions and internal regulations in line with the results of the horizontal review.	5.2
	August 2017	
	I. Delivering sustainable public finances	
47	**Health care: Execution of clawbacks.**EOPYY will offset outstanding clawback amounts for past periods (2013-2015) with accumulated arrears (50% by August 2017).	2.5.2
	III. Structural policies to enhance competitiveness and growth	
48	**Privatisation: DESFA.** The nomination of the preferred bidder will be completed by August 2017.	4.4
49	**Privatisation: HCAP**. The Board of Directors of HCAP will appoint the board of EDIS by mid-August 2017.	4.4
	IV. A modern State and public administration	
50	**Public administration: Mobility**. For the implementation of the new mobility scheme, job descriptions will be completed by August 2017	5.1
	September 2017	
	I. Delivering sustainable public finances	
51	**Public revenue: IAPR.** By September 2017, a decision will be taken, in agreement with the institutions, on defining and providing the appropriate level of organic positions for the medium term	2.3
52	**Public revenue: Customs.** The scanners of the main three international ports shall be made fully operational by September 2017	2.3
53	**Social safety nets.** New legislation will be adopted by end-September 2017 to specify the design of a means-tested housing benefit.	2.5.3
	II. Delivering sustainable public finances	
54	**Preserving liquidity and capital**. If, by end-June 2017, private funds are not available to cover capital shortfalls of less systemic institutions (LSIs) that have been identified in relevant institutions, the BoG will undertake appropriate actions by September 2017.	3.1
	III. Structural policies to enhance competitiveness and growth	
55	**Product markets and business environment: Investment licencing.** The authorities will adopt legislation (primary and secondary) by September 2017 in the remaining mining sectors.	4.2
56	**Cadastre**. By September 2017, the authorities will adopt primary legislation in line with the agreed framework for nationwide cadastral offices.	4.2

	Key deliverable	SMoU
57	**Network industries: Energy.** ***Gas market.*** By September 2017, KYSOIP, following RAE's opinion and also based on the outcome of technical assistance, will adopt a medium term (2017-2020) roadmap, incorporating a detailed action plan, which will lead inter alia to full compliance of the Greek gas market with EU Network Codes' provisions, in particular but not limited to the Network Code on Interoperability[6], Capacity Allocation Mechanisms[7] and Balancing[8] and the manner in which the required IT platforms will be developed and/or procured**.**	4.3
58	**Network industries: Water.** The SSW will assess by September 2017 the business plans of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH) with the support of Technical Assistance.	4.3
59	**Privatisation: Egnatia**. The Hellenic Republic, with HRADF, will submit to DG MOVE for clearance the new policy for toll pricing to be implemented on the motorway and its vertical axes after the technical advisors of HRADF conclude their study.	4.4
60	**Privatisation: HCAP**. The Board of Directors of HCAP will replace by September 2017 executive and non-executive members of the Board of ETAD if the preceding review indicates this is needed.	4.4
61	**Privatisation: HCAP**. The Government with the management of the new fund will take all necessary actions for the transfer of the first group of real estate assets to be identified by the working group and agreed with the institutions (September 2017).	4.4
	IV. A modern State and public administration	
62	**Public administration: Mobility**. Implement the new mobility scheme by September 2017	5.1
63	**Public administration: Modernisation.** Launch the call for all Administrative, Alternate, and thematic Administrative Secretaries of Ministries in September 2017	5.1
64	**Public administration: Selection of managers.** The call for thematic Directors General will be launched in September 2017	5.1
65	**Justice.** By end-September 2017, the authorities will amend the Code of Civil Procedure, the insolvency law and other related laws to strengthen the position of secured creditors by aligning the treatment of secured credit with EU best practices.	5.2
66	**Independent agencies.** By September 2017, the authorities will amend any primary and secondary legislation in line with the results of the horizontal review on independent agencies, including on issues relating to (i) the Hellenic Competition Commission; (ii) the energy regulator RAE and (iii) the Regulatory Authority for Passenger Transport (RAEM).	5.2
	October 2017	
	I. Delivering sustainable public finances	

[6] Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules.
[7] Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009.
[8] Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

	Key deliverable	SMoU
67	**Public financial management.** Finalise the Chart of Accounts for central government and submit legal documents	2.3
68	**Social safety nets: expenditure reviews**. Implement the rationalization of educational benefits by October 2017.	2.5.3
	III. Structural policies to enhance competitiveness and growth	
69	**Labour market: industrial action.** As a key deliverable for the next review, the authorities will analyse and adopt legislation to increase the quorum for first-degree unions to vote on a strike to 50 percent.	4.1
70	**Network industries: Water.** By October 2017, the Special Secretariat for Water (SSW) will produce an evaluation report towards the development of a Full Information System.	4.3
71	**Privatisation: HCAP**. The General Assembly shall adopt the remaining internal regulations for the remaining outstanding issues of the internal regulations: (c) investment policy (by October 2017) and (d) dividend policy (by October 2017).	4.4
	IV. A modern State and public administration	
72	**Public administration: Coordination.** By October 2017, (i) develop formal structures within the public administration, to be responsible for the preparation and arbitration of policies; (ii) set up an effective process of inter-ministerial consultation prior to the launching of legislative proposals.	5.1
	November 2017	
	I. Delivering sustainable public finances	
73	**Health care: Execution of clawbacks.** EOPYY will offset all outstanding clawback amounts for past periods (2013-2015) with accumulated arrears (to be completed by November 2017).	2.5.2
74	**Social safety nets.** Legislate a major reform of the family benefit system by November 2017	2.5.3
75	**Social safety nets: disability benefits reform.** By November 2017, new legislation for a pilot scheme will be adopted to move from the current impairment assessment to a functional assessment to determine eligibility	2.5.3
76	**Social safety nets: expenditure reviews**. Design a reform of transport benefits by November 2017, to enter into effect in 2018 following the implementation of the electronic ticket reform by transportation companies;	2.5.3
	III. Structural policies to enhance competitiveness and growth	
77	**Education.** By November 2017, the authorities commit to the adoption of the number of teaching hours per staff member, and the ratios of students per class and pupils per teacher to the best practices of OECD countries to be achieved by the beginning of the 2018-2019 academic year.	4.1
78	**Product markets and business environment: Toolkit I recommendations.** The authorities will fully adopt the pending recommendations on building materials. Specifically, by November 2017, the authorities will harmonise 70 technical specifications and will review 372 technical specifications on building materials.	4.2

	Key deliverable	SMoU
79	**Network industries: Energy.** *The structural measures to divest PPC's lignite-fired generation capacity* will be finalised through the official submission of the agreed binding commitment offer by the Hellenic Republic to the Directorate General for Competition of the European Commission (DG COMP) by November 2017.	4.3
80	**Privatisation: HCAP**. The General Assembly will approve the Strategic Plan by November 2017.	4.4
	IV. A modern State and public administration	
81	**Anticorruption.** The authorities will amend legislation to fulfil all GRECO's recommendations on the funding of political parties and electoral campaigns within one month after GRECO will have delivered their report.	5.2
	December 2017	
	I. Delivering sustainable public finances	
82	**Tax codes.** The authorities will by December 2017: a) review with the aid of technical assistance all business income tax incentives and integrate the tax exemptions, eliminating those deemed inefficient or inequitable; b) review with the aid of technical assistance the tax framework for collective investment vehicles and their participants in line with best practices in the EU; c) codify and simplify the VAT legislation, aligning it with the Tax Procedure Code and eliminating outstanding loopholes, including those identified in the review of the legislation relating to VAT deregistration and reregistration; d) undertake a technical review the ITC provisions after its 3-year application, identifying problems and loopholes and proposing amendments with the objective of clarifying and ameliorating its application and eliminating conflicting provisions, e) review preferential tax treatments for the shipping industry in the light of the indications of the European Commission by January 2018.	2.2
83	**Property taxes.** The authorities with the aid of technical assistance will legislate to ensure the alignment of property tax assessment zonal values with market prices by December 2017	2.2
84	**Public revenue: IAPR.** All staff transferred to IAPR will be assessed and allocated to appropriate grades by December 2017	2.3
85	**Public financial management.** By December 2017, prepare an action plan to improve the management of state guarantees based on the diagnostic carried out previously	2.4.1
86	**Pensions.** The individual recalculation of the pension benefit under the new uniform rules must be finalised by end-December 2017	2.5.1
87	**Pensions.** The authorities will further ensure that by December 2017 EFKA can maintain automatic electronic records on service history for retirees.	2.5.1
88	**Pensions.** The Ministerial Decisions of art. 70.2 and the Presidential Decree of art. 52 must be issued by December 2017	2.5.1
	III. Structural policies to enhance competitiveness and growth	

	Key deliverable	SMoU
89	**Vocational Education and Training (VET).** The government will adopt an integrated plan for Human Capital development (with technical assistance) by December 2017, addressing economic growth and supported by the VET Reform.	4.1
90	**Product markets and business environment: Regulated professions.** To address the external advisor's recommendations on the remaining professions/activities the authorities will adopt follow-up measures to alleviate unjustified and disproportionate restrictions by December 2017.	4.2
91	**Network industries: Energy.** ***Capacity allocation and congestion management.*** For day-ahead market coupling (Italy-Greece and Bulgaria-Greece), Greece will join the EU market coupling project by December 2017.	4.3
92	**Network industries: Water.** The authorities by December 2018 will develop a strategic plan for SSW that will draw upon the relevant findings of the independent entities review and will adopt or amend legislation to strengthen the governance, administrative capacity and financial autonomy through distinct budgeting in the MTFS.	4.3
93	**Privatisation: Hellenikon.** The Authorities will (b) issue the draft Presidential Decree for the Integrated Development Plan no later than six months from its formal submission, in accordance with the relevant provision of Law 4062/2012;	4.4
	IV. A modern State and public administration	
94	**Public administration: Modernisation.** Complete all appointments by December 2017.	5.1
95	**Public administration: Selection of managers.** Complete the appointments of thematic Directors General by December 2017	5.1
	Q1 2018	
	I. Delivering sustainable public finances	
96	**Health care: Rationalisation of health expenditure.** EOPYY will change the way it provides primary health care by introducing compulsory patient registration with a family doctor, who will act as a gatekeeper in charge of referrals to specialists. This shall become fully operational (key deliverable) by 1st January 2018	2.5.2
97	**Social safety nets: disability benefits reform.** The pilot program of the functional disability assessment system will be rolled out by January 2018.	2.5.3
	III. Structural policies to enhance competitiveness and growth	
98	**Labour market: arbitration on collective bargaining.** The authorities, in consultation with the social partners, will review the current procedures for mediation and arbitration by February 2018.	4.1
99	**Labour market: undeclared work.** Complete by February 2018 the automatic exchange of information between the databases of the Ministry of Labour, the Ministry of Finance, SEPE, IAPR, OAED, IKA (EFKA) and the Greek police	4.1
100	**Labour market: arbitration on collective bargaining.** Taking account of the independent legal report, the authorities will adopt any necessary measures by March 2018, in consultation with the institutions and in compliance with the Council of State ruling.	4.1

	Key deliverable	SMoU
101	**Network industries: Energy.** *NOME.* The first joint assessment by the authorities and institutions will be carried out in January 2018.	4.3
102	**Network industries: Energy.** *Capacity allocation and congestion management.* Implement the day ahead, intraday, forward and balancing markets by 1 January 2018.	4.3
103	**Privatisation: Hellenikon.** The Authorities will (c) complete all key Conditions Precedent (as specified in the Share Purchase Agreement) to pave the way for financial closing (Q1 2018).	4.4
Q2 2018		
I. Delivering sustainable public finances		
104	**Public financial management.** Finalise the integration of the Financial Management Information System (FMIS) and the new Chart of Accounts so as to ensure the full use of the FMIS to support implementation of the new Chart of Accounts in the 2019 state budget.	2.4.1
105	**Pensions.** Harmonise benefits rules. Unify rules on disability and contributory welfare benefits in line with disability benefits reform by June 2018	2.5.1
106	**Social safety nets: disability benefits reform.** The national rollout legislation will be adopted in May 2018, which will also harmonize all contributory disability and welfare benefit rules including under Law 4387/2016.	2.5.3
107	**Social safety nets: disability benefits reform.** National implementation will commence by end-June 2018	2.5.3
III. Structural policies to enhance competitiveness and growth		
108	**Product markets and business environment: Investment licencing.** The authorities will proceed with a follow-up phase of the investment licensing reform to be implemented in line with the investment licensing reform roadmap by June 2018.	4.2
109	**Privatisation: Egnatia.** The Ministers of Infrastructure and Transport and Finance will issue a JMD setting out the new toll policy (April 2018).	4.4
IV. A modern State and public administration		
110	**Public administration: Selection of managers.** In January 2018, the call for all Directors will be launched, and Directors will be appointed by March 2018; by March 2018, the call for all Heads of Division will be launched, and Heads of Division will be appointed by April 2018.	5.1
I. Delivering sustainable public finances		
111	**Public procurement.** The authorities will continue to implement the actions on e-procurement (KHMDHS and ESHDHS) as agreed with the European Commission in the action plan	2.4.2
III. Structural policies to enhance competitiveness and growth		
112	**Privatisation: Egnatia** Until the endorsement of the new toll pricing policy to be applied to all toll stations of the motorway and the vertical axes, the Minister of Infrastructure and Transport, upon completion of construction of any new toll station, shall issue an interim Ministerial Decision putting such stations in operation under the current toll pricing policy;	4.4

	Key deliverable	SMoU
113	**Privatisation: HCAP**. The Ministry of Finance, using the technical assistance of HCAP or other expert as it judges appropriate, will review on a regular basis the portfolio of real estate assets belonging to the state as well the portfolio of SOEs (including newly set up SOEs). The State shall transfer to HCAP those complying with the purposes of HCAP.	4.4