



EUROPEAN COMMISSION

TFGR - TASK FORCE FOR GREECE

## **Task Force for Greece**

# **Quarterly Report**

**April 2013**

# Quarterly report of the Task Force for Greece April 2013:

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## EXECUTIVE SUMMARY

### INTRODUCTION:

The TFGR organises the delivery of technical assistance to support a wide range of structural reforms to be implemented by the Greek government, primarily for reforms agreed in the context of the economic adjustment programme. The technical assistance provided by the TFGR is a resource available to the Greek authorities, as they seek to strengthen their public administration, modernise their regulatory system and lay the foundations for a new growth model based on enterprise and investment.

The period December to March 2013 was conducive to political engagement with administrative and structural reform, and with efforts to put structural funds to work for the best advantage of the country. However, after 5 years of economic contraction, there is growing pressure from the general population for a turn-around in economic fortunes. Economic conditions remain extremely difficult, with rising unemployment (27.2% in Jan 2013) and widespread hardship. Growth and social cohesion have become the government's priority quests. The Task Force works to support the government in delivering these objectives, inter alia, through its support for the creation of the Institution for Growth, to finance the real economy and efforts to arrange technical assistance for the development of a fully-fledged social welfare policy.

In the first quarter of 2013, the Greek government has advanced on a wide range of reforms. It has in particular made progress with planning of the reorganisation of Greek Ministries, and initiated important reforms of the business environment. These efforts must be sustained and carried through into implementation. Reform of tax administration, supported by technical assistance, has made progress on an institutional level. However, it is still too early to tell whether these reforms have led to a permanent increase in the capacity of the State to collect taxes.

#### **Insert: Examples of reforms which have been supported by technical assistance:**

The following are some recently-delivered examples of reform steps which have benefited from technical assistance coordinated by the TFGR:

- **Reform of the central administration:** A review of the organisation of most Greek Ministries - representing about 206,000 staff - has been carried out. This has paved the way for the adoption in March and April 2013 of proposals by the Greek Council of Reform, under the authority of the Greek Prime Minister.
- **Motorways concessions:** site works recommenced in April 2013. Discussions continue in parallel to secure the long term financing of the projects, based on the "reset agreement" presented in January. A decision on the long-term financing is expected for June
- **Export facilitation:** the detailed screening of pre-customs controls for 2 important export products (fresh fruit and feta cheese) has been followed swiftly by legislation to introduce some initial simplifications of controls and working methods.

- **Out of court settlement:** drawing on technical assistance for the design of 'out of court' settlement procedures, a mediation system in Greece was recently launched. This involves a 3-year campaign to help citizens to avoid lengthy and expensive court procedures and to develop centres to train accredited mediators.

## **DELIVERY OF TECHNICAL ASSISTANCE:**

During the first quarter of 2013, the Greek authorities have made greater use of technical assistance to support a broader range of reforms. The TFGR now supports an extensive range of reform endeavours in 12 principal policy domains. In addition to the policy domains described in the last quarterly report<sup>1</sup>, the TFGR has become active in providing technical assistance for reform of the regulatory framework for transport and utility infrastructures. This aims to enhance performance of these critical sectors as well as to support privatisation and completion of the land registry. Technical assistance has also commenced to support projects in the areas of renewable energy, environmental protection and tourism.

The depth of TFGR engagement in each policy domain has also increased. Each of the 12 policy domains comprises a number of projects of varying scale and complexity. In total, the TFGR is or has been involved with 93 work-streams in the 12 areas. Of these:

- 68 are active: technical assistance has been provided over the past 3 months and further activity is planned for the next quarter.
- A further 18 projects are in the preparatory phase. Here, TFGR is exploring technical assistance solutions to respond to requests from the Greek authorities.
- 3 projects have been completed: planned deliverables have been submitted and there has been no follow-up request<sup>2</sup>.
- 4 projects are dormant in that, after some initial activity, there has been no activity in the past 3 months due to changing priorities<sup>3</sup>.

There has been a significant intensification in the delivery of technical assistance in the first quarter of 2013. Over 30% of the technical assistance (measured in expert days/meetings), or 40% of total expert visits, arranged by the TFGR since its creation in September 2011, was delivered in this quarter.

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<sup>1</sup> (1) acceleration of cohesion policy projects; (2) access to finance/financial sector; (3) reform of the public administration; (4) budget and taxation; (5) anti-corruption and anti-money laundering; (6) business environment; (7) public health; (8) reform of the judicial system; (9) labour market and social security; (10) migration, asylum and borders; (11) other activities of the TFGR.

<sup>2</sup> The completed work-streams concern technical assistance for: preparation of a road-map against anti-money-laundering and tax evasion; legislative screening of regulated professions; access to legal professions (review of Code of Lawyers).

<sup>3</sup> The dormant work-streams relate to technical assistance for: resolution processes in banks and insurance companies; reform of insurance guarantee schemes; access to finance (design of new funding instruments); fight against youth unemployment.

Over half of TFGR coordinated technical assistance, as measured by expert days on the ground, supported reforms in the areas of budget and administrative reform. Other active policy domains as measured by this indicator include business environment, anti-money laundering/anti-corruption, and health. In addition to the organisation of short-term missions, the TFGR has arranged grants and/or contribution/delegation agreements with international organisations (such as IMF, UNECE, WBG) as well as national public bodies for technical assistance to Greece totalling more than EUR 8 million.

Sufficient Structural Fund resources are available to the Greek government to finance technical assistance for structural reforms and administrative capacity building. Given the pressing need to advance with reforms, ways of mobilising unused eligible structural funds to support technical assistance must urgently be found. Efforts continue to find ways to put these resources to work quickly, within the framework of rules on management of structural funds.

The TFGR also supports the Greek authorities in a number of other ways. For example, TFGR staff contribute to policy dialogue (e.g. health, privatisation), and facilitate interaction between European Commission services and Greek Ministries on specific infringement cases.

### **TECHNICAL ASSISTANCE PER REFORM DOMAIN:**

The following paragraphs provide a short impression of the main developments in terms of delivery of technical assistance to support the over-arching policy reforms:

#### **1). Acceleration of cohesion policy projects:**

The absorption of cohesion policy funds has continued to progress since the December 2012 report and reached an average of 56% of the envelope for Greece – compared to 46.25% at end 2012. Despite this, several programmes are at risk of missing the automatic decommitment targets at the end of 2013. Particular attention and monitoring by TFGR together with relevant European Commission services continues to be devoted to the list of priority projects<sup>4</sup>. This list was reviewed and amended in March.

Negotiations on the revised terms for the long-delayed motorway concessions, which are particularly significant in terms of the potential employment and economic impacts, continue on the basis of positions concluded between the government and concessionaires in December 2012.

A major exercise has been undertaken by TFGR together with relevant European Commission services to support Greek authorities in simplifying management and control procedures for current structural fund projects is advancing towards conclusion. Work has also started on developing a significantly streamlined set of procedures for the next programming period (2014-2020).

#### **2). Administrative reform:**

A roadmap for reform of the central administration was adopted by the Greek authorities in January 2012 (following work conducted in the context of the Administrative Reform

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<sup>4</sup> [http://www.espa.gr/en/documents/priorityprojects/ypaan\\_120116\\_espa\\_projects\\_en.pdf](http://www.espa.gr/en/documents/priorityprojects/ypaan_120116_espa_projects_en.pdf)

operational programme). The overarching objectives are to achieve a leaner, better coordinated and more efficient State.

During the last quarter, the Greek authorities have taken important steps to prepare implementation of this reform. A Council for the Reform, under the Prime Minister's authority, is supervising the reform of the central administration and taking the necessary key decisions. Many challenges lie ahead however. For example, the legal framework for the inter-ministerial coordination (a key element to improve the functioning of the administration, in particular for the planning, the monitoring and the preparation of the necessary arbitrages) was adopted in December 2012. However, the operational implementation of the coordination is still to start. Also, evaluation of all public entities must be completed, and proposals for transformation adopted and implemented. Overall, the Greek authorities need to continue or strengthen their efforts, focus and impetus on the implementation of this reform. 2013 is considered as decisive for the operational transformation of the administration.

A roadmap for the reform of the administration at regional and local levels was adopted in March 2012. During the first quarter of 2013, the implementation of the roadmap regained momentum starting with the following topics: transfer of new powers to regional and local authorities and exercise of existing ones such as spatial and urban planning; management of local government property; strengthening the capacity of local government for planning and implementing investment programmes; and administrative organization.

### **3). Access to finance:**

TFGR has helped to prepare for the establishment of an Institution for Growth to support the financing of the Greek economy. The advisory committee assisted the Ministry of Development which has been working on the possible gaps in the Greek financial market, notably when it comes to liquidity sources.

The potential to develop microcredit in Greece, including through non-bank financial institutions, is being explored with the Greek authorities and notably with the Bank of Greece.

### **4). Budget and Taxation:**

Technical assistance has continued at a sustained pace. In the area of tax administration, technical assistance was provided in a variety of fields including: institutional and governance reform; organizational reform; support (notably in form of training) for key functions of the tax administration such as audits of important categories of tax-payer; reform of the overall tax system. The appointment in January 2013 of a new head of the tax administration (after a one-year vacancy) means that there is finally a high-level Greek counterpart for the technical assistance programme, tasked with responsibility for coordinating the implementation of reforms.

Streamlining the legislation applicable to the tax administration (Tax Procedures Code) will be the focus of particular attention in coming months. In the area of public financial management (PFM), technical assistance from the IMF and European Commission has supported the creation of General Directorates for Financial Services. It has also supported the development of the on-going Enterprise Resource Planning (ERP) IT

project. Implementation of the Road Map agreed with the Hellenic Court of Audit is also proceeding.

#### **5). Anti-money laundering and anti-corruption:**

Implementation of the Anti-Money Laundering training programme is progressing well. So far 160 participants have received training in techniques to identify money laundering and tackling tax evasion. To date, 120 participants have been trained in using internet-search techniques to undertake investigations. A draft law on setting-up a registry of bank accounts has been prepared by the Greek authorities, accompanied by an implementation schedule and a technical report with details for the foreseen system. An anti-corruption action plan has been agreed between relevant Greek agencies and prosecution bodies. Effective implementation now depends on the rapid finalisation of a national strategy against corruption, and the political appointment of a national coordinator who enjoys sufficient support and power to implement this national strategy.

#### **6). Business environment:**

Over the past quarter, technical assistance to support reforms of the business environment in Greece has gathered momentum. A new technical assistance project has been launched to streamline multiple and fragmented licensing and permit systems for investment, with the support of the World Bank. The Greek authorities have also set out, for the first time, ambitious targets for reform of Greek public procurement legislation and administration. This has paved the way for work to commence on preparation of technical assistance to support these important reforms.

Sustained technical assistance has been provided to simplify exports procedures and reform customs administration. Extensive work has been carried out by a Greek project team, supported by the TFGR and UNECE, on reviewing documentation and controls for 2 important agricultural exports (fresh fruit and white cheese). This has been followed swiftly by legislation to implement improvements. An important diagnostic review of customs offices and procedures is underway, spearheaded by the World Customs Organization. In the area of export promotion, the Netherlands has been a valued and committed project partner for the Greek authorities as they seek to enhance their capacity to support Greek companies in improving access to foreign markets. Finally, intensive screening of Greek business legislation is underway to identify legislative provisions that give rise to administrative burdens and market entry barriers.

#### **7). Health reform:**

Greece has adopted on 26 March 2013 an overarching reform road map ("Health in action") in the framework of the Health Reform Steering Committee (established in September 2012). In the last quarter, the Committee and sub-committee have begun to exercise their responsibilities. Their activities have been heavily supported by technical assistance (series of assessment missions, reports and draft action plans).

#### **8). Access to justice:**

During recent months, TFGR has continued to provide technical assistance for a number of projects which aim to increase efficiency of the judicial system in Greece. This includes efforts to accelerate judicial proceedings through the review of the Code of Civil

procedure. Technical assistance was also provided for e-Justice, and the collection of statistics in the field of Justice.

In March, a well-attended and strongly supported conference launched a new national initiative to promote out of court settlement wherever possible. This initiative encourages mediation in the field of civil matters and introduction of mandatory extra-judicial administrative appeals.

### **9). Labour market, social security, innovation and education:**

The Action Plan to strengthen Youth Employment and Entrepreneurship was launched in January by the three Ministers of Labour, Education and Development. It aims to help 350,000 job-seekers, supported by a budget of EUR 608 million (mobilized through the reprogramming of European Social Fund operational programmes). Experts from France, Portugal, Austria and the United Kingdom contributed to the Plan and can further assist with its implementation and monitoring.

A Co-operation Agreement for the modernisation of the public employment service<sup>5</sup>, facilitated by the TFGR, was signed between OAED (Greek public employment service) and the Public Employment Services of three Member States. The Project Inception Report was agreed at a meeting of the Steering Committee in February. An Action Plan to strengthen the Labour Inspectorate (SEPE)<sup>6</sup> was finalised at the end of February.

In the area of the social economy, experts from Sweden, Germany, France, Belgium and the United Kingdom, jointly with Greek experts, presented the Ministry of Labour with an Outline Strategy and Priorities for Action in January. These recommendations have been reflected in an Action Plan prepared by the Ministry. Discussions continue on how best to channel offers of assistance from social enterprises and networks in many Member States.

### **10). Asylum and migration:**

In January 2013, following discussions with other EU partners, Greece presented a revised "Greek Action Plan on Asylum and Migration Management" including concrete objectives, deliverables, time-frames as well as budget estimates. TFGR supported the preparation of this strategic document. Technical assistance also identified bottlenecks in the management and implementation of "Solidarity and Management of Migration Flows" (SOLID) programmes and proposed procedural and structural improvements.

### **11). Privatisation and land registry:**

TFGR co-ordinates technical assistance across a wide range of sectors where privatisation is already underway or in preparation. The entire programme will have far-reaching and potentially significant beneficial effects on the economy through increased competition as well as providing important opportunities for domestic and foreign investment.

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<sup>5</sup> This reform was foreseen in the Human Resources operational programme

<sup>6</sup> This reform was foreseen in the Human Resources operational programme

To help complete implementation of a national Land Registry by 2020, intensive technical assistance is being provided by experts from four Member States, under the domain leadership of the Netherlands, with the initial work focusing on how to tender for the remaining parcels of land in the most effective and cost efficient way.

**12). Network Industries and Services:**

In March 2013 Greece, Germany and TFGR signed a Memorandum to set up a two-year programme to provide technical assistance to the deployment of renewable energy sources. Further initiatives are being prepared in relation to logistics, aviation, ports, waste management, electronic communications and tourism.

## **1. INTRODUCTION: OVERVIEW OF ACTIVITIES:**

### **1.1. Core mission of the TFGR:**

- The TFGR organises the delivery of technical assistance to support a wide range of structural reforms to be implemented by the Greek government, primarily for reforms agreed in the context of the economic adjustment programme. The technical assistance provided by the TFGR is a resource available to the Greek authorities, as they seek to strengthen their public administration, modernise their regulatory system and lay the foundations for a new growth model based on enterprise and investment (see annex 1 for presentation of working methods of the TFGR).

TFGR mobilises the policy expertise needed by the Greek authorities to design and implement reforms of legislation, institutions and/or working methods and processes. This expertise is sourced from Member States, international organizations or other specialist bodies which have directly relevant and recent experience in implementing similar reforms. The TFGR also assists in finding solutions for financing the costs of technical assistance – either from the centrally managed structural fund envelope or by helping the Greek authorities to make use of eligible structural funds for administrative capacity building. In addition, some Member States have assumed the sometimes substantial cost of making senior officials and experts available to Greece.

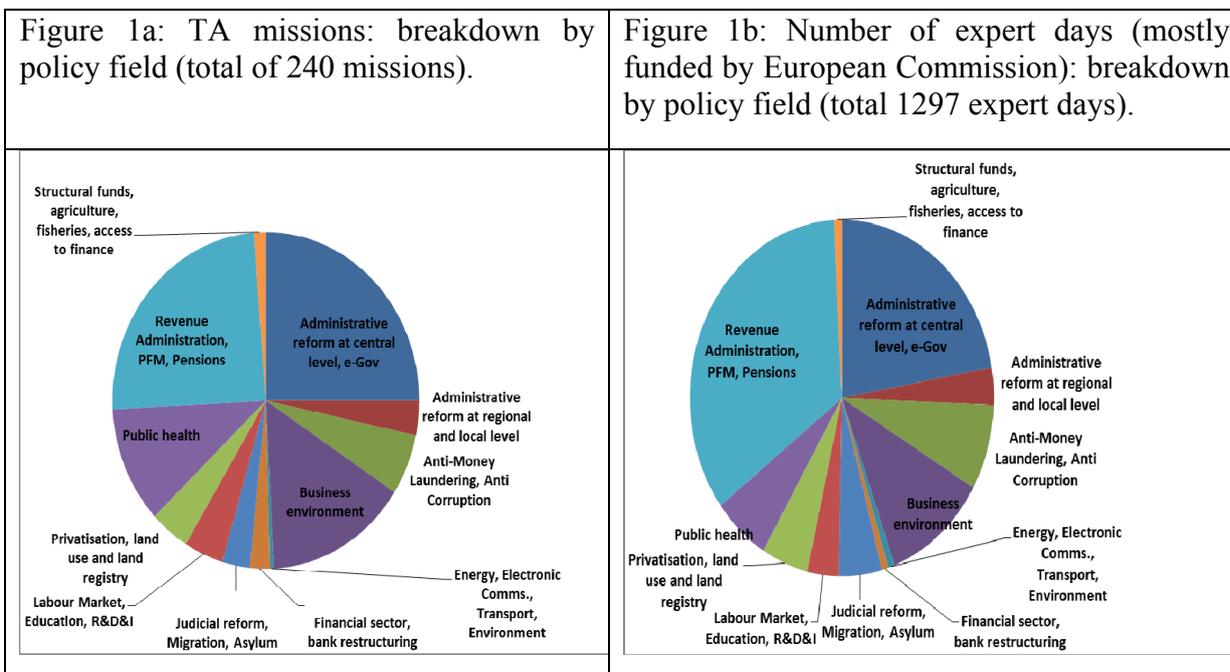
- The TFGR coordinates an extensive portfolio of 93 technical assistance work-streams in 12 different policy domains. These include (1) acceleration of cohesion policy projects; (2) access to finance/financial sector; (3) reform of the public administration; (4) budget and taxation; (5) anti-corruption; (6) business environment; (7) public health; (8) reform of the judicial system; (9) migration, asylum and borders; (10) labour market and social security; (11). Enhancing the regulatory framework for transport and utilities and completion of the land registry to facilitate privatisation; (12). Energy, transport and environment.

### **1.2. Ways in which the TFGR delivers assistance:**

The Technical assistance arranged by the TFGR can take various forms as outlined in the Annex 1. The TFGR has an increasingly effective range of instruments at its disposal for delivering technical assistance to Greece. This section will briefly present the two main mechanisms:

#### *1.2.1. Provision of short-term experience*

The initial stages of technical assistance work generally entail diagnostic analysis to define problems and provide policy and technical input to the design and implementation of reforms. This work can be effectively performed using fact-finding missions and workshops culminating in the generation of recommendations and input to reform blueprints. TFGR has arranged for about 240 missions on a wide range of subjects (see Figure 1a). 24 policy workshops have been organized, relating notably to reform of the judicial system, export facilitation and public procurement.



Note: TFGR computations. Cut-off date 29 March 2013.

Substantial technical assistance was supplied in the fields of administrative reform at central level (including e-government operations) as well as revenue administration, public finance management and pensions. These fields of activity have each accounted for over 55 missions since December 2011. These two fields together also account for more than half of the 1297 total expert days spent in Greece (see figure 1b). TA requests and actions to improve business regulation and modernise the public health sector accounted also for a large share of the total number of missions (about 30 each) and expert days performed until end of March 2013. 100 expert days have also been invested to support the fight against corruption and money laundering in Greece since January 2012.

In particular, for short-term technical assistance assignments (short expert missions/meetings), TFGR mobilises the financial resources available in the technical assistance budget of the European Social Fund (ESF). In the same vein, the TFGR has also begun to make use of small value contracts funded by the ESF. 11 of these contracts have been arranged so far (for an amount of approximately EUR 100'000). These interventions can also be an effective way to arrange for transfer of targeted expertise or advise to support Greek reforms.

In addition to expert missions and visits paid from the European Commission budget, some Member States have also helped to shoulder the cost of technical assistance provisions to Greece. In this regard, France and the Netherlands must be singled out. These countries have assumed operational and financial responsibilities, deriving from their role as "domain leaders" on a number of projects.

### 1.2.2. Financing of long-term project implementation:

Support for the implementation of significant reforms requires a sustained investment and presence in-country that cannot be met through short-term expert missions or workshops. This is particularly the case when reforms progress from diagnosis to implementation. These longer-term assignments may relate to: intensive screening of Greek legislation or administrative processes; provision of resident expertise to support

monitoring and implementation of projects; provision of support for specialised functions such as training and HR, process re-engineering or ICT design. These needs are best met by recruitment of institutions or bodies having the specialist knowledge to provide hands-on assistance in the implementation of reforms and change management.

To finance these sometimes substantial needs, the TFGR is active in mobilising resources from the technical assistance budget lines of the European Social Fund (ESF), the European Regional Development Fund (ERDF) managed by the European Commission. The TFGR has arranged 5 grant and/or contribution/delegation agreements with international organisations as well as national public bodies for technical assistance to Greece totalling more than EUR 8 million.

However, the scale of the technical assistance needed to support the implementation of the full reform programme dwarfs the funds available under EU centrally managed budget lines. The TFGR has therefore been in discussion with the Greek authorities on ways to mobilise available and unused resources from cohesion policy funds which are managed by the Greek authorities. The most important candidate for financing structural and administrative reforms is the ESF-financed Administrative Reform Operational Programme (AROP). This was established with the declared purpose of funding projects aimed at reforming/improving administrative capacity and structures across the board of the Greek administration. AROP also presents one of the largest amount of unspent funds among Greek cohesion policy programmes.

Steps are being taken by the Greek authorities in cooperation with TFGR and with the support of the relevant national and international partners, to make effective use of eligible funds under relevant ESF or ERDF-financed operational programme(s) for some technical assistance actions in the area of administrative reform, health policy and trade facilitation.

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## 2. ACCELERATION OF COHESION POLICY PROJECTS

### *Main developments:*

The absorption of cohesion policy funds has continued to progress since the December 2012 report. Greece continues to absorb a higher proportion of these funds, with the exception of European Social Fund (ESF), than the average Member State. This has happened in spite of liquidity constraints and a challenging investment climate.

By end-2012, the absorption of structural funds reached EUR 3.25 billion, representing 87.3% of the MoU target of EUR 3.73 billion. All programmes met the N+3 decommitment targets at the end of the year. The MoU and N+2/N+3 targets<sup>7</sup> for 2013 are the same and are especially challenging. Meeting them requires an overall absorption of EUR 3.89 billion, or EUR 4.18 billion total public expenditure when the required Greek national co-financing is taken into account. Some programmes are at risk of missing the automatic decommitment targets.

Particular attention and monitoring by TFGR together with European Commission Directorate General for Regional and Urban Policy and Directorate General for Employment, social affairs and inclusion, continues to be devoted to the list of priority projects<sup>8</sup>. This list was reviewed and amended in March. The Management Organisation Unit for Development Programmes (MOU) S.A supports primarily the priority projects under regional programmes. Project managers have been assigned to 45 projects and more are being recruited. European Commission Directorate-General for Regional and Urban Policy has set up specific assistance from JASPERS<sup>9</sup> to help the maturity of some major projects.

Regarding the motorway concessions, discussions on a "reset" agreement continue on the basis of agreed positions concluded between the government and concessionaires in December 2012. Commission clearance of the Reset agreements on competition and state aid issues and confirmation of the Structural Funds' contribution to the financing of the four motorways is a key step for concluding the agreement. The clearance cannot go ahead without the binding offers of the lenders which have been repeatedly delayed.

A first batch of measures aiming at simplifying management and control procedures and thereby accelerate project implementation and payments was largely adopted and implemented. The Greek authorities and the TFGR, together with European Commission Directorate General for Regional and Urban Policy and Directorate General for

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<sup>7</sup> The cumulative annual budgets for 2007 to 2011 must be spent and claimed from the European Commission by 31 December 2013. Any deficit is automatically decommitted and lost to the programme. Until 2013 the target was for N+3 (three years in which to claim reimbursement), but in 2013 the target reverts to N+2 (two years in which to claim reimbursement)

<sup>8</sup> [http://www.espa.gr/en/documents/priorityprojects/ypaan\\_120116\\_espa\\_projects\\_en.pdf](http://www.espa.gr/en/documents/priorityprojects/ypaan_120116_espa_projects_en.pdf)

<sup>9</sup> JASPERS (Joint Assistance to Support Projects in European Regions) provides advice to the 12 Central and Eastern EU Member States, Croatia and now Greece during project preparation to help improve the quality of the major projects to be submitted for grant financing under the Structural and Cohesion Funds. The assistance is provided free of charge and is geared towards accelerating the absorption of the available funds.

Employment, social affairs and inclusion, have cooperated closely in this respect and continue to work together to bring the exercise to completion by the end of June. Work has now started on developing a significantly streamlined set of procedures for the next programming period (2014-2020).

Key ambitious milestones put forward by Greek authorities for the next quarter are:

- Conclusion of the work on simplification of procedures for 2007-13 – by end of June.
- Agreement on a plan to radically revise procedures and structures for 2014-2020 – by end June
- Revision of the priority projects list – by end March

## 2.1. Absorption for the 2007-13 programming period

In the context of severe and protracted recession and financial crises in Greece, cohesion policy funds are a most valuable resource for investment. The Government has continued to implement the programmes despite the negative impact of severe liquidity constraints notably on project implementation.

The **absorption target<sup>10</sup> in the MoU for 2012** was EUR 3.73 billion. By end-2012, absorption reached EUR 3.25 billion, representing 87.3% of the target. Performance improved markedly in the second half of the year, amounting to 101.8% against the target. This compared with 57.8% of the target for the first half of the year. All programmes met the N+3 decommitment targets at the end of the year. The MoU and N+2/N+3 targets for 2013 are the same and are especially challenging, requiring an overall absorption of EUR 3.89 billion or EUR 4.18 billion total public expenditure when the required Greek national co-financing is taken into account. Several programmes are at risk of missing the automatic decommitment targets.

**The rate of absorption<sup>11</sup>** for the three Funds (Cohesion Fund, ESF and ERDF) in March 2013 rose to 56.1% of the available public budget (EUR 20.2 billion). The rate for ERDF has reached 60.6%, only three percentage points behind the Member States with the highest absorption. At 46.3% the rate for ESF places Greece "behind" two thirds of the Member States. In term of absorption at the level of Operational Programmes, the lowest absorption rates are registered in the five European Territorial Cooperation Programmes, between Greece and its neighbourhood countries, and in the National Contingency Reserve programme. Among the ERDF programmes the highest absorption rate is for Competitiveness and Entrepreneurship, whereas those for Environment and Sustainable Development and Digital Convergence are the lowest. Among the three ESF operational programmes, the programme dedicated to administrative reform is lagging behind

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<sup>10</sup> Defined as payment claims the Greek authorities submit to the Commission by 31 December each year.

<sup>11</sup> Figures from European Commission Directorate-General for Regional and Urban Policy representing payments made by the Commission as a percentage of the budget allocation

In term of **thematic objectives**, projects concerning entrepreneurship registered the highest rate of absorption (i.e. 75% of the approved budget). Projects concerning RTD and ICT in general are at around 25% absorption, whereas environmental projects are below 15% absorption. Projects concerning the labour market have significant absorption (i.e. 45%), followed by HR project at 35% absorption. In terms of support for infrastructures, energy leads with 53% absorption, followed by railways (44%), roads (34%) and broadband network (16%).

**Payments:** 2012 was characterized by a high concentration of payments in Greece in the last quarter of the year. The share of payments delayed more than three months has increased in the last two years from EUR 45million (Jan-Mar 2011) to EUR183million (November 2012 – January 2013). In 2012 the situation deteriorated noticeably in the second and third quarters (e.g. EUR 285 million between September and November 2012). The acceleration of procedures for payment is one of the core objectives of the simplification of National Strategic Reference Framework (NSRF) procedures. TFGR is cooperating closely with the Greek authorities in this respect<sup>12</sup>.

**"Sleeping projects":** these are projects which have no tendering agreement six months after being approved. By July 2012, 924 projects were inactive, with a total budget of EUR 2.365,5 million. By using active measures to either reinvigorate or close such projects, by January 2013, the number of sleeping projects was reduced to 467, with a total budget of EUR 1.111,5 million.

**"Sleeping contracts":** As of January 2013, the number of projects approved under the NSRF was 12.694, of which 64.3% are contracted. Amongst these contracted projects, 1.235 has made no payments. In the NSRF, there are 759 projects which have made no payments within 6 months of contract signature (defined as "sleeping contracts"), with a total budget of EUR593 million. The distribution of "sleeping contracts" per fund is as follows: ERDF EUR263 million; ESF EUR 184 million and Cohesion Fund EUR 145 million. The value of contracts signed between 2007 and 2011 which have made no payments is EUR232 million.

It is important that the monitoring and active management of both "sleeping projects" and "sleeping contracts" continues to be done on systematic basis so that funds can be recycled into productive projects.

## **2.2. Clearing the backlog from the previous programming period**

Concerning the 2000-2006 programming period (all funds), 1205 projects were still incomplete at the "closure" of the operational programmes. This entailed the risk of recovery of a maximum of some EUR 3.3 billion of payments for all projects. The total amount of national financing needed to complete these unfinished projects was estimated at approximately EUR 262 million.

All unfinished projects were scheduled for completion by 31 March 2013. At that deadline, the amount at risk of recovery was around EUR 68 million. However, on March 8<sup>th</sup> 2013 the European Commission extended the deadline for completion of these

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<sup>12</sup> See also section 2.3.5.

projects to 31st December 2013. This will allow the relevant Greek authorities to reduce substantially the number of unfinished projects.

### **2.3. Focus on high impact projects**

#### *2.3.1. Priority projects*

At the beginning of March 2013, 15 out of 181 priority projects have been completed (total co-financed budget EUR 177million). 86 are being implemented on schedule (total co-financed budget EUR 2,581million). 70 projects need to be accelerated (total co-financed budget EUR 8,370million). 15 projects are unlikely to be concluded (total co-financed budget EUR 387million), and 1 project was cancelled (co-financed budget EUR 2 million). In Q1 2013, the number of projects which require acceleration and those at risk has increased. In addition, 34 project might need to be phased, the latter phase to be completed in the 2014-2020 programming period. In January, European Commission Directorate General for Regional and Urban Policy and Greek Authorities decided to review the list of priority projects by the end of March 2013.

In terms of assistance, the Greek authorities provided support to a number of project beneficiaries either through the Management Organization Unit for Development Programmes (MOU SA), or through private sector project managers.

In addition, TFGR has co-ordinated support for critical projects such as the solid waste management and the Cadastre, see below and section 12.2. European Commission Directorate-General for Regional and Urban Policy has set up specific assistance from JASPERS to help the maturity of some major projects, leading to the signature of an Action Plan by Greece

#### *2.3.2. Motorway concessions*

The government and concessionaires are working to restart all four motorway concession projects in the second quarter of 2013. Discussions on a "Reset" agreement are on-going. These build on positions agreed between the government and concessionaires in December 2012.

A key element of the “reset”, which is needed to make the projects financially viable, is the agreement between the state and the concessionaires that the state’s share of the revenues during the exploitation phase will be “recycled” to the projects, if necessary, in order to service debts and operating expenses.

Examination of all the issues is on-going with assistance from the TFGR. In parallel, negotiations with lenders are proceeding on the basis of revised business plans reflecting prudent traffic assumptions, revenues and costs.

The Greek authorities presented the draft “Reset agreements” to the European Commission on 21-23 January 2013. The Commission clearance of the Reset agreements on competition and state aid issues and confirmation of the Structural Funds’ contribution to the financing of the four motorways, as well as compatibility with the public procurement rules, is a key step for concluding the agreement. The clearance cannot go ahead without the binding offers of the lenders which have been repeatedly delayed.

### *2.3.3. Solid waste management*

The European Commission recently decided to refer Greece to the European Court of Justice for non-compliance with EU environmental legislation.

In December 2012, TFGR initiated assistance to the Greek authorities on issues related to tendering of major new waste management installations in Attica and other regions, with the support of the United Kingdom. Further activities in this area are planned for the end of March with the involvement of Greek waste management bodies.

The Ministry of Environment, with the support of the TFGR, is mobilising experience from other Member States to help design a national strategy for solid waste management for the period 2014-2020.

### *2.3.4. ICT*

13 of the 181 projects on the priority project list are ICT projects. These are crucial for the timely implementation of the reform program and the country's migration to a modern ICT-mature administration. The projects cover both infrastructure and advanced applications across the administration's field of operation (justice, finance, procurement, education and registries, among others). As such, TFGR has worked closely with the Greek authorities on the Elenxis and Enterprise Resource Planning (ERP) projects, both financial projects (the latter in cooperation with IMF TA).

TFGR supervises expertise and provides operational support for simplification in the context of the Digital Convergence Operational Programme to boost absorption and use the program to finance high quality projects. TFGR has also played an important role in infrastructure projects, supporting the Greek authorities and liaising with European Commission services in order to bridge the gap between Greece and other Member States in the fulfilment of the European Digital Agenda.

### *2.3.5. Streamlining procedures*

The plan to implement a number of simplifications across ten areas<sup>13</sup> was largely adopted and implemented by the end of 2012. Some remaining issues remain to be completed by the end of March. This represents a major piece of work and covers not only issues relating to the management and control system, but also to horizontal issues such as acceleration of tendering and expropriation procedures. The timescales for initiating projects and making payments should be shortened by reducing the number of signatures required and by moving to electronic circulation of documents. The Greek authorities and the TFGR will continue to cooperate closely to bring this exercise to completion. Whilst further more radical changes still need to be made, these will be implemented in the 2014-2020 programming period.

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<sup>13</sup> These areas are Operations' Approval, Ex-ante Controls, Simplification of Financing Process, Public Procurement, Projects implemented with own means, Acceleration of Projects' implementation, Digital/e-Signature/ e-Circulation of Documents, Reduction of Signatures, Operational Review of NSRF Special Services, Expropriations

## **2.4. Preparation for the 2014-2020 programming period**

The on-going preparation of the next programming period represents a unique opportunity to better target structural funds to support of economic recovery and employment. New approaches will be needed to maximise the economic impact of the Structural and Investment Funds package.

Discussions started in March with the Greek authorities on developing a significantly streamlined management and control system for the new programming period.

## **3. ACCESS TO FINANCE / FINANCIAL SECTOR**

### ***Main developments:***

TFGR has undertaken important efforts to complete the preparatory steps for the creation of an Institution for Growth to support the financing of the Greek economy. The advisory committee assisted the Ministry of Development which has been working on the possible gaps in the Greek financial market, notably when it comes to liquidity sources.

The potential to develop microcredit in Greece, including through non-bank financial institutions, is being explored with the Greek authorities and notably with the Bank of Greece.

### **3.1. Overview of developments in the banking sector**

In the first year of this operation, TFGR has focussed on supporting the efforts of the European Commission, the ECB and the IMF in making the Greek financial system more resilient notably through the on-going restructuring of the banking and insurance sector. At the same time it deployed serious efforts in unblocking "trapped" liquidity sources in order to boost the real economy. At this stage, TFGR is concentrating its activity in enhancing the lending capacity of national lenders, while exploring financing possibilities through non-banking financial institutions.

For the future it needs to be borne in mind that, on the one hand, a process of consolidation and concentration is profoundly reshaping the shape and configuration of the sector. On the other hand, the successful completion of the second phase of the recapitalisation and resolution process in the course of 2013 will have a major impact on the operational environment for Greek banks and will stabilize the medium-term outlook for the financial sector.

TFGR will continue its efforts to enhance the lending capacity of the Greek banking system. In particular, it will continue, together with the Greek authorities, to explore possibilities for realistic targets for lending to the real economy to accompany the recapitalisation schemes or subsequent restructuring plans of the banks. At the same time, TFGR, in close coordination with European Commission Directorate General for Regional and Urban Policy, will work further on the optimisation of the use of structural funds and other funding sources, both within but also outside the Greek banking system (see below 3.2 and 3.3).

### **3.2. Microfinance**

Given the fact that the Greek economy is predominantly based on Small and Medium Size Enterprises (SMEs), with an extremely high proportion of micro-enterprises, the potential to develop microcredit institutions in Greece could be an attractive alternative to bank loans. In addition, the concept of microfinance has received considerable public attention during the past months, in particular against the background of rising youth unemployment, female unemployment and long-term unemployment.

At this stage, possibilities to develop microfinance/microcredit are being explored by the Greek authorities. The Bank of Greece is seeking to establish a joint committee with line ministries to prepare the legal, supervisory and institutional framework for microfinance in Greece.

Technical assistance has been organised by the TFGR to identify preparatory actions.

- A report commissioned by the Task Force for Greece on the potential to develop microfinance in Greece was completed in January 2013 by ADIE International (“Association pour le droit à l’initiative économique”- France).
- Greek authorities are currently considering modifications of the legal and regulatory framework in order to facilitate microfinance options through bank and non-bank providers. The TFGR is actively participating in preparatory discussions and supporting these endeavours with ad hoc information requests and providing relevant ministries as well as the Bank of Greece with comparative country examples from other Member States.
- The possibility of launching a microfinance pilot project is being explored as a complement to the on-going review of the legal, regulatory and supervisory framework.

The TFGR organized an event on 29<sup>th</sup> March in Athens in which the authors of the ADIE International report on microfinance options in Greece presented their report and discussed possible next steps with key stakeholders (Ministries of Development, finance, Employment, Agriculture and the Bank of Greece).

### **3.3. Access to finance**

The immediate challenge is still to ensure sustainable lending for the real economy and reduce the adverse effects of the credit crunch that currently limit the possibilities for the Greek economy to emerge from the crisis.

With respect to the various financial instruments available, promotional schemes for SMEs have been developed<sup>14</sup>. Most of these involve the support of the European Regional Development Fund (ERDF). The table below provides an overview of existing initiatives supported by the EU to increase bank lending to the business sector, notably the Greek SMEs. At the end of February 2013, resources available amounted to EUR 2.9 billion.

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<sup>14</sup> There are other national schemes not supported by the EU but they are not listed below.

Table: Existing instruments to support bank lending to business sector:

In million EUR	ERDF contribution	Private sources	Total amount available	Disbursements
<b>EIF</b>				
JEREMIE	250	250	500	40.0
<b>EIB</b>				
SME global loans	500	500	<b>1,000</b>	0
<b>ETEAN</b>				
Entrepreneurship Fund	130	315	<b>315</b>	15.0
Working capital	225	225	<b>450</b>	0
<i>1<sup>st</sup> loss portfolio guarantee*</i>	<i>100</i>	<i>250</i>	<b>350</b>	<i>0</i>
Energy Efficiency for households	241**	239	<b>480</b>	45.79
	155***	0	<b>155</b>	30.79
<b>Total</b>	<b>1,501</b>	<b>1,499</b>	<b>2,900</b>	<b>131.6</b>

Notes: \* guarantee, no liquidity

\*\* loans

\*\*\* grants

The absorption of JEREMIE funds by SMEs has reached the amount foreseen in the regions of Attica and Central Macedonia. In other regions and in the field of ICT there is still a lack of demand. Changing the character of the programme or reallocating funds while complying with Structural Funds provisions to regions with higher demand would improve the situation. Greek authorities will seek to reprogram funds from the ICT programme to a broader use for all SMEs in the region. This will help in particular the economy in the regions of Attica and Central Macedonia. The JEREMIE instrument provides liquidity as well as risk-sharing. The experience in Attica and Central Macedonia demonstrates the possibility to create a functioning support instrument under difficult circumstances. However, the other schemes and in particular the ETEAN which is managing the Greek National Fund for Entrepreneurship and Development, have not managed to reach their intended recipients. On the basis of the experience acquired, ETEAN refocused their products and the implementation of funding up to 50 % and a working capital scheme (Business Restart) is on-going. Global loans for SMEs to be provided by the EIB to Greek banks would be ready for disbursement by end June 2013.

Finally, a guarantee instrument endowed with EUR 100 million has been created and is to be implemented by ETEAN. This aims to reduce the risk of lending to SMEs for Greek banks by providing the latter with a guarantee. By reducing the risk of lending, this instrument will complement EIB global loans (cf. above) which are aimed at supporting liquidity. Its impact on bank lending will have to be measured in the next months.

#### 3.4. New instrument in pipeline: Institution for Growth in Greece (IfG)

The preparatory work for the establishment of an IfG to facilitate the financing of the Greek economy has continued during recent months. TFGR has invested heavy effort in this preparatory work. The steering committee assisted the Ministry of Development which has been working on the possible gaps in the Greek financial market, notably

when it comes to liquidity sources. The Greek government has analysed, with the help of an international consultancy firm, the extent of credit financing gaps in the Greek market. TFGR supported the preparation and the execution of this analysis in the steering committee set up by the Greek authorities. The steering committee wrote to the Minister of Development in mid February 2013 and summarized the study including a recommendation for the government to present and inform all stakeholders on this project. The main findings of the study are the following:

- There is an equity funding gap and a structural debt funding gap in the Greek market of the order of EUR 5 – 10 billion each;
- The current situation in the Greek banking market leads to insufficient supply of project finance, working capital and import/export financing;
- Greece suffers from a lack of specialized financing institutions (e.g. leasing, factoring, venture capital).
- A financing vehicle such as an IfG could serve to improve the situation at least partially.

Possible next steps after the decision of the Greek government could include the development of a detailed business plan, the legal establishment of an IfG, the selection of a management team and the fund raising with private investors.

### **3.5. Insurance**

As a follow-up to technical assistance organised since early 2012 to support the reorganisation of the two Insurance Guarantee Funds, including exploring solutions in terms of insurance resolution, TFGR had continued closely following and supporting developments (notably the preparation of the relevant legislation) with the Bank of Greece. At this stage, TFGR is discussing possibilities with the Bank of Greece in order to support new MoU requirements in this field. This could focus in particular on the capacity of the insurance sector to assume social security/pension schemes in compliance with enhanced requirements under the EU legislative framework.

#### 4. REFORM OF THE PUBLIC ADMINISTRATION

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- ***Main developments:***

- A roadmap for reform of the administration at a central level was adopted by the Greek Authorities in January 2012 with the goal of building a leaner, better coordinated and more efficient State (following work conducted in the context of the Administrative Reform operational programme).
- During the last quarter, the Greek authorities have reached important milestones in the reform - mainly related to the preparatory stages of its implementation. In doing so, they have indicated their willingness to bring about a truly positive change for the country. Many challenges lie ahead however. The Greek authorities will need to urgently strengthen their focus and impetus on this reform. 2013 will be decisive for the operational transformation of the central administration.

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#### **4.1. Major achievements and planned deliverables**

##### *4.1.1. Improving the inter-ministerial coordination:*

- The framework for the interministerial coordination structure, whose mandate is to enhance coordination, planning, monitoring, arbitration and implementation on all inter-ministerial topics (including reforms) was set up by the Greek Authorities in December 2012. It is now essential for the interministerial coordination to accelerate its activity, so that it quickly becomes the crucial coordination mechanism needed by the Greek Administration.

- **Next steps:**

- nominate empowered heads of clusters;
- commence concrete operations (planning, monitoring, arbitrage etc.).

##### *4.1.2. Reorganisation of the Ministries and public entities:*

- The assessment of the central structures of most Greek Ministries - representing about 60,000 staff - has been performed under a common methodology and objectives. Proposals for reorganization were adopted by the Greek Council of Reform (GCR), under the authority of the Greek Prime Minister (March 2013). Each assessment was performed by a dedicated evaluation team, composed of Greek officials, usually originating from the Ministry of Administrative Reform and of the Ministry under assessment. When requested by the Greek Ministries, the evaluation teams have been supported by foreign experts, who provided insights on the evaluation methodology and best practices regarding the contents of the evaluation. Each team was offered the support of experts from various Member States to provide insights on the methodology

defined and outputs to be delivered, under the coordination of the French Domain Leader and the TFGR.

- **Next steps:**

- the proposals for reorganization of the Ministries must become concrete transformation action plans, containing relevant staffing plans and detailed time-lines for implementation. The reorganization of the Ministries must be performed in a coordinated way to ensure the efficiency and coherence of policies and structures across the whole administration,
- a similar evaluation-reorganization process must be applied across the entire Greek Administration, encompassing the remaining decentralized services of the Ministries, the regional and local levels of the State (see section 4.2), as well as all other public entities. This will cover a total of over 750,000 staff. To start with, an action plan setting out the methodology for assessing all the entities must be delivered by the Greek Authorities. The evaluation process must start immediately, after this plan is delivered. It will require full cooperation and coordination between the Ministry of Administrative Reform (responsible for reform at central level) and the Ministry of Interior (responsible for reform of the administration at regional and local levels).

*4.1.3. Building support structures and procedures (HRM, Finance, Internal Audit, ICT, etc.)*

- Robust structures and procedures (HRM, Finance, Internal Audit, ICT, etc.) are needed to monitor and support policies and expenditure. Decisions regarding the organisation structures of most supporting services were taken in the framework of the reorganization of Ministries presented above. In terms of substance however, only guidelines on the working framework for Financial Services have so far been defined (Ministry of Administrative Reform and the General Accounting Office: December 2012).

- **Next steps:**

- Common guidelines should be defined and communicated internally for the most important supporting functions (HRM as a priority, Internal Audit, Internal Control, ICT, better regulation).

*4.1.4. Developing HR policy.*

- Discussions are continuing on the development of a new HR policy, including rules of recruitment, training, mobility and overall management of officials' career path. This encompasses in priority the management of staff impacted by the reorganization of the Greek public sector, as well as the assessment of competence and merit of senior management.
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<ul style="list-style-type: none"><li>• <b><i>Box: Conditions for reform success which must be urgently implemented:</i></b></li></ul>
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- Reforming the administration poses important challenges for the Authorities, especially in a context of strong budgetary constraints and staff reduction as in Greece. These challenges cannot be met if a certain number of minimal requirements are not fulfilled. These lessons are valid in all countries going through such reform and particularly relevant in Greece:

- The reform of the administration must be steered and monitored at the highest levels of the State: The Greek Council of Reform, under the supervision of the Prime Minister, should continue not only to take the necessary decisions on the reorganization of the structures or staffing plans, but also play a high-level monitoring role to ensure that the reform is on track, both in terms of timing and contents;
- Coordination of the reform must be supported by the inter-ministerial coordination structure: The coordination of the reform, supported by the Greek Council of Reform and the supporting group, must be prepared operationally and on a daily basis under the impetus of the Ministry of Administrative reform (MAREG). It should be also constantly supported by the inter-ministerial coordination structure. The latter, in close coordination with MAREG, can exert its prerogatives to ensure that all Ministries involved follow the guidelines set by the Administration for the reform and arbitrate in case of blockages. Hence, considering the extent of the reform to be implemented in 2013, it is now essential that the inter-ministerial coordination structure starts urgently to fully operate.
- The deployment of the reform must be framed in a medium-term perspective: To succeed in implementing such complex reforms of the administration, it is of the utmost importance for the administration not only to be reactive, but to be able to anticipate under an agreed strategy and action plan. Nevertheless it is critical to finalize an action plan for the deployment of the reform with a limited time-span. This should include precise deliverables, identify entities concerned, and define responsible actors and resources needed (including technical assistance). This plan will provide a shared vision of what the State expects to achieve through the reform, as point of reference for the whole administration. It will enable the steering, monitoring and coordination of the reform (GCR, inter-ministerial coordination, MAREG) and allow the international community to prepare assistance to the Greek Authorities for delivering the reform, as requested.
- The reform should be accompanied by extensive internal communication: The objectives, benefits, timing and responsibilities for the deployment of the reform (including responsibilities of middle management and civil servants) should be strongly communicated internally throughout the administration. Such communication, initiated by the highest authorities of the State, in coordination with MAREG, should then be transposed throughout the Administration. Messages should be adapted to the particular situation of each Ministry, Region, Municipality or Public entity. This shall allow the purpose of the reform to be clearly explained, highlight the benefits for the country and the administration itself, and provide more clarity and transparency internally regarding difficult issues (reduction of civil workforce, mobility of staff).

#### 4.1.5. *Technical assistance provided to the Greek Authorities:*

- Important technical assistance has been provided to the Greek Authorities to support deployment of the reform of the administration. The French Domain leader has been working actively, in cooperation with the TFGR to provide, as a first step, State level assistance for the different strands of central government reform. Other Member States (such as Germany, Spain) have also contributed significantly to this assistance (approximately 288 experts days were invested), in coordination with the Domain Leader and the TFGR.

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#### **4.2. Administrative reform at the decentralised, local and regional levels**

In the first quarter of 2013, the implementation of the roadmap regained momentum. A number of subcommittees began working on the topics of transfer of new powers and exercise of existing ones (in particular spatial and urban planning), management of local government property, strengthening the capacity of local government for planning and implementing investment programmes, and administrative organization. The remaining sub-committees, foreseen in the roadmap should start working in the month of April. The mandate of each of the subcommittees is to elaborate operational plans for the implementation of objectives and actions described in the road map. Furthermore, they will identify requests for technical assistance to be addressed to Member States through the German domain leader. Sub-committees comprise representatives of operational services in central and local administrations. They are assisted by a scientific committee which elaborated, based on objectives and actions described in the road map, draft proposals for reforms. By early June, discussions involving relevant public services and among members of sub-committees should be completed. The final draft proposals of reforms will then be submitted for agreements to the political representatives of central and local government.

The Greek government has committed (i) to safeguard the balanced budget rule at the local governments sector, and (ii) strengthen the fiscal framework, by including corrective and sanctioning mechanisms<sup>15</sup>. To this end, the Government has adopted the relevant pieces of legislation (GG 228A/2012 and GG 256A/2012), and created the “Observatory for the Economic Autonomy of Local Governments” (OEALG), aiming at strengthening the Budget execution and enhancing the sound fiscal management. The OEALG, has been provided with the institutional powers for monitoring municipalities' expenses, and intervening by imposing sanctions when necessary, in case of budgetary deviations from the targets and excluding any possibility for financing deficits. The OEALG has already been set-up and started working on the methodology and organizational structure.

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<sup>15</sup> MoU, section 2.5 – “The Government will, prior to disbursement, adopts a Council of Ministers act (replacing the Council of Ministers act adopted on 29 October 2012, aiming at strengthening the Budget execution and enhancing the sound fiscal management), and including, beyond the provisions in the original Council of Ministers act, additional provisions: (...) Strengthening the current balanced budget constraints for Local Governments in order to be more effective, but also including corrective and sanctioning mechanisms”.

### **4.3. E-Government**

The Greek Authorities have initiated a process to finalize a new version of their ICT/e-Government strategy. This strategy, setting out the major priorities of the government in terms of IT infrastructure and services and encompassing an implementation plan, should soon be presented, and—discussed during a dedicated workshop with the principal stakeholders in the Greek Administration. This will enable all Ministries to enrich and share a common vision and way forward; which can subsequently be endorsed by the Council of Reform. This is recognized as a critical success factor for the efficiency of all e-Government activities and projects throughout the administration. Technical assistance is being offered in this field to the Greek Authorities by high level experts from Austria and the European Commission, in close cooperation with the French Domain leader on central reform and the TFGR. Once this common strategy is finalised by the Council of Reform, a broader communication process to engage all the ICT stakeholders within the public service is envisaged. The goal is for the Greek Authorities to familiarise the management and the ICT actors throughout the public administration with this global strategic vision and of expected results. This will allow them to better align their own project / action with the overall strategy, and deliver better results for the national administration as a whole.

Regarding ongoing IT projects, progress was achieved during the last quarter in a number of sectors, such as in the fields of Justice (eJustice) or Finance (ERP) for example (see dedicated sections in this document).

#### **Next steps:**

- finalize ICT/eGovernment strategy and gather agreement of relevant main responsible stakeholders during a dedicated workshop

## 5. BUDGET AND TAXATION

### *Main developments:*

Since the publication of the last quarterly report in December 2012, technical assistance operations have continued at a sustained pace in the areas of revenue administration and public financial management.

In the area of tax administration, technical assistance covered a variety of fields including: institutional and governance reform; organizational reform; support (notably in form of training) for key functions of the tax administration; reform of the overall tax system.

The appointment in January 2013 of a new head of the tax administration (after a one-year vacancy) means that there is finally a clear counterpart and high-level Greek interlocutor for the technical assistance programme. Of special relevance in the coming months will be efforts to streamline the overall legislation applicable to the tax administration (Tax Procedure Code), and to give the incoming Secretary General for Public Revenue the support he needs to run his administration efficiently.

In the area of public financial management (PFM), IMF and European Commission have continued to provide technical assistance. There has been a particular focus on supporting the establishment of General Directorates for Financial Services and using the on-going Enterprise Resource Planning (ERP) IT project to further implement the PFM reform agenda.

Progress is also under way regarding the implementation of the Road Map agreed with the Hellenic Court of Audit.

### 5.1. Tax Administration

General Secretary for Public Revenue Haris Theoharis, has been appointed head of the tax administration for a 5-year tenure. This appointment fills a vacancy that has been open for slightly more than one year (from January 2012 to January 2013). The technical assistance effort finally has a well-identified counterpart.

The new Secretary General for Public Revenue must address many difficult challenges, as underscored during a joint IMF-European Commission (TFGR and Directorate General of Taxation and Customs Union) technical assistance mission from January 2013. Many of the operational benchmarks (e.g. on debt collection, on audit of High wealth individuals-High income self-employed, on large taxpayers) were missed in 2012. Strong efforts will be needed if the 2013 operational benchmarks are to be launched successfully and remain on track.

In this context, technical assistance work has continued in a variety of fields: governance and institutional reform; organizational reform; training and support to the key functions of the tax administration; reform of the tax system.

In the area of **institutional reform**, the new General Secretary for Public Revenue enjoys wider powers than the former General Secretary for Tax and Customs. However,

the new legislation still falls short of the minimum requirements for autonomy advocated by IMF-EC technical assistance. Hence, technical assistance has continued through late 2012 and early 2013. It has involved repeated visits of an IMF expert as well as participation of IMF and TFGR residents in an "Institutional Reform Working Group" set up in September 2012. This working group has been mandated to find the ways and means to achieve the desired level of operational autonomy for the Greek tax administration.

Regarding **organizational reform**, technical assistance has sought to strengthen headquarters functions and support the overhaul of operational functions in local tax offices and other operational services. In this respect, technical assistance has strived to support the "functional review" process in the Ministry of Finance which has been organised as part of the overall administrative reform. IMF and TFGR TA, together with the "coaches" appointed by the French domain leader for central administration reform, have had several working sessions with the Greek "functional review" assessment team, in order to provide input on restructuring the functions of revenue administration. In this context, some attention was also devoted to customs administration which forms part of the General Secretariat for Public Revenue. In the framework of the overall administrative reform, the Greek government is expected to decide in the next few weeks on the new internal organization of the tax and customs administration. Reorganization of the network of operational units (local tax offices, audit centres...) is also under way.

**Support to the key functions of the tax administration** has also been an intense focus for technical assistance, predominantly provided by EU Member States and financed through the FISCALIS programme operated by the European Commission Directorate General of Taxation and Customs Union. A meeting in Brussels on December 17th between the European Commission (EC), IMF, Member States and representatives of the Greek tax administration resulted in a draft programme of TA for early 2013. This programme was discussed with and agreed by the new General Secretary for Public Revenue in January 2013, on the occasion of the 4<sup>th</sup> IMF-EC quarterly review mission.

The principal TA activities from December 2012 to March 2013 include:

- in the field of debt collection, training for call centre staff (provided by a Belgian expert), assistance in the revision of legislation applicable to write-offs (provided first and foremost by the IMF and TFGR residents) and pursuit of work on automation of debt collection processes;
- in the field of audit, assistance in setting up a rules-based risk analysis system (provided by Danish experts) in order to clear the backlog of unaudited cases which will fall under statute of limitations by the end of 2013. A German TA visit in March 2013 also started work on establishing a basic audit training, as part of a "train the trainers" scheme dedicated to upgrading skills of Greek auditors and providing induction training to new recruits;
- in the field of high-wealth individuals and high-income self-employed, as a follow-up to the training on indirect audit methods dispensed by French trainers in November and December 2012, work has continued to improve the legal framework applicable to the use of those methods;
- in the field of large taxpayers, a training session was organised in March 2013 for auditors in the construction sector (by Spanish trainers). A scoping mission was

also conducted by Spanish trainers in February 2013 for training in the financial sector. A new TA stream mainly concerning large taxpayers is also about to start on transfer pricing issues, with in-house expertise provided by the European Commission Directorate General of Taxation and Customs Union;

- in the field of internal control, TA support has been provided (by TFGR and IMF) to setting-up an anti-corruption strategy specific to the tax administration, and drafting a Code of Ethics applicable to tax and customs administration staff (see section 6.2. for more details).

Efforts to **reform the tax system** have been stepped up. A Tax Reform Committee was set up in January 2013, and tasked with steering the work on the reform of the Income Tax Code and the reform of the Tax Procedure Code. This Tax Reform Committee will be supported in its work by technical assistance from IMF and the European Commission Directorate General of Taxation and Customs Union. Regarding the Tax Procedure Code, "domain leaders" in the different fields (audit, debt collection, dispute resolution) will be involved in the work. It is hoped that the Tax Procedure Code will serve as a catalyst for change in areas where the Greek legal framework has so far not benefited from any meaningful simplification or progress. This is for instance the case in the dispute resolution area for the creation of a proper internal review process, which was recommended by TA more than a year ago.

In summary, Q2 2013 should be a period when organizational reform (restructuring of Headquarters in line with the functional review, consolidation of tax offices), new tools (TAXIS online), progress on legislation (work on key functions of tax administration in the run-up to the Tax Procedure Code) and on human resources (new recruitments, intensification of training efforts) coalesce to unblock some of the longstanding barriers to a functioning revenue administration. This should translate into delivery of progress in term of performance indicators.

## **5.2. Public Financial Management (PFM)**

Since December 2012, technical assistance for PFM has included, in addition to ongoing work performed by IMF and TFGR residents in the General Accounting Office (GAO), two IMF headquarter missions in December 2012 and February 2013.

The main areas of technical assistance activity during late 2012 and first quarter of 2013 concerned:

- the review of the ERP project (Enterprise Resource Planning) in order to integrate major requirements of the GAO in the system-design and prepare its roll-out to the line ministries. Following a heavily consulted revision of the Technical Bulletin, a Request for Proposals is to be issued in March 2013. The objective is to ensure maximum benefits from the implementation of this project through simultaneous completion of a thorough review of legislation and of business processes, especially regarding payments;
- the strengthening of budget monitoring, through assistance for the establishment of Memoranda of Cooperation signed between the Ministry of Finance and the other Ministries or between the Ministries and managers of supervised entities. These efforts aim to enhance monitoring of budget implementation and introduce corrective mechanisms in case of non-delivery of targets;

- the establishment of the General Directorates for Financial Services (GDFS), where technical assistance provided advice to GAO and Ministry of Administrative Reform and E-government (MAREG). This resulted in the issuance in December 2012 of a joint ministerial decision which established guidelines for setting up the GDFS in all line ministries. It also seeks to unify all financial services functions under the recently appointed accounting officers. The IMF headquarter missions in December 2012 and February 2013 also provided hands-on advice on the set-up of GDFS in individual line ministries, within the overall framework of the functional review of Greek ministries.
- the internal reorganization of GAO, with intensive support from IMF and TFGR to the "functional review" process of the Ministry of Finance. This was undertaken as part of the aforementioned functional review of Ministries led by MAREG, supported by external coaches. In this context, suggestions were made to the functional review team regarding the organizational set-up of GAO, and the need to incorporate new functions (economic policy, tax policy) relevant to the overall fiscal steering in this revised structure.

Assistance also continued for fiscal reporting, expenditure control (commitment registers) and clearance of arrears, following the issuance by the Greek Ministry of Finance in December 2012 of a plan for the clearance of arrears over 2013. However, this is being implemented in a stepwise and protracted manner. Technical assistance will, in the next phase, concentrate inter alia on following up on the ERP project and the reorganisation of processes, capacity building within GAO and the financial function of line ministries.

### **5.3. Hellenic Court of Audit:**

Implementation of the Road Map for technical assistance in the field of external audit, agreed in 2012 between the Hellenic Court of Audit (HCA), TFGR, IMF and several European Supreme Audit Institutions, is well under way. This effort is well supported by the Netherlands Court of Audit as domain leader, in cooperation with Belgian, French, German and European Courts of Audit.

Progress has been made in the three areas covered by the Road Map. These include: annual audit programme; capacity building for financial audits; and relations of HCA with Parliament and other relevant stakeholders.

Of special relevance was a strategic workshop organized in Athens in January 2013 on the relations with Parliament. This confirmed the interest of key stakeholders within the Greek Parliament for an enhanced cooperation with Hellenic Court of Audit.

## 6. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING:

### 6.1. Anti-Money Laundering

#### *Main developments:*

Implementation of the Anti-Money Laundering training programme is progressing well: So far 160 participants have been trained in level 1 "awareness training" with the main objective to identify money laundering and to use the Anti-Money Laundering (AML) approach to tackle tax evasion. In addition 120 participants have been trained so far in level 2 "specific topics", like the use of Internet for investigations, AML training for management, methods and techniques advanced and cigarette smuggle. Further level 3 coaching has started for a real life case.

A draft law on the set up of a registry of bank accounts has been prepared by the Greek authorities accompanied by an implementation schedule and a technical report with details for the foreseen system.

Since the beginning of 2012, the Greek Financial Intelligence Unit (FIU) has reported 715 cases of suspected tax evasion to the tax authorities and the Greek Financial and Economic Crime Unit (SDOE) based on analysed suspicious transaction reports (STRs) from mainly financial institutions.

Since the beginning of 2012, 252 cases relating to confirmed tax evasion have been sent to the Prosecutor's office and assets of a value of EUR 114 million have been frozen.

*Table: Data on tax evasion cases identified by FIU:*

	01/01/2012 – 30/04/2012	01/05/2012 – 31/08/2012	01/09/2012 – 31/12/2012	01/01/2013 – 28/02/2013	SUM
Suspected tax evasion cases sent from FIU to tax authorities and SDOE	65	159	315	176	715
Confirmed tax evasion cases received by FIU and sent to Public Prosecutor	84	56	89	23	252
Frozen criminal assets	36.6m€	15.8m€	46.3m€	16.1m€	114.8m€

Since agreement on the Road Map for Anti-Money Laundering (AML) was reached, good progress has been made in all the work streams covered by this roadmap.

Work on an AML supervisory tool progresses according to plan with the help of the IMF.

Following an earlier tactical analytical course for the FIU, a follow-up course on strategic analysis is foreseen for June 2013. This will be organised again with the help of experts from the Egmont Group<sup>16</sup> in order to strengthen the analytical skills of the FIU in relation to tax evasion.

In order to enable financial investigators to make good use of the AML information given to them, basic agreement has been reached on an 18 months training programme for financial investigators to strengthen awareness, deepen knowledge on methods and deliver training on the job. As domain leader, the Dutch Fiscal Information and Investigation Services (FIOD) already delivered four well-received seminars for 160 financial investigators coming mainly from the Financial Police, SDOE, General Secretariat for Public Revenue, FIU, the Bank of Greece and Public Prosecutors on Economic Crime. In addition they organised four seminars on specific topics for 150 investigators.

The training programme has now entered into a more operational phase where Greek investigators in specific cases receive "on-the-job" coaching by experts. For example, a programmatic approach has commenced on a chosen topic, bringing together representatives from the Financial Police, SDOE (Financial Crime Unit), General Secretariat for Public Revenue, FIU, the Bank of Greece.

In order to further strengthen coordination between authorities in the AML network, meetings take place every two weeks to discuss obstacles to implementation. Progress can be reported in the development of an indirect registry of bank accounts to effectively support the Greek law enforcement under Greek leadership. A technical outline for the system has been developed. Furthermore, a draft law has been prepared accompanied by an implementation schedule with a view to having a fully implemented system by September 2013.

Work is also under way to improve operating procedures regarding the exchange of information between the FIU, GSPR and SDOE so as to make better use of the "asset-freezing" powers of the FIU in tax-related money laundering cases. Arrangements are foreseen to make sure that FIU reports are clearly monitored and investigated with priority.

The **next steps** to be undertaken in this field include the following:

- Further strengthening operating procedures for the exchange of information between FIU, SDOE, the Financial Police and tax authorities and mapping overall responsibilities.
- Send a draft law to parliament and effectively implement the registry of bank accounts.

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<sup>16</sup> The Egmont Group is an informal group whose goal is to facilitate international cooperation between Financial Intelligence Units (FIUs) from different countries, especially in the areas of information exchange, training and the sharing of expertise.

- Setting-up of additional courses for financial investigators, including on strategic analysis and training on the job.

## 6.2. Anti-Corruption

### *Main developments:*

An action plan has been agreed between those Greek agencies that have a role in preventing, detecting and prosecuting corruption. The two most important elements are the rapid finalisation of a national strategy against corruption, and the political appointment of a national coordinator who enjoys sufficient support and power to implement this national strategy.

The Road Map on Anti-Corruption was signed on 4 October 2012 by the Ministers of Administrative Reform, Finance, Justice and Public Order on the one hand and the TFGR on the other hand.

The Greek authorities have developed a national strategy on anti-corruption encompassing objectives framed with all relevant Greek partners and as expressed in the Road Map on Anti-Corruption. In addition, a working group on anti-corruption has been set up in the Ministry of Finance in November 2012. This group has drafted a sector-specific anti-corruption strategy for the tax and customs administration and also produced a code of ethics for employees in the Ministry of Finance, both with the help of TFGR (November 2012 – February 2013)

A law has been prepared on the anti-corruption governance structure, and is now ready for transmission to Parliament. The main elements of the law are the creation of a) a national coordinator, b) a coordination committee and c) an advisory board.

The following are the main **next steps** which are envisaged in this area:

- Appointment of a national coordinator, establishment of a coordination committee and appointment of an advisory board.
- Launch implementation of the national strategy.
- Begin implementation of the sector-specific strategy for the tax and customs administration.

## 7. BUSINESS ENVIRONMENT:

### **Main developments:**

Over the past quarter, technical assistance to support reforms of Greek business environment has gathered momentum. Technical assistance is now being provided on a significant scale for a wider range of projects.

A new technical assistance project has been launched in the area of simplification and streamlining of licensing and permit systems for investment, with the support of the World Bank Group. The Greek authorities have also set out, for the first time, ambitious targets for reform of Greek public procurement legislation and administration. This should pave the way for technical assistance to support these important reforms.

Sustained technical assistance has been provided to a mature project on trade facilitation and customs reform. This has allowed further good progress, led by a Greek project team, on screening documentation and controls for 2 agricultural products. This was followed swiftly by relevant legislative action to tackle problems. An important diagnostic review of customs offices and procedures is underway, spearheaded by the World Customs Organization. In the area of export promotion, the Netherlands has been a valued and very committed project partner for the Greek authorities in facilitating and assisting the preparation of the forthcoming Greek road-map.

Finally, diagnostic work to identify administrative burdens for business, market entry barriers and has moved from planning to operational stage. Detailed screening of legislation is currently underway with a view to generating a strong body of evidence for identifying improvements to sectoral and general business regulation.

Operating conditions for Greek business remain extremely difficult due to depressed demand and funding problems. These conditions are expected to persist during the first half of 2013, before progressively improving. The slow pace of repayment of arrears continues to act as a drag on the economy.

Structural reforms are not a panacea to these pressing challenges. However, without deep reform of the business environment, there will not be solid foundations for sustained growth in the future. In recent months, the Greek government has manifested a greater determination to take on the challenge of reform in areas such as public procurement and investment licensing. The Ministry of Development has become a more active user of technical assistance for a wider range of reforms. Much of the work has now moved beyond the phase of initial project preparation, into the phase of identifying necessary policy actions and designing reform blue-prints. The trade facilitation project has progressed into the implementation phase. Given the importance of these reforms, the political decision on reforms and transition to implementation should proceed as quickly as possible. TFGR will, with trusted project partners, continue to support implementation through provision of technical assistance.

## **7.1. Trade facilitation and customs reform:**

Following adoption of the national trade facilitation road-map on November 1 2012, work on trade facilitation project has moved into the implementation phase. During the past three months, progress has been made by the Greek authorities on some key components of this project. The governance structure for the project has been finalised and regular meetings of the inter-ministerial Steering Committee have been held. 5 working groups have been established to realise the 25 Actions contained in the Roadmap. These groups relate to customs pilot office and risk analysis; agricultural products; business process analysis for simplifying documents and controls; legal issues and screening of national legislation; financial planning.

Work on the pilot business process analysis of export procedures for fresh fruits and white cheese has progressed particularly well. This work is driven by a team of Greek officials, with the support of United Nations Economic Commission for Europe (UNECE) and the TFGR. While still in the process of finalisation, this work has paved the way for legislative changes to improve pre-customs procedures in the area of agricultural certification (notably through a review of the working hours of agronomist inspectors; introduction of a risk analysis based approach to inspections; and establishment of a system of authorised traders for fresh fruits and vegetables). The Ministry of Rural Development and Food has been a strong driver of these reforms.

In the customs sector, the Ministry of Finance has worked with the TFGR, World Customs Organisation (WCO) and UNECE to undertake a Pilot Customs Office in one of the customs offices of Piraeus and Athens airport. A self-assessment performed by the Ministry was complemented by a diagnostic mission organised by the World Customs Organisation, involving experts from EU Member States and the European Commission. It will generate concrete recommendations for the customs office by the beginning of April. The two inputs will serve as a strong basis for accelerate the reform dynamic in the customs administration.

Despite steady progress, this project highlights the challenges linked to implementation of complex change management projects in the Greek administration. These include challenges linked to coordination and joint leadership for projects involving several Ministries; excessive formalities prior to the creation of cross-ministerial project teams; difficulties of mobilising resources to finance support for parts of projects; the need to strengthen project implementation skills; and the need to retrain and motivate staff to implement new working methods.

### **Next steps:**

- Funding arrangements to implement the Trade Facilitation road-map to be agreed;
- Conclusion of customs diagnostic mission (end-March), presentation of report to Greek authorities (May) and agreement on next steps to improve risk assessment;
- Support for implementation of a new risk based approach to fruit and vegetable inspections and a system of authorised trader for fresh fruits and vegetables based on EU best practice.

## **7.2. Export promotion:**

In 2012 Greek exports already grew by 13% to EUR 27.6 billion, far surpassing the previous record (2011) of EUR 24 billion. An increasing share of Greek industrial output is being directed to export markets. There is further potential for Greek companies to strengthen their export performance in sectors as diverse as agri-food specialities, wine, construction materials, chemicals and pharmaceuticals.

At the request of the Greek authorities, the TFGR has arranged for the Dutch government to assume the role of project partner for the Greek authorities on export promotion. This project aims to strengthen Greek public sector institutions charged with helping GR businesses to succeed on overseas markets.

Following an initial set of recommendations from the Dutch project partner adopted in December 2012, the Greek authorities have quickly mobilised a strong group of officials to develop proposals to implement the recommendations. The work of these groups continues to be supported by the Dutch government (Ministry of Economic Affairs and Ministry of Foreign Affairs) and TFGR. A Greek road-map, setting out a set of concrete steps to restructure existing organisations and equip them with new tools is scheduled to be published at the end of March. This road-map defines the steps that will be needed to strengthen the relevant bodies in the Greek administration charged with these responsibilities, and to equip them with the necessary means to support Greek exporters.

### **Next steps:**

- Publication of Greek export promotion road-map;
- Agreement on further technical assistance needed to implement the first wave of actions (including early decision on institutional reorganisation of agencies and services involved).

## **7.3. Facilitating new investment:**

In recent months, there have been some welcome, high-profile announcements of inward investment in Greece, including a decision by a multinational to locate an important research and innovation centre in Greece. Improved competitiveness of Greece as a production base, and the strategic importance of Piraeus port are cited as major factors for these decisions.

However, multiple and fragmented licensing processes (for land use, environmental purposes, archaeological clearance, operational and health and safety controls), remain a significant deterrent to investment (both foreign and domestic) in Greece. In February 2013 the Greek government tabled draft legislation concerning strategic investments. This establishes a mechanism to expedite the licensing and authorisations for some large selected investments, in the event that normal delays are not respected.

While this may be welcome for large beneficiary investments, it does not tackle these problems for the majority of smaller investors. Over the last quarter, the Greek authorities have therefore been in discussion with the World Bank Group (WBG) and the TFGR on possible comprehensive solutions to these investment barriers. The project is in its inception phase with a concrete proposal for an approach to be delivered by the World Bank Group in the coming month.

In addition TFGR has set up a project to provide expert advice to the Greek authorities on the development and utilisation of business parks/industrial zones. Business parks may be an attractive solution to licensing problems, by directing investment toward zones where main environmental and planning conditions for investment are cleared in advance. A first expert fact finding mission took place at the end of March.

**Next steps:**

- Workshop and recommendations from TFGR experts to Greek authorities on the development of the policy framework for business parks;
- First elements for overall redesign of the Greek licensing and permit systems for investment (World Bank) drawing on experiences in other countries.

**7.4. Removing regulatory barriers to business and competition,**

Technical assistance is being provided through a number of channels to assist the Greek authorities to tackle the pervasive challenge of regulatory complexity and red-tape that frustrate basic business transactions. These regulatory barriers discourage investment, lead to weak competition, facilitate collusion, and result in high and sticky prices for consumers.

Since early 2013, the following three projects have started:

1. Removing regulatory barriers to competition in 4 important sectors of the Greek economy, namely food processing, retail, tourism and building materials. The OECD is working with the Greek authorities on this project;
2. Reducing undue administrative burdens by removing or simplifying information requirements in legislation covering 13 domains (with OECD); delays have been incurred in setting up the pool of Greek officials to participate in the legislative screening process ;
3. Improving the regulatory and administrative processes for 3 important business transactions; starting a new company, registering property, obtaining construction permit for a warehouse (with World Bank Group). In March, the WBG transmitted initial recommendations to Greek authorities as a basis for decisions on appropriate follow-up and these are being examined by Greek authorities with a view to their rapid implementation.

These projects all identify improvements needed to Greek legislation or policy frameworks. Project teams are currently reviewing existing legislative and regulatory texts and identifying areas for improvement: The findings will materialise over the summer and into early autumn.

**Next steps:**

- Decisions on follow-up actions to WBG recommendations on starting a new business, registering property and obtaining construction permits (April-May).
- Definition of a strategy to build on the findings of these different evaluation processes.

## **7.5. Liberalisation of Regulated professions**

In late 2012, TFGR completed one TA project providing the Greek authorities with legal expertise to align Greek secondary legislation with framework legislation on liberalisation of regulated professions. In that context it has also provided legal assistance with the drafting of an omnibus law reintroducing certain justified restrictions.

TFGR is currently exploring ways to assist the Greek authorities in the drafting of legislation amending unjustified or disproportionate requirements reserving certain activities to providers with specific professional qualifications in a number of regulated professions (lawyers, engineers, accountants, sworn-in valuers, etc).

## **7.6. Public procurement:**

In the course of the first quarter of 2013, the Greek Ministry of Development and the newly created Single Public Procurement Authority have developed ambitious plans to bring about long-overdue improvements in Greek public procurement.

Drawing on technical assistance provided by the TFGR, the Greek authorities have finalised plans for:

1. Comprehensive overhaul of Greek public procurement legislation. This should consolidate the existing fragmented body of procurement law (around 100 laws, presidential Decrees, Ministerial decisions) into a unified rule-book, and reduce excessive checks and balances in Greek public procurement administration. This work draws on the findings of a comprehensive description of Greek public procurement law sponsored by the European Commission (Internal Market and Services Directorate General). This process was also informed by a workshop organised by the TFGR in early March to discuss priorities for the legislative reform.
2. Building centralised purchasing bodies and supporting the wider use of framework agreements so as to obtain better procurement value for the Greek state and support the emergence of strong, professional core Ministries, to build on promising initial efforts by the Health Procurement Committee (EPY).

To ensure the coherence and steady progress of the overall reform process, the Greek authorities are building a strong coordination mechanism accountable to the Minister for Development. The TFGR will support the individual reform processes and the functioning of the coordination mechanism, and mobilise technical assistance to meet needs.

### **Next steps:**

- Agreement with Greek authorities on the need for any technical assistance to support the legislative reform;
- Mobilisation of technical assistance to convert existing structures into functioning central purchasing bodies and operation of framework agreements.

## 8. PUBLIC HEALTH

### ***Main Developments:***

Greece has adopted on 26 March 2013 an overarching reform road map ("Health in action") in the framework of the Health Reform Steering Committee (established in September 2012).

In the last trimester, the work of the Committee and sub-committee reached cruising speed and was substantially supported by technical assistance (assessment missions, reports and draft action plans).

The new government has confirmed its commitment to healthcare reform by establishing in September 2012 a Health Reform Steering Committee and Sub-Committees in the framework of the Memorandum of Understanding. The Health Reform Steering Committee is responsible for developing, coordinating and monitoring the implementation of the commonly agreed Road Map on Health Reforms in Greece. The Sub-Committees are responsible for the development, coordination and implementation of the individual pillars of the Road Map. The Steering Committee is composed of representatives of the Ministry of Health (MoH) of Greece, heads of national authorities of the sector, chairs of the sub committees; representatives of the Domain Leader Germany (as representative of all EU Member States) and the TFGR participate as observers in the meetings.<sup>17</sup> The Committee and sub-committees meet on a monthly basis.

During the reference period, technical assistance has been crucial in feeding the work of sub-committees: most of the assessment missions organised by the TFGR with experts from relevant Member States have been carried out with the exception of human resources and health tourism; reports have been issued and transmitted; experts contributed with a number of draft action plans (e-prescription; pricing and reimbursement of pharmaceuticals; hospital management and EOPYY – Greek National Health Service Organization).

New important fields of action (public health, mental health and anti-corruption) are now being considered.

In parallel, the TFGR is assisting the Greek authorities in setting up a financing scheme with the World Health Organisation (WHO) that could support these reforms and the related technical assistance. A letter of intent to that effect was signed between the Minister of Health, the Head of the Task Force, the WHO Regional Director and the Domain Leader on 10 April 2013.

### **Next steps:**

- In the next period it is important that the "Health in Action" strategy is implemented as well as the thematic action plans. This, added to a sustainable

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<sup>17</sup> The following subcommittees have been created: 1) EOPYY; 2) Hospital management; 3) Diagnostic Related Groups; 4) ePrescription; 5) Pricing and reimbursement of pharmaceuticals; 6) Primary health care; 7) Human resources 8) Health tourism.

financial scheme, will enable to step up technical assistance and carry out reforms.

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## **9. REFORM OF JUDICIAL SYSTEM:**

### ***Main developments:***

In recent months, TFGR has continued its TA related activities in a number of projects aiming at increasing efficiency of the judicial system in Greece. This relates to both the acceleration of judicial proceedings through the review of the Code of Civil procedure, e-Justice, and the collection of statistics in the field of Justice as well as in promoting out of court settlement wherever possible (mediation in the field of civil matters and introduction of mandatory extra-judicial administrative appeals).

Since end 2011, TFGR ongoing TA activities cover, among others, the review of the Code of Civil Procedure, the introduction of mediation and more specifically the introduction of an out of court settlement culture in Greece through a wide reaching communication campaign and the introduction of extra-judicial mandatory administrative appeals. In addition to previous work in the areas of statistics, TFGR has been focussing lately in launching new projects aiming at the improvement of collection of statistics, notably for performance measurement purposes, adjusting numerical targets etc. It has also taken an active role in the development of eJustice tools by facilitating the financing and execution of e-Justice projects. The large majority of these activities correspond to specific obligations under the Economic Adjustment Programme. TFGR has followed up on TA requests through workshops and targeted missions, with the support of EU Member States experts, as well as the collection of relevant information through contributions by national authorities. Last but not least, concerning access and exercise of activities linked to the legal profession, TFGR is exploring possibilities to support broader legislative reforms in the field of regulated professions (see chapter 7.5)

### **9.1. Task force for the review of the code of civil procedure**

Discussions continued within the “task force for review of civil procedure”, an expert group established under the Memorandum of Understanding, in order to review the code of civil procedure with a view to accelerating judicial proceedings. After successful involvement and discussions with a German expert in late 2012, the expert group started collaboration with a French expert (high level judge). Following written exchanges and extensive preparation, the expert participated in a two day-session of the works of the expert group (17-18 January 2013). Along the same lines as previously done by the German Expert, the French expert, at the occasion of this meeting has been providing explanations and best practices concerning the reform and application of the code of civil procedure in France.

### **9.2. Extra-judicial mandatory administrative appeals**

A working group consisting of representatives of the Ministry of Justice, other ministries, judges as well as legal academics and professionals was set up by the Ministry of Justice in January 2013 in order to examine the most efficient and effective way of introducing extra-judicial administrative appeals, with a view of alleviating the burden of cases

arriving before administrative courts. The working group is convening regularly and examines possible forms of extra-judicial mandatory administrative appeals and identifies areas that could be possibly covered by this system of appeals. In line with the obligations of the MoU, the working group is expected to prepare legislative proposals by June 2013. TFGR supports the works of the group with ad hoc advice; the working group is directly in contact with certain experts from Member States, who contributed to a workshop organised by TFGR in October 2012, on some technical matters. It may consider further assistance through participation of those experts in its proceedings.

### **9.3. Alternative Dispute Resolution (ADR) Mechanisms**

TFGR, with the financial and administrative assistance of European Commission Communication directorate general, and in close cooperation with the Greek authorities, is supporting the implementation of a communication strategy to publicise the new institution of mediation to the general public. On 20 March 2013, TFGR organized together with the Ministry of Justice and the European Commission Representation in Greece, a kick-off event marking the beginning of a 3-year mediation campaign in Greece. The kick-off event received media exposure and was accompanied by printed material (posters and leaflets) as well as radio spots. The message aimed at the general public was that "there is another way to solve disputes", which is more efficient and less costly.

Besides the above mentioned TA, and as a follow-up to the conference that took place in Athens in June 2012 and a first training seminar in Thessaloniki in November 2012, European Commission Directorate-General of Justice has organized a second training seminar in Patras in February 2013 addressing Greek judges and legal practitioners. A third seminar is to take place in Crete in spring 2013.

### **9.4. E-Justice**

During the past four months, TFGR has continued deploying all necessary efforts to ensure that actions between the overall e-governance action plan in the context of administrative reform and sectoral reforms in the field of electronic administration are compatible and sufficiently coordinated. TFGR has also been providing support in ensuring all necessary funds to cover e-Justice projects and comply with the relevant targets of the Adjustment Program are made available through the NRSF.

Recently, the TFGR has been active in facilitating the smooth procurement process for the eJustice project. The eJustice Action Plan was submitted to public consultation at the beginning of the year, its deliverables have been evaluated, with the support of TFGR, from a financial perspective. It is now due to be published for tender. TFGR has also facilitated a discussion with all relevant stakeholders in order to assist ensuring that all their needs are satisfactorily addressed, from a technical as well as operational perspective. This has led to a number of findings and a better mapping of needs saving important resources and precious time during the project implementation phase.

In addition, TFGR carried out in February a survey with judges associations and courts in order to assess ICT needs and their compatibility with upcoming e-justice projects. Cases where ICT hardware, connectivity with other courts of the Ministry of Justice or interoperability with other public agencies are needed, have been identified and are currently being addressed. Connecting courts through the existing governmental ICT and telephony network is a cost saving way to make the courts work in a more efficient fashion. In order for the upcoming eJustice system to be optimally used, a discussion

with agencies that have data which is interesting to the Ministry of Justice was launched in February/March , aiming at mapping most of the needs the Ministry of Justice has for information from other public agencies. This is being addressed from a technical, operational and legal perspective.

#### **9.5. Collection of statistics in the field of Justice**

The Greek authorities had originally requested information on how other Member States collect statistics with the aim of underpinning a set of accountability and performance indicators for courts. TFGR responded to this request by collecting the relevant information from various Member States and forwarding it to the Ministry of Justice. The Ministry of Justice has recently revisited the issue of statistics collection and has requested TA in developing a system of collecting and processing statistics in the field of justice. TFGR is currently in discussions with International Organizations that could deliver this TA. Discussions relate the use of pertinent IT tools, collection and evaluation methodology etc; the relevant MoU part is also subject to revision and fine tuning in this respect.

## 10. LABOUR MARKET, SOCIAL SECURITY, INNOVATION AND EDUCATION

### ***Main Developments:***

The Action Plan to strengthen Youth Employment and Entrepreneurship was launched in January by the three Ministers of Labour, Education and Development. It aims to help 350,000 job-seekers, supported by a budget of EUR 608 million (mobilized through the reprogramming of European Social Fund operational programmes). Experts from France, Portugal, Austria and the United Kingdom contributed to the Plan and can further assist with its implementation and monitoring.

A Co-operation Agreement for the modernisation of the public employment service<sup>18</sup>, facilitated by the TFGR, was signed between OAED (Greek public employment service) and the Public Employment Services of three Member States. The Project Inception Report was agreed at a meeting of the Steering Committee in February.

An Action Plan to strengthen the Labour Inspectorate (SEPE)<sup>19</sup> was finalised at the end of February.

In the area of the social economy, experts from Sweden, Germany, France, Belgium and the United Kingdom jointly with Greek experts presented the Ministry of Labour with an Outline Strategy and Priorities for Action in January. These recommendations have been reflected in an Action Plan prepared by the Ministry. Discussions continue on how best to channel offers of assistance from social enterprises and networks in many Member States.

Unemployment in Greece continues to rise: it reached 27% in November 2012 (against 9,3% in 2009). Unemployment among young people in Greece is now the highest in the European Union: well over half of Greeks under the age of 25 years (59.4%) were found to be out of work. This situation is contributing to increased poverty, especially amongst families where no-one is employed, so development of a welfare safety net has become increasingly important.

Technical assistance is being deployed across key projects funded through ESF to improve the **functioning of the labour market and create employment:-**

- **Modernisation of the public employment service (OAED):** A Co-operation Agreement, facilitated by the TFGR, was signed between OAED and the Public Employment Services (PES) of three Member States, The Project Inception Report was agreed at a meeting of the Steering Committee in February; 12 "pathfinder offices" and managers have been identified to trial the new ways of working; project managers for each of the work strands have also been appointed. The detailed action plan will be completed in June with a view to implementing the plan from September starting with "quick win" reforms so as to maintain momentum

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<sup>18</sup> This reform was foreseen in the Human Resources operational programme

<sup>19</sup> This reform was foreseen in the Human Resources operational programme

- **Youth Unemployment:** The Action Plan to strengthen Youth Employment and Entrepreneurship was launched in January by the three Ministers of Labour, Education and Development. It is planned to help 350,000 with a budget of EUR 608 million funded through ESF. Additional technical assistance from the Member States experts from France, Portugal, Austria and the United Kingdom who contributed to the Plan can be mobilised to help with implementation and monitoring of the Plan.
- **Strengthening the Labour Inspectorate (SEPE):** An assessment report prepared by the ILO was presented to the Ministry of Labour in December 2012. The report made a number of recommendations to develop the work of SEPE across all its activities, but especially in the area of tackling undeclared work. An Action Plan to implement the recommendations in the report was finalised at the end of February and it is anticipated that the ILO will lead on this work.
- **Social Economy:** the objective is to support the Greek authorities in establishing conditions favouring the flourishing of a social economy, including an effective support ecosystem. Experts from Sweden, Germany, France, Belgium and the United Kingdom jointly with Greek experts presented to the Ministry of Labour an Outline Strategy and Priorities for Action in January. The recommendations made by the experts have been reflected in an Action Plan prepared by the Ministry, and discussions continue on how best to channel the offers of assistance from social enterprises and networks in many Member States.
- **Employment Action Plan:** In order to finalise the Action Plan to help the unemployed (MoU requirement), a two day seminar has been arranged for the end of March to work with experts from France and Austria to look at improving apprenticeships and the development of public works projects, as well as how to implement such a plan in a crisis situation.

On the issue of **social security:**

- **Social welfare safety net:** Consideration is being given to the provision of TA for the development of a fully-fledged social welfare policy in Greece. A decision on whether to proceed with this project will be taken by the Ministry of Labour.
- **Social security contribution collection:** a draft proposal for technical assistance has been submitted by the IMF and has been welcomed by the Ministry of Labour. Work is progressing on how to take this forward.
- **Pension reform:** The Ministry of Labour has expressed interest in technical assistance for the organisational and operational elements of the newly established Unified Fund of Supplementary Insurance (ESEA), in particular IT planning. A workshop is envisaged for April to enable foreign experts (Sweden, which has already offered assistance) to present good practices on how to design a sustainable single supplementary social security system.

In the field of **innovation**, the TFGR has provided support for the development of science, technology and innovation parks. In particular, it is encouraging the organisation of a conference centred on innovation to be held in Athens in early Autumn to launch concrete projects pertaining to technology and innovation parks. The support of Greek foundations has been secured.

Proposals for two public sector innovation oriented projects have been developed by the TFGR and are awaiting final approval from the Greek authorities: One project is geared towards improving VAT collection by providing random rewards to final consumers that ask for VAT receipts. The "inducement prize project" aims at identifying cost effective ways to reduce the administrative burden falling on citizen and firms.

In the **field of education** technical assistance has been mainly focused on a concrete project of vocational training in the field of tourism education. In this respect TFGR has closely collaborated with the Ministry of Tourism, the Municipality of Athens and other stakeholders. TFGR has been discussing with the Ministry of Tourism also other possible TA in the field of tourism education.

## 11. MIGRATION, ASYLUM AND BORDERS

### *Main Developments:*

In January 2013, following discussions with other EU partners, Greece presented a revised "Greek Action Plan on Asylum and Migration Management" including concrete objectives, deliverables, time-frames as well as budget estimates. TFGR supported the preparation of this strategic document.

With the European Asylum Support Office (EASO), the TFGR and European Commission Directorate General of Home Affairs coordinated the work of two resident EASO experts, who provided daily support to the Ministry of Public Order and the Ministry of Labour with respect to programming and reporting. The experts also identified bottlenecks in the management and implementation of "Solidarity and Management of Migration Flows" (SOLID) programmes and proposed procedural and systemic improvements.

- TFGR works closely with the Greek authorities and the European Commission Directorate General of Home Affairs to ensure that programmes supported by the European funds under the framework programme "Solidarity and Management of Migration Flows" (SOLID) reach their full potential - both in terms of meeting strategic policy objectives laid down in the revised Greek Action Plan on asylum and absorbing the available funds. In particular, efforts focus on launching key projects needed to implement the revised Action Plan on Asylum and Migration Management for which more than EUR 300 million of SOLID co-financing has been earmarked for Greece for the period 2010-2013.

A first evaluation of costs against available resources leads the Greek authorities to prioritize and assess financing solutions outside the national and SOLID funds envelopes. In coordination with relevant national and regional authorities, TFGR is assisting the Greek authorities in exploring possibilities for using structural funds in support of implementing the Action Plan. On-going efforts are targeting infrastructure projects in the field of asylum.

Additionally the Greek authorities, particularly the Asylum Service and the services in charge of open accommodation at the Ministry of Labour, the European Commission and the European Asylum Support Office are assessing ways for ensuring the continuation of their operational and financial support for other asylum related activities.

With the revised Action Plan and the Greek needs assessment of late 2012, Member States are in a position to offer concrete support, especially material or technical, in areas where Greece cannot cope alone. Such support will be accompanied by a clear strategy from the Greek side for each action.

Moreover, where technical assistance falls under its mandate, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex) will continue to be instrumental in coordinating

operational support in the area of return and borders management. The Greek authorities, with the support of the European Commission and European agency Frontex are working together to build capacity on procuring complex equipment and infrastructure, as well as capacity building measures in returning irregular migrants.

The European Asylum Support Office continues to provide technical assistance in the ambit of its Operation Plan for the deployment of asylum support teams, which has been extended until the end of March 2014.

At the moment, Member States are responding to Greece's Action Plan and needs assessment with bi-lateral offers that fall within the scope of the European Agencies. Should there be a need to coordinate support that falls outside the mandate of Frontex or EASO, TFGR will help coordinating offers of assistance from Member States in close cooperation with European Commission Directorate General of Home Affairs and the Greek authorities.

In addition, TFGR continued support to the recruitment of staff for the First Reception Service, Asylum Service and Appeals authority with the aim that the new services can start operating within the time-frame foreseen in the Greek Action Plan. Under the auspices of the Prime Minister's office, TFGR provided support in staff mobility processes involving different parties such as the Ministry of Administrative Reform, the Ministry of Finance as well as relevant public bodies from where staff are being transferred or seconded.

From October 2012 to April 2013, EASO, TFGR and European Commission Directorate General of Home Affairs cooperated closely on providing operational and structural support to the responsible authorities managing SOLID funds in order to improve absorption and coordinated the work of two resident EASO experts who provided daily support to the Ministry of Public Order and the Ministry of Labour with programming and reporting. The experts also identified bottlenecks in the management and implementation of SOLID programmes and proposed procedural and systemic improvements.

## 12. PRIVATISATION AND LAND REGISTRY

### *Main developments:*

TFGR is co-ordinating technical assistance across a wide range of sectors where privatisation is already in train or is being considered. The entire programme will have far-reaching effects and potentially highly beneficial effects through increased competition on the economy as well as providing significant opportunities for domestic and foreign investment.

To help complete implementation of a national Land Registry by 2020, intensive technical assistance is being provided by experts from four Member States, with the initial work focusing on how to tender for the remaining parcels of land in the most effective and cost efficient way.

### 12.1. Privatisation

**Real estate** privatisation is potentially the part of the privatisation programme that will raise the most money and as such needs to be treated as a priority. The Privatisation Fund and the General Secretariat for Public Property (GSPP) are due to jointly make a formal request for assistance from TFGR across four areas:

- Improving the existing legal and administrative procedures for the approval of Special Plans for Spatial Development of Public Real Estate Assets (ESCHADA)
- Legality of property titles
- Identification of Themes and their characteristics for Development of Public Real Assets
- Long term vision on public property development

The Hellenic Republic Asset Development Fund (Fund) launched the privatisation process for the **Thessaloniki Water Supply and Sewerage** in February 2013. It is proposed to sell 51% of shares and control of the company to an investor to be selected through an international tender. Later in the year, the Fund will launch a similar privatisation process for Attica. In both cases, the State will proceed in parallel with the amendment of the existing concession agreements. In view of these privatisations the Government has taken steps to amend and reinforce the regulatory framework for water giving the services of the Ministry of Environment the necessary regulatory capacity on water pricing and monitoring.

The Ministry of Environment, in cooperation with the Fund, requested the cooperation of TFGR in order to tackle a certain number of regulatory issues connected with the amendment of the concession agreements and monitoring of private operators. In March, the three parties assessed the situation and defined a work plan to be carried out with the assistance of Member States. It is expected that work will begin in the second quarter of 2013. The work plan will cover in particular: estimation of cost of raw water, the performance regime (i.e. definition of key indicators, reporting and compliance), and strengthening of regulatory capacities.

In addition to requests for technical assistance, Greece needs to strengthen the communication with the relevant Commission services on all privatisation matters.

There has been a request from the Hellenic **Gaming** Commission (HGC) to use technical support facilitated by TFGR. The HGC will prepare a document detailing its request for TA to TFGR by the end of March. The needs assessment will focus on:

- Information technology systems for Video Lottery Terminals (VLTs);
- Compliance and enforcement capacity regarding regulatory issues of online gambling ;
- Training of staff on remote control systems for gaming via VLT's;
- Inspection methods for land-based venues and record keeping.

The MoU has an end of February deadline for the establishment of a national **airports** regulatory authority and TFGR has offered TA to the relevant ministry and has had interest from a number of Member States to help. So far this offer has not been taken up.

Greece needs to strengthen the management and coordination of **State aid** matters, both internally and as regards communication with the relevant European Commission services. This has been an important issue in the context of the Greek privatisation programme, since for several assets passed measures raise state aid issues. In order to improve state aid management, the Government committed to create a Central State Aid Unit responsible for screening all measures from across the Government and for their compliance with State aid rules, before they are implemented. The Central State Aid Unit will be the only contact point for the European Commission on all State aid matters, including for notifications. The aim is to ensure timely and effective clearance of state aid issues.

The TFGR together with the competent European Commission services has been cooperating with the Ministry of Finance, where the new Central State Aid Unit will be housed. As result, a working group within the Ministry of Finance drafted a proposal that sets out a central management structure encompassing a network of dedicated state aid units at the ministries granting aid and defines the responsibilities of the respective actors. The draft law is under internal consultation.

## **12.2. Land Registry (Cadastré)**

In the last quarter of 2012, the Greek authorities in cooperation with TFGR, the Netherlands (Domain Leader) and other cadastre experts from Austria, Germany and Spain finalized a work plan for technical assistance based on a request of the Ministry of Environment. The work plan includes a number of activities aiming to provide Cadastre SA with lessons learned in other Member States and from international experience. The goal is to enable to the Greek authorities to achieve the completion of the national cadastre by 2020. The work plan includes four components: pre-conditions (i.e. support to the project management structure of the project and organizational structure of cadastre offices), planning (i.e. comprehensive review of the existing business plan); tendering (with focus on the simplification of the tender specifications); and monitoring (e.g. development of a table of progress with visualisation on territorial maps).

In the first quarter of 2013, Member States experts and Cadastre SA cooperated intensively on the planning and tendering issues. A final review of the business plan should be completed by the end of March 2013. The scope of this review is to optimize planned projects with the final goal of creation of 100% geographical coverage legal

cadastre ("fit for purpose"). On tendering, particular attention was given to the simplification of the legislative framework. A benchmarking exercise was completed in order to provide the Greek authorities the experience gained in other Member States on the appropriate legislative framework for cadastre projects (i.e. service contracts vs. engineering contracts).

## **13. ENERGY, TRANSPORT AND ENVIRONMENT**

### **13.1. Energy**

In March a Memorandum of Understanding was signed by the Greek Ministry for Energy, the German Environment Ministry and the TFGR that sets up a close cooperation in the field of renewable energy. The Memorandum aims to organise technical assistance to the Greek authorities in order to prepare the necessary strategy to implement reforms in the renewable energy sector. The memorandum defines priority areas for technical assistance, and relies on the input of several experts to support the deployment of renewable energy. Over a two-year period, the action will be funded by the German authorities and by the European Commission for a total amount of EUR 1 million; additional funding may be made available by the Greek authorities as needed to support specific projects.

### **13.2. Tourism**

TFGR has been discussing with a few possible providers the requirements of the Ministry of Tourism. As a result, in the pipeline is the technical assistance through the French agency in charge of tourism development and promotion. The TA should cover subjects like master planning for resort development, hotel ratings and quality certification processes and performance and competencies of tourism agencies. Another possible TA related to tourism education is being discussed.

### **13.3. Waste Management**

This sector remains a source of concern as, notwithstanding sustained efforts over the years, there are still many areas where Greece is underperforming as compared to other Member States ([http://europa.eu/rapid/press-release\\_IP-12-888\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-12-888_en.htm?locale=en)).

The Scottish Futures Trust continued to provide technical assistance by means of transfer of knowledge in waste management public-private partnership (PPP) projects, in relation to competitive dialogue awarding procedures, PPP contract and payment mechanisms and the financing of waste PPP projects.

The TFGR is also organising support to the Greek authorities in order to update the national waste management plan and to prepare a waste prevention plan. A first meeting with the Flemish waste management agency was held end of March.

### **13.4. Ports**

Following up on the seminar organised in October 2012 on the regulatory framework, the TFGR provided technical assistance to the Ministry for the drafting and submission of the National Ports Strategy Paper (December 2012), in accordance with the MoU requirement.

Further assistance is possible, drawing on the expertise available in the European Commission and in ports authorities throughout Europe that participated in the earlier event.

### **13.5. Transport**

In relation to rail TFGR efforts concentrate on the improvements necessary to enhance the infrastructure and to accelerate absorption of EU funding. JASPERS assistance will be available to support the development of the rail infrastructure projects which are necessary to complete the PATHE line (Patras, Athens, Thessaloniki- Borders) managed by ERGOSE.

In addition the logistics initiative is leading to the establishment of a permanent committee on which TFGR will be represented; a budget is available to procure expertise to make use of best practice at European level.

There is concern that the airport privatisation will reveal the weakness of the regulatory framework and oversight mechanisms. EU Civil Aviation Authorities (in particular Ireland and the United Kingdom) have expressed willingness to assist their Greek counterparts, but so far this offer has not been taken up.

Eurocontrol has prepared a proposal to address the weaknesses in Greek air traffic management. Discussions to implement these actions still need to start.

## **14. OTHER ACTIVITIES OF THE TFGR**

### **14.1. Monitoring compliance with European Union Law**

TRGR has continued deploying efforts to remedy the situation related to non compliance with and lack of transposition of European Union law by including these issues in various vertical work streams of TFGR assistance.

For long standing infringements where fines are imminent as well as infringements concerning areas where Greece has failed to make structural adaptations required by EU legislation TFGR supports a reinforced dialogue between the Commission services and the Greek authorities in order to remedy the shortcomings. TFGR also supports the Greek authorities in transposing EU Directives in a timely fashion and implementing EU rules correctly.

Despite these efforts, certain cases have reached a critical stage, in particular in the field of environment. Since the situation concerning the closure of illegal landfills in Greece did not improve substantially, the Commission decided to refer Greece for the pending infringement case to the European Court of Justice a second time and propose penalty payments<sup>20</sup> and a lump sum<sup>21</sup>. Currently, concerted action of the relevant Greek actors (Ministry of Foreign Affairs, Ministry of Environment, regional and local authorities) with the support of TFGR is being organised to close the remaining illegal landfills and limit the penalty payments. In addition, efforts are underway to avoid further court referrals and fines in the case of other advanced infringement cases in the fields of environment and health and consumer protection by resolving legal or institutional bottlenecks and bringing about conformity.

During the reporting period, a number of infringement cases were closed since Greece had taken the necessary measures. Most notably, Greece repealed the law providing restrictions to investments in strategic companies that the Court of Justice had found incompatible with the freedom of establishment and therefore brought that infringement to an end.

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<sup>20</sup> Calculated per day, running from the day when the second judgment of the Court was served up to that on which the Member State brings the infringement to an end.

<sup>21</sup> The amount calculated in principle by day, penalising the continuation of the infringement between the first judgment and the date the infringement comes to an end, or, failing compliance, the date of the second Court ruling

## **Annex 1: Working methods of the Task Force**

The technical assistance provided (TA) by the TFGR responds to demands expressed by the Greek authorities, for which the TFGR seeks to mobilise expertise or relevant support from Member States and other potential providers of TA.<sup>22</sup> Starting from the MoU, a first list of potential TA needs was drawn up in October 2011. From this list, the Greek authorities have identified the most compelling needs in terms of their urgency, maturity, and contribution to lasting structural reform in Greece.

TA needs are mainly grouped in policy domains (budget and taxation; financial sector; cohesion funds and agriculture; business environment, public procurement and competition; labour market, public health, justice and home affairs; administrative reform, e-government, statistics; civil society and social partners; privatisation; and energy, transport, waste management, electronic communications and tourism).

Following the identification of a need, the Task Force assists in defining a work programme that is finally agreed with the Greek authorities. It usually contains clear deliverables, deadlines and intermediate milestones, terms of reference for TA assignments, specifying the required resources and the Greek entities whose involvement will be necessary. The Task Force also helps the Greek authorities to mobilise the inputs that are needed to implement the TA work programme. This may involve mobilising relevant expertise from other Member States, and European or international organisations which can share best practices or experience in responding to similar challenges.

- Such assistance may take the form of short-term expert missions or workshops where national administrations present their solutions to their Greek counterparts. This should allow the Greek authorities to identify the most appropriate solution to their needs.
- Technical assistance may also take the form of more sustained support from particular Member States or organisations with specialised know-how. This could involve longer-term presence of experts or cooperation with the Greek authorities to provide technical solutions in areas like ICT.
- In some instances, a Member State or an international organisation with strong track record in a policy field may assume the responsibility of 'domain leader'. The domain leader may be involved at an early stage of the project, including in the definition of road-maps. In these instances, the TFGR facilitates on-going cooperation between the Greek authorities, the domain leader and other TA providers.

The matching of TA supply and demand is organised through high-level coordination meetings organised by the TFGR and involving the Greek authorities, (potential) TA

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<sup>22</sup> In addition to EU Member States this includes EFTA EEA states such as Norway and Iceland, as well as EU and international institutions such as the EIB, EIF, OECD, Council of Europe, IMF, and the World Bank. For ease of reference all these are addressed by the term "TA providers", which includes actual TA providers as well as TA providers who have expressed their general interest in making TA available.

providers and European Commission services. Prior to these meetings, Member States or other international organisations are requested to express their interest in providing technical assistance on particular projects.

The Task Force, or where applicable the domain leader, coordinates the delivery of the technical assistance agreed in the work programme. The TFGR also provides support with practical administration (organisation of work-shops and other modalities for transfer of expertise).

The Task Force assists the Greek authorities with the supervision and monitoring of all agreed projects. It reports to the European Commission and Member States on progress or challenges (including through its quarterly reports).

## Annex 2: Glossary of abbreviations:

Acronym	Full name
ADIE	Association pour le droit à l'initiative économique (Association for microcredit - France)
ADR	Alternative Dispute Resolution
AML	Anti-money Laundering
AROP	Administrative Reform Operational Programme
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Services Supervisory Authority – Germany)
EASO	European Asylum Support Office
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
EOPYY	National Health Service Organization (Greece)
ERDF	European Regional Development Fund
ERP	Enterprise Resource Planning
ESF	European Social Fund
ETEA	Unified Fund of Supplementary Insurance
ETEAN	National Fund for Entrepreneurship and Development (Greece)
EUR	Euro
FISCALIS	Programme – Taxation and Customs Union – European Commission
FIU	Hellenic Financial Intelligence Unit
FRONTEX	European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union
GAO	General Accounting Office
GRC	Greek Council of Reform
GSPP	General Secretariat for Public Property
HFSF	Hellenic Financial Stability Fund
HGC	Hellenic Gaming Commission
HRADF	Hellenic Republic Asset Development Funds
HRM	Human Resource Management
ICT	Information and Communications Technologies
IfG	Institution for Growth
ILO	International Labour Organization
IMF	International Monetary Fund
MAREG	Ministry of Administrative reform and E-government
MFJ	Multiannual Financial Framework
MoU	Memorandum of Understanding
MOU	Management Organisation Unit S.A.
NSRF	National Strategic Reference Framework
OAED	Public Employment Agency (Greece)
OEALG	Observatory for the Economic Autonomy of Local Governments (Greece)
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
PFM	Public Financial Management
PPP	Public-Private Partnership

SDOE	Financial and Economic Crime Unit (Greece)
SEPE	Labour Inspectorate (Greece)
SMEs	Small and Medium Size Enterprises
SOLID	4 European Funds "Solidarity and Management of Migration Flows"
SPPA	Single Public Procurement Authority
TA	Technical Assistance
TFGR	Task Force for Greece
UNECE	United Nations Economic Commission for Europe
VAT	Value Added Tax
VLT	Video Lottery Terminals
WCO	World Customs Organization
WHO	World Health Organisation