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EUROPEAN COMMISSION

Brussels, 24.2.2011  
COM(2011) 86 final

Recommendation for a

**COUNCIL DECISION**

amending for the third time Council Decision 2010/320/EU of 10 May 2010 addressed to Greece with a view to reinforcing and deepening the fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the functioning of the European Union (TFEU), and in particular Article 126 (9) and Article 136 thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) Article 136 (1) (a) TFEU foresees the possibility of adopting measures specific to the Member States whose currency is the euro with a view to strengthening the coordination and surveillance of their budgetary discipline.

(2) Article 126 establishes that Member States shall avoid excessive government deficits and sets out the excessive deficit procedure to that effect. The Stability and Growth Pact, which in its corrective arm implements the excessive deficit procedure, provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(3) On 27 April 2009, the Council decided, in accordance with Article 104 (6) of the Treaty establishing the European Community that an excessive deficit existed in Greece.

(4) On 10 May 2010, the Council adopted a Decision addressed to Greece under Article 126 (9) and Article 136 with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit at the latest by the deadline of 2014 (hereinafter "the Decision").<sup>1</sup> The Council established the following path for the deficit correction: government deficits not exceeding EUR 18 508 million in 2010, EUR 17 065 million in 2011, EUR 14 916 million in 2012, EUR 11 399 million in 2013 and EUR 6 385 million in 2014.

(5) According to the forecast available at the time the Council adopted the Decision, real GDP was expected to contract by 4% in 2010 and 2½ % in 2011, and recover afterwards, with growth rates of 1.1% in 2012, and 2.1% in 2013 and 2014. GDP deflator was expected to be

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<sup>1</sup> Council Decision 2010/320/EU (OJ L 145, 11.6.2010, p. 6).

1.2%, -0.5%, 1.0%, 0.7% and 1.0% from 2010 to 2104, respectively. Given economic developments, real GDP is now expected to contract by 4¼% in 2010 and 3% in 2011 and recover afterwards with growth rates of 1.1% in 2012, and 2.1% in 2013 and 2014. GDP deflators are now expected to be 3.0%, 1.6%, 0.4%, 0.8% and 1.2% from 2010 to 2014, respectively.

(8) On 12 February 2011, Greece submitted to the Council and the Commission a report outlining the policy measures taken to comply with the Decision. The Commission assessed the report and concluded that Greece is satisfactorily complying with the Decision.<sup>2</sup> However, it must be avoided that the deficit target for 2011 is missed as happened for 2010.

(9) In light of the above considerations, it appears appropriate to revise the Decision in a number of respects, while keeping unchanged the deadline for the correction of the excessive deficit and the adjustment path for the government deficit and the increase of government debt in nominal terms.

HAS ADOPTED THIS DECISION:

#### *Article 1*

Decision 2010/320/EU is amended as follows:

1. in Article 2 (4), point (d) is replaced by:

"(d) a medium-term budgetary strategy plan which identifies permanent fiscal consolidation measures of at least 8 percent of GDP, plus a contingency reserve, that will ensure the achievement of deficit targets up to 2014, and that the debt-to-GDP ratio is put on a sustainable downward path.. The strategy plan will be published for public consultation before end March. The medium-term strategy plan includes, in particular: prudent macroeconomic forecasts; baseline revenue and expenditure projections for the state and for the other government entities; a description of permanent fiscal measures, their timing and their quantification; annual spending ceilings for each ministry and fiscal targets for other government entities through 2014; post-measures fiscal projections for general government in line with the deficit and debt targets; longer-term debt projections based on prudent macroeconomic projections, stable primary surpluses from 2014 on, and privatisation plans. The medium-term strategy plan will be articulated with the ongoing healthcare and pension reforms and with specific sectoral plans. The sectoral plans (draft plans to be available by end-March), will cover in particular: tax policy reforms; state-owned enterprises; extra budgetary funds (legal entities of the public sector and earmarked accounts); public wage bill; public administration; social spending; public investment and military spending. Each sectoral plan will be managed by interministerial taskforces."

2. in Article 2 (4), point (e) is replaced by:

"(e) an anti-evasion plan which includes quantitative performance indicators to hold revenue administration accountable; legislation to streamline the administrative tax dispute and judicial appeal processes and the required acts and procedures to better address

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<sup>2</sup> Commission Communication COM(2011) final .... of [XX] March 2011.

misconduct, corruption and poor performance of tax officials, including prosecution in cases of breach of duty; publication of monthly reports of the five anti-evasion taskforces, including a set of progress indicators."

3. in Article 2 (4), point (f) is replaced by:

"(f) a detailed action plan with a timeline to complete and implement the simplified remuneration system; preparation of a medium-term human resource plan for the period up to 2013 in line with the rule of 1 recruitment for 5 exits, also specifying plans to reallocate qualified staff to priority areas; publication of monthly data on staff movements (entries, exits, transfers among entities) of the several government departments."

4. in Article 2 (4), point (g) is replaced by:

"(g) implementation of the comprehensive reform of the health care system started in 2010 with the objective to keep public health expenditure at or below 6 percent of GDP; measures yielding savings on pharmaceuticals of at least EUR 2 billion relative to the 2010 level, of which at least EUR 1 billion in 2011; improvement in the accounting and billing systems of hospitals, through: finalising the introduction of double-entry accrual accounting systems in all hospitals; the use of the uniform coding system and a common registry for medical supplies; the calculation of stocks and flows of medical supplies in all the hospitals using the uniform coding system for medical supplies; the collection of co-payments from patients in all National Health System facilities; and the timely invoicing of treatment costs (no later than 2 months) to Greek social security funds, other Member States and private health insurers; and ensure that at least 50 % of the volume of medicines used by public hospitals by the end of 2011 is composed of generics and off-patent medicines by making it compulsory for all public hospitals to procure pharmaceutical products by active substance."

5. in Article 2 (4), point (k) is replaced by:

"(k) adoption of a law to establish the Single Public Procurement Authority in line with the Action Plan; development of an e-procurement IT platform and setting up of intermediate milestones in line with the Action Plan, including: testing a pilot version, availability of all functionalities for all contracts and phasing-in of the mandatory use of e-procurement system for supplies, services and works contracts".

6. in Article 2 (4), the following point is added:

"(l) an act specifying the qualification and responsibilities of accounting officers to be appointed in all line ministries and major government entities with the responsibility to ensure sound financial controls; appointment of financial accounting officers; acceleration of the process of establishing commitment registries and operational registries covering the whole general government (except the smallest entities)."

7. in Article 2 (5), the following point is added:

"(i) publication of an inventory of state-owned assets, including stakes in listed and non-listed enterprises and commercially viable real estate and land and an estimation of the values of these assets; establishment of a General Secretariat of Real Estate in order to improve coordination and accelerate the privatisation and asset management program; on the basis of this inventory, privatisation plans are revised and accelerated."

8. in Article 2 (6), the following point is added:

"(f) Building on the inventory of commercial state-owned real-estate assets (to be published by June 2011), elaboration of a medium-term plan to divest state assets, revision of the privatisation receipts planned for 2011-12 and extension of the plan through 2015."

9. Article 2 (8) is added:

"Greece shall adopt the following measures by the end of March 2012:

(a) a reform of the secondary/supplementary pension schemes, by merging funds and starting the calculation of benefits on the basis of the new notional defined-contribution system; freezing of nominal supplementary pensions and reduction of the replacement rates for accrued rights in funds with deficits, based on the actuarial study prepared by the National Actuarial Authority. In case the actuarial study is not ready, replacement rates are reduced, starting from 1 January 2012, to avoid deficits."

#### *Article 2*

This Decision shall take effect on the day of its notification.

#### *Article 3*

This Decision is addressed to the Hellenic Republic.

Done at Brussels, [...]

For the Council  
The President  
[...]