HELLENIC REPUBLIC MINISTRY OF FINANCE

The economic adjustment programme for Greece

Report submitted in accordance with Council Decision 2010/320/EU

November 2010

Contents

1. Introduction

The current report has been drafted as a response to the Council Decision 2010/320/EU[1] of 10 May 2010 requiring Greece to provide *a report outlining the policy measures taken to comply with this Decision on a quarterly basis*. The report includes a brief overview of current economic conditions and the short term outlook for the Greek economy and contains information on all the items specified by Council Decision 2010/320/EU. It intends to update and complement the previous report which was submitted, according to Council Decision requirements, in July 2010. As a result it contains data and indicators for the first three quarters of 2010 and provides information on the follow up to measures included in the July report, as well as on the progress with the implementation of measures envisaged for the third quarter of 2010 according to the Economic Policy Programme. With respect to the previous report submitted in July, the current version contains several additional elements, such as more complete data on general government arrears and a more detailed analysis of the financial situation of public companies, reflecting the on-going efforts in the public sector in the areas of data collection and reporting.

2. Overview of macroeconomic scenario

According to the latest estimates included in the 2011 State Budget Report real GDP is set to contract significantly in the 2010-2011 period (3.6 p.p. on average during the two-year period), and to recover only gradually thereafter, registering a positive growth rate from 2012 onwards. Also, inflation is expected to decelerate gradually, as a result of two factors: on the one hand, domestic demand tightening and cost-cutting measures in the economy and, on the other, the fact that a certain period of time is needed for tax rate effects to fade off. CPI inflation is estimated to increase by 4.6% and 2.2% in 2010 and 2011 respectively. Thus, nominal GDP is projected to decrease by 1.3% in 2010 and by 1.5% in 2011.

According to the quarterly GDP outlook of 2010, seasonally adjusted GDP, on a year on year basis, decreased by 2.7% in Q1, 4.0% in Q2 and 4.7% in Q3, while the average for the whole period was 3.8%.

As far as the components of aggregate demand are concerned, private consumption decreased by 1.6% during the first semester of the year, compared to a 1.8% decline during the corresponding period in 2009, while government consumption decreased by 9.9%, compared to a substantial increase by 10% during the corresponding period of last year. The better than projected outcome concerning private consumption reflects a combination of factors, including: a low base effect, anticipated further increases in indirect taxes and increasing reported consumption as a result of the efforts to fight tax evasion.

Turning to investment, gross fixed capital formation declined by 16.8%, compared to -10.9% in 2009S1. Residential construction declined by 17.9%, while investment in machinery and equipment, other construction and transport equipment decreased by 8.9%, 28.3% and 6.4% respectively.

[1] Council Decision 2010/320/EU as amended with Council Decision 2010/486/EU.

The contribution of the external sector to GDP change is positive. In the first semester of 2010, imports of goods and services declined by 9.9%, compared to -11.2% in 2009S1, while exports decreased by 1.5%, albeit rebounding from a decline of -18.5% in 2009S1.

The unemployment rate during the January-August period of the year reached 11.8% (compared to 9.1% in the corresponding period of 2009), while employment, in the same period, decreased by 2.1%. It should be noted, however, that labour market interventions already legislated are expected to reverse current labour market trends, albeit in the medium term.

Regarding the production side of the economy, industrial production dropped by 5.7% (January to September period), with manufacturing production falling by 5.3%, mining and quarrying by 6%, electricity and gas by 7.7%, and only water supply remaining practically stable (+1.1%). However, it is definitely a positive sign that during the first eight months of the year, new orders in industry were up by 3.2% (versus -32.0% in 2009), while during the same period turnover in industry went up by 6.9% (compared to -26.9% in 2009).

As far as price developments are concerned, inflation remained on an upward trend (5.2% in October and 4.6% during the January to October period compared to 1.0% the corresponding period last year). Latest price developments are mainly driven by alcoholic beverages and tobacco (+18.2%), transport (+18.2%) and housing (+5.7%). The effect of increasing indirect tax rates is still dominating the pattern of prices, on top of persistent market inefficiencies. Still, the fact that core inflation remains higher compared to last year (3.5% in October vs. 2.0% in 2009) could be a cause of concern in the short-term. On the other hand, producer prices are moving on a declining trend, thus supporting the view that a turning point in price developments could be approached. Moreover, inflation is likely to decelerate in the months to come reflecting the effect of the deceleration of economic activity and the fact that wage developments are detached from price increases.

In table 1, the annual Budget estimates for 2010 and projections for 2011, for the main macroeconomic aggregates, are presented.

Table 1: GDP and its components

% changes in volumes, except as indicated	2010 estimates	2011 projections
GDP	-4.2	-3.0
Private consumption	-4.1	-4.3
Public consumption	-9.0	-8.5
Gross fixed capital formation	-17.4	-7.5
Exports of goods and services	0.6	5.1
Imports of goods and services	-12.0	-6.4
Nominal GDP	-1.3	-1.5
HICP (January – October)	4.6	2.2
GDP deflator	3.0	1.5

***Source**: 2011 State Budget Report.*

3. Progress with fiscal adjustment

Fiscal adjustment is achieved through a combination of measures drawing on both the expenditure and the revenue side. These measures were introduced under successive policy undertakings (the January update of the Greek Stability and Growth Programme, additional fiscal measures in February, Emergency measures for coping with the fiscal crisis in March and the Economic Policy Programme of Greece in May).

As a result of these measures and according to data available for the state budget execution for the first ten months of 2010 (January – October 2010), on a fiscal basis, the deficit is 17,334 million Euro compared to 24,833 million Euro during the same period in 2009. This reflects a 30.2 % reduction in the deficit against a targeted 33.2 % reduction based on the draft budget for the year 2011 and a targeted 32.2 % reduction based on the draft budget law submitted to the Parliament on 18 November 2010.

Table 2: Budget execution

in million euro

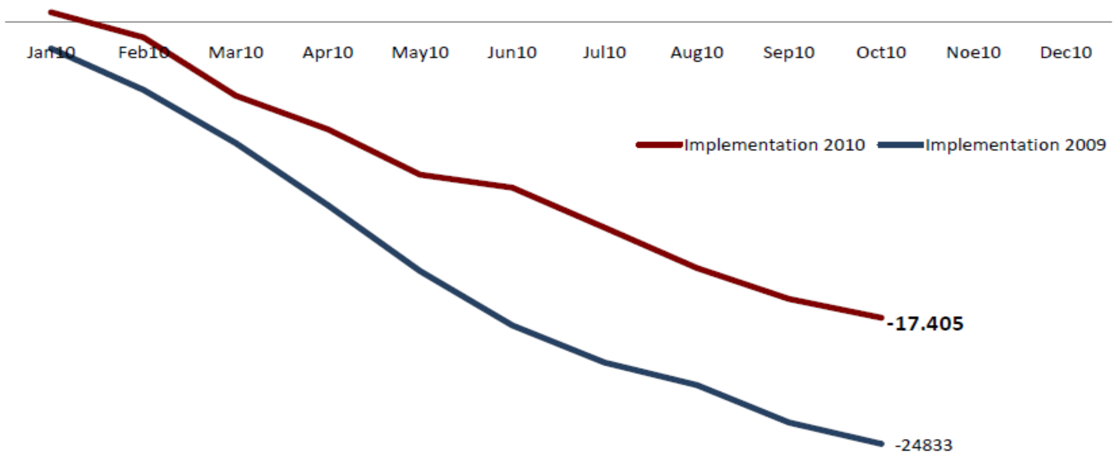
	2009	2010	Change 10 - months 10/09	2009	2010	2010	Annual change 10/09
	10/months	10/months		Annual outcome*	Economic Policy Programme**	Estimates *	
	(1)	(2)	(3=2:1)	(4)	(5)	(6)	(7=6:4)
Ordinary Budget							
1. Net Revenue (a-b)	**39.513**	**40.993**	**3,7**	**48.491**	**55.124**	**51.388**	**6,0**
a. Revenue before Tax Refunds	43.477	44.611	2,6	53.443	60.224	56.488	5,7
b. Tax Refunds	3.964	3.618	-8,7	4.952	5.100	5.100	3,0
2. Expenditures (a+b+c)	**57.739**	**53.648**	**-7,1**	**71.815**	**67.873**	**66.403**	**-7,5**
a. Primary Expenditure	45.665	40.566	-11,2	57.992	54.611	52.798	-9,0
b. Transfers to hospitals for the settlement of part of past debt	0	340		1.498	245	345	
c. Interest payments	12.074	12.742	5,5	12.325	13.017	13.260	7,6
Public Investment Program (P.I.B.)							
3. Revenue	**1.415**	**1.368**	**-3,3**	**2.040**	**3.258**	**2.892**	**41,8**
4. Expenditure	**8.022**	**6.047**	**-24,6**	**9.588**	**9.200**	**8.500**	**-11,3**
5. Central Government Balance (-Surplus / +Deficit) (1-2+3-4)	**24.833**	**17.334**	**-30,2**	**30.872**	**18.691**	**20.623**	**-33,2**

***Source**: Ministry of Finance, General Accounting Office*

** According to the data published in the Draft Budget for the year 2011.*

*** Including the measures instituted on March and May 2010.*

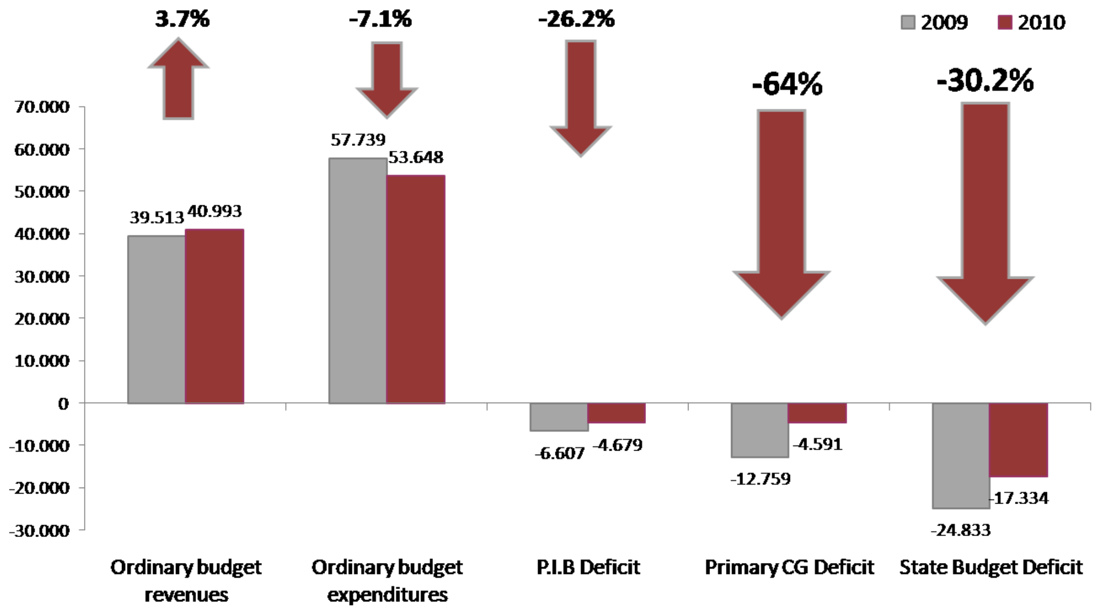
Graph 1: State Budget Deficit on monthly cumulative basis (million euro)



***Source**: Ministry of Finance, General Accounting Office*

The fiscal result of the first ten months of 2010 is based mainly on the restriction of expenditures (-7.1%), while increased revenues are foreseen in the last two months of the year resulting from receipts from income and property taxes, road taxes (paid in December) and the tax settlement initiative. Net revenues increased by 3.7% (or by 1.5 billion compared to 2009) and are slightly improved compared to the nine months increase of 3.6%. This is mainly due to the increased VAT revenues that continued a double-digit increase pattern in October, reflecting higher tax rates as well as better tax compliance as a result of the fight against tax evasion (see also below).

Graph 2: State Budget Deficit and its components (million euro) – first 10 months 2009-2010

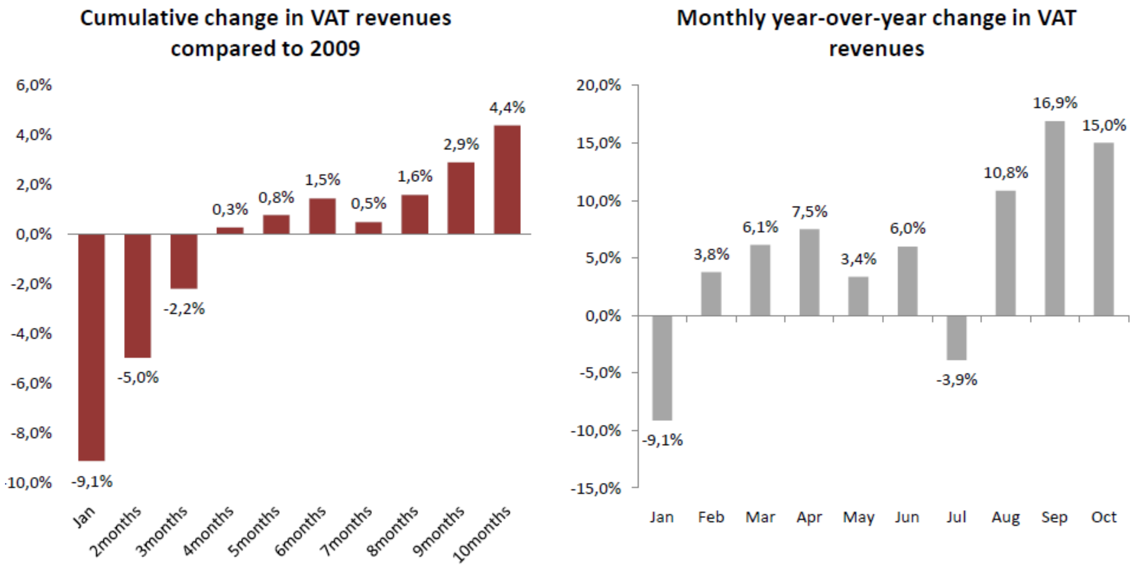


***Source**: Ministry of Finance, General Accounting Office*

Ordinary budget expenditures declined by 7.1% year-over-year. In particular, primary expenditures decreased by 11.2% against an estimated 9% annual decline, while interest expenditures increased by 5.5% against a 7.6% estimated annual increase. State budget primary deficit is reduced by 64% or by more than 8 billion euro compared to 2009. Finally, Public Investment Budget (PIB) expenditures declined by 24.6% and PIB revenues by 3.3%, compared to the same period in 2009.

VAT revenues during the last three months show significant recovery. Despite decreased consumption, VAT revenues on monthly year-over-year basis increased by 10.8% in August, by 16.9% in September and by 14.8% in October, as a result of increased VAT rates and improved tax compliance resulting from the fight against tax evasion. Overall, over the first ten months of 2010, VAT revenues increased by 4.4%

Graph 3: VAT revenues



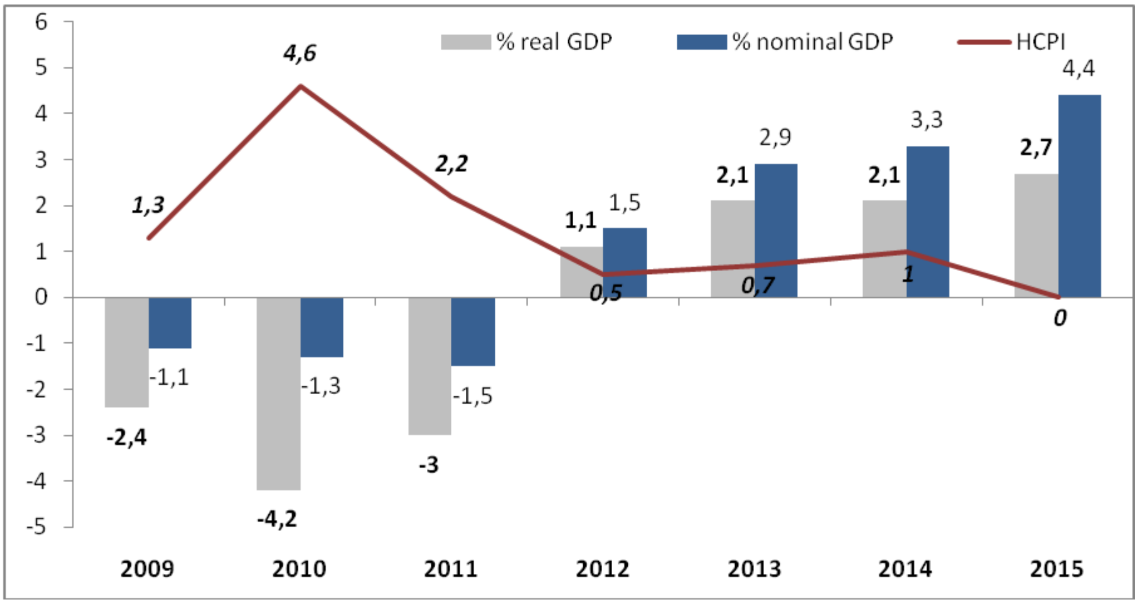
Source*: Ministry of Finance*

4. The Budget for 2011

The 2011 Budget which was submitted to the Parliament on 18th November 2010, has been drafted within the context of the most ambitious fiscal adjustment and structural reform programme ever implemented in the country. It is the first budget to have been drafted in Greece following the principle of fiscal management at the level of general government. The 2011 Budget continues the aggressive fiscal consolidation effort carried out so far and aims to reduce the deficit by 5 billion euro or 2% of GDP in 2011. Although, it sets off from a more adverse starting point than initially projected due to the revision of fiscal data by Eurostat, its final aim is to attain the quantitative and structural targets of the Economic Policy Programme, in the midst of economic conditions that for some countries are the most adverse they have faced in many decades.

At the current economic juncture the growth potential at the global level and in particular for the Eurozone remains low. The turmoil in international sovereign markets, and in particular for peripheral economies will most likely continue. It is expected that in 2011, the recession in Greece will be smaller than in 2010 (-3% compared to 4,2%) but larger than initially expected -2,6%).

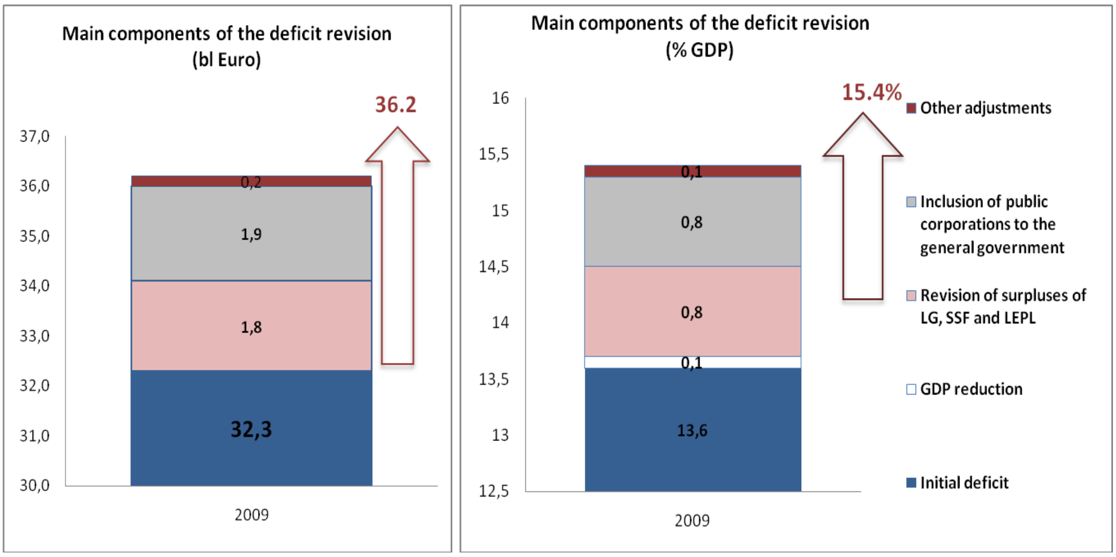
Graph 4: Growth rate and inflation rate



Source: *Ministry of Finance*

The starting point for the implementation of the Economic Policy Programme of Greece, resulting from the revision of fiscal data by Eurostat in the recent EDP notification, is a deficit for 2009 of 15.4% of GDP or 36.2 billion Euros, meaning a deficit that is 3.8 billion Euros or 1.8% of GDP higher than was known at the time the Economic Policy Programme was drafted. The revision to the level of deficit is mainly due to the reclassification of public corporations in general government data, the adjustment of accounts of social security funds and local government and the downward revision of 2009 GDP (see graph 5).

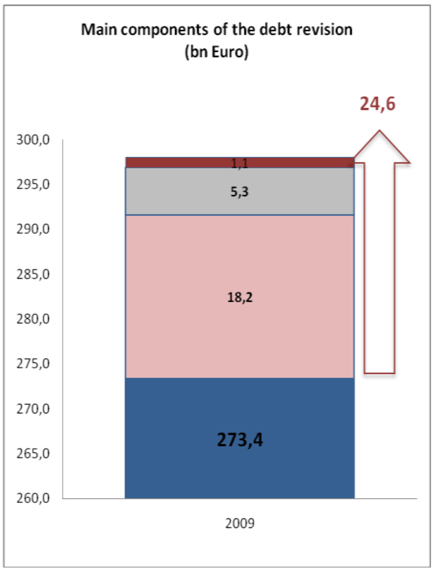
Graph 5: Main components of deficit revision in 2009

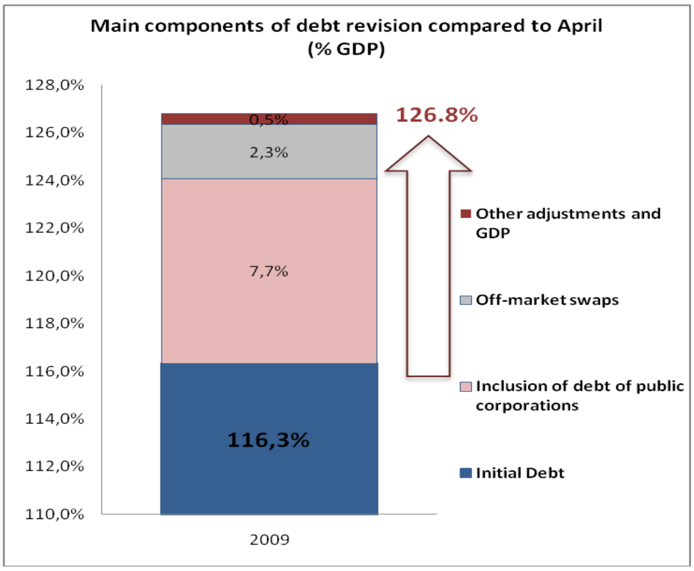


Source: *Ministry of Finance, General Accounting Office*

Moreover, following the Eurostat revision of fiscal data, the general government debt in 2009 reached 298 billion or 126.8% of GDP, which is 10.5% of GDP (or 24.6 billion) higher compared to the April fiscal data notification. Debt figures were mainly affected by the reclassification of public corporations into general government data and the adjustment for off-market swaps (see graph 6).

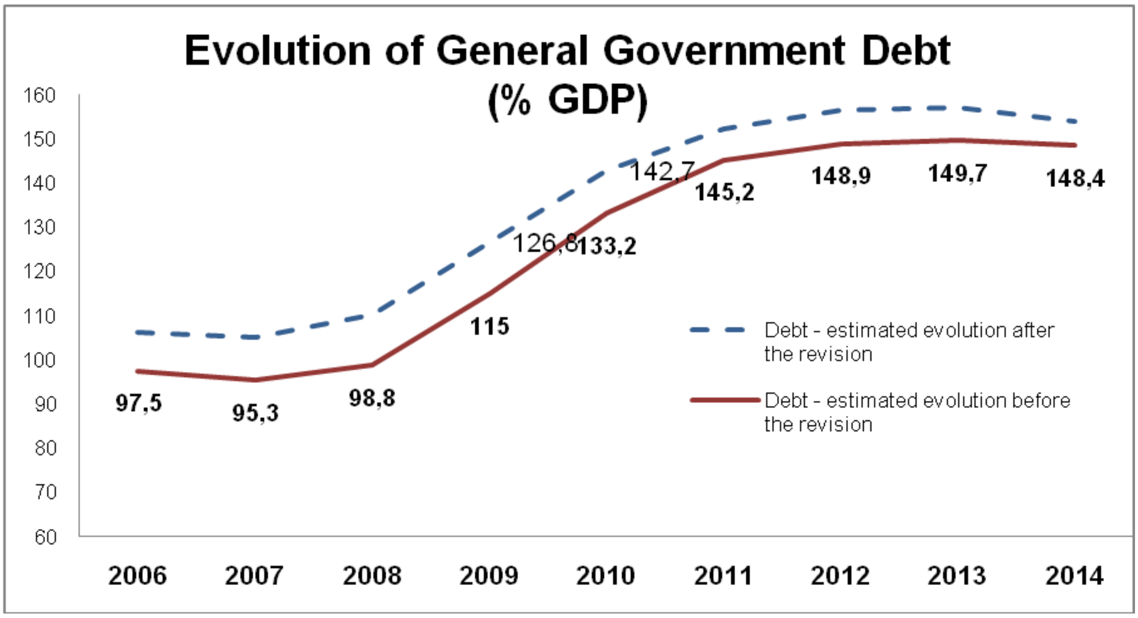
Graph 6: Main components of the debt revision for 2009





***Source**: Ministry of Finance, General Accounting Office*

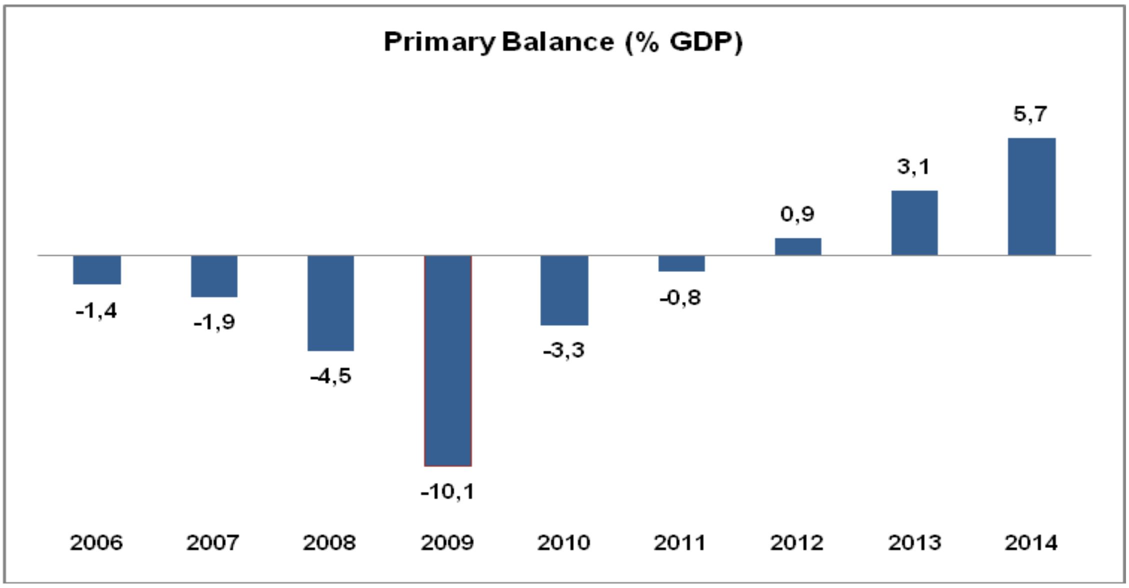
Graph 7: Evolution of debt figures



***Source**: Ministry of Finance, General Accounting Office*

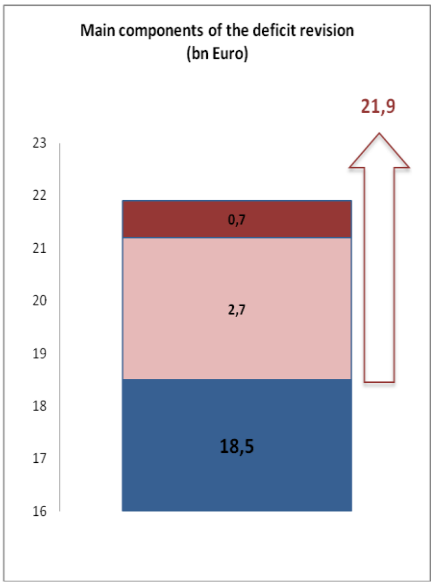
Thus, the review of fiscal data leads to higher overall levels of debt than initially projected. Provided that medium-term fiscal targets are met, the general trajectory of debt figures will be as projected, however from a higher basis, while the return to primary surpluses from 2012 onwards will contribute to the reduction of debt.

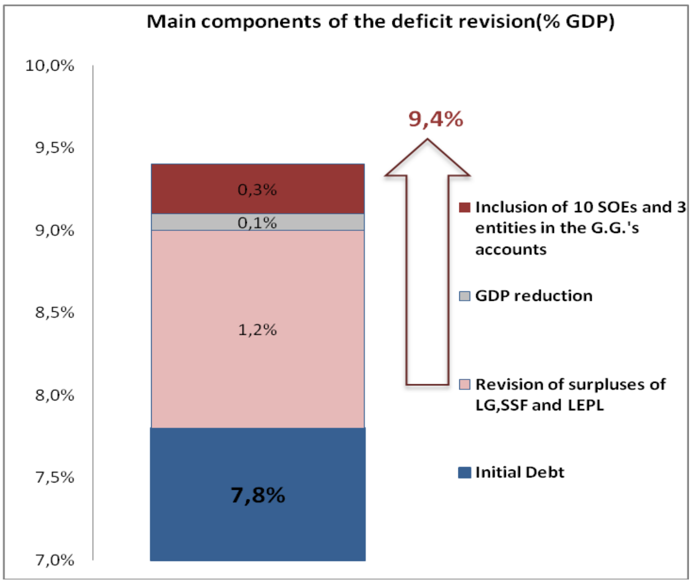
Graph 8: Evolution of primary balance



Source: *Ministry of Finance, General Accounting Office*

Graph 9: Main components of the deficit revision for 2010

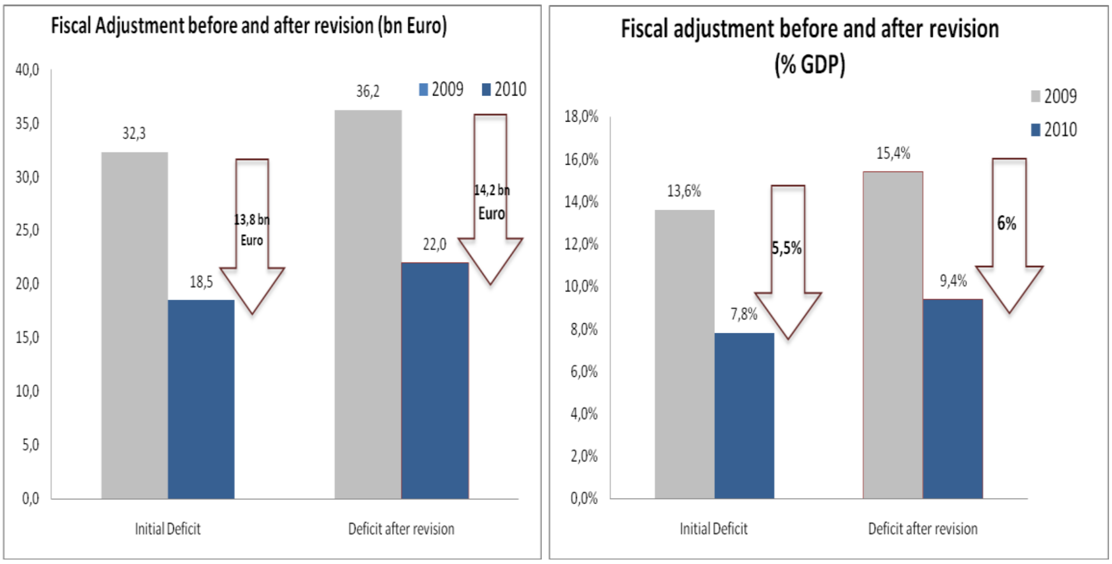




Source: *Ministry of Finance, General Accounting Office*

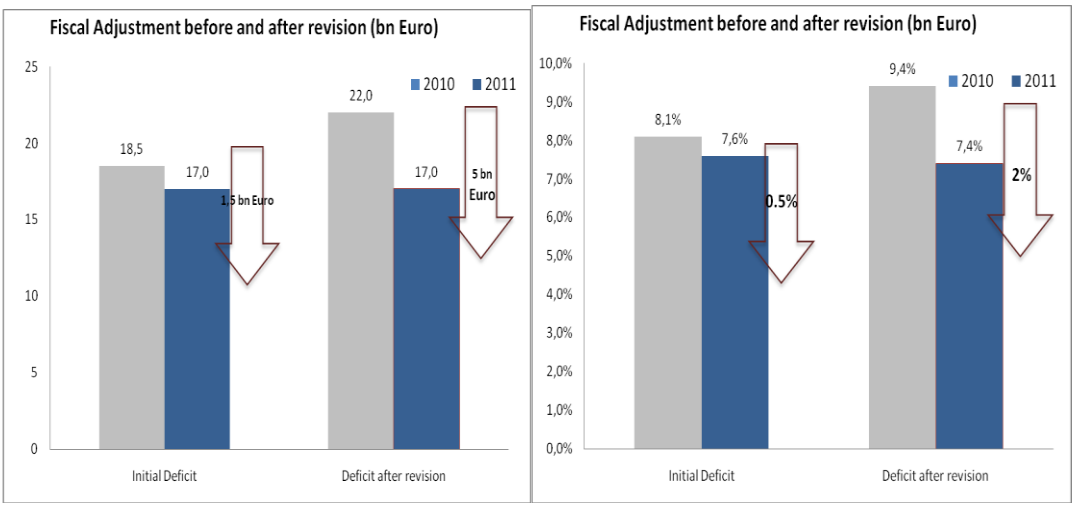
Moreover, the revision of fiscal data for the period 2006-2009 increases the deficit of the general government for 2010 by about 3.4 billion Euro or 1.5% of GDP compared to the estimates for the deficit initially included in the Draft Budget of 2011 (see graph 10). In terms of fiscal adjustment effort, this does not however have an impact on the considerable reduction of the deficit which was achieved in 2010, namely 6 percentage points, i.e. a fiscal adjustment larger than the 5.5 percentage points which was initially projected.

Graph 10: Fiscal adjustment in 2010



Source: *Ministry of Finance, General Accounting Office*

Graph 11: Fiscal adjustment in 2011

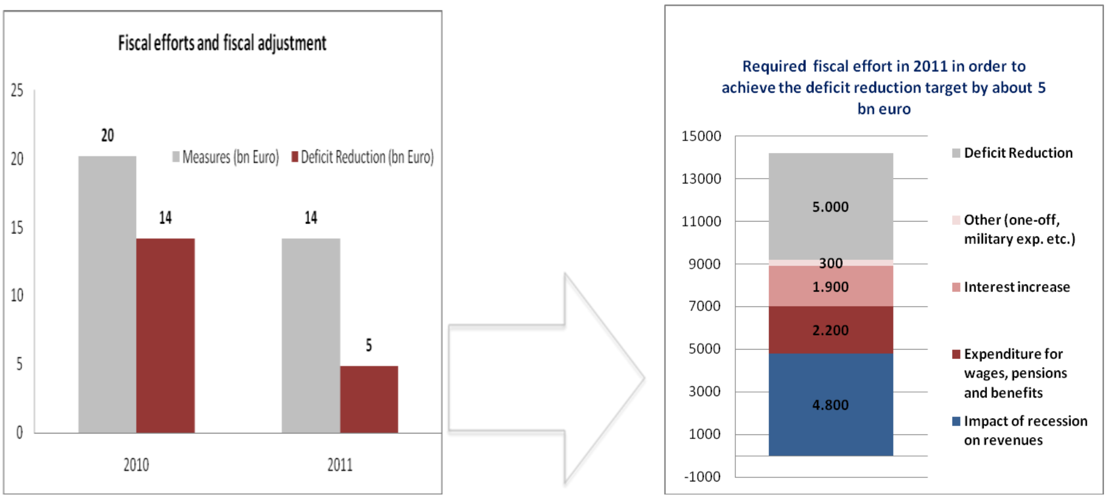


Source: *Ministry of Finance, General Accounting Office*

In terms of budget preparation and planning, the 2011 Budget will be the first budget to be drafted and executed on the basis of the new fiscal management framework, which among others provides for detailed description and setting up of accounts for the general government, total annual expenditure ceilings, the creation of a reserve, a maximum borrowing level, the obligation to submit a supplementary budget in case of expenditure overruns above the reserve, procedures to control commitments and the obligation to report and publish data regularly (monthly, quarterly and semi-annually) on the budget execution of the general government.

The fiscal adjustment in 2011 will amount to 2% of GDP (from 9.4% to 7.4%) or about 5 billion Euro (from 22 billion Euro to 17 billion Euro). The initial projection included in the Programme was a reduction 0,5% of GDP or a 1.5 billion Euro reduction (graph 12).

Graph 12: Fiscal effort in 2011



***Source**: Ministry of Finance, General Accounting Office*

According to the Economic Policy Programme, in order to achieve a deficit reduction of 1.5 billion euro (0.5% of GDP) in 2011, it was required to take measures amounting to 9.150 billion Euro (the difference between fiscal effort and fiscal adjustment results from autonomous changes in fiscal data by about 9 billion Euro, such as increases in interest payments, reductions in contributions, increases in social spending and recession). However, due to the Eurostat revision of fiscal data, the size of the required fiscal adjustment is now larger and amounts to 14 billion Euro i.e. another 5 billion Euro over what was previously planned, while the yield of measures that were included in the Economic Policy Programme has been re-evaluated.

An overview of the 2011 Budget is given in Table 3.

Table 3. Budget 2011

	2009	**2010**		**2011**
	Realisation	**Economic Policy Programme**	**Estimations**	**Projections**
State Budget				
I. Revenues (1+2)	**50.585**	**58.434**	**54.326**	**59.482**
1. Net revenues of ordinary budget (a+b+c+d-e)	**48.545**	**55.176**	**51.434**	**55.560**
a. Ordinary revenues	52.308	58.744	54.853	57.520
b. Revenues from the abolishment of special accounts	1.088	1.200	1.150	1.157
c. Revenues from the bank support scheme	47	280	485	643
d. Revenues from NATO	55	52	46	40
e. Tax returns	4.952	5.100	5.100	3.800
2. Revenues of Public Investment Programme (PIP) (a+b)	**2.040**	**3.258**	**2.892**	**3.922**
a. Revenues from the EU	*1.858*	*3.109*	*2.642*	*3.722*

b. Other revenues	*183*	*149*	*250*	*200*
II. Expenditures (1+2)	**84.215**	**78.925**	**77.393**	**80.339**
1. Expenditures of the ordinary budget (a+b+c+d+e+f)	**74.627**	**69.725**	**68.893**	**71.839**
a. Primary expenditure	57.992	54.611	52.798	52.633
b. Subsidies to public hospitals for the repayment of old debts	1.498	245	345	450
c. Expenditures for NATO	51	52	46	40
d. Military expenditures (on a cash basis)	2.175	1.800	1.500	1.600
e. Guaranteed called	584		944	1.196
of which for Public Enterprises	*484*		*813*	*1.051*
f. Interest payments	12.325	13.017	13.260	15.920
2. Public Investment Programme (PIP)	**9.588**	**9.200**	**8.500**	**8.500**
III. State budget deficit (I-II)	**-33.629**	**-20.491**	**-23.067**	**-20.857**
% GDP	*-14,3%*	*-8,9%*	*-9,9%*	*-9,1%*
III.a. Primary balance (III – II1f)	**-21.304**	**-7.474**	**-9.807**	**-4.937**
% GDP	*-9,1%*	*-3,2%*	*-4,2%*	*-2,2%*

***Source**: Budget 2011*

Note: The impact of the revision of fiscal data by Eurostat is not included in the target for the EPP in 2010

The fiscal impact of measures is outlined in table 4, while a more detailed list of measures with impact on the 2011 budget can be found in Annex A.

Table 4. Fiscal impact Budget 2011

REVENUES	**7830**	**3.50%**
Carry over of 2010 measures	1500	0.70%
Measures of 2011 already in the Economic Policy Programme	4050	1.80%
New measures on the revenues side for 2011	2280	1.00%
EXPENDITURES	**6500**	**2.90%**
Carry over of 2010 measures	1150	0.50%
Measures of 2011 already in the Economic Policy Programme	1500	0.70%
New measures on the expenditures side for 2011	3850	1.70%
TOTAL	**14330**	**6.40%**

5. Progress with structural reforms

In August 2010, staff teams from the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF), following the first quarterly review of the Greek Economic Policy Programme, concluded that impressive progress had been made on structural reforms. The Greek government has undertaken tough measures conducive to significant fiscal consolidation, with a simultaneous endeavour to implement structural reforms, eventually aiming to boost Greece's competitiveness. Special mention was made to the flagship reform on pensions, which was adopted ahead of the deadline by the Parliament in the previous quarter, the substantive ongoing labour market reform and the tax and budget reforms. These reforms constitute appropriate instruments for achieving fiscal consolidation without jeopardising employment and long-term growth. The pension reform credibly aims to a sustainable pension system that will provide adequate pensions for future generations. At the same time, the labour reform bolsters up a competitive production sector while at the same time it shelters vulnerable groups. On the tax reform front, the tax system is made more progressive by including different elements of labour income in a single harmonised personal income tax base, and the marginal personal income tax schedule has been steepened. In addition to that, the government is utilising more presumptive taxation to capture more of those who previously were able to stay outside the tax net.

Moreover, during the second quarter of 2010 a number of other measures were taken ahead of requirements such as the reform of local administration and the publication of monthly data on state revenue and expenditure.

Meantime, since the first review, progress has been continuous in all of the above areas to ensure the implementation of these reforms and to guarantee the anticipated results. In addition, the Greek government remains committed to maintaining the same pace in the following quarters with structural reforms being introduced in significant areas. To mention a few, progress is ongoing at the Hellenic Statistical Authority with regard to the implementation of the agreed Action Plan and the improvement in the quality of the data provided. Moreover, the new law for the reform of the fiscal framework has been adopted by the Parliament and is the basis for the draft of the 2011 budget, while the role of the General Accounting Office has been significantly enhanced. Legislative proposals that address the issues outlined in the Economic Policy Programme with regards to road freight transport and railways have also been approved by the Parliament. Progress has been made regarding the publication of general government data, both on arrears and on budget execution (on a cash basis), while work is ongoing on the establishment of a commitment registry. Data on the financial situation of public enterprises have also been published and will continue to be published on a regular basis at the Ministry of Finance website from now onwards. Efforts to combat tax evasion have been significantly enhanced and several initiatives are on the table with the aim of improving the efficiency of tax administration and controls.

As far as the health care reform is concerned, the pooling of all health care funds in order to ensure a uniform / coherent system of provision of health care is vigorously pursued, and a Consortium of social security funds which will act as a unique buyer of medicines and health care services for all those insured by the funds is foreseen. In addition to that, an electronic prescription system is already operative, and it will be full-fledged across all health care funds by the end of the year.

Moreover, the government has launched the process for establishing a simplified remuneration system for the public sector and has initiated dialogue with social partners (ADEDY). Finally, progress is being made on the adoption of an action plan for public procurement and on the implementation of the Services Directive.

The government's so far successful plan of fiscal consolidation is complemented by an agenda of significant structural reforms which diligently includes the cornerstones that a successful programme should build upon, namely, transparency, a credible timeline, and the achievement of intermediate targets. In that sense, it contributes to laying the foundations of long-term growth through sustainable public finances. Both the government and the citizens of Greece feel the crucial nature of the situation and the burden of historical responsibility and are determined to pursue difficult measures in order to lead the country in a sustainable forward-looking and growth-enhancing path.

This section contains detailed information on most of the measures scheduled for completion by end of the third quarter of 2010. A substantial number of these measures draws on the efforts made in the previous quarter which means that to a great extent, this section is also a follow-up of the corresponding section on structural reforms in the report submitted in July 2010. Moreover, chapters 6 and 10 provide information regarding the publication of general government data and data on the financial situation of Public Enterprises, respectively. Table B1 in Annex B contains a list of all measures with a short description on the state of implementation for each one.

5.1 Tax Reform

The Greek government's tax reform strategy aims at addressing the overarching characteristics and chronic problems of the Greek taxation system which may be summarised as follows:

- **High tax evasion:** Greece has the largest VAT gap in Europe (30 percent), well above the average (12 percent). With similar tax rates, revenue efficiency is significantly lower than the EU average (around 20 percent lower, or 5.5 points of GDP below average).
- **Perceived high levels of corruption and lack of transparency in tax administration weakens tax discipline.**
- **Low effectiveness of tax administration operations,** with core operations (registration of taxpayers, taxpayer services, control of return filing and payment, audit of tax compliance, resolution of tax disputes, and collection of tax debts) ineffectively addressing systemic problems—little or no impact has been made on the very large informal economy; late filing and payment is widespread; collections from audit activity are low; tax disputes are high and are rising; debt collection rates are low and the large stock of tax arrears is growing.

The low rate of tax revenues as percentage of GDP in Greece is thus better explained in terms of structural weaknesses rather than tax rates.

Tackling tax evasion and corruption in tax administration is a key government priority. In 2010 major interventions and initiatives took place with the aim to overhaul the taxation system and tax administration. Most of the necessary institutional steps have been completed, while many others are in progress.

The key areas of interventions are:

- **Taxation system**
- **Combating tax evasion**
- **Tax administration**

For all of these three areas actions may be separated into:

- Short-term actions with immediate outcome
- Medium-term reforms with time-to-performance within 1 to 2 or 3 years

The main elements of the above mentioned reforms are presented in sections 4.1.1 to 4.1.3 below.

Additionally, the government is trying to increase tax awareness among citizens and create a new tax culture in the Greek society. To this end, the Ministry of Finance launched an open call inviting citizens to submit their video concepts on a campaign for promoting tax consciousness and discouraging tax fraud. This action aims at mobilising society against tax evasion and at changing the established attitude towards the tax administration.

5.1.1 A new framework to enhance tax compliance and tax collection

Actions against tax evasion

For the first time Greece has developed an effective policy to counter tax evasion and strengthen tax compliance. Law 3842/2010 was the first step towards introducing innovative changes aimed at addressing tax avoidance and tax evasion in Greece. At the same time the Greek government proceeds with administrative changes and targeted actions and action plans with the aim to establish a coherent framework to enhance tax compliance.

The major changes and reforms introduced by Law 3842/2010 (and Law 3888/2010) in order to assist the effort against tax evasion include:

- All incomes are determined on an accounting basis abolishing imputed and autonomous taxation which have been the norm up to 2010 for a number of professional categories, such as kiosks, gas stations, taxis, lottery agencies, open-air market traders of agricultural products, subagents of newspapers and magazines.
- Benefits in kind (goods or services) provided to corporate executives are treated for tax purposes as income belonging to the beneficiary (e.g. cars).
- Methods have been established for ascertaining minimum taxable income for taxpayers, calculated based on verified living expenses.
- Higher penalties are imposed for substantial tax violations (i.e. non-issuance of tax documents).
- Fines imposed by auditing bodies concerning ascertained and undisputable violations (i.e. non-issuance of tax documents) are issued immediately.
- The necessary conditions for conciliation are becoming harder (increase of the fine, immediate payment) for significant violations (issuance and receipt of false or fictitious invoices, non-issuance of tax documents).
- The operations of business facilities are suspended in the case when tax evasion offences have been ascertained.
- Offshore real estate companies are taxed.
- Self-control criteria are established and voluntary tax compliance is increased by setting stricter performance indicators, terms and preconditions of selection procedures.
- Business tax-credentials are established by statutory auditors and certified accounting offices (accountants – tax consultants) that will certify company tax liabilities, soundness of book keeping, accuracy of tax data and tax returns.
- Offshore companies transactions are controlled.
- Control of pricing practices between parent company and subsidiary is re-enforced.

As of 1/1/2011:

- All business transactions, including payroll transactions, are required to take place through the banking system.
- Invoices exceeding Euro 3,000 between companies or between companies and the state shall be settled by electronic means only.
- All transactions above Euro 3,000 between professionals will henceforth be made through a professional bank account and accompanied by a simultaneous transfer of all the respective information to the General Secretariat for Information Systems (GSIS).
- All transactions above Euro 1,500 between professionals and individuals will be required to be made by credit card, through a bank account, or by cheque payment.

The Greek government also introduced a number of new provisions to support and increase the effectiveness of the tax control mechanism:

- The General Secretariat of Information Systems (GSIS) now conducts cross-checkings based on risk criteria, and has been granted access to all levels of government data of financial interest, including a complete registry of individuals' property. Data received from other countries in the context of tax information exchange agreements are now included in the cross-checkings programme.
- A procedure by which businesses are ceased is activated in cases of persistent non issuance of receipts.
- Receipts in the case of freelance service providers should be issued upon completion of services and not upon payment, in order to combat tax evasion.
- A confiscation procedure is introduced for banks in case of debts owed to the State.
- From 2011 onwards audits to individuals and enterprises will be mainly based on the outcome of cross-checkings using sampling techniques. An annual programming for regular and temporary audits is established.
- The Integrated Information System of Controlling Services (ELENXIS) which will support an objective, automatic and reliable risk-analysis system for the selection of audit cases at the central level will become operational during the first semester of 2011. The same system will allow systematic record keeping of all audits.
- From 2011 onwards tax declarations will be submitted exclusively in electronic format, through the internet.
- Provisional controls are intensified, especially through the use of results from cross-checkings and ex-ante controls.

Additionally, the Financial and Economic Crimes Unit (SDOE) has been re-established and reinforced with powers to issue tax fines on the spot. During the first seven months of 2010 the effectiveness of the auditing and control mechanism has significantly improved compared to the same period of 2009. Penalties and unpaid taxes that were reported as a result of SDOE audits in the first seven months of 2010 exceed 2.4 billion euro compared to 1 billion euro during the same period of 2009.

Table 5: Financial and Economic Crimes Unit audit results January-July 2009 and 2010

	7-months 2009	7-months 2010	% change
Unpaid taxes reported	142,589,942	325,294,803	128%
Fines and penalties	913,158,137	2,097,264,139	130%
Total	**1,055,748,079**	**2,422,558,942**	129%
Number of violations detected	*94,142*	*129,808*	*38%*

5.1.2 Collection of tax arrears

As of December 31st 2009 a large stock of revenue arrears has been recorded in the debt register, of which only a small percentage may be actually collectable. By end of December 2009, accumulated tax arrears were more than 33 billion euro, including 3.4 billion euro in disputes, of which less than 8 billion euro were featured as collectable. More than 1 million individuals and companies appear in the public records as owing taxes and other debt to the state.

Revenue arrears are 54% tax arrears (direct and indirect taxes) and 46% non tax arrears (fines, penalties and loans). Fines and penalties, which exceed 11 billion euro, exhibit the lowest collectability rate, at less than 1%. Collectability rate with respect to the total amount of revenue arrears is estimated at less than 3%. This can be attributed mainly to the following:

- Arrears recording is outdated and registers include arrears with zero probability of being collected (including bankruptcies and lapsed cases).
- Responsibilities for the collection enforcement are spread and fragmented across the network of local tax agencies and lack horizontal coordination and supervision.
- Collection enforcement operations have been weak and ineffective mainly due to staff reluctance to follow hard-edged enforcement actions.
- Access to payment arrangements has been proven to be too loose; no analysis of debtors' capacity to pay has ever taken place and any existing evaluation criteria have been quite ambiguous.
- The dispute resolution process for cases taken to court ranges from 5 to 8 years and very often dispute is being used as a means to defer payment.

The Ministry of Finance so far has initiated a number of legislative interventions and actions to increase collection of tax arrears. The major legislative interventions in this context include:

- Expansion of the scope of the provisions for clearing on reciprocal counterclaims between individuals or legal entities and the tax system.
- New provision to allow central tax administration to set up compulsory collection procedures (including confiscation), previously under the exclusive competence of decentralised tax agencies.
- Suspension of the existing ad hoc procedures for the settlement of tax arrears and establishment of horizontal settlement rules including discounts and repayment in instalments.

In May 2010 the Ministry initiated the implementation of a formal project plan, with three key objectives: maximisation of revenues coming from arrears, improvement of the MIS system and business re-engineering and collection procedures redesign. As part of the implementation of the project plan[2]:

- A number of data cross-checking activities have been designed and the reports produced have been thoroughly analysed.
- A specialised working team has been established for the implementation of activities that have to be undertaken as an outcome of the data cross-checking analysis process.
- Collection enforcements to small and targeted groups of taxpayers identified through the data matching analysis process have been undertaken by the working team in order to test collection methodologies, the efficiency of existing procedures, debtors' reaction and the effectiveness local tax offices.
- Mechanisms regarding oversight and monitoring of the progress of pilot activities are being developed on a systematic basis.

Table 6: Collection of tax arrears

	Tax arrears collected 1/1/2010-30/9/2010
Individuals	666,296,553
Companies	461,153,928
Total	**1,127,450,482**

- Finally, a dedicated task force on tax arrears (see below) has been created with the aim to develop and implement a concrete action plan on the collection of the existing tax arrears and to facilitate the establishment of a permanent mechanism for the arrears' management and collection.

5.1.3 Tax administration

One of the key challenges to improve revenues and to promote effectiveness and justice in the tax system is the improvement of tax administration operations and structures. The Ministry of Finance implements a number of actions and measures to improve **effectiveness of tax administration operations in core operations** such as taxpayer services, control of return filing and payment, audit of tax compliance, resolution of tax disputes, and collection of tax debts. In terms of time horizon the Ministry's actions may be divided into:

- emergency or ad hoc actions to improve collection of taxes and auditing operations as a means contributing to the fiscal adjustment effort
- medium term structural actions to improve core operations – both in central and peripheral services – in a permanent and effective way.

Ad hoc and emergency actions include:

- Re-orientation of the auditing forces by intensifying the provisional controls that have proven to be more effective in the effort to improve VAT compliance and collection. This action refers to local tax offices, which are mainly responsible for executing the provisional controls to individuals and enterprises (including proper book keeping, VAT

[2] See also Annex C.

declarations cross-checks etc). Local tax offices have been asked to dedicate auditors and they have set specific quantitative daily, weekly and monthly targets. At the same time central tax administration authorities have set up for the first time – in cooperation with the GSIS – an electronic system to supervise the performance of each local tax office.

- Human resources reorganisation with the appointment of new directors in most of the local tax offices and through added working power in those offices where particular performance deficiencies with major revenue losses have been detected. The appointment of the new directors was based on the new staff and executives selection law that seeks to promote transparency and qualifications-based selection of executives in the public administration.
- Ad hoc information systems supported by the GSIS to local tax offices to front the absence of permanent mechanisms for the organisation and prioritisation of audits and tax arrears collection operations. The GSIS in cooperation with the central tax authorities implements cross-checkings based on risk and collectability criteria and produces lists of taxpayers with higher probability to evade or higher capability to pay their arrears. The local tax offices prioritise their auditing and collection efforts based on these lists.
- Tax settlement of past financial years to release audit and administrative resources from tax dispute and to promote collection of tax arrears.

Box 1: Tax Settlement Law (3888/2010)

The Tax Settlement Bill is a government initiative, set in the broader context of the country's new tax framework, which allows citizens and businesses to clear their past tax disputes and cases on a voluntary basis in exchange for a fee.

Currently there are:

- Over 30 billion tax arrears owed by 1.3 million Greek citizens
- Over 4 million unaudited tax cases
- Over 150,000 tax cases pending in courts

It takes an average of 7 to 10 years to reach a final court decision on a tax dispute. This hampers the state's ability to act promptly and fairly on tax disputes, and serves as an incentive both for tax evasion and corruption by tax authorities.

The purpose of the settlement, therefore, is to:

- Free up State resources for tax collection from 2011 onwards by unblocking the cluster of pending tax cases and investigations
- Draw a clear line at past practices and habits
- Foster and promote a new sense of tax payer compliance and a relationship of trust between citizens and the State.

A voluntary settlement with the tax authorities will result in a legal, final and irrevocable resolution of tax disputes and will put an end to any tax investigation, trial and potential asset seizure.

The Tax Settlement Bill covers:

- Unaudited tax cases (excluding very large companies)
- Cases pending in administrative courts in first and second degree jurisdictions (excluding those that have been presented before appellate courts).

- Arrears to the State

The Tax Settlement Bill excludes:

- Unaudited cases for which unofficial financial records have been seized
- Cases concerning taxation on ships, real estate, real estate transfers, inheritance, donations, dowries, and parental benefits
- Individuals subject to Large Real Estate Property Tax
- Tax cases involving firms listed on the Athens Stock Exchange
- Tax cases involving forged or fake documents

Settlements will be handled by the General Secretariat of Information Systems (GISIS) and calculated based on:

- Income tax declarations (in accordance with declared gross income)
- The amount of principle tax and fines pending in courts
- The amount of principle tax and fines in arrears

There will be no negotiation process with the tax authorities. The Tax Settlement Bill is not a free ride. It is set in the broader context of the country's new tax framework which aims to create a fairer taxation system by broadening the tax base and cracking down on tax evasion.

The Tax Settlement draws a line with the past in a fair, objective and transparent way to restore justice and improve the country's tax collection mechanism in the future.

The deadline for the settlement for both individuals and enterprises is November 18th. The GSIS has sent over 1.4 million settlement papers which include about 4.9 million unaudited fiscal years that taxpayers may proceed and settle by paying a total amount of about Euro 4 billion. Tax settlement is not obligatory so the tax authorities are estimating about Euro 1.3 billion in revenues from this action.

Tax Settlement Pay checks and amounts

	Number of pay checks issued	Number of financial years covered	Total amount
Amounts	1,407,035	4,891,620	Euro 4,067,592

At the same time the Ministry is preparing major reforms in the tax administration with medium term horizon of performance including:

- Re-organisation of the local tax offices
- Re-organisation of the central administration
- Operation of a temporary structure of five task forces
- New Management Information Systems to support all of the core tax operations
- Major overhaul of the judicial procedures by the Ministry of Justice including the solution of tax disputes

Re-organisation

For the re-organisation of the local tax offices the Ministry of Finance conducted a study on the performance of Local Tax Offices. The findings of this study will be incorporated in the project for the re-organisation of tax offices that is going to be implemented in the forthcoming months. The project will include: changes in the geographical distribution of offices, mergers of tax offices, improvement in the distribution and utilisation of human resources, re-organisation and prioritisation in the core operations of the offices.

The central administrative structure of the Ministry will also change within the next few months aiming at reducing the fragmentation of the core central operations and at the reallocation of resources to services exhibiting particular weaknesses.

Five task forces

As part of the tax compliance and anti tax evasion strategy the Ministry of Finance has set up a special administrative structure which will focus on specific areas of the economy where a significant loss in tax revenues has been detected. The new structure is made up of five task forces coordinated by a steering committee under the instructions of the Minister of Finance. The main targets of this special structure is to elaborate and implement action plans in cooperation with the tax administration staff and to promote the establishment of permanent structures and operations in the central tax administration.

The task forces' activities are concentrated to the following areas:

- Implementation of the new tax law
- Implementation of an intensive tax arrears collection system
- Secure greater control over the top 1000 tax-payers
- Tackle evasion over high wealth individuals and the self-employed
- Introduction of a systematic approach to filing enforcement.

In cooperation with the technical assistance team of the IMF and EU the task forces prepared action plans and set quantitative targets and progress indicators. The steering committee approved the action plans.

Table 7: Action Plans of Task Forces

Project to implement the anti-evasion plan 2010-2011	Start up: Install transitional project management arrangements to implement the anti-evasion plan 1. Implement the government's new tax laws 2. Implement an intensive tax arrears collection program 3. Secure greater control over the top 1,000 taxpayers 4.Tackle evasion of HWIs and high income self-employed through risk-based enforcement 5. Introduce a systematic approach to filing enforcement
Sub-project I: Implementing the government's new tax laws	1.1 Set up Task Force and appoint staff 1.2 Develop implementation strategy and plan, including milestones 1.3 Allocate responsibilities for implementation and consult with stakeholders 1.4 Design and implement central monitoring and reporting system on the implementation of l. 3842/2010, to ensure milestones are achieved 1.5 Raise awareness as to manner of implementation of l. 3842/2010 1.6 Training Programme 1.7 Cooperation areas with the other task forces 1.8 Record communication campaign needs regarding the new law and the innovations introduced thereby 1.9 Develop a Management Information System 1.10 Develop process for post-implementation review
Sub-project II: Intensive tax arrears collection	2.1 Set up Task Force and appoint staff

plan	2.2 Analyze arrears and categorize based on collectability, age, amount 2.3 Profile major debtors 2.4 Prepare arrears reduction plan and define collection targets 2.5 Modify collection policy, redesign collection procedures 2.6 Establish full time specialist debt collection units as part of the business reengineering drive 2.7 Coordinate tax debt collection with SSC debt collection 2.8 Set up special chamber of the Administrative Court /Redefine timing and deadlines 2.9 Cooperation areas with the other task forces 2.10 Develop a Management Information System
Sub-project III: Secure revenues from 1,000 largest taxpayers	3.1 Set up Task Force and appoint staff 3.2 Identify 1000 largest companies 3.3 Design unit to control and monitor compliance of 1000 largest taxpayers 3.4 Plan risk-based audit strategy 3.5 Modernize audit services 3.6 Audit activities
Sub-project IV: Tackling evasion by high wealth individuals (HWIs) and high income self-employed	4.1 Identification of high wealth individuals (HWI) and high income self employed (HISE) 4.2 Interfaces with other Task Forces 4.3 Execution of the process to control HWI and (HISE) for tax compliance 4.4 Prepare Audit Plan to address HWI and HISE tax-evasion 4.5 Publicise the intent to audit high wealth individuals, as well as the outcome of such audits 4.6 Processing and utilisation of audit findings
Sub-project V: Adopt systematic approach to filing enforcement	5.1 Set up Task Force and appoint staff 5.2 Examine international best practice 5.3 Fine tune IT system to support automatic identification and follow-up of stop-filers 5.4 Centralize monitoring and compliance enforcement of stop- filers and allocate full-time staff to this work 5.5 Review filing policy and amend the law where necessary (e.g. enact default assessment powers) 5.6 Changes in legislation – to accept VAT returns without full payment. Also with respect to withholding taxes (payroll tax etc.). 5.7 Communication with taxpayers 5.8 Produce statistics and economic data aimed at monitoring the effectiveness of the project – remedial action, adjustments where necessary 5.9 Modify – enhance current methods aimed at facilitating taxpayer compliance 5.10 Interfaces with other Task forces

Management Information Systems

The GSIS implements a number of new MIS that expand its current electronic systems to improve registry of taxes and services to tax payers. They also add new electronic operations and back-offices services to tax administration and auditing authorities. The systems that the GSIS is launching in the next months include:

- New Taxisnet (from 1/12/2010) which expands electronic (web) services to taxpayers and supports the provision of obligatory submission of declaration from 2011 onwards provided for in the new tax law.

- Expenses card (from 1/12/2010) which will be used by citizens in their purchases allowing for an electronic registry of their receipts collection for their own use as well as for the use of the GSIS and tax administration in cross-checking of enterprises declarations.
- ICIS (early 2011) which is the MIS for the customs services that supports electronic exchange of information between customs within the EU as well as the Greek customs services with their central administration.
- Interconnection with other public services in order to concentrate information of economic interest. Ad hoc systems are set up and operational, while the GSIS in cooperation with the line ministries sets ups permanent system to harmonize registration and electronic exchange of information.
- Elexsis (mid 2011) is the MIS for the auditing services allowing for the creation of audits registry, violations records and the permanent automatic execution of cross-checkings. Until the full operation of the system the GSIS, in cooperation with tax authorities, has prepared a cross-checking programme executed using the existing infrastructure.

Judicial system

The draft Law on Administrative Proceedings prepared by the Ministry of Justice, Transparency and Human Rights, included a proposal by the Ministry of Finance concerning 4 major institutional changes designed to accelerate the tax proceedings and to defend the public interest. These changes are:

The interim order *(injunction)* of the Administrative Court has a time-limited duration. If the Administrative Court grants an interim order (injunction), then it has to review the conditions of grant, especially if the discussion of the request of suspension exceeds a period that is deemed as reasonable (i.e. 2-4 months).

Clarification of the burden of proof and the prerogatives (powers) of the Administrative Court when a judge examines the suspension in a tax trial. The taxpayer has to request the Court for interim court injunction in order to exempt specific assets from specific coercive measures taken by the tax authority. It then required to be proven that if this particular measure which is under examination for suspension, is imposed on this asset, then the result is irreparable (and not just difficult to repair) damage. This institutional change is entirely consistent with the Hellenic Constitution and the Convention on Human Rights, since it provides interim protection for vital assets and takes account of the public interest, an obligation which, under the Hellenic Constitution, is a prerequisite for all actions taken by individuals and institutions.

A single Trial of substance in tax and customs trials. Trials involving up to 20,000 euros are tried in first instance by the President of the Administrative Court of First Instance (single judge Court). In second instance, these trials are tried by the President of the Administrative Court of Appeal (single judge Court). No cassation is allowed. Trials involving between 20,001 to 150,000 euros are tried by the Administrative Court of First Instance (three judges Court). Appeal is allowed, provided that the taxpayer has previously paid 50% of the principal amount of the tax or the fine, which was imposed by the tax authority and ratified by the Court of First Instance. Cassation is allowed. Trials of 150,001 euros or more are tried in first and last instance by the Administrative Court of Appeal. Cassation is allowed.

These rules aim to shorten by 2/3 the unacceptably long current timeframe for pending lawsuits until a final decision is taken. Thus, a final decision will be issued no later than 3 years since the date when the appeal was filed (compared to 8-10 years under the existing framework).

No rescissions for formal errors and non-substantial defects of tax administration decisions. Before rescinding a tax authority decision for formal errors or non-substantial defects, the Court must consider two factors: Whether the taxpayer has suffered any damage from that defect, such as being deprived of a right (procedural or substantive) and Whether the damage suffered, can be remedied only if the tax authority decision is rescinded and sent back to the tax authority to be reiterated correctly.

These institutional changes, (coupled with increased costs for prepaid trial fees, currently running at such low levels – average 50 euros – that they provide an incentive to appeal to the Courts even if the tax authority decision does not suffer either in form or substance), are aiming to:

- shorten the trial timeframe in tax disputes by 2/3 (from 10 years to 3 years),
- enable the tax authorities to pursue tax collection, timely and effectively,
- prevent the abuse of judicial procedures for the purpose of delaying tax payment while meanwhile orchestrating its final non-payment.

5.2 Reform of the General Accounting Office- implementation of the Financial Management and Responsibility Act

The Greek Parliament adopted on 17 August 2010 an overhaul reform of the existing fiscal framework. Law 3871/2010 establishes a new framework for drawing up, executing and monitoring the government budget, aiming at reinforcing the trustworthiness of state fiscal policy, while the role of the General Accounting Office (GAO) is significantly enhanced with the aim of improving the collection and monitoring of public finance statistics and budget planning and control.

<u>Strengthening of the role of the GAO</u>

Consistent with the commitment included in the Economic Policy Program of Greece, Law 3871/2010 includes provisions for strengthening the role of the GAO by widening its tasks and responsibilities surrounding the budget. More specifically, according to the new law, the GAO is responsible for monitoring the budget execution of entities of the general government. Moreover, it is tasked with drafting and updating the medium-term budgetary strategy for each economic year and with drafting the quarterly and semi-annual report on the execution of the annual budgets of general government entities. Moreover, the GAO is responsible for controlling the financial management of public companies and legal entities.

<u>Provision of safeguards for GAO and personal accountability</u>

Law 3871/2010 lays down safeguards for the staff of the GAO against political interference and strengthens their accountability in the production of data and the execution of the budget through a number of provisions. Disciplinary action is foreseen for the Head of economic services in case of exceeding job duties and safeguards are put in place for refusing orders that come into conflict with the position. Additional provisions of the law clarify the role of the mandator and lay down rules for cases of breach of duty or conflict of interest. Finally, the law also foresees punishable action in case of lack of justification and control of public expenses.

Provision of the necessary resources to GAO

Significant steps are taken with regards to improving the services of GAO by providing the necessary resources to ensure that GAO can live up to its new responsibilities envisaged by the new fiscal framework. To this end, a ministerial decision has been signed regarding the implementation of a number of projects that will be implemented over the period 2010- 2012 in order to support the reform of the GAO. These projects aim at various areas such as the design and implementation of the reform, the structures and functions of the fiscal framework as well as support functions and systems and include, among others, the development of an integrated system of the financial reporting of general government agencies, the restructuring of the Ministry of Finance organisational structure, the development of information systems at the GAO and government entities and the training of personnel. Box 2 provides a more detailed analysis of the action plan in support of the reform of the new Fiscal Management System. In order to carry out these projects, a framework agreement has been signed between the Secretariat of Fiscal Policy and Information Society.

Box 2: Action plan in support of the reform of the new Fiscal Management System 2010-2012

An action plan has been prepared to support the reform and refine the targets for each section of the public administration involved. The action plan includes the following tasks:

1. Action planning and implementation of the reform

1.1 Integrated System of the Financial Reporting of General Government Agencies

1.2 Develop cost models
1.3 Study of Ordinary Budget consolidation and Programme of Public Investments

1.4 Application of accrual accounting

1.5 Assets registry (per entity)

1.6 Updating the audit model

2. Structures and Functions

2.1 Restructuring of the Ministry of Finance organisational structure

2.2 Restructuring of the organisational structure of agencies.

2.3 Information Systems (MIS) at the GAO and entities

3. Support Operations

3.1 Technical support to entities on programme budgeting

3.2 Training of personnel (per entity)

3.3 Office Support reform in Ministry of Finance

3.4 Dissemination of results - diffusion - communication

Strengthen the institutional mechanisms for macroeconomic forecasts

Another provision of the Economic Policy Programme of Greece relates to the enhancement of institutional mechanisms for providing reliable official budgetary forecasts. On this front, efforts are ongoing and a process of information exchange on macroeconomic forecasts has been established between the Ministry of Finance, the Bank of Greece and the Centre of Planning and Economic Research. Annex D provides short abstracts on the methodological tools being explored by the Ministry of Finance to improve its macroeconomic forecasts.

Implementing the new Fiscal Framework

In addition to reforming and improving the capacity of the general Accounting Office, the other important step in ensuring enhanced fiscal compliance and credibility, is the effective implementation of the new Fiscal Management and Responsibility Act, which foresees an overhaul reform of the budget process and the accounting system of the public sector.

The 2011 Budget is the first budget drafted and executed according to the new fiscal management and responsibility framework, which lays down:

- Expenditure caps
- Contingency reserves
- Borrowing limits
- An obligation to submit for Parliamentary approval a complementary budget in case of overspending beyond reserve provisions
- Procedures for controlling expenditure commitments
- Obligations for regular (monthly, quarterly, and semi-annually) reporting of general government budget execution

In order to ensure swift implementation and given that this requires the issuance of several Presidential Decrees and Ministerial Decisions, a project management team has been established at the General Accounting Office, which is in charge of supervising and coordinating the implementation of all necessary enforcement actions.

Significant progress has been achieved so far and substantial efforts are dedicated to the implementation of the new Fiscal Framework. In detail, the Presidential Decree of the new Modified Cash Basis of Accounting has been prepared and will be submitted to the State Council for further action. This decree is the basis for developing the necessary accounting infrastructure for the introduction and operation of a double-entry accounting system for the central government. The aim is to gradually move from the traditional cash accounting system to an accurate and efficient accrual accounting system, which ensures the complete recording of transactions at the time of their occurrence, regardless of the time of implementation of the relevant cash flows.

In addition, Law 3871/2010 requires the amendment of the Presidential Decree 151/1998 on the control, settlement and payment of government expenditure, work on which is ongoing. Moreover, the drafting of the Ministerial Decision that will establish the procedures and timetable for the preparation and execution of the State Budget and of the budget of general government agencies (other than local government) has been completed and is ready to be signed, while the Joint Ministerial Decision that will determine the relevant procedure for local governments is currently being prepared.

All Presidential Decrees and Ministerial Decisions will be adopted by end of 2010, so that as of 1 January 2011, the new Fiscal Framework will be fully operational.

Commitment registry

One of the major reforms that Law 3871/2010 introduces is the establishment of a commitment registry, where all commitments undertaken by the general government will be recorded. This will allow the monitoring and reporting of outstanding liabilities and debts of the general government on a monthly basis. The implementation of the commitment registry requires the issuance of a Presidential degree that will, among other things, provide a clear definition of commitment categories and define the procedures for undertaking obligations. The Presidential Decree on the establishment of a commitment control mechanism for the general government, has been signed.

The General Accounting Office has already sent all necessary tables for recording data of commitments to the relevant Ministries. The technical details for filling in data have been finalised during the last IMF technical assistance visit. It has been agreed that data until the end of 2010 will be provided by the Ministries to the General Accounting Office on a monthly basis, while from January 1, 2011 these data will be provided through a computer application (IIS). The form that will be used with the web-portal for the submission of data has already been designed and its pilot operation will start within November.

5.3 Restructuring of the railway sector

A landmark structural reform that was implemented during the 3rd quarter of 2010 is the presentation of an overhaul restructuring plan for the railway sector. The restructuring of the railway sector includes the adoption of a new legal framework (Law on the restructuring, consolidation and development of OSE and TRAINOSE and other provisions for the railway sector, that was voted by the Greek Parliament on 26 October 2010) and the presentation of a innovative business plan.

Until 2005 all railways services were provided by a single state-owned company, the Hellenic Railways Organisation (OSE), which was also solely responsible for the acquisition and maintenance of the rolling stock as well as for the maintenance and improvement of the rail network. In 2005 OSE was transformed into a holding company and its activities were passed on to four distinct subsidiaries, TRAINOSE (Operator of railway services), EDISY (Infrastructure management and maintenance), ERGOSE (Infrastructure construction) and GAIOSE (Asset management). In 2008 TRAINOSE was separated from OSE (but remained state-owned) in an effort to enhance the physical separation between infrastructure management and railway services, as well as to open up the market to competition. However, OSE's accumulated liabilities of approximately 10.6 billion euro and the highly unprofitable operations of TRAINOSE have called for immediate action aiming at bringing, at a first stage, the whole group at break-even point and back to profitability at a second stage.

In this respect a law has been passed through Parliament which envisages all the details for the drastic restructuring of the railways sector in order to become more appealing to customers, to provide an alternative to other means of transportation and to secure its viability and future expansion. A parallel objective of the reform is to fully comply with EU directives and regulations by opening the market to competition and establishing independent authorities to deal with regulation, permits granting, complaints management and accidents investigation. Following consultations between the Ministry of Infrastructure, Transport and Networks and the

European Commission services, it is acknowledged that the provisions of the law as well as the business plan for OSE fulfil all the obligations stipulated in the Economic Policy Programme.

The key measures that are foreseen by the new law are summarized below:

- OSE's accumulated debts will be written off and transferred to the State. In return, the State will get hold of OSE's property (all infrastructure and real estate assets).
- OSE and EDISY will be merged and will undertake the infrastructure management and maintenance. Infrastructure development is assigned to ERGOSE and real estate management to GAIAOSE.
- A contractual agreement will be established with the Ministry of Finance and the Ministry of Infrastructure for infrastructure compensation according to PD 41/2005 (EU 91/440)
- IT systems to support marginal cost allocation scheme and to improve infrastructure charges monitoring will be introduced
- Loss-making passenger networks and routes will be suspended
- Payroll cost will be reduced by transferring employees to the State, by rationalizing the payroll structure and by reducing overtime payments and allowances
- A new pricing policy and rationalisation of itineraries will be established in order to appeal to customers.
- A new freight transportation financial framework will be applied through the implementation of a new discounts policy for freight transport, a new stalling days policy and RIV duties policy and new strategic alliances.
- An Enterprise Resource Planning (ERP) system will be introduced in order to support cost modelling, budgeting, and financial planning in an effective way, and to enhance internal audit function efficiency and support the implementation of a new procurement policy.
- OSE's property will be used to create an attractive investment portfolio, rendering GAIAOSE a business vehicle for significant future revenue growth.

5.4 Road freight liberalisation

Another significant reform aiming at increasing competitiveness through the reduction of transportation costs is the liberalisation of the road freight sector. A new law was passed (Law 3887/2010), which removes restrictions on admission to the occupation of road haulage, including minimum fixed prices, with the aim of liberalising road freight transport and enhancing competition in the sector. This is expected to lead to noticeable price reductions and improvements in the quality of services provided.

Up until now, road freight transport in Greece (both at the domestic and international level) were carried out exclusively by public transportation vehicles and so far licenses were limited in number, while the process of issuing new licenses has been stagnant for a long period. Consequently, the only means of entering the sector was by purchasing an existing license at a significant cost which, depending on the conditions in the market, could vary between 70.000 and 300.000 euros.

The new law envisages that existing barriers to entry to the occupation of road haulage via the *numerus clausus* regime are abolished and entrepreneurial activity in the field can be fully admitted on the basis of participating in limited liability or S.A. Company. These companies are required by law to fulfil certain operational, economic and environmental criteria, which guarantee their operational efficiency and viability, in accordance also with EU requirements.

All new licenses will be issued without any quantitative restrictions but only on the basis of fulfilling certain administrative criteria. It must be noted that new licenses will be granted only on the provision that any public transportation should be carried out by EURO IV or EURO V emissions category vehicles. The fee which currently applies for the transfer of licenses will be gradually reduced and abolished in 2013, ensuring the smooth transition to the new regime. Existing license owners have the right to either participate in the capital formation of a transportation company by the value of their license or through renting their tracks to the company at a price which cannot be lower than the minimum participation rate which the law foresees for S.A or L.T.D. companies. In addition, in order to support the development of the sector, public transportation firms can fall within the provisions of the investment law, which foresees, among other things, the acquisition or refurbishment of equipment, the installation of telematics, the utilization of modern logistics applications, the replacement of trucks.

The law envisages that transportation prices can be freely negotiated between the seller and the buyer of the transportation services, depending on the volume of transported freight as well as on distance. Under very exceptional circumstances, the State can intervene to set the prices only for fuel transportation. Finally, a national registry for the public transportation companies is created within the ministry of Transportation and Infrastructure where all data related to EU regulation 1076/2009 will be collected.

5.5 Adoption of a detailed statistical action plan

In accordance with the Economic Policy Programme, the action plan for the improvement of Greek statistical data has been adopted following an agreement with Eurostat. The plan aims at resolving statistical problems and improving collection and processing the government statistics in order to restore confidence in Greek statistics. Significant measures have been proposed in order to develop an action plan to tackle statistical, institutional and governance deficiencies. Progress with the implementation of the so called “Joint Overall Statistical Greek Action Plan” is on track, with a number of actions being already completed, while others are in progress and are expected to be completed in the near future. The progress achieved by Greece to restore confidence and credibility in the publication of statistical data is also acknowledged by the Ecofin Council which expressed its support the Greek authorities in their effort to reform the whole statistical framework, tackle the institutional and methodological issues and close the remaining gaps. The technical support provided by Eurostat will greatly assist in this direction and will ultimately lead to a substantial correction of the deficiencies in the administrative and business accounting system, as well as in the statistical system.

Below follows a more detailed account of the progress achieved in each of the three pillars of the action plan.

A. Enhancing Greek Institutional and Governance framework

The first pillar, “Enhancing Greek Institutional and Governance framework” consists of 17 actions. Of these, the appointment of all members of EL.STAT. (action A1), the preparatory work for the drafting of a new Regulation of Statistical Obligations (action A3), including the parameters concerning the evaluation of the quality of statistical data (action A15), and the decision of EL.STAT. defining the authorities that participate in the Greek Statistical System (action A4) have been completed. In addition, the development of the methodology for the certification of statistical data produced by other agencies (action A5) is almost completed, while the adoption of the Regulation on the Statistical Obligations (action A6) is at an advanced stage of finalisation. The drafting of the Regulation on the Operation and Administration of EL.STAT. (action A7) is at an advanced stage of completion, and the adoption of the Regulation (action A8) will be completed after the final draft will be adopted by the Board.

Preliminary work on adoption of the rules of procedures of EL.STAT., including a new Organization Chart for EL.STAT. (action A9), the three-year statistical programme (action A10), and the approval of the first annual statistical program of EL.STAT. (action A11) are underway and will be completed by December 31, 2010. The creation of the new Unit of Surveys and Studies in EL.STAT. (action A12) will have to wait until 2011 as no recruitments in the public sector are allowed in 2010. The certification by EL.STAT. of statistical data produced by other agencies in accordance with Eurostat rules and international standards (action A13) will be completed during the first semester of 2011.

The appointment of the 13 members of the Council of the Hellenic Statistical System (action A2) has been partially completed since 12 of the members have already been appointed, and the adoption of the Rules of organisation and procedure (action A14) will be decided shortly. The notification to the Personal Data Protection Authority (action A16) is in progress since contacts have been initiated with the authority.and finally the appointment of a legal advisor at the legal Service of EL.STAT. (action A17) was postponed in order to take advantage of the envisaged deregulation of the legal services profession under the Economic Policy Programme.

B. Enhancing Greek Statistical Capacity

The second pillar “Enhancing Greek Statistical Capacity” also consists of 17 actions. Actions regarding the High Level Expert group (actions B1 and B2) are concluded. The establishment of short-term consultancy support (action B3), the establishment and implementation of the consultancy component of the medium-term technical assistance programme (actions B4 and B5), the training component of the medium-term technical assistance programme (actions B6 and B7), and the Information and Communication Technology component of the medium-term technical assistance programme (actions B8 and B9) are in progress; the High Level Expert group has written a report, and preparatory work has been completed. Significant work has been done for the remaining actions, including the Structural Business Statistics (action B11), the population register (action B12), the farm register (action B13), the buildings register (action B14), the register of rented dwellings (action B15), the vehicles register (action B16), and water and environment statistics (action B17).

C. Enhancing public finance statistics

The third pillar “Enhancing public finance statistics” consists of 15 actions. The enhancement of human resources in the Public Accounts Department (action C1), the provisions of information requested by Eurostat (actions C3 and C4), the EDP Methodological visits of June and September 2010 (actions C6 and C9), the improvement of quarterly public finance data using direct sources (action C7) and the training course for Greek public finance staff (action C10) have all been completed.

The determination of the impact of recording of swaps on Greek deficit and debt (action C2) has been completed, while the updating and completing the registry of public agencies, enterprises and organizations (action C8) is in progress, and a new proposal to that effect was submitted to Eurostat on 1/9/2010.

The recommendations of Greek independent experts (action C13) have been partly satisfied; of these the establishment of a unit responsible for public accounting issues across the Greek general government has been concluded. The designation of a department responsible for collecting and processing data on debt bodies outside central government is in progress and the two MoUs with the Bank of Greece and the Ministries of Interior, Labour and Health are ready pending signatures (action C12). These MoUs would also fulfil other obligations in the action plan as they lay down the tasks of each party in the EDP process (action C11) and make provisions for seminars for EL.STAT. correspondents in Social Security Organisations, hospitals and Local Authorities (action C5).

Finally, the technical assistance to the General Accounting Office (action C14) and the broadening of the technical assistance in public finance statistics (actions C15) are in progress, and the relevant deadlines will be determined soon.

5.6 Single payment authority and single remuneration system

The Economic Policy Programme envisages measures to simplify and modernise the public remuneration system and human resource management. The wage bill forms about 32% of primary expenditure of the central government’s balance while its nominal value has increased by 80% since 2001. Moreover, the wage bill was 7.6% of GDP in 2009 compared to 6.9% of GDP in 2001. The asymmetry of employees’ compensation in the public sector is another issue of the current remuneration system which will be addressed by the reform. It refers both to the ratio of final to starting salary for different education levels, as well as to the level of compensations across different ministries. For instance, benefits, the allocation and size of which are not centrally planned, amount to 40% of the total wage bill. Moreover, there are significant divergences between the average compensation in the public and private sectors in Greece (in 2008, average compensation in the public sector was 40% of the average compensation in the private sector) as well as in the accumulated percentage growth rate in the nominal compensation in the public sector compared to other OECD countries.

To this end, the Greek government has committed to the formation and implementation of a single remuneration system aiming at the rationalisation of the wage bill in the public sector and the equal wage treatment of public employees. In particular, the government has committed to commence procedures for introducing a new consolidated system for salaries and allowances by end of September 2010. Progress in this area has been accompanied also by progress made in the creation of a Single Payment Authority, which is a key ingredient for ensuring efficient monitoring of public sector remuneration.

The Minister of Finance and the Minister of Interior met with social partners on the 29th of September in order to launch the dialogue on the establishment of a simplified remuneration system. At this meeting the framework for a dialogue was set and the main principles are the following: the new remuneration system should reflect the different kinds of qualifications of employees, it should be linked to tasks and productivity, converge to the trend and structure of the wage bill in other European countries and take into consideration overall labour market conditions. Questions that will be addressed in future meetings with social partners regard the coverage of the new remuneration system (existing or/and future employees), the selection of benefits to be integrated in the basic salary, the standardised and objective criteria defining the amount of benefits, the ratio between final and starting salary, the adjustment of compensation according to education, tasks and productivity, whether compensation shall differ by profession and any suggestions the social partners wish to submit to consultation in the future.

Regarding the Single Payment Authority (SPA) which will support the implementation of the new remuneration system, the majority of actions regarding the supporting IT systems, staffing and office space needed for its activation are already completed. More than 3,900 certified contacts for the settlement of salaries of employees have already been allocated in the ministries and approximately 1,100 more remain to be certified. Moreover, 760 certified contacts (19.5% of total) have already sent payroll data for more than 323,000 employees (42% of registered employees of the recent census). The SPA is currently working towards the final stage for the activation of the payment system by integrating legal entities of the public sector into the IT system. The establishment of the Single Payment Authority will be completed by end of 2010, as envisaged in the Economic Policy Programme. Moreover, the SPA has activated its safety net in order to prevent double payment through tax offices. It should be noted that regarding legal entities of the central government the deadline for submission of the relevant data has expired and the SPA will begin payments to those at the end of November. Other legal entities are expected to submit their data until the end of the year and the SPA will initialise payments at the end of February.

5.7 Public procurement

In accordance with the Economic Policy Programme, an Action Plan has been prepared that will lead to the establishment of a Single Public Procurement Authority (SPPA). The Action Plan has been finalised, following consultations with the European Commission and has been agreed with the Commission services. The Action Plan presents the detailed timetable for the implementation of all necessary actions in order to establish the Single Public Procurement Authority. According to the Action Plan, the objectives of the Single Public Procurement Authority are defined as follows:

a) To act as the central body that will develop a comprehensive policy on public procurement in Greece and will ensure transparency, efficacy and coherence of implementation of public procurement procedures as well as their compliance with the EU public procurement law.

b) To contribute to enhanced transparency on the state budget expenses of the central government and on the contracting authorities of the public sector in respect to public contracts.

The Action Plan provides that the competences and functions of the Single Public Procurement Authority will involve all categories of public contracts, including supplies contracts, services contracts, public works, design studies, health supplies, all public contracts procured by the bodies and entities of local governance and administration, co-financed projects and contracts of high-economic value. The National Electronic Public Procurement System (NEPPS), which will be established by the General Secretariat of Commerce of the Ministry of Regional Development and Competitiveness, involves the creation of an electronic registry of suppliers, the provision of an electronic call for tenders, electronic award and performance procedures, as well as the provision for e-notice, e-catalogues, e-auction and e-invoice services, and also an online statistical reporting database on public supply contracts. At a first phase, the electronic system shall be customized to encompass public services contracts, while as a next step it may be expanded to cover also e-procurement procedures for public work contracts.

The Single Public Procurement Authority will be independent and composed of members that have a recognized authority and a demonstrated expertise in public procurement law. The SPPA shall be vested with the power to exercise legislative and regulatory functions. More specifically, the Single Public Procurement Authority will have to be consulted (on a mandatory basis) on any legislation having an impact on the law and policy of public procurement and should formally issue its opinion thereon, drafting and proposing to the relevant Ministers the codification and streamlining of the national legislation, over-viewing the transposition of EU law into domestic legislation, unifying existing administrative practices, drafting standardised tender and contract documents and developing general binding guidelines for the enforcement of public procurement rules.

Regarding the control functions of the Single Public Procurement Authority, the Action Plan envisages that the SPPA will be monitoring, measuring and supervising the actions and performance of all existing structures of the public procurement system, enforcing a direct mechanism of request of clarifications and collection of information, apply sample checks over tender documents, ongoing procurement procedures and checks after the award of public contracts. The SPPA shall also check tenders under investigation for the European Commission for alleged infringements of EU law and act as an internal auditor on all internal regulations and operational rules. By end 2012, the request by the European Commission services to confer to the SPPA the power to adjudicate administrative means of redress will be further examined.

The SPPA will be vested with the power to exercise policy-setting and coordination functions in terms of highlighting and prioritizing the strategic areas and necessary issues for legislative interventions, while it will represent the Greek authorities in the EU institutions and act as the single contact point with them, while it will also serve as a help-desk by providing methodological guidance to the contracting authorities.

Finally, the Action Plan envisages the future establishment of an Inspection Authority for public work contracts, due to the specific characteristics of this category of public procurements. The Authority will be attached to the Ministry of Infrastructure, Network and Transports and its core competences will include the checking of the maturity of projects and designs, the legality of tendering documents, the adjudication of objections and the execution of regular and unannounced checks on projects.

Regarding legislative work on establishing the Single Public Procurement Authority, the procedures for the creation of a legislative committee have been completed. It is expected that the ad-hoc draft-legislating committee, consisted of representatives from all competent

Ministries, will be operational and ready to work on the first draft of the law establishing the SPPA by November.

Finally, the Court of Audit has approved the procurement process for the contractor who will undertake the creation of the electronic platform for public procurement and the e-auctioning system. The contractor is expected to commence work by the end of the month.

5.8 Labour Market Reforms

During the previous quarters, the Greek government undertook a number of significant labour market reforms in order to increase flexibility in the labour market and enhance the competitiveness of the Greek economy. It is continuing these efforts by implementing further changes in the current labour collective bargaining system, as well as in the mediation and arbitration system.

Following the conclusion of extensive consultations with social partners, there is a convergence of opinion regarding the final draft version to be submitted to Parliament about Mediation and Arbitration procedures on collective bargaining. The final draft law has incorporated most comments and has been sent for final refinements before its presentation to the Ministerial Council in November.

Furthermore, the Ministry of Labour and Social Security, in consultation with social partners, is examining the adoption of legislative provisions aiming to enhance further the flexibility in the management of working time, to extend the probationary period for new jobs to one year, and to implement the provisions of article 2 par. 7of Law 3845/2010, which allow possible deviations between firm level and sectoral agreements.

5.9 Services Directive

The screening of legislation under the Services Directive has been completed by the relevant Ministries, under the supervision of the Ministry of Finance. A first draft of the list of restrictions that are being abolished or amended has been sent to both the European Commission and the IMF in August, while an updated report was forwarded to the European Commission services in October. Following a technical assistance meeting with the European Commission and the IMF, the relevant Ministries were asked to provide detailed justifications for any restrictions that will be maintained.

Moreover, regarding the operation of an electronic point of single contact that will list all relevant information for a specific service, will provide an overview of procedures for each service activity to be complied with and will allow common procedures to be completed by electronic means, the following steps have been made:

- the Ministry of Interior has sent on 6 September a circular to all relevant ministries concerning the registration and recording of every administrative procedure concerning the provision of services and the uploading of the information on a special webpage (e-Kep), which is hosted at the electronic platform of “HERMES”.

- The content of 2 services has been posted in English and is available for viewing from the English version of the web-page.
- The overview of 19 procedures has already been recorded in the Greek version of the web-page. The scheduled dates for completion are: 20 September for the Greek version and 29 October for the English version.

An important next step to increase the functionality of the point of single contact will be the simplification of the relevant procedures for each service activity. To this end, the Ministry of Interior, De-centralisation and E-government is in close cooperation with the relevant ministries in order to issue Ministerial Decisions that will provide for the necessary changes.

5.10 Promoting FDI and investment in strategic sectors

A ground-breaking reform in the area of promoting FDI and investments is the implementation of procedures to fast track growth-boosting investments, which aims at providing a stable, transparent framework to investors, cutting through "red tape" and overall creating a business-friendly environment in Greece. The fast track system works as an accelerating and transparency enhancement mechanism for the procedures relating to the implementation of strategic investments in Greece and allows the introduction, within the Greek administration, of stable, simple, fair objective and transparent criteria relating to the evaluation, licensing and support of investments.

The government has currently prepared and introduced in the Parliament for voting the legal framework for fast track relating to strategic investments, which practically sets exclusive deadlines and deemed approval mechanisms, mostly, within the existing legal procedures. The draft legislation introduces a special, flexible, transparent and efficient framework of rules, procedures and administrative structures for the materialization of large investment projects with a positive multiplying effect to the GDP. Among others, it defines the notion of "strategic investment", sets the criteria according to which a project will qualify as such, and details the fast tendering, licensing, compulsory expropriation and certain judicial procedures. It should be noted that apart from the financial criteria (proposed investment budget, capex etc) fast track sets a series of «strategic» filters (such as innovation promotion, environmental protection, green and sustainable development, etc), which constitute focal points of the government's growth model.

At the same time, the government has set up a Committee, under the Vice-President, which works for the disengagement of mature investment proposals, especially in the renewable energy sector.

In addition, in order to accelerate the approval process for Public-Private Partnerships (PPP) the Inter-ministerial Committee responsible for the approval of PPP Projects has been reactivated (Article 12 of the Law 3840/2010, 31/3/2010). Currently several PPP projects are in the pipeline and will be materialised in 2011. These include social infrastructure projects in the sectors of: education, waste management, transport management systems and public buildings. Moreover, several concession projects are also in the pipeline including the Kasteli airport in Crete, the construction of new motorways in Attica, the Thriasion Pedio Logistics Center, the Elefsina – Thiva motorway and the Leukada submerged tunnel.

Finally, a continuous effort is underway by the Greek government for the removal of procedural burdens on promoting exports. In this context, for instance, a draft law is being prepared related to the amendment of the legislative framework for exports (Law 936/79). This amendment envisages the modernization of the requirements for the external trade, the codification of all existing legislation on exports and the elimination of bureaucratic burden and the speeding up procedures.

Box 3: Reform of local public administration - "Kallikrates" Programme

The "Kallikrates" reform (Law 3852/2010) of local public administration which was adopted in May 2010 lays down a number of measures for addressing the current financial crisis and for ensuring a strengthened role of local governments while guaranteeing their financial independence and fiscal discipline. The process of issuing all necessary regulatory acts is proceeding according to schedule in order to ensure that from 1/1/2011 local administration produces improved economic results. In particular, 14 Ministerial Decisions have already been issued, while 6 Presidential Decrees and 19 additional Ministerial Decisions are in the pipeline and are expected to be issued within 2010 in order to ensure the unhindered operation of new local authorities.

Greek local authorities have a total turnover that amounts to approximately 11 billions €. The "Kallikrates" reform aims at saving 500 million per year, which correspond to 4.5% of their total revenue. This amount has already been included in the draft 2011 budget. The direct sources of cost savings synergies of "Kallikrates" come from: (i) Remuneration of elected representatives, (ii) Remunerations of special consultants, (iii) Merging of legal entities and municipal companies, (iv) Remuneration of free lancers, companies, and other third party collaborators, (v) Rents, general expenses, cost of events, consumables, etc, (vi) Studies, projects, procurements, (vii) Credit Policy, (viii) Transfer of competences and (ix) Attracting investments and funds. It should be pointed out that savings from the 5:1 ratio that comes as a result of the hiring restrictions are not included in the estimated impact of 1,5 billion € that will be saved during the following three years. The expected savings will also come from the revenues side as a result of the efficient development of economies of scales, but mainly, in the medium - long term, as a consequence of the effective and efficient management of the new administrative structure.

More specifically, the aim of the "Kallikrates" law is to formulate a new institutional framework that eliminates any case of duplication of functions between the central and local government as well as among the different tiers of local government. It achieves this goal by transferring a number of functions from the central to local governments (such as development and planning in regions, certain health services etc) according to a detailed business plan and following detailed accounting of operational and fixed costs. Estimated savings are in the order of 55 million euro in 2011.

Moreover, "Kallikrates" strengthens the ability of the state to monitor and control local authorities' fiscal discipline through the creation of real time databases of financial data, human resources and building records, the development of a system of economic indicators used for monitoring and, finally, by assigning the control of all Municipalities, Regions and local authorities' legal entities (including the auditing of receipts) to the Court of Audit. The law also requires the use of double entry accounting system in all Municipalities and Regions and the development of an integrated financial, business and accounting management framework and of a framework of transparency with regards to financial management (among others, this requires to post on the internet all decisions of economic issues).

The new law introduces restrictions in borrowing for local authorities both with respect to the purpose for new borrowing (investments and debt financing only) and also with respect to borrowing limits through an explicit numerical rule that links a) the annual servicing of bank debt-capital and interest of local authorities to their current revenues and b) their total debt to their total revenue. The law also sets concrete measures which aim at the consolidation of over-indebted Local Authorities (Local & Regional Restoration Project). The application of the new credit policy by municipalities will result in a reduction in fees, expenses and interest paid of around 45 million euro in total until 2013.

Finally, the allocation of government grants to local authorities is done based on demographic, social and other criteria. However, through Kallikrates, local authorities and are given greater incentives, by linking grants to fiscal effort, in order to contribute to the improvement of tax collection efficiency.

Below follows a detailed table on the expected savings from the “Kallikrates” reform.

Table 1: Expected savings resulting from Kallikrates

Total Local Government Revenue – Report Assessment 2009		
	Total	
Municipalities and Communities	7.900.000.000	
Departments	1.850.000.000	
Regions	1.250.000.000	
Total Revenues	**11.000.000.000**	
Savings due to “KALLIKRATES” project	500.000.000	
Percentage of savings in total revenue	**4,5%**	
	2011	**TOTAL (2011 – 2013)**
Remunerations of elected representatives	≈ 71.800.000	≈ 71.800.000
Remunerations of special associates	≈ 30.000.000	≈ 30.000.000
Remuneration of free lancers & companies	≈ 20.000.000	≈ 75.000.000
Benefits of other types, rents, general expenses,	≈ 75.000.000	≈ 220.000.000
Merging of legal entities and companies	≈ 90.000.000	≈ 330.000.000
Reduced cost due to the transfer of	≈ 55.000.000	≈ 115.000.000
Credit policy	≈ 10.000.000	≈ 45.000.000
Studies - projects - procurements	≈ 90.000.000	≈300.000.000
Savings from expenses reduction	**441.800.000**	**1.186.800.000**
Increased efficiency in collecting revenues	≈ 60.000.000	≈ 315.000.000
Total savings	**501.8000.000**	**1.501.800.000**

***Source**: Ministry of Interior*

Box 4: Financial sector reforms

On the implementation of the financial sector measures envisaged in the Economic Adjustment Programme for the third quarter of 2010, the following can be noted[3]:

Regarding the Financial Stability Fund, it has been established and progress is underway for completing all bureaucratic proceedings that will allow the commencement of the hiring process. As soon as an account at the BoG for the FSF has been created, the Ministry of Finance is ready to transfer 1.5 billion euro from the second instalment.

Moreover, due diligence reports have been concluded and communicated as appropriate. At the same time, the bank, which did not pass the July 2010 CEBS stress tests, has submitted a restructuring plan to the European Commission. Following the finalisation of the plan on 10/11/2010, the bank can go ahead with implementation. In the medium-term, the bank has commenced the settling of accounts of one of its subsidiaries and the contraction of its operating expenses.

Finally, the legal formalities have been concluded regarding the guarantee tranche and the amount of 25 billion euro is available, should need arise from financial institutions.

FINANCIAL MEASURES	
Measures	**Status of implementation**
Financial sector regulation and supervision	
Ensure that the Financial Stability Fund is fully operational	*Board of Directors has been appointed*
Make available an in-depth study on the strategic options for the banking sector as well as a preliminary due diligence analysis for those financial entities in which the state has a significant stake	*Completed. In-depth study has been sent to the Special Secretary for Privatizations. Due diligence analyses have also been completed*
Following up on the result of the July 2010 CEBS stress tests, the bank which did not pass the test implements interim restructuring measures under enhanced supervision by the Bank of Greece. Government provides its full support to this bank and ensures that it complies with the requirement of implementing a restructuring plan under the EU rules for state aid, including compliance with the 1 October 2010 deadline for submission	*The bank has sent a restructuring plan to the European Commission on 1 October 2010. Interim restructuring measures are being implemented.*
Support bank liquidity	
Enactment of €25 billion bond guarantee tranche	*Relevant provision included in Law 3872/2010*

6. Concrete measures planned to be implemented after the date of this report

Looking forward, the reform agenda of the Greek government for the last quarter of 2010 includes a significant number of structural reforms aiming at improving the competitiveness of the Greek economy and addressing long-lasting structural weaknesses in the product and labour

[3] See also Annex G provided by the Bank of Greece.

markets. These reforms aim at eliminating oligopolistic effects and, in the long-term, are expected to lead to higher potential growth and employment.

The key areas of reforms that the Greek government will pursue during the next quarter are: the restructuring of Public Enterprises, the implementation of a privatisation plan that will result in estimated revenues of about 1 billion in 2011, the opening up of closed professions, the liberalisation of the energy market and the reform of the health sector.

In particular, the restructuring of the Public Enterprises will follow along the same lines of the successful reorganisation plan of OSE (Hellenic Railways Organisation). The main objective of the restructuring plans is to make all Public Enterprises viable by pursuing updated business plans and by cutting their operating costs.

Moreover, a comprehensive privatisation plan has already been prepared and will be implemented during the course of 2011. The privatisation plan covers the state‘s holdings in rail, road transport, airports, ports, utilities, the gaming industry and public real estate. Its main objectives focus on leveraging private investment so as to restructure the economy, fostering economic growth and contributing to fiscal consolidation.

One of the major reforms for the next quarter is the opening up of closed professions, including the legal profession, the pharmacy profession, the notary profession, architects, engineers, and auditing services. To this end, a horizontal legislation will be prepared by the end of the 4th quarter of 2010 in order to remove restrictions so as to create significant cost savings to consumers and enterprises, while also removing barriers for new professionals to enter the market.

Other elements of the reform agenda include the liberalisation of the energy market, mainly by opening up lignite-fired electricity generation to third parties, adopting plans for phased transitory cost-based access to lignite-fired generation, managing the hydro reserves, adopting a mechanism to ensure that the energy component of regulated tariffs reflects wholesale market prices, and ensuring that network activities are unbundled from supply activities.

In addition, the reform agenda includes the substantial improvement of the business environment by simplifying and accelerating the process of licensing enterprises, adopting an action plan for a business friendly Greece, and modifying the existing institutional framework of the Hellenic Competition Commission.

Finally, significant efforts will be directed towards the reform of the health sector, the completion of the Single Payment Authority, the promotion of R&D, the enhancement of competition in open markets, the completion of the actuarial studies for the new pension law, and the full implementation of the new fiscal framework.

The main structural reforms to be implemented in the fourth quarter of 2010 are presented below, while Table E1 in Annex E outlines all measures planned for the 4^{rth} quarter of 2010 and briefly presents the state of implementation.

6.1 Restructuring of Public Enterprises

Following the successful case of the restructuring plan of OSE, the government is committed to pursue the restructuring and consolidation of other public enterprises so as to ensure their viability by elaborating new business plans and by significantly cutting their operating costs.

This will significant contribute to the overall fiscal consolidation efforts. To this end, the Greek government has launched a comprehensive consulting program (“Consulting support of the Special Secretariat for Public Enterprises and Organisations of the Ministry of Finance on the organization, operation and management of Public Enterprises and Organisations under Law 3429/05, chapter A΄ and of entities under Law 3697/08, part B΄”) in order to provide the necessary technical assistance and expertise to Public Enterprises in developing their strategic restructuring plan.

The Greek government has already signed the first consulting programme for the urban transport entity (OASA), named “Restructuring OASA and its supervised entities”. The government seeks to restructure and consolidate OASA in the context of the overall effort to overhaul the public sector and generate fiscal savings. More specifically, in the framework of this program, the Special Secretary for Public Enterprises and Organisations will provide technical assistance to the Ministry of Infrastructure, Transport and Networks in developing the strategic plan for OASA, which will set the targets, priorities and operational options for the whole urban transport system. The restructuring plan of OASA will be based on the objectives of providing better services to the public, rationalising urban transport through the consolidation of all entities involved in the transport system and improving human resources management while at the same time safeguarding public interest.

6.2 Privatisation and State Asset Management Strategy

The government policy in the field of privatisation and strategic asset management of the Hellenic Republic (HR) portfolio is based on the principle of flexible utilisation of private expertise and capital on state owned assets. The policy focuses on the deduction of public debt and deficit as well as on the restructuring of the economy and the opening of markets.

The year 2010 has been a planning period for the overall management of the transactions to take place in 2011-2013. Furthermore, the government has appointed advisors for the restructuring of Hellenic Railways and the privatization of the train operator TRENOSE and has completed a strategic review for the best available options of its holdings in the banking sector. It is expected that by the end of 2010 the government will have appointed all the necessary advisors for the transactions scheduled for 2011 as indicated in Table 8.

The year of 2011 also serves as a period of final scheduling for the transactions to take place in 2012 and 2013. In summary, the HR portfolio comprises of holdings in a number of key sectors such as: Banking, Energy, Gaming, Telecoms, Ports, Airports, Motorways, Railways, Mining, Water Management, Defence Industries and Real Estate. The government policy considers four levels of state ownership - controlling majority of 51%, blocking minority of 34%, minority of less that 34% in conjunction with shareholder agreements and full privatisation – as well as the full range of privatisation methods including concession agreements.

The sector decomposition of the HR portfolio together with the general policy framework is given below:

Banks: Agricultural Bank (ATE), Hellenic Postbank, Hellenic Consignment and Loan Fund, Attica Bank. In the presence of the current economic circumstances, the government will manage its holdings with a view to maintain and improve systemic financial stability. In this context, the government is planning the immediate restructuring of ATE, whilst managing its remaining stakes.

Infrastructure, Transport and Telecoms: Athens International Airport (AIA), Regional Airports, Railways (OSE and TRENOSE), Motorways, Hellenic Postal Services (ELTA), Spectrum Frequencies. The government policy promotes the extension of the concession of AIA as well as the immediate study of the best available options for the management of the State holdings in the company. Furthermore, the government promotes the gradual operating independence of the regional airports from the Civil Aviation Authority, their conversion to corporations and eventually to concession agreements wit the private sector. OSE and TRENOSE are currently subject to severe restructuring, leadings to the privatization of the train operator TRENOSE and the development of OSE real estate through concession agreements. Moreover, existing State motorways such as Egnatia and Attiki, will also be managed through concession agreements. The government policy for ELTA promotes the entry of a strategic partner with minority holding and management rights. Finally, spectrum frequency including the digital dividend, are also scheduled to be privatised through concession agreements.

Energy: Public Power Corporation, DEPA, DESFA, Hellenic Petroleum. In compliance with the European Directives, the government policy leads to a partial amendment of corporate relations between commercial activities and supply networks. The government will manage the State holdings in DEPA and DESFA in compliance with the above directives, but also conditional on its policy for the State control of supply networks.

Ports: Piraeus Port Authority (OLP), Thessaloniki Port Authority (OLTH), Regional Port Authorities, Marinas. The State portfolio includes twelve (12) Port Authorities that have the legal form of SA and hundreds other smaller ports. The government promotes the strategic corporate restructuring of the port system of the twelve Port Authorities as well as the conclusion of concession agreements. In addition, the government promotes the creation of an extensive system of marinas based on the portfolio of the smaller ports of the country.

Urban Water Management: Athens Water Supply and Sewerage Company (EYDAP), Thessaloniki Water Supply and Sewerage Company (EATH). The government is planning a policy of an overall management of the water supply networks with a view to minimize water and waste management cost and environmental risks.

Games: OPAP, Casinos, Internet Gaming, Electronic Games, Lotteries. The government promotes the full privatization of the Mont Parnes Casino, the extension of the concession agreement for games operated by OPAP, as well as the management of the State Lotteries in the form of concessions. Moreover, the government promotes the rationalisation of Internet Gaming as well as of the Electronic Games through the foundation of an independent supervisory authority and the sale of limited licenses.

Nickel Production: LARCO. The government policy aims at the immediate privatisation of the company.

Real Estate: Hellenic Public Real Estate Corporation (KED), Hellenic Tourism Development Corporation (ETA), Olympic Properties, Endowments, Real Estate managed by Ministries. The government promotes the centralised management of the state-owned real estates. The primary method for the development of estates of strategic importance concerns primarily concession agreements and the creation of homogeneous portfolios of commercial, civil or tourism regions.

Defence Industries: Hellenic Defense Systems (EAS), Hellenic Aerospace Industry (EAV), Hellenic Vehicle Industry (ELVO). The policy of the government for EAS and ELVO promotes the restructuring and the entry of strategic partners with majority holdings up to 66% of the share capital and management rights, whereas for EAV the policy is to restructure the company.

Table 8: Privatisation programme 2011

Company	Date of Transaction	% Under State Control	% share sold	Privatisation Method
4 Airbus A340	Q1 2011	100,00%	100,00%	Trade sale
Casino Mont Parnes	Q2 2011	49,00%	49,00%	Trade sale to strategic investor
Athens International Airport	Q2 2011	55,00%	--	Extension of concession
Frequency Spectrum	Q3 2011	--	--	Sale of licenses for spectrum frequencies
Hellenic Defence Systems	Q3 2011	99,81%	65,00%	Trade sale to strategic investor
Public Gas Corporation (DEPA)	Q4 2011	65,00%	30,00%	Sale of strategic stake of DEPA following spin-off of DESFA
TRAINOSE	Q4 2011	100,00%	49,00%	Trade sale to strategic investor and assignement of management
LARKO (nickel mining industry)	Q4 2011	55,19%	up to 55,19%	Trade sale to strategic investor and assignement of management
Egnatia Motorway	Q4 2011	--	--	Concessions agreements
Total Projected Proceeds for 2011				

Source: *Special Secretariat for Privatisation, Ministry of Finance*

6.3 Opening up of closed professions

An important milestone in the government's effort to boost competitiveness and foster productivity and growth is the deregulation of professions for which certain restrictions apply. The exact nature of the restrictions varies among occupations but most usually they take the form of barriers to entry (fixed number of licenses), geographical requirements and/or fixed tariffs. Maintaining a highly regulated services sector comes to a significant cost not just to the economy but also to the society as a whole. On the one hand, the consumers' surplus is absorbed while on the other hand competitiveness is hampered, employment decreases and the quality of services deteriorates. The need for reforms in this area is also highlighted by the fact that Greece ranks very high at the OECD ranking of countries with the most strict barriers to entry in services. According to a recent study by the Institute of Economic and Industrial Studies (IOBE), this constitutes a major drawback to potential growth. In particular, IOBE has estimated that the opening up of a number of services is expected to have positive effects on economic activity amounting (in the long run) to about 13,2% of GDP.

Notable examples of occupations where restrictions of several types exist are:

- **The legal profession** where out-of-town lawyers are legally prevented from taking up cases in other areas. Moreover, minimum tariffs apply while advertising is prohibited.
- **The pharmacies** for which a fixed gross profit margin of 35% is applicable by law. Furthermore, population criteria set a ceiling to the number of pharmacies in each administrative area and competition between pharmacies is practically non-existent.
- **Engineers** and **architects** for maintaining minimum tariffs.
- **Public notaries** for charging fixed prices.

The list of restricted professions is long and the Services Directive which has been horizontally integrated within the Greek legal framework is aiming at abolishing most of the unjustified restrictions. A second horizontal law is currently at the drafting stage and will cover almost all services not covered by the Services Directive (including the above-mentioned professions). The only restrictions that will be maintained are those that are justified by reasons of public interest, in agreement the European Commission. To this end, a legislative drafting committee has already been set up.

The recent deregulation of the road freight sector, despite the fierce opposition from unions and license holders who strongly opposed the new liberated framework, demonstrates the commitment of the Greek government to remove restrictions to competition, business and trade in restricted professions.

6.4 Health sector reform

One of the absolutely critical reforms that has been put in solid grounds in the third quarter of 2010, and on which effort is expected to further step up in the next quarter is the healthcare system reform.

Considerable progress has been recorded so far along several policy targets. In particular, a new legal framework concerning procurement of health supplies and drug tenders will be adopted (law 3580/2007 as amended by law 3846/2010) by the end of the year. A public notice was issued in order for interested companies and stakeholders to file proposals, and a legislative drafting committee was set up.

One equally important action concerns the establishment of new systems for the management and pricing of pharmaceuticals that favour higher use of generic medicines, including an integrated system of electronic monitoring of doctors' prescriptions (e-prescription). Circulars have been issued in that matter, specifying the quantitative goals to be accomplished, and there is already some positive feedback from the NHS. The e-prescription project moves forward swiftly in close cooperation with the Ministry of Labour[4].

[4] Pooling of all health care funds in order to ensure a uniform / coherent system of provision of health care is vigorously pursued, and a Consortium of social security funds which will act as a unique buyer of medicines and health care services for all those insured by the funds is foreseen. In addition to that, an electronic prescription system is already operative in the healthcare sectors of two main funds (OAEE, IKA), and it will be full-fledged across all health care funds by the end of the year.

It is also important to note that a €3 admission fee for regular outpatient services across all outpatient clinics of public hospitals is enforced, and an extension of the "all day" operation of hospitals (afternoon shift) has been put in place in order to develop and improve healthcare services and increase hospital revenues, including with increased copayments of outpatient and diagnostic services. The project is being pursued vigorously, the extended pool of payers has been identified and specific guidelines for the fee collection have been issued.

Another essential change that is underway is the completion of the program of hospital computerisation, upgrading of hospital budgeting systems, reforming of management, accounting (including double-entry accrual accounting) and financing systems. However, there is a need for an extension of the time limit in order to better accomplish this goal (for the first quarter of 2011), and a discussion with the representatives of the EU/IMF/ECB has already been initiated n that regard. Once this endeavour resides on solid grounds, hospitals and health care units will be in a position to easily publish audited accounts and improve in pricing and costing mechanisms.

Finally, a very close and intense cooperation is ongoing between the Minister of Finance and the Minister of Health, ensuring greater budgetary and operational oversight of health care spending by the former.

7. Infra-annual budgetary implementation by social security, local government and extra budgetary funds

In accordance with the commitment included in the Economic Policy Programme regarding the provision of data for the general government, the Ministry of Finance has published for the first time monthly data on the general government deficit for the period January to August 2010. These data will be updated and published on a monthly basis from now on in the context of the effort to improve transparency and monitoring of fiscal developments.

The General Accounting Office is responsible for collecting this data from all available sources (the Bank of Greece, the Hellenic Statistical Authority and other Bodies and Services of the central government and broader public sector), processing and publishing it. The quality and accuracy of this data will improve as collection and processing methods advance. From January 1 2011 onwards, this data will be collected via the public expenditures information system which is currently in the final stages of implementation. The data includes revenue data– or net acquisition of financial assets – expenditure data – or net incurrence of liabilities –on a cash basis. None of these data have been adjusted to the European System of Accounts (ESA 95) and as such are not strictly comparable with the annual fiscal targets of the Economic Policy Programme. However, it should be noted that the Programme's quarterly review takes into account quantitative cash targets. According to the available data, the general government deficit on a cash basis for the period January to August 2010 is calculated at 14,172.5 million euro.

In addition, the Ministry of Finance, as part of the provisions included in the Economic Policy Programme, has published for the first time data on arrears of the general government for the period January to August 2010. From now on, these data will be provided on a monthly basis and their quality and accuracy will be significantly enhanced, when the public expenditures information system becomes fully operational. Based on available data, arrears for the State

Budget by end of August amount to 376.04 million euro.[5] For the general government[6], arrears up to 31-7-2010 are estimated at 7.2 billion euro, 5.3 billion of which concern hospital debts which have already been taken on board under law N.3867/2010, and for which repayments have already begun. The repayment of this debt has already been accounted for in the projections for the 2010 general government fiscal results – deficit and debt.

The Ministry of Finance is committed to continue improving the quality of fiscal data published and to create strong mechanisms and institutions dedicated to transparency and accountability for its citizens and its international partners, thereby securing a sustainable fiscal adjustment.

To this end, a comprehensive project is underway for the establishment of an "Integrated System of Financial Reporting of General Government Agencies in accordance with the European System of Accounts 1995 (ESA 95) and standard Public Finance Statistics GSFM2001" for the monthly and quarterly fiscal reporting of the general government. The aim of this project is to establish an integrated mechanism for the effective management of fiscal reporting of the general government, which will also produce interim reports according to specific information needs. This will also enhance the credibility and the quality of the data provided and will improve fiscal monitoring and fiscal discipline. The first phase of this project includes the implementation of the Consolidated Financial Reporting in a sample of entities (central government and some entities of the general government). Progress so far includes: the alignment of financial reporting of general government with the standard ESA95/GFSM2001, the analysis of financial reporting standards, the design of financial reports, and the identification and development of code structure information (in process). The second and the third phases of the project, which will extent the existing system to the remaining general government entities, will begin simultaneously by the end of the first phase and will be completed by the end of 2011.

Table 9 presents for the first time a comprehensive picture of the General Government. Field 1 of the table presents state budget data as published in monthly Budget Execution Bulletins and fields 2, 3 and 4 present the financial standing of other public sector bodies as reported to the Ministry of Finance by the Bank of Greece. Overall, based on the data available, the General Government deficit on a cash basis for the period January to August 2010 is calculated at 14,172.5 million euro.

Table 9: General Government Data (Provisional Cash Data)

		2010	**2010**
	SUMMARY TABLE	**Jan-Jul**	**Jan-Aug**
1. State			
	Total Revenue	**29,945.4**	**33,700.0**
	Ordinary budget	28,668.7	32,390.0
	Public investment program	1,276.8	1,310.0
	Total Expenditure	**42,274.9**	**48,420.5**

[5] It should be noted that under the Economic Policy Programme all debts in arrears need to be paid off at the end of each year. This has been taken into account for the projections for the State Budget deficit, as well as the Draft Budget for 2011 and both with include this data.

[6] Data have been collected for 893 of the 1543 Bodies registered with ELSTAT's General Government Bodies Records.

	Ordinary budget	37,849.7	43,511.5
	of which: interest	8,913.1	10,682.0
	Surplus/deficit	**-12,329.5**	**-14,720.5**
	Primary surplus/deficit	**-3,416.4**	**-4,038.5**
	Net acquisition of financial assets	4,117.4	2,785.4
	Net incurrence of liabilities	17,833.5	18,085.5
	of which: other general government units	972.9	1,376.9
	Discrepancy	1,386.6	579.6
	of which: adjustments in public accounts	1,111.6	-0.4
2. Extra-budgetary Funds			
	Surplus/deficit	**-180.0**	**-105.0**
	Net acquisition of financial assets	-134.0	-47.0
	of which: other general government units	75.0	177.0
	Net incurrence of liabilities	46.0	58.0
3. Local Governments			
	Surplus/deficit	**194.0**	**221.0**
	Net acquisition of financial assets	116.0	136.0
	of which: other general government units	0.0	0.0
	Net incurrence of liabilities	-78.0	-85.0
4. Social Security Funds			
	Surplus/deficit	**63.5**	**432.0**
	Net acquisition of financial assets	68.5	438.0
	of which: other general government units	897.9	1,199.9
	Net incurrence of liabilities	5.0	6.0
GENERAL GOVERNMENT			
	Surplus/deficit	**-12,252.0**	**-14,172.5**
	Net acquisition of financial assets	3,195.1	1,935.6
	Net incurrence of liabilities	16,833.6	16,687.6

Note: *Provisional data*; amounts in million euros; data are on a cash basis and are not adapted according to ESA. **Source**: 1: Ministry of Finance (Budget Execution Bulletins); 2, 3 & 4: Unpublished data provided by the Bank of Greece.

The Ministry of Finance is committed to continue improving the quality of fiscal data published and to create strong mechanisms and institutions dedicated to transparency and accountability for its citizens and its international partners, thereby securing a sustainable fiscal adjustment.

Moreover, the following tables (tables 10 to 12) present detailed information on the budget execution of the 3 main social security funds (IKA, OAEE and OGA) for the first 9 months of 2010.

Table 10: SOCIAL INSURANCE FOUNDATION (IKA)

	2010 BUDGET	SEPTEMBER	PERIOD JANUARY to SEPTEMBER
State Grants	***3.643.200.000***	***302.349.573***	***2.741.146.871***
Taxes– fees for IKA	***31.520.000***	***34.250.619***	***124.028.636***
Contributions	***11.657.469.109***	***872.026.802***	***8.883.393.527***
Contributions from employers	7.325.327.768	572.464.836	5.826.357.578
Contributions from workers	4.286.661.340	299.561.966	3.057.035.949
Revenue from the business activity of IKA	***1.357.797.061***	***37.224.383***	***851.797.010***

Premiums, Fines, Financial Penalties and Fees	***191.785.000***	***552.142***	***4.592.318***
Other revenue	***4.400.927.631***	***41.700.337***	***153.215.527***
TOTAL REVENUES	**21.282.698.801**	**1.288.103.856**	**12.758.173.889**
Payments for services	**16.887.063.808**	**1.212.198.638**	**12.312.062.817**
Wage costs	741.730.556	42.575.679	477.883.964
Contributions (main pensions, supplementary pensions etc.)	15.628.680.390	1.141.865.721	11.544.401.023
Payments for purchase of consumer goods	**418.012.270**	**21.828.140**	**191.646.283**
Transfer payments to third parties	**161.445.178**	**1.046.786**	**10.556.325**
Other expenses	**4.102.253.250**	**12.870.566**	**119.743.888**
Reserves	**65.000.000**		**0**
TOTAL EXPENSES	**21.633.774.506**	**1.247.944.130**	**12.634.009.313**
	end of 2009	**August**	**September**
Cash	1.169.774.755	1.129.071.821	1.155.928.260
Securities	3.931.300.811	2.636.691.887	3.269.024.998
Loans to third parties	3.039.639	2.970.748	2.926.973
Loans from financial institutions and organisations	0	0	
Outstanding obligations (a+b)	10.362.588.587	10.599.575.015	10.769.650.888
a) Outstanding obligations to entities outside the general government	*8.500.845*	*11.715.094*	*14.412.077*
b) Outstanding obligations to entities of the general government	*10.354.087.742*	*10.587.859.921*	*10.755.238.811*

***Source**: Ministry of Labour and Social Security*

Table 11: SOCIAL SECURITY FOUNDATION FOR THE SELF-EMPLOYED (OAEE)

	2010 BUDGET	**SEPTEMBER**	**PERIOD**
			JANUARY to SEPTEMBER
State Grants*	**911.120.000**	**100.009.779**	**1.026.522.502**
Taxes– fees for OAEE	**57.686.000**	**6.861**	**12.578.956**
Contributions	**3.024.911.000**	**263.667.910**	**2.169.808.760**
Contributions from employers	0	0	0
Contributions from workers	2.584.911.000	263.667.910	1.949.808.760
Revenue from the business activity of OAEE	**102.770.100**	**507.534**	**12.319.475**
Premiums, Fines, Financial Penalties and Fees	**30.952.000**	**350.023**	**1.377.304**
Other revenue	**495.441.000**	**30.233.948**	**308.495.506**
TOTAL REVENUES	**4.622.880.100**	**394.776.055**	**3.531.102.503**
Payments for services	***4.389.744.500***	***309.509.859***	***3.093.786.813***
Wage costs	**80.184.700**	**4.826.954**	**51.790.505**
Contributions (main pensions, supplementary pensions etc.)	**4.081.942.800**	**286.881.784**	**2.877.961.704**
Payments for purchase of consumer goods	***947.000***	***53.626***	***681.254***
Transfer payments to third parties	***17.036.000***	***16.350***	***479.031***
Other	**554.642.850**	**32.757.539**	**309.624.888**
Reserves	**39.150.000**		
TOTAL EXPENSES	**5.001.520.350**	**342.337.374**	**3.404.571.985**
	end of 2009	**August**	**September**
Cash	111.741.809	78.311.301	262.242.202
Securities	296.310.341	178.045.558	233.281.033
Loans to third parties	0	0	0

Loans from financial institutions and organisations	0	0	0
Outstanding obligations (α+b)	0	0	236.987.101
a) Outstanding obligations to entities outside the general government	*0*	*0*	*4.825.230*
b) Outstanding obligations to entities of the general government	*0*	*0*	*232.161.871*

***Source**: Ministry of Labour and Social Security, **Note**: *Grants from the state budget have increased*

Table 12: SOCIAL SECURITY INSTITUTION FOR AGRICULTURE (OGA)

	2010 BUDGET	SEPTEMBER	PERIOD
			JANUARY to SEPTEMBER
State Grants	**4.328.000.000**	**316.200.000**	**3.247.314.000**
Taxes– fees for OGA	**945.975.000**	**78.800.000**	**760.259.888**
Contributions	**1.273.600.000**	**204.520.584**	**711.296.371**
Contributions from employers	6.000.000	0	4.378.446
Contributions from workers	627.600.000	124.520.584	431.917.925
Revenue from the business activity of OGA	**115.780.000**	**0**	**22.861.702**
Premiums, Fines, Financial Penalties and Fees	**0**	**0**	**7.254**
Other revenue	**32.070.000**	**63.961**	**2.702.318**
TOTAL REVENUES	**6.695.425.000**	**599.584.545**	**4.744.441.533**
Payments for services	**7.069.334.000**	**465.530.389**	**5.203.107.940**
Wage costs	30.290.000	1.763.546	18.911.132
Contributions (main pensions, supplementary pensions etc.)	6.968.450.000	459.699.788	5.149.872.409
Payments for purchase of consumer goods	**2.620.000**	**87.912**	**407.422**
Transfer payments to third parties	**132.596.000**	**367.848**	**12.876.969**
Other	**6.370.000**	**91.212**	**185.065**
Reserves	**3.080.000**		
TOTAL EXPENSES	**7.214.000.000**	**466.077.363**	**5.216.577.396**
	end of 2009	**August**	**September**
Cash	328.890.254	271.622.056	350.433.361
Securities	1.564.503.471	1.364.937.464	1.364.937.464
Loans to third parties	0	0	0
Loans from financial institutions and organisations	0	0	0
Outstanding obligations (α+b)	74.212.624	331.900.000	250.754.731
a) Outstanding obligations to entities outside the general government	*47.005.810*	*66.900.000*	*67.929.761*
b) Outstanding obligations to entities of the general government	*27.206.813*	*265.000.000*	*182.824.970*

***Source**: Ministry of Labour and Social Security*

8. Government debt issue and reimbursements

Table 13 presents data on public debt developments in the first 9 months of 2010.

Table 13: Public debt developments in the first 9 months of 2010

2010	BORROWING (nominal values)	AMORTISATION	INTEREST
JANUARY	6,190	5,026	606
FEBRUARY	8,000	1,912	265
MARCH	5,000	383	1,927
TOTAL 1ST QUARTER 2010	19,190	7,321	2,798
APRIL	9,859	12,849	542
MAY	22,116	11,025	2,058
JUNE	0	2,023	335
TOTAL 2ND QUARTER 2010	31,975	25,897	2,935
JULY	4,496	3,785	3,182
AUGUST	0	18	1,769
SEPTEMBER	11,049	916	970
TOTAL 3RD QUARTER 2010	**15,545**	**4,719**	**5,921**
TOTAL FOR 9-MONTH PERIOD	**66,710**	**37,937**	**11,654**

Source*: Ministry of Finance, General Accounting Office*

9. Permanent and temporary public sector employment developments

Table 14 presents the development of permanent personnel in the public sector since the end of 2009. The data includes permanent staff of the central administration, public entities, local authorities, state legal entities of private law, security forces, military personnel and churchmen. It should be noted that data for end 2009 have been updated compared to the data included in the report submitted in July. The difference results from the fact that the Ministry of Education had incorrectly included in the number of permanent personnel substitute teachers and hourly-paid teachers, while some data for local government personnel were missing (10% of local authorities had not submitted data). The data for end September 2010 are preliminary and will be updated after the completion of processing the data of the census of all public sector employees.

Table 14: Permanent employees in the public sector

Public Sector Employees	Permanent personnel 31/12/2009	Permanent personnel 30/9/2010
Total	**769.975**	**737.641(*)**

***Source**: Ministry of Interior, Decentralisation and E-government, **Note**: not final data yet*

Regarding the number of temporary personnel and project or fixed-term contracts, a significant reduction is observed in 2010 compared to 2009, especially for local authorities, where the reduction amounts to about 90%. The reduction in the case of Ministries and legal entities is of about 38%, above the provision of 30% included in the Update of the Hellenic Stability and Growth Programme.

Table 15: Comparison of approvals for temporary personnel and project or fixed-term contracts for 2009 and 2010

	2009			2010			
	Ministries- Legal entities			Ministries- Legal entities			
	Temporary personnel	Project or fixed-term contracts	TOTAL	Temporary personnel	Project or fixed-term contracts	TOTAL	% change
Temporary personnel and project or fixed-term contracts	77,539	8,236	**85,775**	46,613	6,425*	**53,038**	**-38.2%**
	Local Authorities			Local Authorities			
Temporary personnel and project or fixed-term contracts (approvals)	n.a.	n.a.	**23,461**	n.a.	n.a.	**2,494**	**-89.4%**

***Source**: Ministry of Interior, Decentralisation and E-government, **Note:** * the number includes 6,010 doctors for insurance funds that were excluded from the provision of Law 3833/2010 for a reduction by 30% of temporary personnel and project or fixed-term contracts*

10. Government expenditure pending payment

The Ministry of Finance, as part of its commitments included in the Economic Policy Programme, has published for the first time data on arrears of the general government for the January to August 2010 period. These data will be updated and published on a monthly basis from now on in the context of efforts to improve transparency and monitoring of fiscal developments. The quality and accuracy of this data will improve as collection and processing methods advance. From January 1 2011 onwards, this data will be collected via the public expenditures information system which is currently in the final stages of implementation.

Table 16 presents the arrears for the State Budget, including the Ordinary Budget and the Public Investment Budget. Arrears for the State Budget by end of August amount to 376.04 million euro. It should be noted that under the Economic Policy Programme all debts in arrears need to be paid off at the end of each year. This has been taken into account for the projections for the State Budget deficit, as well as the Draft Budget for 2011 and both with include this data.

Table 16: State Budget Arrears* up to 31.08.2010

	Ministry- Body	Up to 30-06-2010	Up to 31-07-2010	Up to 31-08-2010
1	Presidency of The Hellenic Republic	0.00	0.00	0.00
2	Hellenic Parliament	0.00	0.00	0.00
3	Ministry of Interior, Decentralisation & Electronic Governance	2.07	0.84	0.70
4	Ministry of Foreign Affairs	10.65	59.97	57.27
5	Ministry of National Defence	30.91	33.03	110.59
6	Ministry of Health & Social Solidarity	3.14	3.17	3.09
7	Ministry of Justice, Transparency & Civil Rights	9.68	9.99	6.36
8	Ministry of Education, Lifelong Learning and Religion	50.19	45.47	22.06
9	Ministry of Culture & Tourism	5.84	6.17	8.61
10	Ministry of Finance*	2.00	2.00	0.64
11	Ministry of Agricultural Development & Food	79.59	36.75	46.61
12	Ministry of the Environment, Energy & Climate Change	27.80	33.90	18.70
13	Ministry of Labour & Social Security	10.33	9.93	11.63
14	Ministry of Economic Development, Competiveness & Shipping	12.52	23.05	23.11
15	Ministry of Infrastructure, Transport and Networks	16.06	12.84	12.45
16	Ministry for the Protection of the Citizen	26.74	26.20	24.66
17	Secretariat General of Information / Secretariat General of Communication	3.98	1.95	7.67
18	Secretariat General of Prefectures	20.95	26.59	21.89
	Total**	**312.45**	**331.85**	**376.04**

Note: Amounts in million euros *All debts 90-days overdue are considered as arrears. ** 175 million euro of total debts in arrears up to 31.08.2010 is from Public Investment Budget and 201 million euro from the Ordinary Budget. Ordinary Budget arrears are expected to be repaid by the end of the year and have been included in the 2011 Draft Budget estimates. The Ministry of Finance is publishing these data for the first time in the context of the effort to improve transparency and monitoring of fiscal data. These data will be published monthly. There could be further improvements and modifications to the publication as the quality of data collected improves and processing mechanism and methodologies develop. **Source**: Ministry of Finance, General Accounting Office, Budget Directorate (D20)

Respectively, General Government arrears are presented in table 17. The data have been collected by General Government Bodies via the 39th Directorate of the General Accounting Office and under the responsibility of the Ministries that supervise each Body. Data have been collected for 893 of the 1543 Bodies registered with ELSTAT’s General Government Bodies

Records[7]. In particular, General Government arrears up to 31-7-2010 are estimated at 7.2 billion euro, 5.3 billion of which concern hospital debts which have already been taken on board under law N.3867/2010, and for which repayments have already begun. The repayment of this debt has already been accounted for in the projections for the 2010 General Government fiscal results – deficit and debt.

It should be noted that efforts to improve the quality of fiscal data published by the Ministry of Finance are ongoing.

Table 17: General Government Body Arrears* up to 31.07.2010

Number of Existing Bodies		**Number of Bodies Reporting**	
Bodies of Local Authorities	1034	481	
Hospitals	135	133	
Social Security Organizations	60	24	
Other Legal Entities	314	255	
TOTAL	**1543**	**893**	up to 31.7.2010
Bodies of Local Authorities			
-to third parties (bodies outside the General Government)			***333.51***
Hospitals			
- to third parties (bodies outside the General Government)			***6,087.55***
**** of which settlement of Hospital past debt (Law 3867/10, article 27)***			*5,340*
Social Security Organizations			
- to third parties (bodies outside the General Government)			***651.97***
Other Legal Entities			
- to third parties (bodies outside the General Government)			***89.80***
Total Liabilities (1+2+3+4)			
- of third parties (1+2+3+4)			***7,162.83***
Total Liabilities excluding hospital past debt			***1,822,83***

Note: Amounts in million euros; *All debts 90-days overdue are considered in arrears regardless of what year the debt was incurred; The table includes General Government arrears to third parties (not between General Government Bodies); ** Out of the total 7.16 bill euro of General Government debts in arrears to third parties, about 6.1 billion euro concern Hospital debts, of which 5.34 billion has already been taken on board under law 3867/10; The General Government is made up of: The State, Pension Funds, Healthcare Institutions, Local Authorities, universities and other public entities. The Ministry of Finance is publishing these data for the first time in the context of the effort to improve transparency and monitoring of fiscal data. These data will be published monthly. There could be further improvements and modifications to the publication as the quality of data collected improves and processing mechanism and methodologies develop.
Source: General Accounting Office, Ministry of Finance

[7] General Government records can be found at the following address: http://www.statistics.gr/portal/page/portal/ESYE/BUCKET/A0701/Other/A0701_SEL08_MT_AH_00_2010_00_2010_01_F_GR.xls

11. The financial position of public undertakings and other public entities

In order to fulfil the obligation included in the Economic Adjustment Programme and to enhance transparency of public finances, the Ministry of Finance has published at its website (www.minfin.gr) financial data for the 11 most loss-making state enterprises in 2009. The government places special emphasis on the accurate, timely and transparent publication of financial data for state enterprises. In this context, state enterprises are obliged to submit their strategy and business plans for the period 2011-2013, drawn-up under a specific framework provided to them, and to present their financing sources and schedules. Moreover, an action plan to improve the financial performance of these loss-making enterprises is also under preparation. In this context, the government has already set an upper limit for wages, and has put in place wage-cuts comparable to other public sector workers, so as restrict wage expenditures for state enterprises.

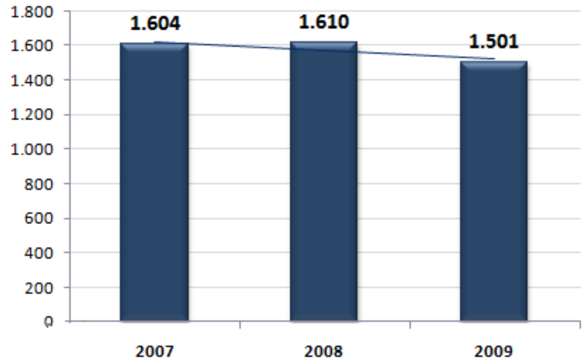
The 11 most loss-making state enterprises in 2009 are the following:

- Hellenic Railways Association (OSE)
- National Railroad Infrastructure Administrator (EDISY AE)
- TRAINOSE
- Athens Piraeus Electronic Railways (ISPA AE)
- Athens-Piraeus Electronic Transportation (ILPAP AE)
- ETHEL AE
- Hellenic Defence Systems S.A. (EAS AE)
- Hellenic Aerospace Industry (EAB AE)
- Hellenic Tourism Development Co (ETA AE)
- Greek Highway Management Company (TEO AE)
- Greek Hippodrome Organization (ODIE AE)

The main conclusions that can be drawn from the analysis of their financial statements can be summarised as follows[8]:

- Total revenues of the 11 most loss-making state enterprises for 2009 were 1,501 million euro, showing a decline by 6.8% compared to 2008 (Graph 13).

Graph 13: Total revenues of 11 SOEs

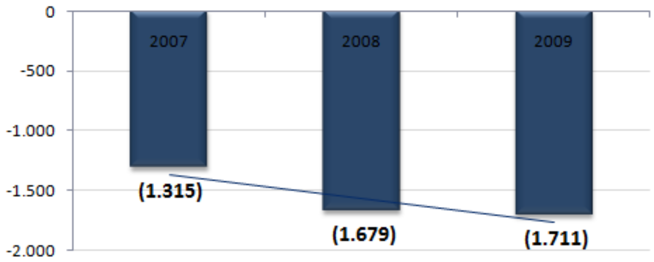


Note: amounts in millions euros. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

[8] Table E1 in Annex E provides more detailed data for the 11 most loss-making state enterprises.

- Total losses for 2009 were 1,711 million euro, having increased by 1.9% compared to 2008 (Graph 14).

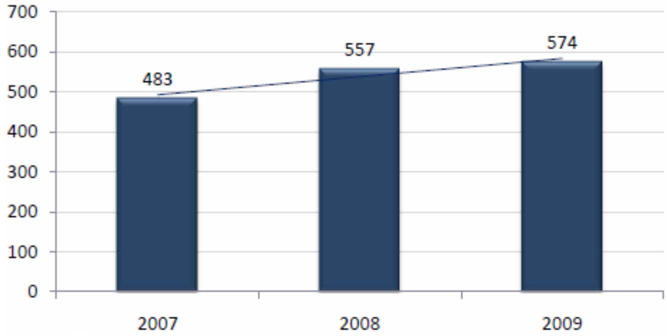
Graph 14: Financial result before taxes (losses) of 11 SOEs



Note: amounts in millions euros. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

- For 2009 total interest payments were 574 million euro (which equals 38% of annual revenues), having increased by 3.1% compared to 2008 (Graph 15).

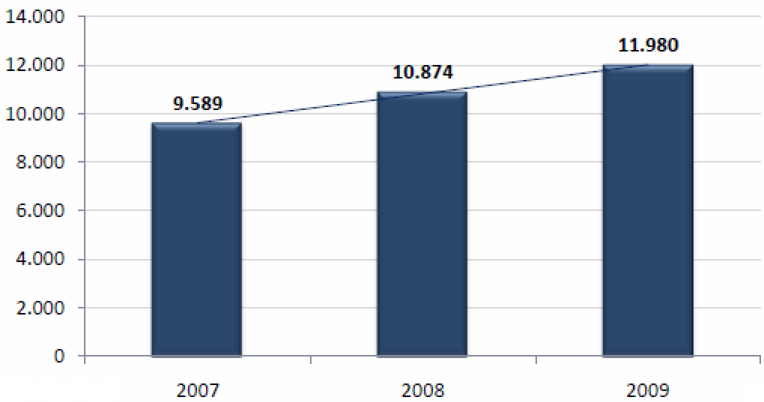
Graph 15: Interest payments of 11 SOEs



Note: amounts in millions euros. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

- Total net borrowing (long and short-term liabilities minus cash deposits) has increased by 10,2% compared to 2008 and amounts 11,980 million euro in 2009 (Graph 16).

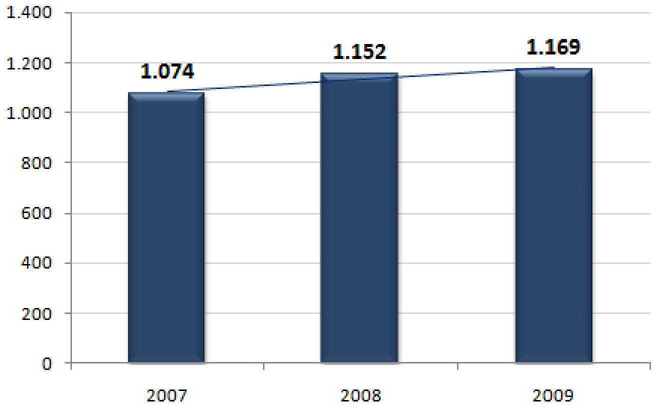
Graph 16: Total net borrowing of 11 SOEs



Note: amounts in millions euros. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

- Although the average number of employees in 2009 has declined by 4,5% compared to 2008, total wage costs for the same period have increased by 1.5%, reaching 1,169 million euro. It should be noted that wages, employer contributions and other benefits for workers make up 78% of total revenues (Graph 17).

Graph 17: Total wage cost of 11 SOEs



Note: amounts in millions euros. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

- Finally, total state-guaranteed loans received were 1,315 million euro and total guarantees called were 632 million euro, while total grants received were 126 million euro, of which 123 million were Ordinary Budget Grants.

In addition, the Ministry of Finance has published for the first time at its website quarterly financial accounts of public enterprises (including detailed income statements, balance sheets and data on employment and the wage bill) for 2010, and plans to introduce a regular and timely reporting mechanism in the context of ongoing efforts to improve transparency and monitoring of fiscal developments. The data include information on the financial accounts of 30 out of the 52 public enterprises supervised by the Special Secretariat of public enterprises for the first semester of 2010 as well as the payroll of all of 52 enterprises. According to available data, the wage bill of the 52 enterprises declined by 8% in the first semester of 2010, or by 53 million euro (see table F4 in Annex F). The annual reduction of the payroll expenses is projected to about 220 million euro, as a result of the wage cuts provided for the public enterprises employees in the Laws 3833/2010 and 3845/2010. Detailed semi-annual data on the financial accounts of public enterprises are presented in tables F2, F3 and F4 in Annex F.

ANNEX A. THE 2011 BUDGET LAW

Table A1: Carry-over of 2010 measures in 2011

REVENUES		
Carry over of 2010 measures	**1500**	**0.7%**
Carry over of excise taxes	600	0.3%
Increase in excise taxes on fuel	250	0.1%
Increase in excise taxes on cigarettes	250	0.1%
Increase in excise taxes on alcohol	50	0.0%
Excise taxes on luxury goods	50	0.3%
Increase in VAT	750	0.3%
Incentive to regularise land-use violations	150	0.1%
EXPENDITURES		
Carry over of 2010 measures	**1150**	**0.5%**
Income policy for the general government (cuts in wages and allowances)	500	0.2%
Income policy for pensioners (reduction of 13th and 14th pension)	500	0.2%
Reduction of high pensions	150	0.1%
TOTAL	**2650**	**1.2%**

Table A2: Measures in 2011 already included in the Economic Policy Programme

EXPENDITURES		
Measures for 2011 already in the Programme	**1500**	**0.7%**
Cost savings from Kallikrates	500	0.2%
Reduction in intermediate consumption	300	0.1%
Savings from the establishment of a Single Payment Authority	100	0.0%
Freeze in pensions	100	0.0%
PIP (the cut in expenditures is being replaced by an increase in revenues from the EU)	500	0.2%
REVENUES		
Measures for 2011 already in the Programme	**4050**	**1.8%**
Replacement of the move of 30% of goods and services from 11% to 23% VAT rate with:	1050	0.5%
Broaden VAT base by including services that were exempted (in 2010)	100	0.0%
Increase in the reduced VAT rate from 11% to 13%	800	0.4%
Reduction in VAT (drugs and hotels)	-250	-0.1%
Equalisation of excise tax on fuel	600	0.3%
Heating allowance	-200	-0.1%
New tax framework for firms	680	0.3%
Special levy on profitable firms	1000	0.4%
Reduction of the tax rate for firms (from 24% to 20%)	-320	-0.1%
New income tax framework	900	0.4%
Presumptive taxation	700	0.3%
Taxation of wages in kind (cars)	150	0.1%
Book specification of income	50	0.0%
Revenues from licensing of gaming	700	0.3%
Gaming royalties	200	0.1%
Gaming licenses	500	0.2%
Special tax on unauthorised establishments	300	0.1%
Updating real estate values	270	0.1%
Green tax	150	0.1%
TOTAL	**5550**	**2.5%**

Table A3: New measures for 2011

EXPENDITURES	**3850**	**1.7%**
Savings from the health sector	**2100**	**0.9%**
Reduction in SSFs' expenditure for drugs: reduction in drug prices and improvement of procurement procedures	1400	0.6%
Hospital health procurement	700	0.3%
Savings from public enterprises	**800**	**0.4%**
Mean-tested family benefits	**150**	**0.1%**
Further reduction in transfers and operating expenses by 5%	**200**	**0.1%**
Further reduction in the use of fixed-term contracts in the public sector	**100**	**0.0%**
Reduction in military expenditures (deliveries)	**500**	**0.2%**
REVENUES	**2280**	**1.0%**
Measures against tax and social contribution evasion	**1590**	**0.7%**
Measures against fuel smuggling (input-output system)	190	0.1%
Action plan to collect tax arrears	200	0.1%
Speeding up the collection of tax fines	400	0.2%
New framework for tax differences and trials	300	0.1%
Tax settlement (carry over from 2010)	100	0.0%
Settlement of social security contributions (carry over from 2010)	300	0.1%
Increase in court fees	100	0.0%
Revenues from the exploitation of public property (included in the deficit)	**690**	**0.3%**
Renew telecommunication licenses and conduct sales of frequencies	350	0.2%
Extension of the Athens Airport contract	250	0.1%
Revenues from guarantees (fees and commissions of guarantees called)	90	0.0%
TOTAL	**6130**	**2.7%**

ANNEX B. STRUCTURAL REFORMS

Table B1: Financial and Structural measures to comply with Council Decision 2010/320/EU to be completed by the end of the third quarter of 2010

STRUCTURAL MEASURES		
No.	**Measures**	**Status of implementation**
Structural Fiscal Reforms		
	Increases transparency of fiscal risks to fiscal sustainability:	
1	Establish a commitment register in all line ministries and public law entities.	*In progress. Presidential Decree has been signed. Data until the end of 2010 will be provided by the Ministries to the General Accounting Office on a monthly basis, while from January 1, 2011 with the full implementation of the Fiscal Management and Responsibility Act, these data will be provided through an integrated computer application.*
2	Begin publishing monthly data on general government in-year fiscal developments and report all arrears monthly	*The Ministry of Finance has published for the first time data on the general government deficit for the period January to August 2010. Moreover, the Ministry of Finance has published for the first time data on arrears for the general government for the period January to July 2010. These data will be provided on a monthly basis from now on and their quality will be further improved.*
	Efficiency of the tax administration and controls:	
3	Adopt legislation to improve the efficiency of the tax administration and controls, implementing recommendations provided by the European Commission and IMF staffs. In particular, they put in place an effective project management arrangement (including tight MOF oversight and taskforces) to implement the anti-evasion plan to restore tax discipline through:	*Completed. Five Task forces have been set up, and action plans have been approved in cooperation with the technical assistance team of the IMF and EC. Quantitative targets and progress indicators have also been set.*
	- strengthened collection enforcement and recovery of tax arrears (coordinated with the social security funds) of the largest debtors	
	- a reorganized large taxpayer unit focused on the compliance of the largest revenue contributors	
	- a strong audit program to defeat pervasive evasion by high-wealth individuals and high income self-employed, including prosecution of the worst offenders	
	- a strengthened filing and payment control program	
	Reform of the GAO:	
4	Strengthening of the role of the GAO in budget planning and control	*Completed (Law 3871/2010).*
5	Provision of the necessary resources in terms of high-level personnel, infrastructure and equipment support, managerial organisation and information sharing systems	*In progress. An action plan in support of the reform of the new Fiscal Management framework has been prepared and will be implemented over the period 2010-2012*
6	Provision of safeguards for GAO staff against political interference, and personal accountability in the provision of reliable data	*Completed (Law 3871/2010).*
7	Strengthen the institutional mechanisms for providing reliable and plausible official budgetary forecasts that take into account available recent execution developments and trends; to this end, the official macroeconomic forecasts should be reviewed by external experts	*Completed. A procedure has been established for the exchange of information on macroeconomic forecasts between the Ministry for Finance, the*

		Bank of Greece and the Centre of Planning and Economic Research.
	Statistics:	
8	GAO starts, in June 2010, the publication of timely monthly statistics (on a cash basis) on revenue, expenditure and financing and accounts payable for the "available general government" and its sub entities (state, social security, hospitals, local governments and legal entities)	*Completed. The Ministry of Finance published for the first time monthly data on the general government deficit for the period January to August 2010. From now on, the publication of these data will be done on a monthly basis and their quality will be consistently improved.*
9	Adopt a detailed time-bound action plan, agreed with Eurostat, to improve collection and processing of general government data required under the existing EU legal framework, in particular by enhancing the mechanisms that ensure the prompt and correct supply of these data, and ensure personal responsibility in cases of misreporting; and seek appropriate resident technical assistance to ensure rapid progress	*Completed. The Joint Overall Statistical Greek Action Plan has been adopted and is being implemented.*
10	Government starts to publish timely information on the financial situation in public enterprises (at least the 10 largest loss-making ones) and other public entities not classified in the general government (including detailed income statements, balance sheets and data on employment and the wage bill). To this end, a regular and timely reporting mechanism is introduced	*Completed. The Ministry of Finance has published financial data of 30 public enterprises for the 1st half of 2010.*
11	Publish 2009 financial statements of the ten largest loss-making public enterprises, audited by chartered accountants, on the official website of the Ministry of Finance	*Completed. The Ministry of Finance has published the 2009 financial statements for the 11 most loss-making enterprise.*
12	MoF establishes a comprehensive central registry for public enterprises	*In progress.*
Labour market reform		
	Reform private wage bargaining system to ensure wage moderation:	
13	Adopt and implement legislation to reform wage bargaining system in the private sector, which should provide for a reduction in pay rates for overtime work and enhanced flexibility in the management of working time	*In progress. Pay rates for overtime work have been reduced by 20% (Law 3863/2010, article 74). Draft legislation on the provision of enhanced flexibility in the management of working time is under preparation.*
14	Ensure that firm level agreements take precedence over sectoral agreements which in turn take precedence over occupational agreements	*In progress. Draft legislation being prepared*
15	Remove the provision that allows the Ministry of Labour to extend all sectoral agreements to those not represented in negotiations	*In progress. Draft legislation being prepared*
16	Amend employment protection legislation to extend the probationary period for new jobs to one year, and to facilitate greater use of temporary contracts and part-time work	*In progress. The facilitation of greater use of temporary contracts and part-time work is envisaged by Law3 846/2010, articles 2 and 3). Draft law on extending the probationary period for new jobs is under preparation*
17	Amend regulation of the arbitration system, (Law 1876/1990), so that both parties can resort to arbitration if they disagree with the proposal of the mediator without exceptions on subject or coverage, according to the provisions of Law 3863/2010. It should provide for an arbitration procedure that operates according to transparent objective criteria, and with an independent committee of arbitrators with decision making capacity free from government influence. The objectives of the arbitration should ensure that due attention is paid	*In progress. Consultation with social partners has been completed, draft law under preparation*

	to cost competitiveness, thereby supporting job creation	
Public Administration reforms		
	Remuneration system for public sector employees:	
18	Launch a process, including the principles and timetable, for establishing a simplified remuneration system covering basic wages and allowances. It shall apply to all public sector employees, and be part of an overall reform of Human Resource management. This should lead to a system where remuneration reflects productivity and tasks. As a general principle, it should avoid increases in remuneration for employees as a result of the transition process	*Completed. The government launched the dialogue on the establishment of a simplified remuneration system. At the meeting with social partners the framework for a dialogue was set and the main principles were presented*
	Independent functional review of the central government:	
19	Launch independent functional reviews of the public administration at central level. It is to be conducted by internationally renowned and external experts. The Terms of Reference for the reviews will be agreed with the European Commission, IMF and ECB staffs. The objective is to:	*In progress. It has been agreed that OECD will conduct the review. Contract being finalised and will be signed shortly*
	- To take stock of the use of resources, including human resources, to carry out government functions (e.g., employment, goods and services) in the central government and subordinated public institutions	
	-To identify actions to rationalize the organisation of public administration and generate productivity gains, and quantify possible fiscal savings from implementation of these actions. The review shall encompass horizontal issues related to planning, organisation, staffing and control functions (including internal audit), and shall include specific studies for all main ministries and key public bodies	
20	Launch independent functional reviews of existing social programmes. It is to be conducted by internationally renowned and external experts. The Terms of Reference for the reviews will be agreed with the European Commission, IMF and ECB staffs. The objective is to:	*In progress. It has been agreed that OECD will conduct the review. Contract being finalised and will be signed shortly*
	-To assess effectiveness and appropriateness of existing social programmes and make proposals for reform or cancellation of the least effective ones, while quantifying possible fiscal savings from implementation of these actions	
	- To assess the options for reform of the overall health care system (both public and private) with the aim of securing more efficient use of public resources and delivery of better quality health care services	
	Public procurement:	
21	Government agrees an action plan, with a timetable for concrete actions, leading to the creation of a central procurement authority, involving a swift implementation of the electronic platform for public procurement and introducing the use of an e-auctioning system. It should ensure a common approach across government authorities for tendering procedures, ex ante and ex post controls	*In progress. The Action Plan has been finalised and has been agreed with the European Commission.*
Competition in open markets		
	Services Directive:	
22	Finalise the review of existing sectoral legislation (screening) and provide a list of restrictions that are being abolished or amended as a result	*Completed. The report with the list of restrictions that are being abolished or amended has been sent to the EC. The relevant ministries will provide the EC with justifications on the restrictions that will remain*
23	Ensure that the electronic point of single contact is operational with	*In progress. The content of 2 services has*

	a user-friendly internet portal which: lists all relevant information for the specific service; for each service activity provides an overview of procedures to be complied with, distinguishing between the requirements that apply in establishment cases and for cross-border service provision; allows common procedures (including for the most important regulated professions and in the areas of tourism, retail, education and construction) to be completed by electronic means with the necessary forms available on-line and recognising electronic signatures in accordance with Decision 2009/767/EC	*been posted in English, while the overview of 19 procedures has already been recorded in the Greek version of the web-page. Work is ongoing to make the portal user-friendly and to include information on the provision of cross-border services and to provide electronic means.*
	Road Freight transportation:	
24	Adopt law on road freight transport that removes restrictions not provided for in Directive 96/26/EC of 29 April 1996 on admission to the occupation of road haulage, including minimum fixed prices	*Completed. Law 3887/2010*
25	Adopt legislation establishing the necessary enabling conditions for the development and the implementation of a business plan in the railway sector and submits it to Parliament for voting. The legislation should inter alia:	*Completed. Law has been voted by parliament on 26/10/2010. Pending publication at the Government's Gazette.*
	-ensure compliance with all relevant EU legislation on the railway sector to effectively ensure market opening, employment and social policies, as well as competition and state aid policy	*Included in Law (article 1)*
	-establish an upper limit of EUR 50 million for the annual Public Service Obligation (PSO) contribution from the general government for the period 2011-2013 and establishes the principle that the State provides no additional explicit or implicit support to TRAINOSE	*Included in Law (article 12)*
	-provide for any future changes to the level of PSO transfers to the railway operators to be approved only after an independent and transparent assessment by the Hellenic Competition Commission and to be fully in line with all legislation related to budgetary control and execution	*Included in Law (article 12)*
	-provide certainty that the managing boards of TRAINOSE and OSE have the legal authority to negotiate new collective agreements covering remuneration and employment conditions and to take staffing decisions that assure a viable business	*Already stipulated in Law 1876/1990*
	-ensure that decisions on the transfer of debt to the State become effective only after the implementation of key actions in the approved business plan	*Included in Law (article 11, paragraph 2 and article 13 paragraphs 2 and 3)*
26	Adopt a business plan with a detailed timetable for concrete actions, which inter alia:	*Completed. The business plan has been finalised.*
	- specifies how operational activities will be made profitable, including covering depreciation costs, as from 2011 including by closing loss-making lines, by increasing tariffs and by reducing wages and staffing	*Included in the business plan*
	- provides a detailed sensitivity analysis on the implications for wage costs of various scenarios for the outcome of collective agreement. This provides information on several options concerning staff	*Included in the business plan*
	- ensures the effective implementation of EU Directives, including EU Directives 2007/59/EC and 20078/57/EC on the Train Driver Certificate and on the Interoperability of the Rail System, respectively, allowing for competition amongst providers of railway services	*Included in the business plan*
	- provides for the restructuring of the holding company, including the sale of land and other assets	*Included in the business plan*
Promoting Investments and Exports		
	Promoting FDI and investment in strategic sectors:	
27	Take measures, in line with EU competition rules, to facilitate FDI	

	and investment in innovation in strategic sectors (green industries, ICT etc.) through:	
	- facilitate PPPs	*Reactivation of Inter-Ministerial Committee responsible for the approval of PPPs (Article 12 of Law 3840/2010). See also section 5*
	- fast-track large FDI projects	*Law "Acceleration and transparency in implementing strategic investments", establishing fast track procedures, has been submitted to Parliament.*
	- strengthen export promotion policy	*Draft law on the amendment of the legislative framework for exports (Law 936/79 is under preparation.*

ANNEX C: TAX REFORM

Table C1: Project Plan for the Collection of Arrears

No	Projects/ Running Activities	Submission Date	Issue	Objective / Action
1	Definition of collection targets	April 26th, 2010	Plan targeted actions to deal with debts owed by particular groups of professionals	Debt Collection of OPAP Agencies. Obligatory changement of way of payment for OPAP agents, introduction of debt collection process.
2	Definition of collection targets	June 2nd , 2010	Plan particular actions to collect arrears due by General Government Entities.	Collection of Past Due Debts of O.T.A (Local Gaovernment Organizations) Change of the process regarding public subsidies to the Local Government Organizations. Debt Collection increase through off-set of mutual claims.
3	Definition of collection targets	May 17th, 2010	Plan individualized activities to enforce collections from debtors with valuable assets	List of Debtors with Past Due Debts having properties in Mykonos & Santorini islands (high value properties). Focused actions for forced legal execution.
4	Definition of collection targets	June 10th, 2010	Analyze General Government payments to third parties – redesign procedures to require offsetting of reciprocal counterclaims	List of Ministry of Health Suppliers, with arrears Implementation of a clearing and settlement process regarding arrears of hospital suppliers; regulatory arrangement concerning third parties claims against the Public Administration
5	Definition of collection targets	August 2nd, 2010	Plan individualized activities to enforce collections from major debtors with valuable assets	Debtors list having PD Debts >200K euros & high value properties (>1/1,5). Focused actions for forced legal execution.
6	Definition of collection targets	July 15th, 2010	Plan individualized activities to enforce collections from debtors with valuable assets	Debtors list having PD Debts & high Value Commercial Real Estate Properties in Athens center. Focused actions for forced legal execution
7	Definition of collection targets	August 5th, 2010	Plan targeted actions toenforce collections under specific execution procedures	Show Business Debtors List Focused actions aiming at forced legal execution and increase of collections
8	Definition of collection targets	September 16th, 2010	Settlement plan on installments	Set up of a settlement plan on installments, provided certain conditions are met and compliance is maintained / regulatory arrangement required
9	Definition of collection targets	September 28th, 2010	Plan targeted actions to deal with debts owed by particular groups of professionals	Debt Collection of heating oil distributors. Obligatory changement of payment procedure for heating oil distributors, introduction of debt collection process by offsetting debt amounts with payable credit balances of distributors.
10	Definition of collection targets	October 1st, 2010	Plan individualized activities to enforce collections from debtors with valuable assets	Debtors list having PD debts from inheritance taxes & high value properties. Focused actions for forced legal execution
11	Data Collection & Analysis for Proposals submission	June 15th, 2010	Classification of debtors with common characteristics / Processing & analysis of results	Notaries list having PD Debts
12	Data Collection & Analysis for Proposals submission	June 30th, 2010	Classification of debtors with common characteristics / Processing & analysis of results	List of undertakers, cooperating with Schools Building Organization, with past due debts. Mandatory collection of data by third parties.
13	Data Collection & Analysis for Proposals submission	July 20th, 2010	Classification of debtors with common characteristics / Processing & analysis of results	Debtors list having arrears and properties in high value zones of Athens and Thessaloniki
14	Data Collection & Analysis for Proposals submission	August 26th, 2010	Classification of debtors with common characteristics / Processing & analysis of results	List of suppliers of Large Companies, with arrears
15	Data Collection & Analysis for Proposals submission	September 10th, 2010	Classification of debtors with common characteristics / Processing & analysis of results	List of pharmacies, with arrears
16	Arrears reduction plan	May 10th, 2010	Database clean up	Collection of outstanding classifications from classification tables after auction
17	Arrears reduction plan	June 15th, 2010	Database clean up	Gradual clearance of non recoverable portfolio
18	Modify collection policy, redesign collection procedures	June 3rd, 2010	Effectiviness control for collection enforcement measures/ redesign procedure	Suspension of stores having arrears
19	Modify collection policy, redesign collection procedures	July 13th, 2010	Effectiviness control for collection enforcement measures/ redesign procedure	Garnishment procedure
20	Modify collection policy, redesign collection procedures	August 3rd, 2010	Effectiviness control for collection enforcement measures/ redesign procedure	Tax return procedure
21	Modify collection policy, redesign collection procedures	July 13th, 2010	effectiviness control for collection enforcement measures/ redesign procedure	Efficiency control regarding garnishments
22	Develop MIS system	May 25th, 2010	Design new reports	Design and production of a MIS report for collections, write-offs and total arrears follow up
23	Review of the MIS System and New Reports Generation	June 3rd, 2010	Update of the General Government Entities & Public Utility Companies Data in the TAXIS system	Data correction and reports generation

ANNEX D: Models for forecasting quarterly GDP employed by the Directorate of Macroeconomic Analysis and Forecasting of the Ministry of Finance

Models used for forecasting quarterly GDP and the switching quarter

I. Factor model based on sentiment indicators survey

This forecasting approach is based on the Stock-Watson methodology and uses a two-stage approach: first, principal components are extracted using monthly data (seasonally adjusted and stationary, performing all tests and data mining necessary), while in the second stage the bridge equation is used for forecasting (now converting monthly data to quarterly and choosing components using AIC and BIC criteria). The dataset includes 25 series according to NACE rev.2 nomenclature (source: DG ECFIN, survey data). Variants of this model have been used by various central banks and the IMF. The performance of this approach has been evaluated using the Mean Absolute Error criterion with very satisfactory results.

II. Univariate GDP estimation using non-observed components

This approach is based on disentangling two separate components from GDP: a stochastic trend which represents potential output and a stationary residual component which represents the output gap. The model is expressed in state-space format and is estimated using maximum likelihood and the application of Kalman filtering for the 1970Q1 – 2010Q2 period (quarterly data before 2000 are obtained using the Fernandez methodology).

III. Markov switching regimes based on the Hamilton's model

This methodology is based on the approach of Hamilton and its variation by Perlin. The main characteristic of the results is the asymmetry between booms and recessions: the mean growth rate of state 0 (recession) is -0.4% with a duration of two years, while the growth rate of a normal state is 1.1% with corresponding duration of 21 quarters. These results broadly coincide with these of other studies.

IV. Fixed and Time varying probability Markov switching models

Fixed transition probability Markov switching model

The estimation of the model for the two regimes yields:

$$growth_t = -\underset{(0.00213)}{0.00260} + \underset{(0.29)}{0.86} * growth_{t-1} + error \text{.......bad regime (0)}$$

$$growth_t = \underset{(0.0017)}{0.0020} - \underset{(0.13)}{0.17} * growth_{t-1} + error \text{.......good regime (1)}$$

Estimates of the fixed transition probabilities for the two regimes are:

- Probability that we switch from the bad to the good regime P01=0.000
- Probability that we switch from the good to the bad regime P10 = 0.03

The model concludes that, conditional on potential small sample bias, the probabilities indicate that the bad regime may have some persistence.

Time-varying transition probability Markov switching model

The estimation of the time-varying transition probabilities is based on the selection of certain information variables. Hence, we estimate two models, choosing as an information variable either the IPI growth rate or the Economic Sentiment Indicator

In the former case, the model concludes that there is increased uncertainty for the switch from the bad to good regime while in the latter that the current improved performance of the leading indicator has not influenced the probability that we switch from the bad to the good regime.

ANNEX E: CONCRETE MEASURES PLANNED TO BE IMPLEMENTED AFTER THE DATE OF THIS REPORT

Table E1: Measures planned for the 4th quarter of 2010

A. FISCAL MEASURES			
No.	**Measures**	**Fiscal Outcome Target**	**Status of implementation**
Fiscal consolidation			
1	Government prepares a privatization plan for the divestment of state assets and enterprises. The restructuring and privatization programme will span the state's holdings in rail, road transport, airports, ports, utilities, the gaming industry and public real estate; leverage private investment so as to restructure the economy, foster economic growth and contribute to fiscal consolidation; use the know-how of the private sector through outright sales of government holdings, concession agreements, initial public offerings, strategic public-private partnerships and the establishment of new holding companies. The plan will include dates and revenue guidelines	EUR 1 billion a year during the period 2011-2013	*In progress. Privatization plan approved by Ministerial Council - Work has begun; potential privatization list has been drawn up. See section 3.2*

B. FINANCIAL MEASURES		
No.	**Measures**	**Status of implementation**
Financial sector regulation and supervision		
1	Taking into account the outcome of the strategic study and the due diligences of banks, formulate a programme to preserve financial stability and enhance efficiency in the banking system.	*In progress. Strategic study has been completed*

C. STRUCTURAL MEASURES		
Structural Fiscal Reforms		
	Fiscal framework:	
1	Draft legislation to:	*Law 3871/2010*
	-Introduce a medium-term fiscal framework covering the general government based on rolling three-year expenditure ceilings for the State, social security local governments entities	*Included in Law 3871/2010 (article 9)*
	-Strengthen the position of the Finance Minister vis-à-vis line ministers in both budget preparation and execution phases (giving him/her veto power on spending decisions and execution)	*Included in Law 3871/2010 (article 3)*
	-Introduce a compulsory contingency reserve in the budget, corresponding to 10% of total appropriations government departments other than wages, pensions and interest; the use of the contingency reserve will be decided by the Finance Minister	*Included in Law 3871/2010 (article 19)*
	-Ensure that Parliament does not modify the overall size of the budget at the approval stage, and focus on the composition of public expenditure and revenue, and reliability of projections for expenditure and revenue	*Already practiced*
	-Introduce stronger expenditure monitoring mechanisms, particularly by implementing an appropriate control of spending commitments, through which spending entities would report on a regular basis to the Treasury on their outstanding expenditure commitments against their authorised appropriations in the budget law	*Included in Law 3871/2010 (article 26)*
	-Introduce a revenue rule for the general government, according to which the allocation of higher-than-expected revenues should be specified ex-ante in the budget law	*The 2011 budget will include a revenue rule that will ex-ante specify the allocation of higher-than expected revenues*
	-Creation of a fiscal agency attached to Parliament providing independent advice and expert scrutiny on fiscal issues, and reporting publicly on the budgetary plans and execution of the spending entities of the general government, and on macroeconomic assumptions used in the budget law	*Included in Law 3871/2010 (article 12)*
2	Ensure that the central registry for public enterprises is operational	*In progress*

	Pension system reform:	
3	The National Actuarial Authority to provide by 1 December 2010 interim long-term projections of pension expenditure up to 2060 under the July 2010 legislation covering the main pension schemes (IKA, OGA, OAEE, public sector)	*In progress. Actuarial studies for IKA, OAEE, OGA and the public sector are being prepared*
	Statistical data:	
4	Adopt new regulations for Statistical Action Plan	*The Joint Overall Statistical Greek Action Plan has been adopted and is being implemented.*
Public Administration reforms		
	Local Administration reform:	
5	Adopt all necessary legislation and decree for the full entry into force of the local administration reform and ensure that it achieves savings of EUR 500 million in 2011 and additional EUR 500 million per year in 2012 and 2013 for the general government as a whole.	*In progress. 14 Ministerial Decisions have already been issued, while 6 Presidential Decrees and 19 additional Ministerial Decisions are in the pipeline and are expected to be issued within 2010*
6	Government adopts a decree disallowing local governments to run deficits at least until 2014.	
	Remuneration system for public sector employees:	
7	Adopt reform of the public wage legislation	*Wage freeze in the public sector*
8	Complete the creation of a Single Payment Authority for the payment of wages in the public sector	*In progress. See also section 2.8*
9	Publish a detailed report, based on information and in collaboration with the Single Payment Authority, on the structure and levels of compensation and the volume and dynamics of employment in the general government. The report should present plans for the allocation of human resources in the public sector for the period up to 2013 that inter alia specifies plans to reallocate qualified staff to areas necessary to implement the Memorandum of Understanding, including the tax administration, GAO, the labour inspectorate, regulators and Hellenic Competition Commission.	*In progress*
10	Present a detailed action plan with timeline to complete and implement a simplified remuneration system.	*In progress*
	Better regulation:	
11	Adopt legislation to implement the Better Regulation agenda	*In progress*
Healthcare		
	Healthcare reform:	
12	Adopt legislation on the institutional framework for health supplies (Law 3580/2007, as revised in May 2010 by Law 3846/2010)	*A public notice was issued in order for interested companies and stakeholders to file proposals, and a legislative drafting committee was set up*
13	Establish new systems for the management of drugs that favour more use of generic medicines, including a new system for the electronic monitoring of doctors' prescriptions. The aim is to move to the average EU generic drug penetration rate, including by procurement of pharmaceutical products by hospitals and doctors' prescriptions on the basis of drastic substances	*Circulars have been issued, specifying the quantitative goals to be accomplished*
14	Enforce the payment of EUR 3 for regular outpatient services in public hospitals and extend the 'all day' functioning of hospitals (afternoon shift) in order to develop and improve healthcare services	*A €3 admission fee for regular outpatient*

	and increase revenue, including by increasing co-payment of outpatients and diagnostic services.	*services is enforced, and an extension of the "all day" operation of hospitals (afternoon shift) has been put in place*
15	Complete the programme of hospital computerisation, upgrading hospital budgeting systems, and the reform of management, the accounting (including double-entry accrual accounting) and financing systems	*In progress. Expected to be completed by end Q1 2011*
16	Establish greater budgetary and operational oversight of health care spending by the Finance Minister	*In progress*
17	Ensure the publication of audited accounts and improvement in pricing and costing mechanisms	*Will be completed after the completion of hospital computerisation*
18	Seek technical assistance from independent international experts on all aspects of the efficiency and effectiveness of the health procurement system and management of hospitals, aiming at enhancing efficiency and reducing waste	
Competition in open markets:		
	Business start-ups:	
19	Make the General Commercial Registry (GEMI) fully operational	*Common ministerial decision under preparation. The migration of data from the Chambers of Commerce to GEMI is pending.*
	Services Directive:	
20	Adopt changes in (sectoral) legislation in key services sectors such as tourism, retail and education services which should facilitate establishment, facilitate the provision of cross-border services and provide legal certainty for service providers	*In progress*
21	Specify a limited number of priority service sectors, which are key for growth, a timetable for adopting sectoral legislation by end Q2 2011 that ensure full compliance with the requirements of the Services Directive.	*In progress*
	Open up restricted professions:	
22	Propose sector-specific legislation to remove restrictions to trade in the legal profession, the pharmacy profession, the notary profession, architects, engineers, auditing services	*A legislative drafting committee has been set up*
23	Adopt legislation and all necessary measures to complete the effective transposition of EU rules on recognition of professional qualifications, including compliance with all ECJ rulings, the setting up of the administrative structures responsible for the application of the rules of recognition of professional qualifications as well as timely information of citizens about their pending requests for recognition.	*In progress*
	Sectoral Growth Drivers:	
24	Present a report analysing the potential contribution of the tourism sector to growth and jobs in the Greek economy. It should identify all legislative, administrative and other obstacles hindering competition and market entry to the realisation of the potential.	*In progress*
25	Present a report analysing the potential contribution of the retail sector to price flexibility, growth and jobs in the Greek economy. It should identify all legislative, administrative and other obstacles hindering competition and market entry to the realisation of the potential.	*In progress*
	Business environment:	
26	Adopt legislation to simplify and accelerate the process of licensing enterprises, industrial activities and professions, which inter alia revises Law 3325/05, makes Law 3335/05 for business areas, and operationalises the spatial plan	*Draft proposals to be submitted for approval to the minister's office by mid November*
27	Adopt an 'action plan for a business friendly Greece' that presents a timetable for the removal of	*Consultation with*

	30 of the most important remaining restrictions to business activity, investment and innovation.	*relevant stakeholders ongoing; the Confederation of Greek Industrialists (SEB) will present proposals to remove restrictions. An action plan (including a specific timetable will be formulated by the end of Q4-2010*
28	Accelerate the completion of the land registry and prepare a progress report, including an action plan.	*In progress. Draft legislation under preparation*
29	Adopt a law modifying the existing institutional framework of the Hellenic Competition Commission (HCC) with the aim of abolishing the notification system for all agreements falling within the scope of Article 1 of Law 703/1977/, to give the HCC the power to reject complaints, to increase the independence of HCC members, and to establish reasonable deadlines for the investigation and issuance of decisions.	*The revised law will be submitted to the Minister for approval by mid November*
	Energy:	
30	Present detailed plans for the liberalisation of the energy market, including opening up lignite-fired electricity generation to third parties in line with EU requirements.	*In progress. See also section 3.5*
31	Adopt plan for phased transitory cost-based access to lignite-fired generation, taking into account the decommissioning of the power plants scheduled under the government's Energy Plan to meet the 20-20-20 target. This access will remain in place until effective implementation of the liberalisation has taken place.	*In progress. See also section 3.5*
32	Adopt a plan to either award the hydro reserves management to an independent body or to assign this role to the independent system operator.	*In progress. See also section 3.5*
33	Adopt a mechanism to ensure that the energy component of regulated tariffs reflects, gradually and at the latest by June 2013, wholesale market prices, except for vulnerable consumers. Government adopts a revised definition of vulnerable consumers and a tariff for this category of consumers.	*In progress. See also section 3.5*
34	Identify the assets and personnel associated with the electricity transmission system and the electricity distribution system in order to ensure that network activities are unbundled from supply activities as foreseen in the second and third energy liberalisation packages	*In progress. See also section 3.5*
Promoting Investments and Exports		
	R&D and innovation:	
35	Carry out in depth evaluation of all R&D and innovation actions, including in various Operational Programmes, in order to adjust the national strategy and limit the use of government subsidies and guarantees.	*Legislative provision for the National Council of Research and Technology. A new Law on Research being drafted*
36	Create an Advisory Council financed through the 7th R&D programme, to consider how to foster innovation, how to strengthen links between public research and Greek industries and the development of regional industrial clusters	*Legislative provision for the National Council of Research and Technology. A new Law on Research being drafted*
Structural and Cohesion Funds		
	Increase absorption of Structural and Cohesion Funds:	
37	Meet targets for payment claims (measured against certified data) as specified in the revised MoU	*The target is expected to be achieved*
38	Achieve an annual target of submitting 10 major projects applications to the Commission services.	*4 major projects have been submitted. 6 additional projected expected in December.*

		A Working Group has been set up to pursue quality control of major projects before their submission to the EU
39	Recourse to non-targeted *de minimis* state aid measures are gradually reduced in meeting absorption rate targets	*A letter was sent to the E.C. documenting the targeted nature of current investments. All new notices will be checked in advance to ensure their targeted nature.*
40	Present a report on the activities of the task force assessing progress in ensuring the rapid implementation and absorption of structural funds, and proposing improvements when necessary	*In progress*
41	Adopt legislation to tackle delays in the implementation of public works and investment projects in general. Legislation should inter alia:	*In progress*
	- shorten and simplify judicial procedures challenging contract awards or land expropriation decisions	*Draft Law being prepared*
	- shorten deadlines to get permits by the Central Archaeological Council in Athens	*MoU has been signed (Sept. 2010) between the Ministry of Culture and Tourism and the Ministry of Infrastructure, Transport and Networks to accelerate deadlines for permits for NSRF projects*
	- simplify and shorten procedures to complete studies on environmental impact and to get the approval of environmental terms for infrastructure projects	*Action plan being prepared*

ANNEX F. THE FINANCIAL POSITION OF PUBLIC UNDERTAKINGS AND OTHER PUBLIC ENTITIES

Table F1: Main economic results of the 11 most loss-making state enterprises for 2009

Amounts in million €	OSE (company)	EDISY	TRAINOSE	HLPAP	ISPA	ETHEL	EAS	TEO	ODIE	EAB*	ETA	Total
Total revenues	182	264	106	49	95	196	58	68	263	155	63	1,501
Losses (before taxes)	-482	-174	-231	-69	-93	-316	-165	-15	-28	-90	-48	-1,711
Wage cost	10	259	116	72	105	322	84	12	23	145	20	1,169
Interest payments	373	0	0	16	28	74	46	0	5	30	2	574
Net borrowing ***	8198	-34	-33	308	546	1456	875	-63	145	645	-64	11,980
Wage cost/ Revenues (%)	5.8	98.3	109.8	147.5	110.4	164.0	143.9	18.2	8.6	93.3	31.5	77.9**
Net borrowing/ Revenues	45.0	-0.1	-0.3	6.3	5.7	7.4	15.0	-0.9	0.5	4.2	-1.0	8.0**

Note: *: data for EAB are based on the IFRS; **: average instead of total; *** net borrowing is defined as total borrowing minus cash. **Source**: Secretariat for Public Enterprises and Entities of the Ministry of Finance

Table F2: Statement of Financial Position of 30 Public Enterprises for the 1st semester 2010

	HELEXPO	HEALTH UNITS S.A.	THESSALONIKI INTERNATIONAL FAIR S.A.	PUBLIC CORPRATION FOR THE CONSTRUCTION OF HOSPITAL UNITS S.A.	HELLENIC DEFENSE SYSTEMS S.A. (EVO-PYRKAL)	THERMAL BUSES CORPORATION (ETHEL S.A.)	GREEK FILM CENTRE	HELLENIC CENTRE OF POTTERY S.A. (ELKEA S.A.)	HELLENIC FESTIVAL SA
ASSETS									
A. CAPITAL OUTSTANDING									
B. FORMATION EXPENSES									
Cost	1,138,487	1,028,542	5,757,937	127,818	5,602,176	32,000	583,862	22,351	119,124
Depreciation	992,452	737,427	5,566,413	21,000	5,117,670		559,140	22,351	114,637
Carrying Value	146,036	291,115	191,524	106,818	484,505	32,000	24,722	0	4,487
C. NON CURRENT ASSETS									
I. PROPERTY PLANT AND EQUIPMENT									
Cost	5,464,325	15,058,339	145,365,444	455,497,077	416,208,800	542,207,000	68,344,038	3,089,624	4,506,088
Depreciation	4,071,565	5,027,943	35,011,830	52,000	211,275,391	350,184,000	57,639,925	1,706,748	2,830,437
Carrying Value	1,392,760	10,030,396	110,353,613	455,445,077	204,933,409	192,023,000	10,704,113	1,382,876	1,675,651
II. FINANCIAL ASSETS	75,000	23,000	310,068	1,144	9,882,722	22,000	61,925		35,746
TOTAL NON CURRENT ASSETS (CI+CII)	1,467,760	10,053,396	110,663,682	455,446,221	214,816,130	192,045,000	10,766,038	1,382,876	1,711,398
D. CURRENT ASSETS									
I. Inventory	97,996	240,234			220,830,864	24,575,500		34,000	
II. Trade and other receivables	19,025,673	1,256,685	16,633,980	198,470	159,789,048	78,981,000	6,951,460	148,114	5,667,572
III. Securities					2,148				
IV. Cash and cash equivalents	4,115,548	127,423	8,261,910	11,651,900	1,880,310	1,667,000	56,830	856,346	850,082
TOTAL CURRENT ASSETS (DI+DII+DIII+DIV)	23,239,217	1,624,342	24,895,890	11,850,371	382,502,371	105,223,500	7,008,290	1,038,460	6,517,654
E. INTERIM ACCOUNTS	219,082	181,667	859,266		426,985		18,181		
TOTAL ASSETS (A+B+C+D+E)	25,072,095	12,150,520	136,610,362	467,403,410	598,229,991	297,300,500	17,817,232	2,421,336	8,233,539
MEMO ACCOUNTS			29,002	89,157,655	179,302,932		7,076,650		447,848
LIABILITIES									
A. EQUITY									
I. Share Capital	1,546,888	12,000,000	128,088,490	586,941	493,010,887	914,633,000	205,429	1,444,393	210,000
II. Share Premium		35,000							89,955
III. Revaluation Reserve / Grants		2,276,526	4,478,748	452,098,789	14,522,472		10,838,788		
IV. Reserves	3,365,421		96,099		1,058,444	20,000	4,950,284	47,815	
V. Retained earnings	5,944,360	(3,045,354)	(881,891)		(970,385,291)	(2,391,973,500)	(2,307,167)	40,047	195,749
VI. Share capital increase					890,137	70,573,000			
TOTAL EQUITY (AI+AII+AIII+AIV+AV+AVI)	10,856,669	11,266,172	131,781,446	452,685,729	(460,903,351)	(1,406,747,500)	13,687,335	1,532,255	495,704
B. PROVISIONS FOR LIABILITIES AND CHARGES	1,532,709	205,509	657,266		10,460,530	3,540,000	492,141		
C. LIABILITIES									
I. NON CURRENT LIABILITIES	902,171				812,234,639	1,471,881,000			
II. CURRENT LIABILITIES	11,399,016	675,764	3,212,570	14,717,680	224,902,780	204,212,000	3,616,414	56,423	6,750,734
TOTAL LIABILITIES (CI+CII)	12,301,187	675,764	3,212,570	14,717,680	1,037,137,420	1,676,093,000	3,616,414	56,423	6,750,734
D. INTERIM ACCOUNTS	381,530	3,075	959,080		11,535,393	24,415,000	21,342	832,658	987,101
TOTAL LIABILITIES (A+B+C+D)	25,072,095	12,150,520	136,610,362	467,403,410	598,229,991	297,300,500	17,817,232	2,421,336	8,233,539
MEMO ACCOUNTS			29,002	89,157,655	179,302,932		7,076,650		447,848

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F2: Statement of Financial Position of 30 Public Enterprises for the 1st semester 2010 (continued)

	TOURISM DEVELOPMENT CO.	ETANAL S.A. (FISHERIES DEVELOPMENT COMPANY)	IDIKA S.A.	TROLLEY BUSES CORP. (ILPAP S.A.)	ATHENS-PIRAEUS ELECTRICAL RAILWAYS (ISAP S.A.)	GREEK FUR CENTER	INFORMATION SOCIETY	IPIROS METALWORKS INDUSTRY (MBH) S.A.	ATHENS URBAN TRANSPORT ORG. (OASA S.A.)
ASSETS									
A. CAPITAL OUTSTANDING	0					0			
B. FORMATION EXPENSES									
Cost	31,614,347	55,887		2,823,888	1,194,459	0	428,852		7,586,340
Depreciation	27,246,284	50,972		1,801,033	1,084,319	0	427,642		3,616,354
Carrying Value	4,368,063	4,915	0	1,022,855	110,140	0	1,210	0	3,969,987
C. NON CURRENT ASSETS									
I. PROPERTY PLANT AND EQUIPMENT									
Cost	316,855,808	106,677	2,795,804	250,970,792	676,636,091	501,331	1,307,404	13,184,783	75,899,213
Depreciation	37,780,168	89,004	1,718,463	180,863,050	225,536,370	462,747	1,299,572	12,678,508	3,958,876
Carrying Value	279,075,640	17,673	1,077,341	70,107,742	451,099,721	38,583	7,832	506,275	71,940,337
II. FINANCIAL ASSETS	33,283,790	517	32,810	240,337	317,203	10,695	119,040	15,862	4,368,095,814
TOTAL NON CURRENT ASSETS (CI+CII)	312,359,430	18,190	1,110,151	70,348,079	451,416,924	49,278	126,872	522,137	4,440,036,151
D. CURRENT ASSETS									
I. Inventory	596,097			10,526,257	6,722,188	0		3,161,340	0
II. Trade and other receivables	56,043,160	86,119	13,703,389	10,864,664	38,140,580	76,654	3,539,027	354,609	507,782,561
III. Securities	43,000,000	18,813				0		3,000	9,979,500
IV. Cash and cash equivalents	3,308,582	1,854,576	180,389	2,880,875	20,430,338	437,014	7,744,027	2,624,722	699,901
TOTAL CURRENT ASSETS (DI+DII+DIII+DIV)	102,947,840	1,959,508	13,883,778	24,271,796	65,293,106	513,668	11,283,054	6,143,671	518,461,962
E. INTERIM ACCOUNTS	5,470,559	7,328		169	1,493	0	50,188,062	4,523	186
TOTAL ASSETS (A+B+C+D+E)	425,145,892	1,989,941	14,993,929	95,642,899	516,821,662	562,946	61,599,198	6,670,331	4,962,468,285
MEMO ACCOUNTS	69,965,420	19,222		13,979,794		9,394		280,000	
LIABILITIES									
A. EQUITY									
I. Share Capital	301,850,000	146,500	3,000,000	509,485,558	707,925,477	58,600	5,000,000	5,302,137	2,223,200,862
II. Share Premium	0					0		8,510	
III. Revaluation Reserve / Grants	2,077,424				29,183,546	22,941	51		2,616
IV. Reserves	28,900,174	497,963	1,589,749	461,020		12,879			890,118
V. Retained earnings	(17,059,793)	293,010		(781,523,036)	(969,870,382)	101,743	(9,502,670)	(19,124,057)	(40,178,925)
VI. Share capital increase	0				64,834,105	0		14,301,603	141,783,882
TOTAL EQUITY (AI+AII+AIII+AIV+AV+AVI)	315,767,804	937,473	4,589,749	(271,576,457)	(167,927,254)	196,163	(4,502,619)	488,193	2,325,698,553
B. PROVISIONS FOR LIABILITIES AND CHARGES	26,663,316			16,652,926	34,163,260	35	30,944		3,956,431
C. LIABILITIES									
I. NON CURRENT LIABILITIES	36,882,778		309,133	284,428,058	565,354,141	0		4,850,000	2,140,450,000
II. CURRENT LIABILITIES	44,694,930	1,052,468	6,965,043	60,479,995	77,829,083	121,018	57,617,402	1,332,138	491,881,288
TOTAL LIABILITIES (CI+CII)	81,577,708	1,052,468	7,274,176	344,908,053	643,183,224	121,018	57,617,402	6,182,138	2,632,331,288
D. INTERIM ACCOUNTS	1,137,065		3,130,004	5,658,377	7,402,432	245,730	8,453,471		482,013
TOTAL LIABILITIES (A+B+C+D)	425,145,892	1,989,941	14,993,929	95,642,899	516,821,662	562,946	61,599,198	6,670,331	4,962,468,285
MEMO ACCOUNTS	69,965,420	19,222		13,979,794		9,394		280,000	

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F2: Statement of Financial Position of 30 Public Enterprises for the 1st semester 2010 (continued)

	PUBLIC MATERIAL ADMINISTRATION ORG.	HELLENIC HORSE RACING ORG.	VOLOS PORT AUTHORITY S.A.	ELEFSINA PORT AUTHORITY S.A.	HERAKLION PORT AUTHORITY S.A.	KAVALA PORT AUTHORITY S.A.	LAVRIO PORT AUTHORITY S.A.	PATRAS PORT AUTHORITY S.A.	NATIONAL SCHOOL BUILDINGS ORG. (OSK S.A.)	EMPLOYMENT OBSERVATORY RESEARCH-INFORMATICS	NATIONAL HIGHWAYS FUND (TEO S.A.)	DIGITAL AID S.A.
ASSETS												
A. CAPITAL OUTSTANDING				0								
B. FORMATION EXPENSES												
Cost	930,531		8,420	374,867	1,641,490	711,501	668,596	229,365	747,380	13,863	3,992,924	22,405
Depreciation	873,199		5,824	373,874	1,330,141	469,124	521,263	117,771	630,340	13,347	3,045,833	
Carrying Value	57,332	0	2,596	994	311,349	242,376	147,332	111,594	117,040	516	947,091	22,405
C. NON CURRENT ASSETS												
I. PROPERTY PLANT AND EQUIPMENT												
Cost	38,793,923	188,952,881	13,794,003	1,902,770	17,914,883	7,506,110	2,805,634	27,132,946	1,836,385,817	2,391,305	19,047,532	126,647
Depreciation	3,424,432	12,834,612	7,339,186	935,419	7,011,547	3,716,383	575,090	9,534,553	3,567,627	1,453,308	11,271,427	
Carrying Value	35,369,491	176,118,269	6,454,817	967,351	10,903,336	3,789,727	2,230,544	17,598,393	1,832,818,190	937,997	7,776,105	126,647
II. FINANCIAL ASSETS		80,962	27,790	0	10,724	400		81,870	52,635	1,728	91,494	13,076
TOTAL NON CURRENT ASSETS (CI+CII)	35,369,491	176,199,230	6,482,608	967,351	10,914,060	3,790,127	2,230,544	17,680,263	1,832,870,825	939,725	7,867,599	139,723
D. CURRENT ASSETS												
I. Inventory		380,750	250,000	0	85,510		240	57,585				
II. Trade and other receivables	5,943,160	90,841,455	1,445,230	355,224	5,265,288	811,141	1,041,145	3,365,492	11,977,431	116,064	28,582,640	
III. Securities				0	528			500,449	946			0
IV. Cash and cash equivalents	699,302	2,594,298	348,781	820,037	2,810,843	2,215,225	51,938	5,129,200	80,015,559	5,879,677	63,467,973	9,941,675
TOTAL CURRENT ASSETS (DI+DII+DIII+DIV)	6,642,462	93,816,503	2,044,010	1,175,261	8,162,169	3,026,366	1,093,323	9,052,726	91,993,936	5,995,741	92,050,613	9,941,675
E. INTERIM ACCOUNTS	20,631			894,406	23,174	96,108	231	27,712	95,483	1,873,902	5,102	1,410,218
TOTAL ASSETS (A+B+C+D+E)	42,089,915	270,015,734	8,529,213	3,038,012	19,410,752	7,154,977	3,471,430	26,872,295	1,925,077,285	8,809,883	100,870,405	11,514,022
MEMO ACCOUNTS	1,486,740	2,694,391	478,031	0	1,996,371	501,753	357,595		166,710,099			
LIABILITIES												
A. EQUITY												
I. Share Capital	21,648,594	94,512,045	8,192,157	895,400	1,533,515	8,605,775	303,051	17,389,590	264,750,137	293,470	56,407,328	2,000,000
II. Share Premium				0								
III. Revaluation Reserve / Grants	28,822,180		267,571	120,268	15,097,491			4,325,892	1,074,218,116			149,052
IV. Reserves	1,087,213	4,724,725		66,271	82,679		964,836	3,157,255	429,672	68,824	15,659,742	
V. Retained earnings	(17,649,046)	(135,481,397)	(2,688,667)	1,268,500	414,704	(1,880,097)	1,329,314	(668,505)	7,095,348	8,091,324	4,961,011	9,248,458
VI. Share capital increase				0								
TOTAL EQUITY (AI+AII+AIII+AIV+AV+AVI)	33,908,941	(36,244,627)	5,771,061	2,350,439	17,128,388	6,725,678	2,597,201	24,204,232	1,346,493,273	8,453,619	77,028,081	11,397,510
B. PROVISIONS FOR LIABILITIES AND CHARGES	772,602	1,400,000	905,626	460,403	657,307	3,115	18,660	793,300	2,825,318	326,490	348,765	
C. LIABILITIES												
I. NON CURRENT LIABILITIES		131,335,504		0	224,452	8,670			528,688,059		4,485,785	
II. CURRENT LIABILITIES	7,385,514	173,158,482	1,852,526	204,362	1,115,594	359,638	832,025	1,874,763	43,842,278	29,775	18,136,210	116,512
TOTAL LIABILITIES (CI+CII)	7,385,514	304,493,986	1,852,526	204,362	1,340,046	368,309	832,025	1,874,763	572,530,337	29,775	22,621,995	116,512
D. INTERIM ACCOUNTS	22,858	366,375		22,808	285,012	57,876	23,544		3,228,357		871,564	
TOTAL LIABILITIES (A+B+C+D)	42,089,915	270,015,734	8,529,213	3,038,012	19,410,752	7,154,977	3,471,430	26,872,295	1,925,077,285	8,809,883	100,870,405	11,514,022
MEMO ACCOUNTS	1,486,740	2,694,391	478,031	0	1,996,371	501,753	357,595		166,710,099			

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F3: Income Statement of 30 Public Enterprises for the 1st semester of 2010

	HELEXPO	HEALTH UNITS S.A.	THESSALONIKI INTERNATIONAL FAIR S.A.	PUBLIC CORPRATION FOR THE CONSTRUCTION OF HOSPITAL UNITS S.A.	HELLENIC DEFENSE SYSTEMS S.A. (EVO-PYRKAL)	THERMAL BUSES CORPORATION (ETHEL S.A.)	GREEK FILM CENTRE	HELLENIC CENTRE OF POTTERY S.A. (ELKEA S.A.)	HELLENIC FESTIVAL SA	TOURISM DEVELOPMENT CO.	ETANAL S.A. (FISHERIES DEVELOPMENT COMPANY)	IDIKA S.A.
Operating Results												
Revenue (Sales)	9,482,548	786,110	3,311,378	2,514,498	7,862,006	50,795,000	165,290	60,981	2,144,315	18,053,795	406,909	11,199,617
LESS: Cost of Sales	6,516,316	1,406,788	2,162,396	0	7,452,172	172,748,500	1,531,710	38,640	4,258,035	10,340,896	5,678	10,475,346
Gross Operating Result (Profit or Loss)	2,966,232	(620,679)	1,148,982	2,514,498	409,833	(121,953,500)	(1,366,420)	22,341	(2,113,720)	7,712,899	401,231	724,270
PLUS: Other Income	2,705	658,421	449,094	133	378,117	68,725,000	918,721	283,339	3,895,112	177,911		917
Total	2,968,937	37,742	1,598,076	2,514,631	787,950	(53,228,500)	(447,699)	305,680	1,781,392	7,890,811	401,231	725,188
LESS: Administrative expenses and Distribution cost	2,192,354	865,064	1,516,926	2,587,631	38,592,490	12,844,500	1,809,179	309,340	1,344,643	6,023,743	473,237	725,378
Operating Results (Profit or Loss)	776,583	(827,322)	81,150	(73,000)	(37,804,540)	(66,073,000)	(2,256,878)	(3,660)	436,750	1,867,068	(72,005)	(190)
PLUS: Finance Income (eg. Interest income)	4,999	5,961	138,405		112,563	89,000	420	5,179	75	5,688,676	20,694	190
LESS: Finance Cost (eg. Interest charges)	3,203	88	316		23,418,584	2,314,000	9,865	280	20,590	1,047,837	113	
Total Operating Results (Profit or Loss)	778,378	(821,449)	219,239	(73,000)	(61,110,561)	(68,298,000)	(2,266,323)	1,239	416,234	6,507,907	(51,425)	0
PLUS: Extraordinary and non-operating income	7,401	1,929	3,994	73,000	450,683	852,000	18		19,000	3,964,260	2,011	
LESS: Extraordinary and non-operating expenses	70,716	680	1,521		1,909,142	189,500	40,862		140,502	10,057,947	0	
Operating and extraordinary results (Profit or Loss)	715,063	(820,200)	221,712	0	(62,569,020)	(67,635,500)	(2,307,167)	1,239	294,732	414,219	(49,414)	0
LESS: Depreciation	265,774		1,411,076	73,000	3,368,625		1,816,175			3,823,157	6,460	375,000
Less : Depreciation included in operating cost	265,774		1,411,076	73,000	3,368,625		1,816,175			3,823,157	6,460	375,000
NET RESULT (PROFIT OR LOSS)	715,063	(820,200)	221,712	0	(62,569,020)	(67,635,500)	(2,307,167)	1,239	294,732	414,219	(49,414)	0

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F3: Income Statement of 30 Public Enterprises for the 1st semester of 2010 (continued)

	TROLLEY BUSES CORP. (ILPAP S.A.)	ATHENS-PIRAEUS ELECTRICAL RAILWAYS (ISAP S.A.)	GREEK FUR CENTER	INFORMATION SOCIETY	IPIROS METALWORKS INDUSTRY (MBH) S.A.	ATHENS URBAN TRANSPORT ORG. (OASA S.A.)	PUBLIC MATERIAL ADMINISTRATION ORG.	HELLENIC HORSE RACING ORG.	VOLOS PORT AUTHORITY S.A.	ELEFSINA PORT AUTHORITY S.A.	HERAKLION PORT AUTHORITY S.A.
Operating Results											
Revenue (Sales)	9,702,031	24,317,449	1,225	603,947	4,628,624	5,940,329	61,150	109,367,226	2,498,393	1,467,785	2,741,472
LESS: Cost of Sales	41,872,074	58,700,513	0	3,880,502	3,934,330	5,564,310		115,573,523	2,666,697	660,588	2,973,533
Gross Operating Result (Profit or Loss)	(32,170,042)	(34,383,064)	1,225	(3,276,555)	694,294	376,020	61,150	(6,206,297)	(168,304)	807,198	(232,061)
PLUS: Other Income	20,286,124	24,762,956	341,496		16,641	0	3,573,338	491,967	253,467	0	543,679
Total	(11,883,918)	(9,620,109)	342,721	(3,276,555)	710,935	376,020	3,634,489	(5,714,330)	85,163	807,198	311,617
LESS: Administrative expenses and Distribution cost	4,459,766	10,358,914	348,192		907,227	2,162,229	3,977,707	4,326,134		520,680	701,246
Operating Results (Profit or Loss)	(16,343,685)	(19,979,023)	(5,471)	(3,276,555)	(196,292)	(1,786,210)	(343,218)	(10,040,464)	85,163	286,518	(389,629)
PLUS: Finance Income (eg. Interest income)	29,828	76,207	1,600	5,383	13,468	217,129	19,275	10,065	1,618	2,270	91,829
LESS: Finance Cost (eg. Interest charges)	344,263	1,136,119	84	37,826	825	55,230	246	1,617,982		298	
Total Operating Results (Profit or Loss)	(16,658,119)	(21,038,935)	(3,956)	(3,308,998)	(183,649)	(1,624,311)	(324,188)	(11,648,381)	86,781	288,489	(297,800)
PLUS: Extraordinary and non-operating income	493,156	1,443,529	6,502	6,330	303	144,699	90,328	810,323	154	418	588,153
LESS: Extraordinary and non-operating expenses	51,994	1,514,422	61	37,240	991	140,320	463,220	245,813	24,490	4,855	1,892
Operating and extraordinary results (Profit or Loss)	(16,216,957)	(21,109,828)	2,485	(3,339,908)	(184,337)	(1,619,932)	(697,080)	(11,083,871)	62,446	284,053	288,462
LESS: Depreciation	6,287,352	11,642,394	6,489	3,564	53,054	676,347	139,321	4,237,601	273,222	62,437	722,065
Less : Depreciation included in operating cost	6,287,352	11,642,394	6,489	3,564	53,054	676,347	139,321	4,237,601	273,222	62,437	722,065
NET RESULT (PROFIT OR LOSS)	(16,216,957)	(21,109,828)	2,485	(3,339,908)	(184,337)	(1,619,932)	(697,080)	(11,083,871)	62,446	284,053	288,462

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F3: Income Statement of 30 Public Enterprises for the 1st semester of 2010 (continued)

	KAVALA PORT AUTHORITY S.A.	LAVRIO PORT AUTHORITY S.A.	PATRAS PORT AUTHORITY S.A.	NATIONAL SCHOOL BUILDINGS ORG. (OSK S.A.)	EMPLOYMENT OBSERVATORY RESEARCH-INFORMATICS (PAEP S.A.)	NATIONAL HIGHWAYS FUND (TEO S.A.)	TRAINOSE S.A. (OPERATING RAILWAY COMPANY)	DIGITAL AMPLIFICATION S.A.
Operating Results								
Revenue (Sales)	636,122	751,182	3,124,754	16,316,064		18,098,382	50,858,313	49,995,000
LESS: Cost of Sales	456,731	324,804	2,372,124	0		19,186,767	132,929,678	40,768,497
Gross Operating Result (Profit or Loss)	179,391	426,378	752,630	16,316,064	0	(1,088,385)	(82,071,365)	9,226,503
PLUS: Other Income	395,682			3,670,637		5,382,965	1,017,243	
Total	575,073	426,378	752,630	19,986,701	0	4,294,580	(81,054,122)	9,226,503
LESS: Administrative expenses and Distribution cost	373,689	332,474	1,516,603	10,365,781	845,177	1,836,367	13,136,960	
Operating Results (Profit or Loss)	201,384	93,904	(763,973)	9,620,919	(845,177)	2,458,213	(94,191,081)	9,226,503
PLUS: Finance Income (eg. Interest income)	28,238	127	95,934	248,889	89,787	819,681	257,539	6,328
LESS: Finance Cost (eg. Interest charges)	2,437	351		9,440,487	70	4,858	20,816	4,036
Total Operating Results (Profit or Loss)	227,185	93,680	(668,039)	429,321	(755,460)	3,273,036	(93,954,359)	9,228,794
PLUS: Extraordinary and non-operating income	4,347	86,444	56,122	439,273	1,443	1,967	343,953	
LESS: Extraordinary and non-operating expenses	3,911	10,506	56,588	234,824	9,864	106,812	2,986,300	
Operating and extraordinary results (Profit or Loss)	227,621	169,619	(668,505)	633,770	(763,881)	3,168,191	(96,596,707)	9,228,794
LESS: Depreciation			807,200	241,480	36,483	624,664	211,324	
Less : Depreciation included in operating cost			807,200	241,480	36,483	624,664	211,324	
NET RESULT (PROFIT OR LOSS)	227,621	169,619	(668,505)	633,770	(763,881)	3,168,191	(96,596,707)	9,228,794

Source: MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** All data presented according to Greek General Chart of Accounts except those of Hellenic Aerospace Industry, which are submitted according to the IFRS and therefore there are no available data on a quarterly basis. The quarterly data submitted in the system are according to the Greek General Chart of Accounts and are not audited by external auditors. The majority of the companies apply the I.F.R.S. and their annual results audited by external auditors are published in the press, after the approval of the Annual Shareholders' Meeting.

Table F4: Wage cost of 52 Public Enterprises

	Public Enterprise	FINAL OUTCOME A' SEMESTER 2009	FINAL OUTCOME A' SEMESTER 2010	DIFFERENCE	% OF DIFFERENCE
1	THERMAL BUSES CORPORATION (ETHEL S.A.)	152,805,000.00	141,146,000.00	-11,659,000.00	-8%
2	RAILWAY INFRASTRUCTURE MANAGER (EDISY S.A.)	120,887,376.50	108,743,126.88	-12,144,249.62	-10%
3	HELLENIC AEROSPACE INDUSTRY S.A.	68,489,719.12	73,202,000.00	-3,400,000.00	-5%
4	TRAINOSE S.A. (OPERATING RAILWAY COMPANY)	54,376,175.31	50,035,282.45	-4,340,892.86	-8%
5	ATHENS-PIRAEUS ELECTRICAL RAILWAYS (ISAP S.A.)	49,826,530.89	44,974,251.55	-4,852,279.34	-10%
6	HELLENIC DEFENSE SYSTEMS S.A.(EVO-PYRKAL)	45,656,898.25	39,548,824.43	-6,108,073.82	-13%
7	TROLLEY BUSES CORP. (ILPAP S.A.)	33,727,889.30	30,612,132.51	-3,115,756.79	-9%
8	HELLENIC HORSE RACING ORG.	11,647,867.41	9,140,943.81	-2,506,923.60	-22%
9	NATIONAL HIGHWAYS FUND (TEO S.A.)	7,269,208.00	3,517,739.00	-3,751,469.00	-52%
10	HELLENIC RAILWAYS (OSE S.A.)	4,896,839.65	4,285,877.07	-610,962.58	-12%
11	TOURISM DEVELOPMENT CO.	10,560,042.56	6,968,940.00	-3,591,102.56	-34%
12	IDIKA S.A.	9,236,939.11	8,614,247.13	-622,691.98	-7%
13	NATIONAL SCHOOL BUILDINGS ORG. (OSK S.A.)	9,819,097.86	8,422,720.98	-1,396,376.88	-14%
14	ATHENS URBAN TRANSPORT ORG. (OASA S.A.)	6,374,901.96	6,045,892.18	-329,009.78	-5%
15	HELLENIC ORGANISATION OF SMALL AND MEDIUM SIZED ENTERPRISES AND HANDICRAFT S.A.	5,067,332.46	4,764,817.64	-302,514.82	-6%
16	PUBLIC ESTATE CORP.	4,666,305.86	4,172,835.40	-493,470.46	-11%
17	PUBLIC MATERIAL ADMINISTRATION ORG.	3,453,000.00	2,952,633.91	-500,366.09	-14%
18	HELLENIC FOREIGN TRADE BOARD	2,978,749.00	2,514,548.00	-464,201.00	-16%
19	PATRAS PORT AUTHORITY S.A.	1,514,133.67	1,993,692.67	479,559.00	32%
20	IPIROS METALWORKS INDUSTRY (MBH) S.A.	2,003,639.31	1,938,736.92	-64,902.39	-3%
21	HERAKLION PORT AUTHORITY S.A.	1,817,373.02	1,872,962.42	55,589.40	3%
22	HELLENIC ORGANIZATION FOR STANDARIZATION S.A.	1,986,230.00	1,781,123.72	-205,106.28	-10%
23	HEALTH UNITS S.A.	1,769,093.15	1,710,242.08	-58,851.07	-3%
24	PUBLIC CORPRATION FOR THE CONSTRUCTION OF HOSPITAL UNITS S.A.	1,713,890.00	1,693,101.28	-20,788.72	-1%
25	VOCATIONAL TRAINING S.A.	1,960,574.93	1,614,805.11	-345,769.82	-18%
26	VOLOS PORT AUTHORITY S.A.	1,591,504.00	1,601,815.07	10,311.07	1%
27	INSTITUTE OF PHARMACEUTICAL RESEARCH AND TECHNOLOGY S.A. (IFET)	1,160,324.81	1,432,676.29	272,351.48	23%
28	HELEXPO	1,561,033.45	1,335,817.43	-225,216.02	-14%
29	INFORMATION SOCIETY	882,000.00	1,074,983.00	192,983.00	22%
30	THESSALONIKI INTERNATIONAL FAIR S.A.	1,315,044.59	1,054,170.00	-260,874.59	-20%
31	HELLENIC FESTIVAL SA	881,715.25	934,615.97	52,900.72	6%
32	HELLENIC SALTWORKS S.A.	864,497.00	806,969.00	-57,528.00	-7%
33	GREEK FILM CENTRE	755,122.83	791,152.45	36,029.62	5%
34	ATHENS CENTRAL MARKET S.A.	1,015,041.99	757,802.96	-257,239.03	-25%
35	INVEST IN GREECE AGENCY	861,605.43	700,376.61	-161,228.82	-19%
36	EMPLOYMENT OBSERVATORY RESEARCH-INFORMATICS (PAEP S.A.)	897,209.64	677,709.15	-219,500.49	-24%
37	TECHNOLOGY AND DESIGN CENTRE (ELKEDE S.A.)	527,567.75	558,518.18	30,950.43	6%
38	THESSALONIKI CENTRAL MARKET ORG.	565,396.88	512,793.39	-52,603.49	-9%
39	ELEFSINA PORT AUTHORITY S.A.	385,808.91	461,462.34	75,653.43	20%
40	KAVALA PORT AUTHORITY S.A.	354,967.00	404,755.95	49,788.95	14%

Table F4: Wage cost of 52 Public Enterprises (continued)

	Public Enterprise	FINAL OUTCOME A' SEMESTER 2009	FINAL OUTCOME A' SEMESTER 2010	DIFFERENCE	% OF DIFFERENCE
41	IGOUMENITSA PORT AUTHORITY S.A.	410,901.07	400,008.75	-10,892.32	-3%
42	ETANAL S.A. (FISHERIES DEVELOPMENT COMPANY)	281,926.06	357,527.28	75,601.22	27%
43	GAIA OSE S.A.	385,756.72	340,371.27	-45,385.45	-12%
44	RAFINA PORT AUTHORITY S.A.	274,842.41	307,625.55	32,783.14	12%
45	DIGITAL AID S.A.	169,154.01	287,626.41	118,472.40	70%
46	RESEARCH CENTER FOR BIOMATERIALS (EKEVYL S.A.)	278,365.00	259,704.00	-18,661.00	-7%
47	KERKYRA PORT AUTHORITY S.A.	206,850.58	214,229.09	7,378.51	4%
48	LAVRIO PORT AUTHORITY S.A.	183,314.50	181,353.09	-1,961.41	-1%
49	HELLENIC CENTER OF GOLD SILVERSMITHSS TRADE (ELKA S.A.)	145,216.11	134,991.19	-10,224.92	-7%
50	ALEXANDROUPOLI PORT AUTHORITY S.A.	140,050.00	119,853.24	-20,196.76	-14%
51	HELLENIC CENTRE OF POTTERY S.A. (ELKEA S.A.)	160,388.00	110,232.00	-50,156.00	-31%
52	GREEK FUR CENTER	70,397.04	83,867.07	13,470.03	19%
	TOTAL	**630,830,808.35**	**578,170,483.87**	**-52,660,324.48**	**-8%**

Source: MIS system that connects the Special Secretariat with the Public Enterprises.

ANNEX G: REPORT FROM THE BANK OF GREECE

BANK OF GREECE

EUROSYSTEM

The MoU commits the Bank of Greece to “reduce remuneration of its staff in light of the overall effort of fiscal consolidation.” In this regard, during the period from January through September, the Bank’s wage bill declined by 3.6 percent on an annualized basis. The same rate of decline is projected for the entire year, 2010. In regards to the proposed elimination of a half-salary allowance paid to staff members each year in March, this allowance is part of a collective wage bargaining agreement (made in 1984), applying to the entire banking sector; the agreement has been ratified by law. Therefore, it can only be eliminated, or withdrawn, with a new law.

Regarding the progress in strengthening the supervision function, the Bank of Greece is proceeding with the recruitment of qualified personnel so that it can satisfy its present and future needs and obligations. The Supervision Department requested thirty new staff members, specialized in risk management, finance and accounting/auditing; the Financial Stability Department requested an additional five-staff members. Both requests were approved by Management. The recruitment process is monitored by ASEP; hence, the timing of this process is outside of the Bank of Greece’s control. Currently formalities are finalized.