



HELLENIC REPUBLIC

MINISTRY OF FINANCE

# The economic adjustment programme for Greece

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

May 2011

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## 1. Introduction

The current report has been drafted as a response to the Council Decision 2010/320/EU<sup>1</sup> 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 and subsequent amendments. It intends to update and complement the previous report which was submitted in February 2011.<sup>2</sup>

## 2. Overview of macroeconomic scenario

Real GDP is set to contract significantly in the 2010-2011 period (4 p.p. on average during the two-year period), and to recover thereafter, registering a positive and gradually accelerating growth rate from 2012 onwards. A gradual but robust recovery is projected for gross fixed capital formation (starting from 2013) while private consumption and government consumption are expected to recover as of 2013 and 2015 respectively. A buoyant growth is projected for exports of goods and services, driving the return of current account balance on a sustainable path. Also, inflation is expected to decelerate, as a result of domestic demand tightening and structural reforms in the product and services market; however, this process is expected to be gradual as it takes time for indirect tax hikes to fade off. Employment is expected to start recovering as of 2013, with the unemployment rate peaking in 2012 and declining thereafter.

Regarding 2010, real GDP growth is estimated at -4.5%<sup>3</sup>, with private consumption falling by 4.5% recording a particularly strong contraction in the fourth quarter (-7.4% y.o.y.) mainly as a result of developments in employment, disposable income, credit expansion and consumer sentiment. Government consumption is estimated to have decreased by 6.5%, mainly as a result of permanent measures affecting employment and remuneration in the public sector. Gross fixed capital formation moved on very negative ground (-16.5%), as a result of a negative business sentiment, falling capacity utilization and restrained supply of credit.

On the other hand, the contribution of the external sector to GDP change is estimated to be positive (2.3 p.p.). This development stems from real imports falling significantly (-4.8%) and real exports recording an impressive rebound (+3.8% vs. -20.1% in 2009). The latter is mainly the result of a more favourable external environment, gains in domestic price and cost competitiveness and the fact that most Greek firms already export a part of their output (thus having an existing export base which is easier to expand rather than establish starting from scratch)<sup>4</sup>. Regarding competitiveness developments, the real effective exchange rate decreased by 0.5% based on CPI or 3.3% based on the Unit Labour Cost (performance relative to the rest of 35 industrial countries: double export weights).

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<sup>1</sup> Council Decision 2010/320/EU as amended by Council Decision 2010/486/EU and Council Decision 2011/57/EU.

<sup>2</sup> Data on the developments on public sector employees were not available at the time of writing and will be included in the next quarterly report.

<sup>3</sup> Although ELSTAT provisional revised quarterly estimates point to a growth rate in the order of -4.36%.

<sup>4</sup> Quarterly Report of the Euro area, vol. 9, no 3 (2010).

Regarding the production side of the economy, industrial production was down by 5.8%, with manufacturing production falling by 5%, mining and quarrying by 6.5%, electricity by 9.2% and only water supply increasing marginally by (0.7%). The construction activity index fell sharply by 31.6%, hand in hand with business expectations in construction (-27.4% following a decline of 31.4% in 2009).

Inflation (either based on CPI or HICP) was 4.7% on average reflecting, to a large extent, increases in indirect taxes and excise duties; more specifically, it is estimated that approximately 70% of price increases can be attributed to taxation. It comes as no surprise that the CPI components most affected by increases in taxation recorded the highest rates of growth (alcoholic beverages and tobacco +14.8%, transport +16.2%).

As a result of economic activity falling sharply, employment is estimated to have decreased by 3.3%, thus resulting to an unemployment rate of 11.5% (on a national accounts basis). It is an encouraging sign, however, that developments concerning compensation per employee (-2.8% in nominal terms, -7.2% in real terms) and, as a result, unit labour costs (-0.9% in nominal terms, -5.4% in real terms) could be inducing more favourable dynamics in the labour market, also supported by structural reforms.

**Table 1: GDP and its components**

| % changes in volumes, except as indicated | 2010 estimates | 2011 projections |
|---|----------------|------------------|
| GDP                                       | -4.5           | -3.5             |
| Private consumption                       | -4.5           | -4.8             |
| Public consumption                        | -6.5           | -8.4             |
| Gross fixed capital formation             | -16.5          | -7.1             |
| Exports of goods and services             | 3.8            | 6.4              |
| Imports of goods and services             | -4.8           | -4.2             |
| Nominal GDP                               | -2.1           | -2.1             |
| HICP                                      | 4.7            | 2.9              |
| GDP deflator                              | 2.6            | 1.5              |
| Employment*                               | -3.3           | -3.2             |
| Unemployment rate*                        | 11.5           | 14.5             |

*Source: EL.STAT and Ministry of Finance. Note: \*National Accounts basis.*

GDP is projected to start flattening up in 2011 (-3.5%), with recently announced provisional estimates for the first quarter showing an increase in GDP compared to the previous quarter (+0.2%, Q/Q-1).. High frequency indicators already available for the current year strongly support this estimate: turnover in industry, new orders in industry and the latter by the non domestic market increased by 10.2%, 7.8% and 38.8% respectively (January – March period, compared to changes in the order of 5.7%, 5.2% and 15.3% the corresponding period last year). During the same period, exports of goods went up by 31.5% vs. -6.1% last year (on customs basis). On the other hand, industrial production is expected to correspond with a lag, so far still moving on negative ground (-7.3% in the January to April period), while retail sales volume is down by a significant -14.7% (January – March) incorporating a “basis effect” compared to the corresponding period last year (when the correction in private consumption was not yet apparent or commensurate to real income developments). Both private and government consumption are expected to decrease further on a yearly basis (by 4.8% and 8.4% respectively), while gross fixed capital formation is projected at a less steep path (falling by 7.1%). Thus, final domestic demand is expected to decline by 5.8%, again with a negative contribution to GDP growth (-6.4

p.p.). Table 1 presents the annual estimates for 2010 and projections for 2011 for the main macroeconomic aggregates.

### 3. Progress with fiscal adjustment

According to the data available for the execution of the State Budget for the first four months of 2011 (January – April 2011) the State Budget deficit, on a fiscal basis, amounts to 7,246 million euros compared to the target set in the 2011 Budget, i.e. 6,924 million euros. During the same period in 2010, the State Budget deficit amounted to 6,371 million euros.

Expenditures of the State Budget (Ordinary and Public Investment Budget) are lower than the target set in the 2011 Budget (23,292 mil. euros) by 942.3 million euros, while revenues show a shortfall of 1,265 million euros compared to the target set in the 2011 budget (16,368 mil. euros).

**Table 2: Budget execution**

|  | 2010       | 2011       | Change 4 / Months 11/10 | 2011              | 2010             | 2011                | Annual change 11/10 |
|--|------------|------------|-------------------------|-------------------|------------------|---------------------|---------------------|
|  | 4 / Months | 4 / Months |                         | 4 / Months Target | Annual outcome * | Budget Estimates ** |                     |
|  | (1)        | (2)        | (3=2:1)                 | (4)               | (5)              | (6)                 | (7=6:5)             |
| Ordinary Budget  |            |            |                         |                   |                  |                     |                     |
| 1. Net Revenue(a+b-c)  | 15,929     | 14,473     | -9.1                    | 16,340            | 51,187           | 55,560              | 8.5                 |
| a. Revenue before Tax Refunds  | 17,228     | 16,091     | -6.6                    | 17,315            | 56,156           | 59,320              | 5.6                 |
| b. NATO revenue  | 3          | 17         | -                       | 7                 | 13               | 40                  | 207.7               |
| c. Tax refunds   | 1,302      | 1,635      | 25.6                    | 982               | 4,982            | 3,800               | -23.7               |
| 2. Expenditures (a+b+c+d+e+f)  | 20,292     | 21,022     | 3.6                     | 20,842            | 66,432           | 70,788              | 6.6                 |
| a. Primary expenditure ***   | 16,892     | 16,764     | -0.8                    | 16,265            | 51,649           | 52,633              | 1.9                 |
| b. Transfers to hospitals for the settlement of part of their past debt ****   | 0          | 375        | -                       | 267               | 375              | 450                 | 19.9                |
| c. NATO expenditure (from special revenues)                                    | 1          | 1          | -18.2                   | 3                 | 23               | 40                  | 73.9                |
| d. Military procurement programmes   | 7          | 50         | 624.6                   | 557               | 1,017            | 1,600               | 57.3                |
| e. Guarantees called to bodies classified outside the General Government ***** | 53         | 12         | -76.5                   | 45                | 145              | 145                 | 0.0                 |
| f. Interest payments   | 3,339      | 3,819      | 14.4                    | 3,705             | 13,223           | 15,920              | 20.4                |
| Public Investment Program (P.I.B.)   |            |            |                         |                   |                  |                     |                     |
| 3. Revenue   | 299        | 630        | 110.6                   | 28                | 3,072            | 3,922               | 27.7                |
| 4. Expenditure   | 2,308      | 1,328      | -42.5                   | 2,450             | 8,447            | 8,500               | 0.6                 |
| 5. State Budget Deficit (1-2+3-4)  | 6,371      | 7,246      | 13.7                    | 6,924             | 20,620           | 19,806              | -3.9                |

*Source: General Accounting Office, Ministry of Finance*

In particular, net revenues of the ordinary budget amounted to 14,473 million euros, a decline of 9.1% compared to the same period in 2010, mainly due to the recession in the last quarter of 2010 being larger than projected in the Budget. Moreover, this quarter were recorded lower vehicle tax receipts compared to 2010 by 393 million Euros (because the due date for payment

was not extended into January 2011, as in 2010), lower receipts from withholding personal income tax in 2011 due to the more favourable tax treatment of personal income as a result of the new tax law and higher tax refunds for the settlement of past years' obligations.

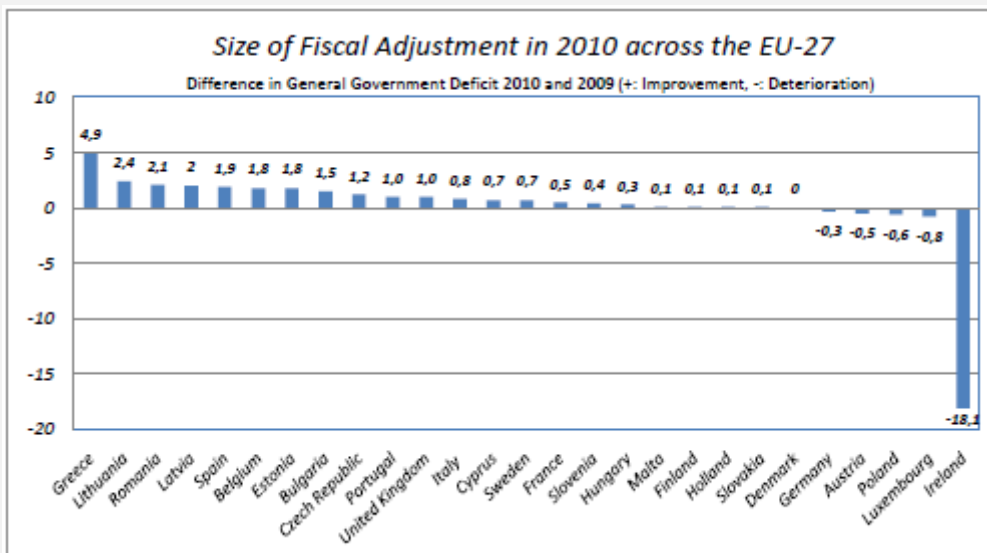
On the other hand, revenues from the Public Investment Budget increased by 110.6% or 331 million euros vis-à-vis the four months of 2010.

Ordinary budget expenditures increased by 3.6% compared to the same period in 2010. This increase is mainly due to the transfer of 375 million euros to hospitals for the settlement of past debts and increased interest payments expenditures by 480 million euros. Primary expenditures, on the other hand, the main indicator of the effort to contain state expenditures, declined by 0.8% or 128 million euros during the same period. Moreover, Public Investment Budget (P.I.B.) expenditures declined by 42.5% or 980 million euros.

Lastly, it should be underlined that the above figures correspond to the execution of the State Budget only and thus do not reflect all fiscal data that are taken into account when measuring the General Government deficit according to the ESA95 (Eurostat's) classification, which is the benchmark for the assessment of the Economic Policy Programme of Greece.

### Box 1: Eurostat fiscal notifications April 2011

According to the announcement made by Eurostat on 26 April 2011, the 2010 General Government deficit for Greece is estimated at 10.5% of GDP. As a result, in 2010 Greece is reported as having the second largest deficit in the E.U after Ireland (-32.4%) and is closely followed by the United Kingdom (-10.4%), Spain (-9.2%) and Portugal (-9.1%). Nevertheless, Greece showed the largest annual reduction among E.U countries in 2010 – 5 percentage points. This reduction is the largest ever achieved by Greece or by any Eurozone Member State in one year. Regarding public debt, based on the data from Eurostat for 2010, Greece had the highest debt in the E.U (142.8% of GDP), with Italy coming second (119% of GDP), followed by Belgium (96.8% of GDP) and Ireland (96.2%).



The observed deviation in the General Government deficit for 2010 relative to the estimate in the State Budget 2011 (9.4% of GDP) is mainly due to the following reasons:

- a) The impact of the recession on GDP in 2010 was larger than anticipated. According to the State Budget 2011, GDP in 2010 was estimated to be 231,888 million Euro while the Hellenic Statistical Authority (ELSTAT) estimates the figure to 230,173 million Euro. This change contributed to an increase in the General Government deficit as a share of GDP by 0.1%.
- b) The deterioration in tax revenues (0.6% of GDP) resulting from the fact that the recession in the last quarter of 2010 was larger than projected in the State Budget 2011. It should be noted that tax revenues for 2010 on a national accounts basis are determined also by the level of certain categories of revenues in the first two months of 2011, which to a large degree reflect economic activity in the last quarter of the previous year.
- c) The deterioration in the fiscal balance of Local Governments (0.25% of GDP) that is due to the payment of past debts at the end of 2010.
- d) The deterioration in the financial performance of Social Security Funds (0.5% of GDP) as the larger than projected increase in unemployment led to a reduction in social security contributions. As with tax revenues, it should be noted that the performance of Social Security Funds for 2010 on a national accounts basis is determined also by the level of certain categories of social security contributions in the first two months of 2011.
- e) The deterioration in the financial performance of public hospitals (0.3% of GDP).

On the other hand, compared to the figures in the State Budget 2011, the fiscal data show an improvement in the balance of reclassified State-owned Enterprises (0.35% of GDP), as well as in the accrued interest payments adjustment of national accounts (0.29% of GDP).

In summary, it is clear that the above-mentioned differences are mainly the result of the deeper than anticipated recession of the Greek economy which affected negatively tax revenues and social security contributions. At the same time, they underline the difficulties in reducing the deficit in areas of the budget or of the public administration where more effort is necessary, such as in addressing tax and social security evasion and containing expenditures in hospitals, social security funds, local administration and public enterprises.

In any case, the Greek Government remains committed to achieving its deficit targets under the Economic Adjustment Programme and all necessary measures in that direction are accounted for in the context of the Medium Term Fiscal Strategy, which will be submitted to Parliament in May 2011.

#### **4. Progress with structural reforms**

Progress with structural reforms continued in the first quarter of 2011, focusing mainly on medium-term budgetary planning, revenue administration reforms, public financial management reforms, fighting waste in public enterprises, asset management, health care system reforms, opening up restricted professions, enhancing competition, and reforms in the transport sector.

In particular, the Greek government has prepared a medium-term budgetary strategy which identifies permanent fiscal consolidation measures in order to meet the medium term fiscal target of a general government deficit less than 3.0% of GDP in 2014 and to put the debt-to-GDP ratio on a sustainable downward path, while the strategy envisions a further reduction in the deficit in

2015. The strategy paper has been adopted by the Ministerial Council in mid April and will be adopted by the Parliament in June (see also section 4.1).

On the revenue administration front, the government has presented a comprehensive anti-evasion plan. The plan spans over the period 2011–13 and includes quantitative performance indicators to hold revenue administration accountable (for more details see section 4.2). Moreover, for the more effective monitoring of the anti-tax evasion plan, the Ministry of Finance has commenced the monthly publication of reports on the work of the five anti-tax evasion taskforces, including a set of progress indicators. In addition, the Greek Parliament has recently adopted a new tax law that aims at completing the legal framework so as to furnish the system with the legal tools necessary for the efficient conduct of tax audits and for the good overall functioning of the system. Through the new tax bill, the Government seeks to establish a strict, fair, and reliable tax system, which rewards and encourages compliance, while protecting the taxpayer and the public interest by preventing fraud and tax evasion. The new law includes measures to streamline the administrative tax dispute and judicial appeal processes, to centralise filing enforcement and debt collection, indirect audit methods and tax return processing, and provides for the required acts and procedures to better address misconduct, corruption and poor performance of tax officials.

Moreover, in order to enhance expenditure control and in line with the new fiscal framework law, financial accounting officers have been appointed to all line Ministries in order to perform sound financial controls, while efforts to make the commitment registries fully operational are continued. Regarding public sector wages, a law committee has been established that will prepare the legislation for a simplified remuneration system in the public sector to be adopted in the next quarter.

Regarding asset management and privatisations, efforts to speed up the privatisation plan continue. To this end, an inventory of state-owned assets is being compiled with the aim to produce the first part of this inventory by end June 2011. Moreover, the Inter-ministerial Committee for Asset Restructuring and Privatisations has appointed privatisation advisors for several public companies under privatisation, including the Hellenic Football Prognostics Organisation (OPAP), State Lottery Tickets, Hellenic Horse Racing Company (ODIE), Hellenic Vehicle Industry S.A. (ELBO), Hellenic Motorways S.A., Natural Gas Storage “South Kavala”, Frequency Spectrum, and for real estate assets. Other privatisation projects, including Hellinikon S.A., 4 Airbus Aircrafts, Hellenic Railways, Public Gas Corporation (DEPA), Hellenic Defence Systems (EAS), Loan and Consignment Fund and Athens International Airport (AIA) are already in full progress. In addition, a new regulatory framework has been adopted (Law 3913/2011) to facilitate the conclusion of concession agreements for regional airports.

On the pension reform front, actuarial studies for the largest supplementary (auxiliary) schemes (ETEAM, TEADY and MTPY), which together deliver over 70% in terms of total expenditures by supplementary funds, have been prepared and the National Actuarial Authority has submitted its long-term projections of pension expenditure up to 2060 under the adopted reform (Laws 3863/2010, 3865/2010). The projection is scheduled to be peer-reviewed and validated by the EU Economic Policy Committee in the next month. Finally, building on important reforms already undertaken over the recent months, the Greek government continued implementing a comprehensive reform of the health care system (for more details see section 4.4).

In addition, regarding fighting waste in public enterprises, the Greek government has already implemented reductions in primary remuneration and limits to secondary remuneration, has imposed a ceiling for gross earnings of EUR 4 000 per month, and has increased urban transport tariffs by at least 30% and established actions to reduce operating expenditure in public



companies between 15 to 25% (see also chapter 10). An action plan for the restructuring of state-owned enterprises and other public entities leading to the closure of non-viable enterprises and extra-budgetary funds has already been incorporated in the medium-term budgetary strategy. Moreover, an act has been adopted for the restructuring of the Athens transport network (OASA) and the implementation of the business plan is underway. In addition, monitoring and enforcement mechanisms have been put in place in order to avoid deviations from the plan. Furthermore, enhanced monitoring of the financial situation of public enterprises is ensured through the monthly publication of information on the accounts of public enterprises classified in general government, based on the central registry for public enterprises. The Greek government has also adopted legislation (Law 3965/2011) that revises state-owned corporate governance, with the aim of adopting management in accordance with international best practices.

On the financial sector, the Parliament has adopted legislation to unbundle the core consignment activity of the Loan and Consignment Fund from deposit-taking and loan distribution activities and to issue a new tranche of government guarantees for uncovered bonds (Law 3965/2011).

Efforts to improve the business environment and enhance competition in open markets continued in the first quarter of 2011, mainly with the adoption of legislation to remove unjustified or disproportionate restrictions to competition, business and trade in restricted professions. The respective legislation (Law 3919/2011) is divided in two sections: the first section provides for the principle of freedom of profession and repeals unwarranted restrictions to the access and the pursuit of all regulated professions –with the exception of those regulated in the second section of the Law, while the second section amends the regulations of lawyers, engineers/architects and auditors. Legislation on the opening up of the pharmacy profession is included in Law 3918/2011, which provides for the increase in opening hours, the reduction in pharmacies' profit margin and the reduction in the population criteria for opening up new pharmacies and which also permits incorporation. The necessary administrative acts for the implementation of the Law are being prepared. Moreover, significant progress has been made in the implementation of the Services Directive and the operational fitness of the Point of Single Contact.

In addition, in order to ensure public enforcement of competition law in the Greek market the institutional framework of the Hellenic Competition Commission (HCC) has been enhanced through Law 3959/2011. The law strengthens the HCC's independence, effectiveness and accountability and abolishes the notification system for all agreements falling within the scope of Article 1 of Law 703/1977, grants the HCC the power to reject complaints and to prioritize cases effectively and establishes reasonable deadlines for the investigation and issuance of decisions. Moreover, one of the major reforms implemented in this quarter aiming at improving business environment and cutting red tape was launching the General Commercial Registry (GEMI) as well as one-stop shops for business start-ups (for more details see section 4.3).

Finally, in order to upgrade the education system, an independent task force has been established in cooperation with OECD, which will propose specific policy measures aimed at increasing the efficiency and effectiveness of the public education system.

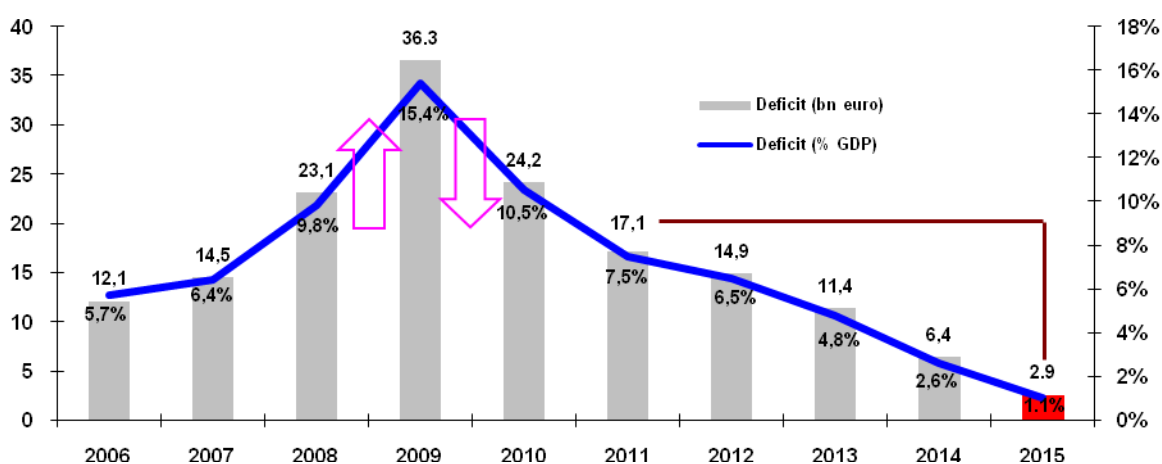
Annex A1 in the Appendix presents a codification of reforms that were implemented in the first quarter of 2011 and briefly describes their state of implementation.

#### 4.1 The medium-term budgetary strategy

Following the provisions of Law 3871/2010, which establishes a medium term fiscal planning under the new fiscal framework, the Greek government has prepared a medium-term budgetary strategy for the period 2012-2015 that will be adopted by Parliament in June. The Medium-Term Fiscal Strategy (MTFS) continues the fiscal consolidation effort and lays out a detailed plan of measures amounting to 28.3 billion Euros or 12% of GDP for the period 2011-15 that will allow Greece to achieve its fiscal targets under its Economic Adjustment Programme under conservative macroeconomic assumptions and reduce the general government deficit from 7.5% of GDP in 2011 to 2.6% of GDP in 2014 (Figure 1). Over the medium-term, this will require reducing the deficit to 14.9 billion Euros or 6.5% of GDP in 2012, 11.4 billion Euros or 4.9% of GDP in 2013, and 6.4 billion Euros or 2.6% of GDP in 2014.

In light of the high and rising interest payments, this deficit reduction effort will require a significant continuous improvement in the general government primary balance from -1.0% of GDP in 2011 to +6.7% in 2014, with primary surpluses of 3.9 billion Euros or 1.7% of GDP in 2012, 9.4 billion Euros or 4.0% of GDP in 2013, and 16.3 billion Euros or 6.7% of GDP in 2014.

**Figure 1: General government deficit 2006-2015**



To achieve these targets and reverse the debt trajectory, the MTFS has been frontloaded with additional fiscal consolidation measures of 6.5 billion Euros or 2.9% of GDP in 2011 (23.1% of the total fiscal effort), 6.8 billion Euros or 3.0% of GDP in 2012 (24.0% of the total), 5.2 billion Euros or 2.2% of GDP in 2013 (18.5% of the total), and 5.4 billion Euros or 2.2% of GDP in 2014 (19.3% of the total fiscal effort). To consolidate these gains, the Government aims to further reduce the general government deficit to close to 1% of GDP in 2015, with measures of 4.3 billion Euros or 1.7% of GDP.

Overall, the MTFS will reduce expenditures by 14.8 billion Euros or 6.3% of GDP and increase public revenue by 13.4 billion Euros or 5.7% of GDP. The MTFS will reduce public expenditures from 51.4% of GDP in 2011 to around 44.4% of GDP in 2015 after the implementation of the measures. With interest expenditures rising by almost 3% of GDP, spending will have to be cut by close to 9.5% of GDP and will come from three main categories: cuts in social transfers from 24% of GDP in 2011 to 20.0% in 2015; a reduction in the public sector wage bill from 9.6% of GDP in 2011 to 6.6% in 2015; and a reduction in intermediate consumption from 5.2% of GDP in 2011 to 3.0% in 2015.

On the revenue side, the implementation of the permanent measures in the MTFS will increase public revenues to 43.2% of GDP by 2015, just under the EU27 average (43.5%). This rise in general government revenues will be driven mainly by increases in direct tax revenue (from 7.0% of GDP in 2011 to 8.2% in 2015); in indirect tax revenue (from 12.2% of GDP in 2011 to 13.2% in 2015); and a rise in social contributions from 9.5% of GDP in 2011 to 10.5% in 2015. It should be noted that this increase in public revenue under the MTFS includes a very conservative yield from improved tax compliance and reduced tax evasion of 1.5% of GDP (or 3 billion Euros) for the period 2012-15, which is significantly lower than the target in the government's "Action Plan for Combating Tax Evasion 2011-2013" for proceeds of 4% of GDP in 2012-13.

The MTFS, which once approved will be the first of its kind in Greece, will specify binding multi-annual expenditure ceilings for line ministries and the overall state budget, and estimates of revenue, expenditures and deficits for the various components of the general government (social security funds and hospitals, local governments, state owned enterprises, and extra budgetary funds). In particular, one of the main objectives of the MTFS is to reduce the structural elements of the deficit by introducing targeted measures at every sub-sector of the General Government that achieve permanent fiscal consolidation while protecting vulnerable social groups. The main measures and their fiscal impact fall into the following categories:

- **Rationalization of the public sector wage bill (0.9% of GDP):** reduction in public sector workforce; extension of weekly working hours; reduction in contractual staff; implementation of a new remuneration grid; introduction of part-time employment and unpaid leave; transfer of excess employment to a labour reserve.
- **Public sector downsizing (2.4% of GDP):** closure/ merger of public entities and reduction in subsidies and reduction in operational expenditures; savings from reorganization of State-owned Enterprises; reduction in defense expenditures; reduction in the Public Investment Budget expenditures; improved fiscal performance in Local Governments with fiscal rule that freezes earmarked central government revenue at 2011 levels.
- **Controlling healthcare costs and pharmaceutical expenditures (0.7% of GDP):** cost rationalization for public healthcare through a central e-procurement system for hospitals, universal pricing of healthcare treatment and reduction of services provided to the non-insured; rationalization of pharmaceutical expenditures through standard prices for pharmaceuticals paid by all Social Security Funds, new prices for medicines, full roll-out of the e-prescription system.
- **Means-testing, targeting and rationalization of social benefits (1.9% of GDP):** Adjustment in size of supplementary pensions and freeze through 2015; cross-checking of beneficiaries information against criteria for provision of pension benefits; cuts in lump-sum payments paid on retirement; reform of the disability pension system; review of social benefits in cash and in kind leading to abolition of the least effective; means-testing in unemployment benefits; rationalization in employment subsidization programmes.
- **Increased revenues of Social Security Funds and reduction in contribution evasion (1.3% of GDP):** Action plan for reduction of undeclared employment and contribution evasion; introduction of solidarity contribution for unemployed to be paid by public sector employees, self-employed and private sector employees.
- **Broadening of the tax base and reduction in tax exemptions (2.4% of GDP):** Evaluation and reduction in tax deductions and exemptions; introduction of a solidarity contribution paid

by all individuals on declared income and increase in presumptive income of the self-employed; broadening of the base for VAT rates and for property tax.

- **Improved tax compliance and reduction of tax evasion (1.2% of GDP):** Increased revenues from improved compliance in VAT, personal and company income taxation, and in excise taxes through the implementation of the government's "Action Plan for Combating Tax Evasion 2011-2013".

## 4.2 National Action Plan for Combating Tax Evasion

The Greek government announced in May 2011 its first three year National Action Plan for Combating Tax Evasion. The Plan was agreed by an Inter-Ministerial Committee comprising of the Ministers of Finance, Regional Development and Competitiveness, Justice and Citizen Protection that will be responsible for its implementation and monitoring. The Action Plan places the initiatives implemented by the Ministry of Finance over the last 18 months into a wider framework, outlining a timetable of coordinated actions by the relevant Government Ministries between 2011–13 and sets specific targets. These actions will directly address the main challenges facing the Greek tax system that permit high levels of evasion:

- Modernizing the operations of the tax collection mechanism
- The identification and exemplary punishment of large-scale tax evasion
- Enhancing the efficiency of revenue collection
- Better cooperation with citizens to improve voluntary compliance

In particular, the action plan provides for the fundamental reorganisation of the tax administration structure based on best operational practices with the assistance of international advisors. The national network of tax offices will be strategically restructured resulting in fewer but reinforced tax offices, which will be monitored on a monthly basis based on published indicators and specific sanctions for underperformance. Modern IT and information management systems will be further introduced in tax and customs offices to facilitate cross-checking and prevent smuggling, while new codes of conduct and rigorous staff hiring and assessment criteria have been set for inspectors.

The identification and punishment of large-scale tax evasion will be reinforced through more extensive cooperation and information sharing with tax agencies overseas regarding bank deposits held by Greek citizens.

Tax collection will be accelerated by radically streamlining the necessary procedures and consolidating responsibility in one body within the Ministry of Finance that will coordinate and better target all enforcement, monitoring and tax compliance efforts. Moreover, a legislative amendment to allow the publication of personal details of individuals with large arrears has been passed, and closer collaboration between tax and social security contribution collectors and other public bodies with access to relevant information is pursued.

The Action Plan also includes a number of actions that will make tax administration much more user-friendly so as to increase voluntary compliance and citizen participation. The administrative cost of compliance will be reduced with simpler and automatic procedures such as electronic tax declarations, while tax legislation will be simplified, and the availability of tax advisory services for citizens and awareness campaigns will be increased.

The Action Plan also includes very specific implementation targets for the actions of all relevant public bodies and for expected tax receipts. Overall, as a result of these actions the Greek Government aims to increase tax revenues by almost 12 billion Euro for the period 2011-13.

### **4.3 One-Stop Service for Starting a Business**

As of 4 April 2011, starting a business in Greece has gotten simpler due to the introduction of a one-stop shop service aimed at slashing red-tape (in accordance with Law 3419/2005, Law 3853/2010 & Joint Min. Decision K1-802-23/3/2011). Through a wide network of contact points, including 59 chambers of commerce and 1,950 notary offices (and in the near future through 54 certified KEPs<sup>5</sup>), a new firm can be established in a single procedure instead of eleven and in one stop instead of eight, with significantly lower costs.

One-Stop Services (OSS) provide for start-up procedures of the following four legal types of business: General Partnership Companies, Limited Partnership Companies, Limited Liability Companies and Société Anonyme Companies.

All necessary procedures and paperwork required to start a business, such as:

- Company Name Control
- Acquisition of Tax Compliance Certificate
- Acquisition of Social Security Compliance Certificate
- Company Registration with GEMI<sup>6</sup> database
- Acquisition of Tax Identification Number,
- Payment of all relevant fees and taxes such as Capital Accumulation Tax/Lawyers' Insurance Fund Fees etc,

are now fully supported by web services from the contact point of OSS. No other paperwork other than ID or Passport or Residence Permit is required on behalf of the party that requests the start-up of a company and no other prerequisites are imposed save that he/she has no outstanding debts with the tax office or with Social Security Funds. The payment of fees required by the agencies that are involved with the start-up of a company and networked through the OSS is made in a consolidated way through a single bank transaction. After the completion of start-up procedures through OSS, the company is ready to start its financial activity, by certifying the company's Books and Records at the competent Tax Authority. No other special requirements are needed in order for the company to become fully operational.

For the time being, company start-ups that require special licensing (e.g. restaurants etc) are not supported by OSS. However, measures for cutting back on redundant licensing and including further licensing procedures to OSS are already under legislation by the Greek Government with the aim to have the necessary structures operational within the next 12 months.

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<sup>5</sup> KEPs are existing Single Points of Contact which carry out on behalf of citizens various transactions with the Greek Administration.

<sup>6</sup> GEMI –General Electronic Commercial Registry- is from April 2011 onwards the single point of reference and data for all Greek Businesses, and provides a unique serial GEMI number that identifies every single business.

## Box 2: Indicative Cost and Time savings from One-Stop Service for starting a business

**Time:** the time involved in starting a business is reduced dramatically from 38 days to 1 day, and in some cases (LLCs included) to a few hours.

**Cost:** a significant reduction in the overall costs for starting up a business in Greece is achieved. More specifically, costs are reduced by 61.7% for LLCs.

| Cost Analysis   | LLC (Limited Liability Company) |           |
|---|---------------------------------|-----------|
|   | Before OSS                      | After OSS |
| Administrative Costs (based on # of days and transactions needed) | 1752 E                          | 568 E     |
| Start up Costs (taxes, fees etc)                                  | 624.8 E                         | 341.8 E   |
| Total   | 2376.8 E                        | 909.8 E   |
| % of cut in costs for starting up a business                      | -61.70%                         |           |

Paid-in minimum capital: according to Greek Company Law, the minimum capital for a Limited Liability Company is 4,500 Euros. However, the minimum paid-in capital is not a requirement to complete the start-up process and can be done either before or after the company's start-up.

First month report of start-ups through OSS

In the case of LLCs, 13 business start-ups have already taken place through OSS in Attica over its first month of operation (11/04/04 – 11/05/04).

General Comments

The first quarter (April to June 2011) of operation of OSS will be a trial “pilot” period for fine-tuning, adjustment of end-users to the systems’ requirements and constant improvement of services. For example, on a daily basis comments by end-users regarding functionality and usability of the OSS and GEMI interfaces are contributing to the constant improvement of both systems in order to further eliminate the time needed for the completion of starting a business.

| Greece- key aspects of One stop services for Starting a Business (Law 3853/2010) |   |   |   |
|--|---|---|---|
| Item   | Before Reform   | After reform  | Comments  |
| Steps to Start Up a Business (LLC)   | Eleven (11) Steps   | One (1) Step  | One visit to a Notary's Office replaces the burden to make stops to several (11) agencies |
| Days required to Start Up a Business   | Thirty eight (38) days  | One (1) Day   | Provided that all required documents for application have been procured                   |
| Cost to Start up a Business (LLC)  | Minimum of 2.377 Euros  | Minimum of 910 Euros  | A 61% drop in total costs for LLCs  |
| General Electronic Commercial Registry (GEMI)                                    | Established since 2005 (Law 3419), however never implemented  | GEMI becomes operational  |   |
| Information systems  | Fragmented databases and information systems among chambers, Ministry of Finance, Ministry of Labour and GEMI | Harmonisation of IT systems among key agencies involved in starting a business. |   |

#### **4.4 Health sector reforms**

During the first quarter of 2011, the Government focused on the swift and rigorous implementation of the institutional reforms enacted by virtue of law 3918/2011, but also on several other initiatives and actions pertaining to the efficient monitoring of health expenses.

The operation of ESY.net (i.e., the web-based statistical data collection system developed by Information Society SA) enhanced substantially the process of registering health units' financial data electronically. The Government asks from all the NHS hospitals' administrations to strictly follow the procedure of controlling, benchmarking and reporting all financial data (notably expenses) on a monthly basis.

One equally important action concerns the functioning of an integrated system of electronic monitoring of doctors' prescriptions (e-prescription). The e-prescription project moves forward swiftly: electronic prescription systems are already operative in the healthcare sectors of the main healthcare funds, and it will be full-fledged across all health care sectors of SSFs (and eventually merged into EOPYY) by the end of Q2 2011.

The completion of the e-prescription project will feed into a broader project of streamlining prescription procedures within hospitals and social security funds, and is expected to have beneficial complementary effects with the new prescription guidelines (including prescribing by active substance) for physicians published by the National Drug Organization (EOF) and KESY (to be in effect by end September 2011). Furthermore, the uniform e-prescribing system will integrate the diagnostic tests referral platform currently used by OPAD with the aim to extend it across all healthcare provision organizations. Thus, an e-prescription system integrating all health care subsectors (ranging from outpatient drugs to diagnostics and referrals) in a seamless manner will be on and working by the beginning of 2012.

A negative list of drugs has already been publicized and is operative (as of April 2011), while the positive list of drugs also finalized by EOF will be operative and yielding additional savings by the end of June 2011.

On the hospital operation front, a number of actions took place in order to boost cost performance on a number of procedures. The adoption of DRGs is expected to lower the cost per patient. In this direction a number of procedures relative to the invoicing of medical intervention and services have been reviewed in order for AR-DRGs to be adopted. In addition to that, a larger part of the procurement procedure is becoming more centralized (on EPY and Health Region Authority level) thus giving rise to economies of scale. This takes shape with the new procurement program starting from May 2011 onwards. Savings are also expected on the front of operational procedures: following hospital reforms operational costs are expected to be dropping drastically. Starting on Q1 2011 the first initiative on hospital consolidation at management level (assignment of a common CEO) has taken place. By the end of 2011 the appointment of consolidated Boards of Directors per hospital group will have been completed. Moreover clinic, laboratory and hotel level consolidation is being thoroughly investigated and concrete proposals are anticipated within Q3 2011.

Another essential change that is underway is the completion of the program of hospital computerization, upgrading of hospital budgeting systems, reforming of management, accounting (including double-entry accrual accounting) and financing systems. General Accounting and budget execution is already fully based on a double entry accounting system. The application of double entry accounting on costing-per-activity is in progress and is expected to be fully operational in all hospitals by the end of 2011. On top of that, all hospitals' balance

sheets for 2009 (as well as previous years) were prepared and published based on the double entry accounting system. By the end of July all 2010 balance sheets will be issued from all hospitals following the same principle.

The main action plan for hospitals for the remainder of 2011, includes: (i) the qualitative evolution of ESY.net (ii) the full integration of computerized double – entry ERP systems including pharmacies, stores, accounting offices, medicine and paramedical prescribing, etc. in all NHS Hospitals (iii) the establishment of a Greek DRG system along with timely effective invoicing of all diagnoses and hospital cases.

Finally, the independent Task Force by leading healthcare experts formed under the auspices of the Minister of Health is expected to produce a detailed interim report with concrete measures and proposals on the medium-term prospects and challenges of the Greek healthcare sector by the end of June 2011, and a final report by the end of September 2011.

### **Box 3: From May 2010 to May 2011**

In just one year, Greece has achieved the largest fiscal consolidation in the Eurozone, undertaken deep expenditure cuts and tax measures, and implemented far-reaching structural reforms. As a result, the first positive signs of recovery are emerging.

#### **Fiscal consolidation and the real economy**

- Largest annual fiscal consolidation ever by a Eurozone economy: General Government deficit reduced by 5 percentage points of GDP in 2010.
- Cyclically adjusted general government deficit : reduced by 6.7 percentage points of GDP (from -14.9% in 2009 to -8.2% in 2010).
- Primary deficit: reduced by 5.4 percentage points (from 10.3% of GDP to 4.9%).
- Cyclically adjusted primary deficit : reduced by 7.2 percentage points (from -9.8% to -2.6%).
- Primary expenditures: reduced as a percentage of GDP from 47.6% in 2009 to 44.0% in 2010.
- Total Revenues: increased as a percentage of GDP from 37.3% in 2009 to 39.1% in 2010 (second largest increase in EU).
- The economy is adjusting: real unit labour costs down by 3.5% in 2010, real wages per head down 7.9%.
- Exports are growing fast: 35% average growth in exports per month (y-on-y) between Q4 2010 – Q1 2011: October 2010: 28%; November 2010: 38%; December 2010: 43%; January 2011: 40%; February 2011: 35%; March 2011: 24%.
- Competitiveness is improving: current account deficit reduced from 14% in 2009 to 11.8% in 2010.
- First positive signs of recovery: Positive real GDP growth of 0.8% q-q in Q1 2011 after 4 quarters of negative growth. Recession is shallowing: from -7,5% in Q4 2010 (y-o-y) to -4,8% in Q1 2011 (y-o-y).

#### **Main expenditure cuts and tax measures**

- Cut in nominal public sector wages by 15%.
- Cut in wages of State-owned Enterprise employees by 30% as well as ceilings imposed on bonuses and wages.
- Cuts in nominal pensions in the public and private sector by 10%.



- Reduction of public sector fixed term contracts: by 38% or 29,500 people in 2010.
- Total public sector employment significantly cut: net reduction of 82,400 people in 2010 or 10% decline of the total.
- State-owned enterprises: reduction in deficits by 20% in 2010; additional reduction of 35% in Q1 2011.
- Social spending: overall reduction of 9.6% or 3.4 billion Euros (1.5% of GDP) on pensions, illness and pharmaceutical benefits in 2010.
- Excise taxes raised by 33% on fuel, cigarettes and alcohol.
- VAT rates increased across the board by 20% (the 19% rate was raised to 23%; the 11% rate to 13%; the 5.5% rate raised to 6.5%).
- Special levies on profitable firms, high income individuals and high-value real estate brought revenues of 1.4 billion Euros. Special levy on profitable firms of 4-10% depending on amount of profits.

### **Major reforms adopted**

**Pension reform:** completed ahead of schedule; combination of measures reducing the actuarial deficit to 2060 by 10 percentage points of GDP among the most viable in EU statutory retirement age raised to 65 years (40 years of work required for full pension); pension benefits now linked tightly to lifetime contributions; retirement penalties increased and voluntary exit plans abolished.

**Labour market reform:** fully symmetric arbitration system, reduction in severance payments by 50%, cut in overtime remuneration by 20%, extension of probation period from 3 to 12 months, increase of permissible dismissals from 2 to 5% per month; firm level agreements; measures promoting part time employment.

**Independent Statistical Authority:** President and majority of the Board members appointed by a four fifths majority by Parliament); full validation of data by Eurostat following reform.

**Strengthening fiscal management:** medium-term fiscal framework, parliamentary budget office, expenditure monitoring mechanisms strengthened through creation of a commitment registry, binding expenditure ceilings in Ministries.

**Tax reform:** new management information systems, a special administrative structure to assist reform, shortened judicial procedures for tax cases.

**Combating tax evasion:** Imposition of fines of 3.4 billion Euros in 2010 (182% increase compared to 2009), big rise in audits (six-fold increase in audits on self-employed professionals) and penalties for undeclared assets (555 yachts seized, 10 million Euros in fines for offshore real estate assets in 2010) and preparation of 3 year anti-tax evasion plan.

**Local administration reform:** municipalities have been reduced from 1034 to 325, decrease in the existing local authority entities by 4000 (from 6000); decrease in elected officials from 30,795 to 16,657; 30,000 working positions have been abolished in prefectures; fixed term contracts were reduced by 50%.

**Health sector:** average expenditures reduced by 30% (y-on-y) in Q1 2011 despite increase in patients; 10 hospitals (out of 133) are being merged with more mergers planned in 2011.

**Online publication** of all decisions involving commitments of funds in the general government sector.

**Simplification of the start-up of new businesses:** set up in 1 day from 19 days.

“Fast track” process for large investments legislated and implemented.

**Liberalization of road haulage sector:** unlimited licenses with fees gradually declining to zero between January 2011 and June 2012.

**Liberalization of closed professions:** the new Law imposes default of opening effective July 1, 2011 and covers over 150 professions; reversal of burden of proof for retaining restrictions; need for special decrees that fully specify the need and way of keeping restrictions before July.

**Restructuring of the railway (OSE) and urban transport sectors (OASA):** 150 million Euro savings in 2010, 400 million Euros savings projected in 2011.

**Abolition of cabotage** restriction in order to boost cruise tourism.

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

The second quarter of 2011 marks a year of ambitious measures aiming at fiscal consolidation and structural change in many areas of the Greek economy. For the months ahead it is crucial to improve momentum and press ahead with a rich agenda of reforms on a number of important fronts, such as the labour market, health and social care spending, asset management, the financial sector and education.

In the key area of asset management the Greek authorities will proceed during the third quarter of 2011 with a number of actions aiding to the valuation and management of state-owned assets. Currently, a law has already been adopted by Parliament to the effect of the establishment of a General Secretariat of Real Estate Development. Steps are also underway for the creation of special investment vehicles, while privatisation advisors have already been selected for a number of main public real estates and assets. More importantly, the Greek authorities will put together and maintain an inventory of state-owned assets which will form the basis for an accelerated privatisation and asset management programme targeting at least EUR 15 billion during the programme period.

Following the extensive revision of the main pension system in July 2010<sup>7</sup> and on the basis of the projections of the National Actuarial Authority the Greek authorities will complete the reform on pensions with a revision of the functioning of secondary/supplementary public pension funds in order to contribute to the control of public sector spending over 2009-2060 to under 2.5 p.p. of GDP. In addition to the pension system, by July 2011 the revised list of heavy and arduous professions, covering no more than 10 percent of employment, will be applicable to all.

Targeting the health and social care system, additional measures are planned for the second quarter 2011 in order to carry on with the significant reforms commenced in earlier months as well as to further reduce costs and improve health services quality. More specifically, these measures include the application of the capitation payment system for doctors employed by all SSFs, greater equalisation of contributions and benefits across SSFs and the revision of management systems of hospitals. Moreover, efforts will intensify during this quarter with regard to controls of hospitals and health care units through computerisation of records and the publication of data. Finally, the preparatory stages for a more efficient allocation of human resources will also be concluded in the few months ahead.

Regarding public administration, the good reform momentum is maintained through a number of measures in this area. Of these, most notable is the plan for a simplified remuneration system

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<sup>7</sup> Law 3863/2010 and Law 3865/2010.

covering basic wages and allowances of public sector employees which proceeds according to schedule and will be completed by legislative action during this quarter.

Moreover, in order to improve the effectiveness and efficiency of resources in the public education system, in the following months an independent task force on education will prepare and publish detailed policy recommendations for consideration by the Ministry of Education.

In addition, labour market reforms continue apace with special focus on strengthening the Labour Inspectorate through procurement of adequate resources and staff.

Meanwhile, measures for the business environment for the next quarter include legislation to simplify and shorten the procedures that are necessary for getting environmental approval as well as simplification of procedures to clear customs for exports and imports.

Lastly, in the area of financial markets, a number of measures contributing to financial sector regulation and supervision will be completed in the second quarter of 2011, such as the capital increase of ATE and a diagnostic assessment of insurance firms.

Table B1 in Annex B presents a codification of the main structural reforms to be implemented in the second quarter of 2011 and briefly presents their state of implementation.

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

Efforts to improve budget monitoring through the publication of monthly data for the general government continue. Table 3 presents cash data on revenues, expenditure, balance and the financing of the general government on a consolidated basis for each sub sector and for the general government as a whole for the first quarter of 2011.

**Table 3: General Government Cash Data**

|                              |   | 2011 Jan        | 2011 Jan - Feb  | 2011 Jan - Mar  |
|------------------------------|---|-----------------|-----------------|-----------------|
| <b>State</b>                 |   |                 |                 |                 |
|                              | Total Revenue                                   | 5,121.8         | 8,554.0         | 11,732.0        |
|                              | Ordinary budget                                 | 5,089.9         | 7,950.0         | 11,123.0        |
|                              | Public investment program                       | 31.9            | 604.0           | 609.0           |
|                              | Total Expenditure                               | 7,491.1         | 12,700.0        | 19,740.0        |
|                              | Ordinary budget                                 | 3,928.7         | 8,406.0         | 14,838.0        |
|                              | of which: interest                              | 592.5           | 859.0           | 3,234.0         |
|                              | Public investment program                       | 110.9           | 255.0           | 677.0           |
|                              | of which: capital injections                    | 49.1            | 58.4            | 58.4            |
|                              | Other Payments                                  | 3,451.5         | 4,039.0         | 4,225.0         |
|                              | of which: by special bonds issuance             | 3,441.0         | 4,010.0         | 4,140.0         |
|                              | <b>Surplus/deficit</b>                          | <b>-2,369.3</b> | <b>-4,146.0</b> | <b>-8,008.0</b> |
|                              | <b>Primary surplus/deficit</b>                  | <b>-1,776.9</b> | <b>-3,287.0</b> | <b>-4,774.0</b> |
|                              | Net acquisition of financial assets             | 5,304.0         | 3,923.0         | 6,256.0         |
|                              | Net incurrence of liabilities                   | 8,426.0         | 8,892.0         | 14,654.0        |
|                              | of which: other general government units        | 592.7           | 696.0           | 298.0           |
|                              | <i>Discrepancy</i>                              | 752.7           | 823.0           | 390.0           |
|                              | of which: <i>adjustments in public accounts</i> | 0.0             | 399.0           | 0.0             |
| <b>Extra-budgetary Funds</b> |   |                 |                 |                 |

|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Total Revenue                            | 261.9           | 524.1           | 855.1           |
| Total Expenditure                        | 245.0           | 498.2           | 888.9           |
| <b>Surplus/deficit</b>                   | <b>16.9</b>     | <b>25.9</b>     | <b>-33.8</b>    |
| <b>Primary surplus/deficit</b>           | <b>34.8</b>     | <b>63.2</b>     | <b>46.4</b>     |
| Net acquisition of financial assets      | -45.1           | 34.0            | 270.0           |
| of which: other general government units | 49.7            | 153.0           | 136.0           |
| Net incurrence of liabilities            | -3.0            | 3.0             | -23.0           |
| <i>Discrepancy</i>                       | 59.0            | -5.1            | -326.8          |
| <b>Local Governments</b>                 |                 |                 |                 |
| Total Revenue                            | 435.9           | 949.8           | 1,438.2         |
| Total Expenditure                        | 154.3           | 407.3           | 859.8           |
| <b>Surplus/deficit</b>                   | <b>281.6</b>    | <b>542.5</b>    | <b>578.4</b>    |
| <b>Primary surplus/deficit</b>           | <b>285.2</b>    | <b>550.1</b>    | <b>590.4</b>    |
| Net acquisition of financial assets      | 186.8           | 414.6           | 326.5           |
| of which: other general government units | 0.0             | 0.0             | 0.0             |
| Net incurrence of liabilities            | -16.1           | -30.1           | -46.1           |
| <i>Discrepancy</i>                       | 78.7            | 97.8            | 205.8           |
| <b>Social Security Funds</b>             |                 |                 |                 |
| Total Revenue                            | 6,596.7         | 10,463.5        | 13,902.9        |
| Total Expenditure                        | 6,452.6         | 10,201.3        | 13,767.9        |
| <b>Surplus/deficit</b>                   | <b>144.1</b>    | <b>262.2</b>    | <b>135.0</b>    |
| <b>Primary surplus/deficit</b>           | <b>144.3</b>    | <b>262.5</b>    | <b>137.7</b>    |
| Net acquisition of financial assets      | 289.0           | 885.0           | 571.0           |
| of which: other general government units | 543.0           | 807.0           | 462.0           |
| Net incurrence of liabilities            | 303.0           | 308.0           | -35.0           |
| <i>Discrepancy</i>                       | 158.1           | -314.8          | -471.0          |
| <b>GENERAL GOVERNMENT</b>                |                 |                 |                 |
| Total Revenue                            | 7,621.2         | 18,066.0        | 25,605.8        |
| Total Expenditure                        | 9,548.0         | 21,381.4        | 32,934.1        |
| <b>Surplus/deficit</b>                   | <b>-1,926.7</b> | <b>-3,315.4</b> | <b>-7,328.4</b> |
| <b>Primary surplus/deficit</b>           | <b>-1,312.6</b> | <b>-2,411.2</b> | <b>-3,999.5</b> |
| Net acquisition of financial assets      | 5,142.0         | 4,296.6         | 6,825.5         |
| Net incurrence of liabilities            | 8,117.2         | 8,476.9         | 14,251.9        |
| <i>Discrepancy</i>                       | 1,048.5         | 864.9           | 98.0            |

**Source:** General Accounting Office, Ministry of Finance, **Note:** amounts in million euros

**Table 4: Monthly fiscal reports: response rate by GG subsector**

| Subsector             | Total No of units | Jan 2011                                 |                              | Feb 2011                                 |                              | Mar 2011                                 |                              |
|-----------------------|-------------------|--|------------------------------|--|------------------------------|--|------------------------------|
|                       |                   | No of units for which data was collected | Weight of units in subsector | No of units for which data was collected | Weight of units in subsector | No of units for which data was collected | Weight of units in subsector |
| Extra-budgetary Funds | 311               | 134                                      | 81,00%                       | 249                                      | 97,04%                       | 276                                      | 98,09%                       |
| State Enterprises     | 17                | 15                                       | 97,65%                       | 16                                       | 98,54%                       | 15                                       | 94,45%                       |
| Local Governments     | 338               | 338                                      | 100,00%                      | 338                                      | 100,00%                      | 338                                      | 100,00%                      |
| Hospitals             | 134               | 128                                      | 98,95%                       | 134                                      | 100,00%                      | 134                                      | 100,00%                      |
| Social Funds          | 60                | 43                                       | 98,91%                       | 42                                       | 98,90%                       | 43                                       | 98,91%                       |
| Total                 | 860               | 658                                      |                              | 779                                      |                              | 806                                      |                              |

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

Data have been collected through the submission of fiscal reports by general government entities. The number of entities by sub-sector that submitted data in the first quarter of 2011 are presented in table 4 above. It should be noted that data for legal entities and enterprises supervised by local authorities will be submitted as soon as the merger procedures that are provided by law 3552/2010 are completed. For those entities that have not provided data, estimations have been conducted on the basis of weights provided by ELSTAT.

Overall, the general government deficit on a cash basis for the period January to March 2011 amounts to 7,328 million EUR.

For reasons of harmonization of the accounting treatment between the sub sectors of the general government, an amount of EUR 917 million has not been included in the ordinary budget expenditure. This amount concerns grants to the SSF paid by the end of December for the January pensions (which are paid in advance) and has been recorded in January expenditure of the State budget.

Finally, detailed information on the budget execution for the first quarter of 2011 of the 3 main social security funds (IKA, OAEE and OGA) is presented in Tables 5 to 7 below.

**Table 5: SOCIAL INSURANCE FOUNDATION (IKA)**

|  | 2011 Budget | March 2011 | Jan-March 2011 |
|--|-------------|------------|----------------|
| <b>State Grants</b>  | 3491000     | 260000     | 1345227        |
| <b>Taxes– fees for IKA</b>                                 | 450000      | 28829      | 57850          |
| <b>Contributions</b>                                       | 11423677    | 652751     | 2310195        |
| Contributions from employers                               | 7121839     | 426230     | 1505837        |
| Contributions from workers                                 | 4301838     | 226521     | 804358         |
| <b>Revenue from the business activity of IKA</b>           | 896443      | 371335     | 469239         |
| <b>Premiums, Fines, Financial Penalties and Fees</b>       | 154416      | 515        | 7567           |
| <b>Other revenue</b>                                       | 6671537     | 936351     | 2518364        |
| <b>TOTAL REVENUES</b>                                      | 23087073    | 2249781    | 6708441        |
|  |             |            |                |
| <b>Payments for services</b>                               | 16095223    | 1299971    | 3720746        |
| Wage costs   | 510772      | 45396      | 119194         |
| Contributions (main pensions, supplementary pensions etc.) | 15037202    | 1219808    | 3527440        |
| <b>Payments for purchase of consumer goods</b>             | 325453      | 28828      | 79922          |
| <b>Transfer payments to third parties</b>                  | 159430      | 8003       | 9138           |
| <b>Other expenses</b>                                      | 6549725     | 1340123    | 2657918        |
| <b>Reserves</b>  | 258800      |            |                |
| <b>TOTAL EXPENSES</b>                                      | 23388631    | 2676926    | 6467724        |

*Source: Ministry of Labour and Social Security, Note: amounts in EUR thousands*

**Table 6: SOCIAL SECURITY FOUNDATION FOR THE SELF-EMPLOYED (OAEE)**

|  | 2011 Budget | March 2011 | Jan-March 2011 |
|--|-------------|------------|----------------|
| <b>State Grants</b>                                  | 1143120     | 174091     | 529504         |
| <b>Taxes– fees for OAEE</b>                          | 11593       | 42         | 64             |
| <b>Contributions</b>                                 | 3268857     | 269698     | 687915         |
| Contributions from employers                         | 0           | 0          | 0              |
| Contributions from workers                           | 2842357     | 269698     | 686126         |
| <b>Revenue from the business activity of OAEE</b>    | 79433       | 89         | 1261           |
| <b>Premiums, Fines, Financial Penalties and Fees</b> | 32610       | 942        | 1396           |
| <b>Other revenue</b>                                 | 572564      | 35488      | 103070         |
| <b>TOTAL REVENUES</b>                                | 5108177     | 480350     | 1323210        |

|  |         |        |         |
|--|---------|--------|---------|
| <b>Payments for services</b>                               | 4343309 | 335892 | 1021066 |
| Wage costs   | 65448   | 4697   | 17193   |
| Contributions (main pensions, supplementary pensions etc.) | 4044191 | 314198 | 954072  |
| <b>Payments for purchase of consumer goods</b>             | 784     | 59     | 212     |
| <b>Transfer payments to third parties</b>                  | 18613   | 0      | 0       |
| <b>Other</b>   | 625090  | 34965  | 97712   |
| <b>Reserves</b>  | 76795   | 0      | 0       |
| <b>TOTAL EXPENSES</b>                                      | 5064590 | 370915 | 1118990 |

*Source: Ministry of Labour and Social Security, Note: amounts in EUR thousands*

**Table 7: SOCIAL SECURITY INSTITUTION FOR AGRICULTURE (OGA)**

|  | 2011 Budget | March 2011 | Jan-March 2011 |
|--|-------------|------------|----------------|
| <b>State Grants</b>  | 4265000     | 415000     | 998000         |
| <b>Taxes– fees for OGA</b>                                 | 990250      | 80000      | 235007         |
| <b>Contributions</b>                                       | 1248300     | 155032     | 293744         |
| Contributions from employers                               | 4500        | 0.86       | 0.86           |
| Contributions from workers                                 | 693800      | 30031      | 48743          |
| <b>Revenue from the business activity of OGA</b>           | 114310      | 3398       | 3398           |
| <b>Premiums, Fines, Financial Penalties and Fees</b>       | 150         | 14         | 61             |
| <b>Other revenue</b>                                       | 31790       | 66         | 169            |
| <b>TOTAL REVENUES</b>                                      | 6649800     | 653509     | 1530379        |
| <b>Payments for services</b>                               | 6773525     | 563401     | 1400299        |
| Wage costs   | 25640       | 2416       | 6088           |
| Contributions (main pensions, supplementary pensions etc.) | 6688600     | 556012     | 1387008        |
| <b>Payments for purchase of consumer goods</b>             | 2577        | 40         | 50             |
| <b>Transfer payments to third parties</b>                  | 38348       | 163        | 3956           |
| <b>Other</b>   | 3390        | 0          | 0.11           |
| <b>Reserves</b>  | 50810       | 0          | 0              |
| <b>TOTAL EXPENSES</b>                                      | 6868650     | 563604     | 1404305        |

*Source: Ministry of Labour and Social Security, Note: amounts in EUR thousands*

## 7. Government debt issue and reimbursements

Table 8 presents data on public debt developments in the first quarter of 2011, including a breakdown by month.

**Table 8: Public debt developments in the first quarter of 2011**

| 2011                                     | BORROWING<br>(nominal values) | AMORTISATION  | INTEREST     |
|--|-------------------------------|---------------|--------------|
| JANUARY                                  | 13,246                        | 5,182         | 559          |
| FEBRUARY                                 | 1,581                         | 869           | 263          |
| MARCH                                    | 17,133                        | 11,536        | 2,327        |
| <b>TOTAL 1<sup>ST</sup> QUARTER 2011</b> | <b>31,960</b>                 | <b>17,587</b> | <b>3,149</b> |

*Source: Ministry of Finance, General Accounting Office. Notes: amounts in EUR million.*

## 8. Government expenditure pending payment

The Ministry of Finance continues to publish data on general government arrears on a monthly basis. Table 9 presents total arrears for the general government and by sub-sector, while Table 10 analyses in more detail state budget arrears by Ministry of central government body. Overall, arrears for the general government by the end of March 2011 amount to EUR 6,010 million, of which EUR 1,128 million is state budget arrears.

**Table 9: General government arrears<sup>1</sup> up to 31.03.2011**

|  | 2010           | 2011           | 2011           | 2011           |
|--|----------------|----------------|----------------|----------------|
|  | Dec            | Jan            | Jan - Feb      | Jan - Mar      |
| Ministries   | 866.2          | 807.8          | 972.3          | 1,128.9        |
| Local Authorities  | 590.4          | 486.8          | 522.5          | 700.0          |
| Hospitals  | 1,514.2        | 1,549.0        | 1,727.1        | 1,687.1        |
| of which settled by Law 3867/2010 (incurred by end 2009) | 113.0          | 113.0          | 113.0          | 113.0          |
| Social Security Funds                                    | 1,999.6        | 2,038.2        | 2,103.1        | 2,279.3        |
| Other Legal Entities                                     | 197.5          | 183.8          | 210.9          | 215.5          |
| <b>TOTAL ARREARS</b>                                     | <b>5,167.9</b> | <b>5,065.5</b> | <b>5,535.9</b> | <b>6,010.9</b> |

**Source:** General Accounting Office, Ministry of Finance, **Note:** amounts in EUR million. <sup>1</sup> - Arrears to third parties (outside of the general government), not paid within 90 days since the date they were due.

**Table 10: State budget arrears<sup>1</sup> up to 31.03.2011**

|    | Ministry - Body   | End Dec 2010  | End Jan 2011  | End Feb 2011  | End Mar 2011    |
|----|---|---------------|---------------|---------------|-----------------|
| 1  | Presidency of The Hellenic Republic                                       | 0.00          | 0.00          | 0.00          | 0.00            |
| 2  | Hellenic Parliament   | 0.00          | 0.00          | 0.00          | 0.00            |
| 3  | Ministry of Interior, Decentralisation & Electronic Governance            | 39.68         | 12.05         | 13.80         | 14.41           |
| 4  | Ministry of Foreign Affairs   | 54.21         | 60.43         | 60.88         | 61.11           |
| 5  | Ministry of National Defence <sup>3</sup>                                 | 223.00        | 222.20        | 266.72        | 261.85          |
| 6  | Ministry of Health & Social Solidarity                                    | 17.46         | 0.81          | 0.76          | 0.74            |
| 7  | Ministry of Justice, Transparency & Civil Rights                          | 5.93          | 7.90          | 9.12          | 12.23           |
| 8  | Ministry of Education, Lifelong Learning and Religion                     | 13.11         | 18.16         | 29.71         | 53.74           |
| 9  | Ministry of Culture & Tourism <sup>4</sup>                                | 40.75         | 18.80         | 19.60         | 21.49           |
| 10 | Ministry of Finance   | 1.19          | 2.46          | 3.29          | 2.91            |
| 11 | Ministry of Agricultural Development & Food                               | 15.58         | 24.15         | 8.43          | 67.08           |
| 12 | Ministry of the Environment, Energy & Climate Change                      | 15.52         | 11.94         | 19.41         | 20.21           |
| 13 | Ministry of Labour & Social Security                                      | 1.20          | 0.01          | 0.02          | 0.23            |
| 14 | Ministry of Economic Development, Competiveness & Shipping                | 47.81         | 26.72         | 35.51         | 34.31           |
| 15 | Ministry of Infrastructure, Transport and Networks                        | 257.40        | 286.78        | 330.11        | 407.10          |
| 16 | Ministry of Maritime Affairs, Islands and Fisheries                       | 0.00          | 20.60         | 22.68         | 23.28           |
| 17 | Ministry for the Protection of the Citizen                                | 51.66         | 54.60         | 64.32         | 56.85           |
| 18 | Secretariat General of Information / Secretariat General of Communication | 0.38          | 0.00          | 0.00          | 0.00            |
| 19 | Secretariat General of Prefectures / Decentralized Administrations        | 81.30         | 40.17         | 87.92         | 91.42           |
|    | <b>TOTAL STATE BUDGET ARREARS <sup>2</sup></b>                            | <b>866.18</b> | <b>807.79</b> | <b>972.29</b> | <b>1,128.94</b> |

**Source:** Ministry of Finance, General Accounting Office. **Notes:** amounts in EUR million; The table presents Central Administration - including Ordinary Budget and Public Investment Budget – the total stock of regardless of the year they were created. Ordinary Budget arrears are included in the 2011 Budget estimates. Data may be subject to further improvements and modifications as the quality of data

collected improves and processing mechanism and methodologies develop. <sup>12</sup>: All debts 90-days overdue are considered in arrears; <sup>12</sup>: 595,5 million euro of total debts in arrears up to 31-03-2011 is from the Public Investment Budget and 492,4 million euro from the Ordinary Budget. <sup>13</sup>: Data for National Defence Ministry, was revised as follows: For Jan.2011 from 0 to 222,2 million Euros, for Feb.2011 from 13,93 to 266,72 million Euros and for Mar.2011 from 19,87 to 261,85 million Euros.

## 9. The financial position of public undertakings and other public entities

Efforts to increase the efficiency of state enterprises, to ensure better service to the public and to lower cost to the budget continue to be a priority for the Greek government. Enhanced monitoring which is achieved through the operation of the central registry for public enterprises and the regular publication of their financial results, is ongoing.

Analysing the financial data for the 1<sup>st</sup> quarter of 2011 and comparing them with the same period in 2010 for 16 state enterprises that submitted data for both periods the following conclusions can be drawn:

- There is a reduction of losses (before subsidies) by 43% (€ 277.9mil) in Q1 2011 versus the same period in 2010.
- There is a reduction of losses (after subsidies) by 46% (€ 216.2mil) in Q1 2011 versus the same period in 2010.
- There is a reduction of total expenses by 30% (€295.7mil) for Q1 2011 versus the same period in 2010. This is mainly due to the reduction of:
  - payroll cost by 34%, as a result of the implementation of law 3899/10, the reduction in the number of personnel and the implementation of law 3845/10 as of 1/6/2010.
  - third party expenses by 41% in Q1 2011.
  - interest expenses by 29% in Q1 2011.
  - other operating expenses by 38% in Q1 2011.
- There is a reduction of sales in Q1 2011 vs. Q1 2010 by 6% (€16.8mil)
- There is a reduction by 35% in the total subsidies (current state budget and other subsidies) for Q1 2011 versus the same period in 2010. Subsidies amounted to €114.9mil in Q1 2011 versus €176.6 mil in Q1 2010.

Table 11 summarizes the aggregate results for the 16 aforementioned SOEs, while detailed financial data for each public enterprise included in the sample is presented in Annex C.



**Table 11: Financial Results for 16 SOEs**

|                                   | Q1 2011         | Q1 2010         | Q1 2011-<br>Q1 2010 | %<br>CHANGE   |
|-----------------------------------|-----------------|-----------------|---------------------|---------------|
| Sales                             | 283,004         | 299,887         | -16,884             | -5.6%         |
| Subsidies                         | 114,925         | 176,649         | -61,724             | -34.9%        |
| Other revenue                     | 22,407          | 23,135          | -728                | -3.1%         |
| Non-recurring revenues            | 8,114           | 8,269           | -155                | -1.9%         |
| Total revenue before subsidies    | 313,525         | 331,292         | -17,767             | -5.4%         |
| <b>Total revenue</b>              | <b>428,450</b>  | <b>507,941</b>  | <b>-79,491</b>      | <b>-15.6%</b> |
| Personnel expenses                | 233,338         | 351,884         | -118,546            | -33.7%        |
| Third party fees and expenses     | 58,344          | 99,040          | -40,697             | -41.1%        |
| Third party services              | 54,780          | 74,155          | -19,374             | -26.1%        |
| Taxes                             | 14,015          | 14,474          | -458                | -3.2%         |
| Other expenses                    | 58,404          | 94,826          | -36,422             | -38.4%        |
| Interest expenses                 | 125,987         | 178,624         | -52,637             | -29.5%        |
| Depreciation                      | 116,471         | 113,438         | 3,032               | 2.7%          |
| Provisions                        | 378             | 615             | -237                | -38.5%        |
| Inventory cost                    | 18,641          | 34,988          | -16,347             | -46.7%        |
| Non-recurring expenses            | -1,808          | 12,214          | -14,022             | -114.8%       |
| <b>Total expenses</b>             | <b>678,551</b>  | <b>974,258</b>  | <b>-295,707</b>     | <b>-30.4%</b> |
| <b>EBT (before subsidies)</b>     | <b>-365,026</b> | <b>-642,965</b> | <b>277,940</b>      | <b>43.2%</b>  |
| <b>EBT (after subsidies)</b>      | <b>-250,100</b> | <b>-466,316</b> | <b>216,216</b>      | <b>46.4%</b>  |
|                                   |                 |                 |                     |               |
| <b>Total number of employees*</b> | <b>25,935</b>   | <b>29,134</b>   | <b>-3,199</b>       | <b>-11%</b>   |

Source: Special Secretary of Public Enterprises, Ministry of Finance

## ANNEX A. MEASURES PLANNED TO BE IMPLEMENTED IN THE 1<sup>st</sup> QUARTER OF 2011

**Table A1: Measures to comply with Council Decision 2010/320/EU to be completed by the end of the first quarter of 2011**

| STRUCTURAL FISCAL REFORMS  | STATUS OF IMPLEMENTATION  |
|--|---|
| <u>Medium-term budgetary planning</u>  |   |
| Prepare a medium-term budgetary strategy paper which identifies permanent fiscal consolidation measures of at least 8 % of GDP.  | Completed. The medium-term strategy will be submitted to the Parliament by mid May.   |
| <u>Revenue administration reforms</u>  |   |
| Launch an anti-tax evasion plan.   | Completed. Anti-tax evasion plan for the period 2011-2013 has been presented. See chapter 4.  |
| Adopt legislation to streamline the administrative tax dispute and judicial appeal processes and the required acts to better address misconduct, corruption and poor performance of tax officials.                                   | Completed. Law 3943/2011.   |
| Publish monthly reports of the five anti-tax evasion taskforces.   | Completed. 1 <sup>st</sup> report published on 31 March 2011. (2 <sup>nd</sup> report on 28 April).   |
| <u>Public financial management reforms</u>   |   |
| Appoint financial accounting officers to line Ministries.  | Completed. The General Secretary of each Ministry has been appointed as financial accounting officer.   |
| Accelerate process of establishing commitment registries.  | Ongoing process. The web based portal for the submission of data has been completed. All entities of the central government who are responsible for the submission of data have been trained. Entities send data through the portal every month, but the database is not yet complete. GAO services usually receive data on arrears directly from government entities and not through the portal. |
| <u>Public sector wages and human resource management</u>   |   |
| Present action plan to complete the simplified remuneration system.  | Completed. The structure of the simplified remuneration system is being prepared.   |
| Prepare a medium-term human resource plan for the period up to 2014.   | Completed.  |
| Start publishing monthly data on staff movements.  | In progress. Provision included in Law 3943/2011 foresees the establishment of a system to monitor staff movements on a monthly basis. Data are not yet available. Publication of monthly data will start in shortly.   |
| <u>Pension reform</u>  |   |
| Prepare actuarial studies for main supplementary (auxiliary) schemes and submit comprehensive long-term projections of pension expenditure up to 2060 under the adopted reform.  | Studies have been completed and fiches have already been provided by the Actuarial Authority.   |
| <u>Asset management</u>  |   |
| Provide an interim report – including a first list of assets– and describe steps taken to ensure that the first part of the inventory of state-owned assets and commercially viable real estate and land will be ready by June 2011. | In progress.  |

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| Appoint financial advisors for the formation of real estate and land portfolios, and the structuring of the associated privatisation transactions.                                      | In progress.  |
| Prepare draft privatisation plan.   | In progress.  |
| <u>Fighting waste in public enterprises</u>   |   |
| Cut primary remuneration in public enterprises by at least 10 percent at company level.   | Completed. Law 3899/2010  |
| Limit secondary remuneration to 10 percent of primary remuneration at company level.  | Completed. Law 3899/2010  |
| Establish a ceiling for gross earnings of EUR 4 000 per month.  | Completed. Law 3899/2010  |
| Increase urban transport tariffs by at least 30%.   | Completed. Tariff increases apply as of February (FEK B' 2/2011)  |
| Establish actions to reduce operating expenditure in SOEs between 15 to 25%, according to the specific needs of enterprises.  | Ongoing. Budgeted operating expenses for SOEs have been reduced by 15-25%. Firm-specific reductions have been specified.  |
| Publish action plan for restructuring state-owned enterprises and other public entities.  | Action plan included in the medium-term budgetary strategy.   |
| Adopt and start implementing a legal act and a business plan for the restructuring of the Athens transport network (OASA).  | Completed (Law 3920/2011). Restructuring has commenced and monitoring and enforcement mechanisms are in place.  |
| Publish monthly information on the accounts of public enterprises classified in general government.   | Completed. See also Chapter 10.   |
| Revise the framework law (Law 3429/2005) on state-owned corporate governance.   | Completed. Relevant provisions included in Law 3899/2010 and in Law 3965/2011 on the "Reform of the Loan and Consignment Fund, Public Debt Management Agency and Public Enterprises and Organisations, establishment of a Secretariat for Public Property and other provisions".  |
| <u>Health care system reforms</u>   |   |
| Establish new criteria and terms for the conclusions of contracts by social security funds with all healthcare providers.   | Completed   |
| Initiate joint purchase of medical services and goods to achieve substantial expenditure reduction.   | All purchases of medical services and goods are made based on the prices of the Price Observatory and thus there are common prices across funds.  |
| Take measures in order to extend in a cost-effective way the e-prescribing of medicines, diagnostics and doctors' referrals to all social security funds, health centres and hospitals. | In progress. The Electronic Prescription System is currently used by: 9.897 pharmacies, covering the total number of pharmacies in Greece and 17.363 doctors, who edit prescriptions for the country's four largest social insurance funds (OAEE, IKA-ETAM, OPAD and OGA), covering 50,8% of SSF contracted doctors. Detailed e-prescription timetable available. |
| Establish a process to regularly assess the information obtained through the e-prescribing system and produces regular reports.   | Completed   |
| Building on the web-based platform esy.net, finalise the process of centralisation of information.  | Completed (Effective date: February 1st)  |
| Create a dedicated service/unit to collect and scrutinise data and produce monthly and annual reports.  | Data for 2010 are being collected. A dedicated office has been established and a 5-digit helpdesk phone number in order to collect and process financial data and to produce monthly reports.   |
| Take measures to ensure the integration and consolidation of  | In progress.  |

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| hospitals' IT systems.  |  |
| Finalise the introduction of double-entry accrual accounting systems in all hospitals.  | Completed. The double accounting system has been introduced to all hospitals. Certain problems are observed for a small number of hospitals.   |
| Use the uniform coding system and a common registry for medical supplies developed by the Health Procurement Commission and the National Centre for Medical Technology for the purpose of procuring medical supplies.   | Partially completed. The coding of medical supplies (drugs, assets and supplies materials) has been completed. Until now, the adoption of the uniform coding system is applied by about 100 hospitals. |
| Calculate stocks and flows of medical supplies in all the hospitals using the uniform coding system for medical supplies.   | In progress.   |
| Timely invoicing of treatment costs (no later than 2 months) to Greek social security funds, other EU Member States and private health insurers for the treatment of non-nationals/ non-residents.  | In progress.   |
| Use of e-prescribing for all medical acts (medicines, referrals, diagnostics, surgery) in all NHS facilities.   | E-prescription is used at an increasing rate by NHS units (currently by 50%)   |
| Take measures to ensure that at least 50 percent of the volume of medicines used by public hospitals by end of 2011 is composed of generics with price below that of similar branded products and off-patent medicines, in particular by making compulsory that all public hospitals procure pharmaceutical products by active substance. | In progress (currently 20% on average).  |
| Move the responsibility of pricing medicines to EOF and all other aspects of pharmaceutical policy to the Ministry of Health, to rationalise licensing, pricing and reimbursement systems for medicines.  | Completed. Law 3918/2011   |
| Under the new law, reduce the profit margin of pharmacies on retail prices directly to 15-20 percent, or indirectly by establishing a system of rebates for pharmacies with sales above a designated threshold.   | Completed. Law 3918/2011   |
| Reduce the profit margin of wholesale companies distributing pharmaceuticals by at least one third.   | Completed. Law 3918/2011 (reduction from 7.8% to 5.4%)   |
| Update and publish the complete price list for the medicines in the market, using the new pricing mechanism.  | To be completed by end of June   |
| Lift the caps to the price reductions used when the price list was first introduced.  | To be completed by end of June   |
| Publish the prescription guidelines for physicians defined by EOF on the basis of international prescription guidelines.  | In progress. Most PGs have been delivered to the MoH, and oncologic PGs (pertaining to the most expensive drugs) have already been approved by the Central Council for Health.                         |
| Publish the new positive list of reimbursed medicines using the new reference price system developed by EOF.  | To be completed by end of June   |
| Start publishing monthly data on healthcare expenditure for at the least the main social security funds.  | Completed  |
| The independent task force of health policy experts produces an interim policy report.  | Completed  |
| <b>FINANCIAL SECTOR REFORMS</b>   |  |
| Transfer EUR 1 000 million to a dedicated government account opened by the General Accounting Office. Funds from this account are regularly released to the Hellenic Financial Stability Fund.  | Completed. Decision Number 2/18697/A0024-28-2-2011.  |
| Put forward for parliamentary adoption a new tranche of government guarantees for uncovered bank bonds (EUR 30  | Completed. Relevant provision included in Law 3965/2011.   |

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| billion).  |  |
| Table legislation with the aim of unbundling the core consignment activity of the Loan and Consignment Fund from deposit-taking and loan distribution activities.  | Completed. Relevant provision included in Law 3965/2011 on the "Reform of the Loan and Consignment Fund, Public Debt Management Agency and Public Enterprises and Organisations, establishment of a Secretariat for Public Property and other provisions". |
| FSF is adequately staffed.   | Staffing process ongoing.  |
| Table legislation that places all registered banks' employees under the same private sector status, regardless of the bank ownership.  | Under examination  |
| Takes steps to limit bonuses and to eliminate the so called 'balance-sheet premium.'   | Under examination  |
| Bank of Greece commits to reduce remuneration of its staff in light of the overall effort of fiscal consolidation.   | In progress.   |
| <b>STRUCTURAL REFORMS</b>  |  |
| <u>Labour market reforms</u>   |  |
| Reform legislation on fixed-term contracts and on working-time management  | The provisions for fixed-term contracts and working time management have been incorporated in the draft law on social economy which will be submitted to Parliament by end May.  |
| Simplify the procedure for the creation of firm-level trade unions   | Data on firm-level trade unions (numbers, time required for their establishment) are being collected.  |
| <u>Public procurement</u>  |  |
| Adopt legislation establishing the Single Public Procurement Authority.  | Draft law has been prepared and will be submitted to Parliament shortly.   |
| Launch the development of an e-procurement IT platform and sets intermediate milestones in line with the Action Plan.  | In progress.   |
| <u>Better regulation</u>   |  |
| Adopt measures needed to implement the 'Better Regulation agenda'.   | Draft law has been prepared. Pending approval by the Ministerial Council, public consultation and submission to Parliament.  |
| <u>Restricted professions</u>  |  |
| Adopt legislation to remove unjustified or disproportionate restrictions to competition, business and trade in restricted professions including: the legal profession, the notary profession, the pharmacy profession, architects and engineers and auditing services.   | Completed. Law 3919/2011.  |
| Publish the opinion of the Hellenic Competition Commission on the legislation to remove restrictions to competition, business and trade in restricted professions  | Completed. The opinion of the HCC has been published at the site of the Ministry of Finance.   |
| Screen the statutes of the professional chambers to identify rules on access to, and exercise of, the profession, and on pricing, that are against the new law on restricted professions and EU law. The necessary changes to these statutes are adopted by June   | In progress.   |
| Take measures to ensure that providers of services are not subject to requirements which oblige them to exercise a given specific activity exclusively, or which restrict the exercise jointly or in partnership of different activities, except in the circumstances and under the conditions set in the Services Directive | In progress.   |

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| Take measures to remove complete prohibitions on commercial communications by the regulated professions and to ensure that professional rules on commercial communications are non-discriminatory, justified by an overriding reason relating to the public interest and proportionate                   | In progress.  |
| <u>Recognition of professional qualifications</u>  |   |
| Take all necessary measures to ensure the effective implementation of EU rules on recognition of professional qualifications, including compliance with ECJ rulings. Update and send to the Commission information on the number of pending applications for recognition of professional qualifications. | Completed. Updates on number of pending applications in detail have been sent to the Commission.  |
| <u>Sectoral growth drivers</u>   |   |
| Publish a report analysing the potential contribution of the tourism sector to growth and jobs.  | Study has been presented to IMF/EC/ECB mission and the analytical work will be finalised by mid June. The final publication of the study is expected in July. |
| Publish a report analysing the potential contribution of the retail sector to price flexibility, growth and jobs.  | Study has been presented to IMF/EC/ECB mission and the analytical work will be finalised by mid June. The final publication of the study is expected in July. |
| <u>Competition policy</u>  |   |
| Finalise the adoption of a law modifying the existing institutional framework of the Hellenic Competition Commission (HCC).  | Completed. Law 3959/2011  |
| <u>Investment and licensing laws</u>   |   |
| Adopt all presidential decrees and ministerial decisions necessary for the implementation of the law on aid for private investment to promote economic growth, entrepreneurship and regional cohesion, and ensure accordance with the fiscal consolidation requirements.                                 | Completed. All presidential decrees and ministerial decisions have been signed.   |
| Adopt law to simplify and accelerate the process of licensing enterprises, industrial activities and professions.  | In progress. Draft law has been adopted by Parliament. Pending publication at the Government's Gazette.   |
| Ensure the acceleration of the environmental licensing by committing the authorising authority to proceed with the approval procedure after a specified time period  | Draft law has been prepared and will be adopted by end June.  |
| <u>Commercial and land registry</u>  |   |
| Make General Commercial Registry (GEMI) and one-stop shops for business start-ups operational.   | Completed. GEMI is operational as of 04.04.2011   |
| Provide sufficient resources for accelerating the completion of the land registry, with a view to tendering cadastral projects for additional 4 million rights by December 2011, completing the works for the large urban centres by 2015 and completing the overall project by 2020.                    | In progress. State contribution: 231 million euros for the completion of this project. For 2011, 25,5 million are budgeted.                                   |
| <u>Business-friendly Greece</u>  |   |
| Start implementing the measures identified by the action plan for a business-friendly Greece according to the timetable for the removal of the 30 most important remaining restrictions to business activity, investment and innovation  | In progress.  |
| <u>Export and R&amp;D promotion</u>  |   |
| Pursue an up-to-date and in-depth evaluation of all R&D and ongoing innovation actions.  | In progress. RAND evaluation is currently underway and an interim report will be completed by end May, while the final report will be available by end June.  |
| Finalise the creation of an external advisory council, to consider how to foster innovation, strengthen links between public   | Completed. National Council for Research and Development has been established and   |

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| research and Greek industries and the development of regional industrial clusters.  | convenes on a regular basis.   |
| Present an action plan with a view to abolishing the requirement of registration with the exporter's registry of the chamber of commerce for obtaining a certificate of origin by September 2011.   | Under examination.   |
| <u>Services directive</u>   |  |
| Ensure that the point of single contact (PSC) distinguishes between procedures applicable to service providers established in Greece and those applicable to cross-border providers (in particular for the regulated professions)   | In progress. Information of Single Contact is being updated as sectoral legislation is adopted.  |
| Ensure adequate links between the PSC and other relevant authorities (including professional associations)  | Completed.   |
| Allow the online completion of procedures covering at least, the procedures in the distribution services, tourism, education and construction sectors as well as in food and beverage services, services of the regulated professions – including the recognition of professional qualifications –, real estate services, and business services | In progress.   |
| Complete the adoption of changes to existing (sectoral) legislation in key services sectors such as tourism, retail and private education services.   | In progress.   |
| <u>Energy</u>   |  |
| Commence implementation of plan for opening up lignite-fired electricity generation to third parties  | The discussions between the Greek Government and the European Commission regarding the opening of the lignite productions are in advanced stage. Discussions are currently on hold, due to interference with PPC privatization plan. According to the original plan, the first quotas are expected to be operated by companies other than PPC in 2012. |
| Present detailed plans for ensuring a maximum market opening as regards the non-interconnected system   | By end of May 2011 a first draft document of the Grid & Market Code for the Non-Interconnected Islands will be presented. The final Code is planned to enter into force by September 2011.   |
| Commence implementation of its commitment to award the hydro reserves management to an independent body   | The Greek Government has submitted in March 2011 to EC the first draft for the new hydro management plan and is expecting comments on that.  |
| Start to implement the 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  | First stage of retail tariffs' restructuring has been taken place in January 2011.   |
| Adopt a Decision on the modalities of unbundling of the transmission system operator in line with the third energy liberalization package, ensuring timely management appointments, and adopt necessary legislation to ensure the creation of fully unbundled electricity and gas transmission system operators by March 2012                   | There is an ongoing procedure for the establishment and the operation of the independent TSO and DSO. The independent TSO (100% subsidiary of PPC as ITO model) is foreseen to be operational in September 2011 while the independent DSO (100% subsidiary of PPC) is foreseen to be operational in February 2012.                                     |
| Ensure the creation and effective operation of an independent Distribution System Operator, in line with the second and third energy liberalisation packages  | There is an ongoing procedure for the establishment and the operation of the independent TSO and DSO. The  |

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|   | independent TSO (100% subsidiary of PPC as ITO model) is foreseen to be operational in September 2011 while the independent DSO (100% subsidiary of PPC) is foreseen to be operational in February 2012.   |
| Transfer to RAE (Regulatory Authority for Energy) all regulatory powers assigned to EU energy regulators in the third energy liberalisation package (licensing, network access, network charges, market monitoring, etc)  | The draft law for the operation of the energy markets ensures the strengthening of RAE with the powers foreseen by the third energy package. The law is expected to be voted by the parliament by end of June 2011.  |
| Adopt measures to ensure the independence of RAE (impartial and transparent nomination of board, management authority with regard to budget and personnel, etc. in line with the third energy liberalisation package)   | The draft law for the operation of the energy markets ensures the strengthening of RAE with the powers foreseen by the third energy package. The law is expected to be voted by the parliament by end of June 2011.  |
| <u>Transport</u>  |  |
| Adopt a new regulatory framework to facilitate the conclusion of concession agreements for regional airports. The new regulatory framework should contribute to the development of the tourism sector and be mindful of preventing anticompetitive practices and foresee appropriate oversight of the allocation and operation of concessions, in full respect of state aid rules.  | Completed. Law 3913/2011   |
| Adopt a law that removes the current restrictions on the provision of services for occasional passenger transport by buses, coaches and limousines and which guarantees that any operator that meets clearly specified criteria related to professional capacity has unlimited access to the market. The cost for granting and renewing of licenses shall not exceed the administrative costs related to the licensing procedure and shall be levied in proportion to the number of vehicles licensed. The method for calculating the fees must be transparent and objective and shall not lead to over recovery of costs incurred. | In progress. Draft law on removing restrictions on the provision of services for occasional passenger transport by buses and coaches has been prepared and agreed with IMF/EC/ECB mission and will be submitted to Parliament shortly. The removal of restrictions on the provision of services for limousines will be addressed jointly with taxis. |
| <u>Education system</u>   |  |
| Establish an independent taskforce on education policy with the purpose of indicating specific policy measures aimed at increasing the efficiency and effectiveness of the public education system (primary, secondary and higher education) and reach a more efficient use of resources  | Completed. Independent task force in liaison with OECD has been established, term of reference have been agreed. Work proceeds according to schedule.  |
| <u>Structural and cohesion funds</u>  |  |
| Adopt legislation to shorten deadlines and simplify procedures on contract award and land expropriations (including the deadlines needed for the relevant legal proceedings).   | Draft law has been prepared.   |
| Carry out an evaluation the time-saving effects of the legislation on contract awards and land expropriation, on permits by the Central Archaeological Council in Athens, on environmental licensing.   | Evaluation of time savings effects of the legislation on archaeological permits has been completed. Evaluation of legislation on contract awards and land expropriation in progress.   |
| Submit a timetable for the preparation, selection and implementation of different types of projects (including scenarios of legal proceedings), derived from the above legislation. The timetable will serve as a benchmark for monitoring of projects.   | Timetable has been sent to IMF/EC/ECB mission.   |



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

**Table B1: Measures planned for the 2<sup>nd</sup> quarter of 2011**

| <b>MEASURE</b>   | <b>STATUS OF IMPLEMENTATION</b>  |
|--|--|
| <u>Medium Term Budgetary Planning</u>  |  |
| Adopt the medium-term budgetary strategy paper by the Council of Ministers   | Approved by Ministerial Council on 15 April 2011   |
| Vote the medium-term budgetary strategy paper by Parliament  | In progress. The MTFS will be submitted to Parliament in June.   |
| <u>Revenue administration reform</u>   |  |
| To institutionalize and consolidate the results of the anti-evasion plan, articulate a strategic plan of medium-term reforms, which will introduce a risk management framework and a large tax payer unit, and cover the rebuilding of the tax audit function. | In progress.   |
| <u>Pension reform</u>  |  |
| Proceed with an in-depth revision of the functioning of secondary/supplementary public pension funds   | In progress. Expected to be completed in September.  |
| Substantially revise the list of heavy and arduous professions, and reduces its coverage to no more than 10 percent of employment  | In progress. Draft law being prepared. On 15 June the Evaluation Committee for heavy and arduous professions will conclude its work and the new list will be implemented as of July 1. |
| <u>Military spending</u>   |  |
| The new National Medium-Term Military Procurement Programme, 2011-25 plans a reduction in military expenditure   | In progress.   |
| <u>Asset management</u>  |  |
| Publish a inventory of state-owned assets, including stakes in listed and non-listed enterprises and commercially viable real estate and land.   | In progress. Inventory being prepared.   |
| Establish a General Secretariat of Real Estate in order to improve coordination and accelerate the privatisation and asset management programme and take appropriate steps to the creation of special investment vehicles                                      | Provided in Law 3965/2011.   |
| On the basis of this inventory, privatisation plans are revised and accelerated targeting total proceeds of at least EUR 50 billion for the 2011-15 period, of which at least EUR 15 billion in 2011-12 and an additional EUR 35 billion in 2013-15            | Ongoing.   |
| Privatise the public stake in Casino Mont Parnes and extends the concession of the Athens International Airport  | In progress.   |
| <u>Generic medicines</u>   |  |
| Promote the use of generic medicines through compulsory doctors' e-prescription by active substance  | In progress.   |
| Promote the use of generic medicines through associating a lower cost-sharing rate to generic medicines that have a significantly lower price than the reference price   | Relevant provision included in draft law on National Agency for Transplantation  |
| Promote the use of generic medicines through setting the maximum price of generics to 60 percent of the branded medicine with similar active substance   | Relevant provision included in draft law on National Agency for Transplantation  |
| <u>Health Sector Reform</u>  |  |

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| Extend the use of capitation payment of physician to all contracts between social security funds and the doctors they contract.  | The payment of physicians for all funds will be finalised by 1 September 2011, when EOPPY will become operational. |
| Move towards greater equalisation across funds regarding contribution rates and minimum benefit packages, with the aim of full equalisation by 2012  | Completed for all funds except OGA, for which health contribution rates will increase gradually up to 2012.        |
| Adjust public hospital provision by implementing joint management / joint operation between small scale hospitals and big hospitals within the same district and health region   | In progress. Final decisions will be announced by end June.  |
| Revise the activity of small hospitals in a move towards specialisation  | In progress. Merger plans will be finalised by end June  |
| In districts with more than one hospital (excluding university hospitals) use a joint management / joint operation system  | In progress. Merger plans will be finalised by end June  |
| Increase mobility of healthcare staff (including doctors) within and across health regions   | In progress.   |
| The independent task force of health policy experts created at the end- 2010 produces, in cooperation with the European Commission, the ECB and the IMF, its final report, with specific recommendations on revisions to the policies implemented so far | In progress. Work ongoing.   |
| On the basis of the report of the task force, the Government adopts an action plan by end June 2011, including a timetable for concrete actions.   | Pending finalisation of the report   |
| Internal controllers are assigned to all major hospitals   | In progress.   |
| Ensure that the programme of hospital computerisation allows for a measurement of hospital and health centres activity   | In progress.   |
| Ensure that the programme of hospital computerisation allows for the setting up of a basic system of patient electronic medical records  | In progress.   |
| Start publishing monthly data on healthcare expenditure by all social security funds with a lag of three weeks after the end of the respective month   | In progress.   |
| Prepare a regular annual report on the structure and levels of remuneration and the volume and dynamics of employment in the hospitals, health centres, and health funds   | In progress.   |
| <u>Financial sector</u>  |  |
| The capital increase of ATE is completed   | Capital increase has been announced and approved by the General Assembly. In progress.                             |
| FSF is fully staffed   | Staffing process ongoing.  |
| Bank of Greece hires qualified staff to be able to strengthening banking supervision   | Hiring process has started.  |
| Bank of Greece undertakes a diagnostic assessment of insurance firms   | In progress.   |
| <u>Functional Reviews</u>  |  |
| Assess the results of the first phase of the independent functional review of central administration, including operational policy recommendations   | In progress. Work ongoing.   |
| The functional review of existing social programmes is finalised   | Possible delay   |
| <u>Public sector wages and human resource management</u>   |  |
| Adopt legislation establishing a simplified remuneration   | In progress. Draft law being prepared. It will   |

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| system covering basic wages and allowances that applies to all public sector employees   | be presented to the Ministerial Council on 22 June and will be submitted to Parliament on 30 June. |
| <u>Public procurement</u>  |  |
| Review of the system of redress against award procedures   | In progress.   |
| Undertake a review identifying areas to increase the efficiency of the public procurement system   | In progress.   |
| <u>Restricted professions</u>  |  |
| Take measures on commercial communications in accordance with the Services Directive   | In progress.   |
| Adopt all presidential decrees necessary for the implementation of the law on fast-track licensing procedure for technical professions, manufacturing activities and business parks                              | Law has been submitted to Parliament   |
| <u>Recognition of professional qualifications</u>  |  |
| Remove prohibitions to ensure that holders of franchised diplomas from other Member States have the right to work in Greece under the same conditions as holders of Greek degrees                                | In progress.   |
| <u>Education system</u>  |  |
| The independent taskforce on education publishes a detailed blueprint for improvement of the efficiency and effectiveness in the use of resources in the public education system                                 | Work of Task force proceeding according to schedule.   |
| <u>Labour market</u>   |  |
| Complete the reform to strengthen the Labour Inspectorate  | Draft law has been approved by the Ministerial Council and will be submitted to Parliament soon.   |
| Adapt legislation on tackling undeclared work to require the registration of new employees before they start working   | Relevant provision included in the draft Law on the Labour Inspectorate.                           |
| <u>Services directive</u>  |  |
| Adopt legislation on the services sectors of agriculture, transport, employment, technical services, sanitary facilities, welfare, wholesale and other priority identified in the Q4-2010 progress report        | In progress.   |
| Specify, for any remaining sectors, a timetable for adopting sectoral legislation by end-2011 that ensures full compliance with the requirements of the Services Directive                                       | In progress.   |
| <u>Sectoral growth drivers</u>   |  |
| Adopt legislation and take other structural actions to implement the findings of the report analysing the potential contribution of the tourism sector to growth and jobs in the Greek economy                   | Draft law being prepared and will be submitted to Ministerial Council in June.                     |
| Adopt legislation and take other structural actions to implement the findings of the report analysing the potential contribution of the retail sector to price flexibility, growth and jobs in the Greek economy | In progress.   |
| <u>Business environment</u>  |  |
| Adopt legislation to simplify and shorten procedures to complete studies on environmental impact and to get the approval of environmental terms  | Draft law ready.   |
| Implement an action plan to abolish the requirement of registration with the exporter's registry of the chamber of   | Under examination.   |

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| commerce for obtaining a certificate of origin   |  |
| Review and codify the legislative framework of exports (i.e., Law 936/70 and Law Order 3999/59), simplify the process to clear customs for exports and imports and give larger companies or industrial areas the possibility to be certified to clear cargo for the customs themselves | Draft law being finalised.             |
| <u>Structural and cohesion funds</u>   |  |
| Meet targets for payment claims in the absorption of EU structural and cohesion funds set down in the MoU  | In progress.                           |
| Achieve a semi-annual target of submitting 5 major project applications to the Commission  | In progress.                           |
| Adopt and implement the appropriate acts to ensure the smooth and timely implementation of structural-fund programmes in the framework of the recent local administration reform   | Completed. All acts have been adopted. |

**ANNEX C. THE FINANCIAL POSITION OF PUBLIC UNDERTAKINGS AND OTHER PUBLIC ENTITIES (company specific financial results for the 1<sup>st</sup> quarter of 2011)**

|                                   | GROUP OSE       |                 |             | TRAINOSE       |                |             |
|-----------------------------------|-----------------|-----------------|-------------|----------------|----------------|-------------|
|                                   | Q1 2011         | Q1 2010         | % CHANGE    | Q1 2011        | Q1 2010        | % CHANGE    |
| Sales                             | 27,419          | 43,663          | -37%        | 17,697         | 25,985         | -32%        |
| Subsidies                         | 33,953          | 25              | 135712%     | 12,512         | 124            | 9985%       |
| Other revenue                     | 15,721          | 12,685          | 24%         | 563            | 535            | 5%          |
| Non-recurring revenues            |                 |                 | -           | 16             | 216            | -93%        |
| Total revenue before subsidies    | 43,140          | 56,348          | -23%        | 18,276         | 26,736         | -32%        |
| <b>Total revenue</b>              | <b>77,093</b>   | <b>56,373</b>   | <b>37%</b>  | <b>30,788</b>  | <b>26,860</b>  | <b>15%</b>  |
| Personnel expenses                | 38,403          | 63,548          | -40%        | 16,339         | 26,863         | -39%        |
| Third party fees and expenses     | 4,271           | 3,079           | 39%         | 2,315          | 4,421          | -48%        |
| Third party services              | 1,934           | 3,539           | -45%        | 28,498         | 43,685         | -35%        |
| Taxes                             | 469             | 412             | 14%         | 3              | 5              | -53%        |
| Other expenses                    | 5,006           | 18,718          | -73%        | 400            | 1,191          | -66%        |
| Interest expenses                 | 105,713         | 96,287          | 10%         | 3              | 8              | -62%        |
| Depreciation                      | 69,440          | 69,325          | 0%          | 119            | 106            | 12%         |
| Provisions                        | 311             | 265             | 17%         | 0              | 0              | -           |
| Inventory cost                    | 8,659           | 21,145          | -59%        | 0              | 0              | -           |
| Non-recurring expenses            | -7,400          | -119            | -           | 222            | 2,731          | -92%        |
| <b>Total expenses</b>             | <b>226,806</b>  | <b>276,199</b>  | <b>-18%</b> | <b>47,898</b>  | <b>79,011</b>  | <b>-39%</b> |
| <b>EBT (before subsidies)</b>     | <b>-183,666</b> | <b>-219,851</b> | <b>16%</b>  | <b>-29,622</b> | <b>-52,275</b> | <b>43%</b>  |
| <b>EBT (after subsidies)</b>      | <b>-149,713</b> | <b>-219,826</b> | <b>32%</b>  | <b>-17,110</b> | <b>-52,151</b> | <b>67%</b>  |
|                                   |                 |                 |             |                |                |             |
| <b>Total number of employees*</b> | <b>4,173</b>    | <b>4,927</b>    | <b>-15%</b> | <b>1,495</b>   | <b>1,706</b>   | <b>-12%</b> |

**Source:** MIS system that connects the Special Secretariat with the Public Enterprises. **Notes:** Amounts in thousands euros. Data from the consolidated financial statements of Group OSE (OSE-EDISY, ERGOSE, GAIOSE) according to the IFRS and audited for Q1 2011.

|                                   | ATTIKO METRO   |                |             | ERT           |                |             | ELGA           |                 |              | MOD            |                |             | OSK           |               |              |
|-----------------------------------|----------------|----------------|-------------|---------------|----------------|-------------|----------------|-----------------|--------------|----------------|----------------|-------------|---------------|---------------|--------------|
|                                   | Q1 2011        | Q1 2010        | % CHANGE    | Q1 2011       | Q1 2010        | % CHANGE    | Q1 2011        | Q1 2010         | % CHANGE     | Q1 2011        | Q1 2010        | % CHANGE    | Q1 2011       | Q1 2010       | % CHANGE     |
| Sales                             | 0              | 991            | -100%       | 77,742        | 78,304         | -1%         | 30,241         | 2,191           | 1280%        | 0              | 0              | -           | 108           | 0             |              |
| Subsidies                         | 4              | 0              | 100%        | 3             | 25             | -88%        | 11,077         | 61,992          | -82%         | 14,120         | 17,408         | -19%        | 2,056         | 10,152        | -80%         |
| Other revenue                     | 421            | 330            | 28%         | 22            | 1              | 3448%       | 0              | 0               |              | 0              | 0              |             | 1,504         | 2,050         | -27%         |
| Non-recurring revenues            | 1,334          | 268            | 398%        | 205           | 2,268          | -91%        | 18             | 195             | -91%         | 0              | 2              | -100%       | 204           | 159           | 28%          |
| Total revenue before subsidies    | 1,755          | 1,588          | 10%         | 77,969        | 80,573         | -3%         | 30,259         | 2,385           | 1190%        | 0              | 2              | -100%       | 1,816         | 2,209         | -18%         |
| <b>Total revenue</b>              | <b>1,759</b>   | <b>1,588</b>   | <b>11%</b>  | <b>77,972</b> | <b>80,598</b>  | <b>-3%</b>  | <b>41,336</b>  | <b>64,377</b>   | <b>1108%</b> | <b>14,120</b>  | <b>17,410</b>  | <b>-19%</b> | <b>3,872</b>  | <b>12,361</b> | <b>-69%</b>  |
| Personnel expenses                | 4,546          | 6,103          | -26%        | 27,224        | 36,278         | -25%        | 6,777          | 10,813          | -37%         | 10,625         | 13,137         | -19%        | 3,220         | 4,693         | -31%         |
| Third party fees and expenses     | 83             | 135            | -39%        | 14,514        | 35,103         | -59%        | 763            | 908             | -16%         | 454            | 558            | -19%        | 172           | 351           | -51%         |
| Third party services              | 470            | 543            | -13%        | 3,000         | 2,127          | 41%         | 315            | 419             | -25%         | 2,203          | 3,361          | -34%        | 251           | 369           | -32%         |
| Taxes                             | 74             | 33             | 126%        | 7,121         | 5,562          | 28%         | 0              | 0               |              | 258            | 181            | 43%         | 7             | 1             | 384%         |
| Other expenses                    | 102            | 113            | -10%        | 1,941         | 1,690          | 15%         | 45,695         | 63,687          | -28%         | 82             | 138            | -41%        | 193           | 2,904         | -93%         |
| Interest expenses                 | 3,152          | 3,182          | -1%         | 1,037         | 782            | 33%         | 7              | 70,306          | -100%        | 0              | 0              | 167%        | 16            | 2,734         | -99%         |
| Depreciation                      | 17,100         | 17,006         | 1%          | 7,695         | 14,289         | -46%        | 0              | 0               | -            | 498            | 31             | 1502%       | 85            | 121           | -30%         |
| Provisions                        | 0              | 0              | -           | 0             | 0              | -           | 0              | 0               | -            | 0              | 0              | -           | 0             | 0             | -            |
| Inventory cost                    | 0              | 991            | -100%       | 3,332         | 3,771          | -12%        | 0              | 0               | -            | 0              | 0              | -           | 0             | 0             | -            |
| Non-recurring expenses            | -60            | 221            | -127%       | 509           | 2,238          | -77%        | 49             | 0               | 100%         | 0              | 4              | -100%       | 1             | 115           | -99%         |
| <b>Total expenses</b>             | <b>25,468</b>  | <b>28,325</b>  | <b>-10%</b> | <b>66,375</b> | <b>101,840</b> | <b>-35%</b> | <b>53,606</b>  | <b>146,134</b>  | <b>-63%</b>  | <b>14,120</b>  | <b>17,410</b>  | <b>-19%</b> | <b>3,945</b>  | <b>11,288</b> | <b>-65%</b>  |
| <b>EBT (before subsidies)</b>     | <b>-23,713</b> | <b>-26,737</b> | <b>11%</b>  | <b>11,594</b> | <b>-21,267</b> | <b>155%</b> | <b>-23,347</b> | <b>-143,748</b> | <b>84%</b>   | <b>-14,120</b> | <b>-17,408</b> | <b>19%</b>  | <b>-2,129</b> | <b>-9,078</b> | <b>77%</b>   |
| <b>EBT (after subsidies)</b>      | <b>-23,709</b> | <b>-26,737</b> | <b>11%</b>  | <b>11,597</b> | <b>-21,242</b> | <b>155%</b> | <b>-12,270</b> | <b>-81,756</b>  | <b>85%</b>   | <b>0</b>       | <b>0</b>       | <b>-</b>    | <b>-74</b>    | <b>1,074</b>  | <b>-107%</b> |
|                                   |                |                |             |               |                |             |                |                 |              |                |                |             |               |               |              |
| <b>Total number of employees*</b> | <b>462</b>     | <b>503</b>     | <b>-8%</b>  | <b>3,392</b>  | <b>3,512</b>   | <b>-3%</b>  | <b>606</b>     | <b>629</b>      | <b>-4%</b>   | <b>1,181</b>   | <b>1,184</b>   | <b>0%</b>   | <b>393</b>    | <b>465</b>    | <b>-15%</b>  |

*Source: MIS system that connects the Special Secretariat with the Public Enterprises. Notes: ATTIKO METRO: 1) The amount of €200,5 mil. is not included in the provisions (resulting from devaluation of financial assets due to transfer of the ATTIKO METRO's stocks of AMEL to OASA). 2) The operating expenses of the company (excluding management expenses and other non-recurring expenses) are considered as production for own purposes and are increasing the acquisition cost of the investment assets.*

|                                   | ETHEL          |                |              | ILPAP          |                |               | OASA SA       |               |             |                |                 |              |
|-----------------------------------|----------------|----------------|--------------|----------------|----------------|---------------|---------------|---------------|-------------|----------------|-----------------|--------------|
|                                   | Q1 2011        | Q1 2010        | % CHANGE     | Q1 2011        | Q1 2010        | % CHANGE      | Q1 2011       | Q1 2010       | %CHANGE     |                |                 |              |
| Sales                             | 25,263         | 27,908         | -9%          | 5,148          | 5,237          | -2%           | 2,415         | 3,501         | -31%        |                |                 |              |
| Subsidies                         | 28,323         | 52,539         | -46%         | 5,623          | 13,900         | -60%          | 0             | 0             | -           |                |                 |              |
| Other revenue                     | 496            | 1,328          | -63%         | 387            | 476            | -19%          | 0             | 22            | -100%       |                |                 |              |
| Non-recurring revenues            | 588            | 394            | 49%          | 193            | 255            | -24%          | 34            | 33            | 1%          |                |                 |              |
| Total revenue before subsidies    | 26,348         | 29,630         | -11%         | 5,728          | 5,968          | -4%           | 2,448         | 3,557         | -31%        |                |                 |              |
| <b>Total revenue</b>              | <b>54,670</b>  | <b>82,169</b>  | <b>-33%</b>  | <b>11,351</b>  | <b>19,868</b>  | <b>-43%</b>   | <b>2,448</b>  | <b>3,557</b>  | <b>-31%</b> |                |                 |              |
| Personnel expenses                | 52,997         | 70,646         | -25%         | 12,139         | 15,378         | -21%          | 1,791         | 2,941         | -39%        |                |                 |              |
| Third party fees and expenses     | 752            | 615            | 22%          | 202            | 154            | 31%           | 44            | 63            | -30%        |                |                 |              |
| Third party services              | 6,788          | 6,871          | -1%          | 2,936          | 2,178          | 35%           | 250           | 329           | -24%        |                |                 |              |
| Taxes                             | 1,882          | 2,382          | -21%         | 301            | 454            | -34%          | 13            | 9             | 41%         |                |                 |              |
| Other expenses                    | 721            | 690            | 4%           | 75             | 138            | -46%          | 37            | 64            | -42%        |                |                 |              |
| Interest expenses                 | 12,545         | 2,259          | 455%         | 1              | 343            | -100%         | 0             | 55            | -99%        |                |                 |              |
| Depreciation                      | 5,783          | 0              |              | 1,804          | 0              |               | 0             | 0             | -100%       |                |                 |              |
| Provisions                        | 0              | 0              |              | 67             | 0              |               | 0             | 0             | -           |                |                 |              |
| Inventory cost                    | 14,864         | 14,606         | 2%           | 712            | 1,273          | -44%          | 0             | 0             | -           |                |                 |              |
| Non-recurring expenses            | 446            | 132            | 239%         | 17             | 19             | -10%          | 58            | 15            | 280%        |                |                 |              |
| <b>Total expenses</b>             | <b>96,779</b>  | <b>98,200</b>  | <b>-1%</b>   | <b>18,254</b>  | <b>19,938</b>  | <b>-8%</b>    | <b>2,193</b>  | <b>3,476</b>  | <b>-37%</b> |                |                 |              |
| <b>EBT (before subsidies)</b>     | <b>-70,431</b> | <b>-68,570</b> | <b>-3%</b>   | <b>-12,525</b> | <b>-13,970</b> | <b>10%</b>    | <b>255</b>    | <b>80</b>     | <b>217%</b> |                |                 |              |
| <b>EBT (after subsidies)</b>      | <b>-42,108</b> | <b>-16,031</b> | <b>-163%</b> | <b>-6,902</b>  | <b>-70</b>     | <b>-9776%</b> | <b>255</b>    | <b>80</b>     | <b>217%</b> |                |                 |              |
| <b>Total number of employees*</b> | <b>6,104</b>   | <b>6,474</b>   | <b>-6%</b>   | <b>1,217</b>   | <b>1,426</b>   | <b>-15%</b>   | <b>200</b>    | <b>276</b>    | <b>-28%</b> |                |                 |              |
|                                   | ISAP           |                |              | AMEL           |                |               | TRAM          |               |             | TOTAL OASA     |                 |              |
|                                   | Q1 2011        | Q1 2010        | % CHANGE     | Q1 2011        | Q1 2010        | % CHANGE      | Q1 2011       | Q1 2010       | % CHANGE    | Q1 2011        | Q1 2010         | % CHANGE     |
| Sales                             | 11,466         | 13,619         | -16%         | 23,231         | 24,288         | -4%           | 1,449         | 1,227         | 18%         | 68,972         | 75,780          | -9%          |
| Subsidies                         | 4,539          | 16,861         | -73%         | 1,471          | 1,799          | -18%          | 1,209         | 1,778         | -32%        | 41,165         | 86,877          | -53%         |
| Other revenue                     | 384            | 535            | -28%         | 1,589          | 1,707          | -7%           | 261           | 284           | -8%         | 3,116          | 4,352           | -28%         |
| Non-recurring revenues            | 2,084          | 238            | 774%         | 6              | 93             | -94%          | 3,324         | 15            | 21404%      | 6,229          | 1,029           | 505%         |
| Total revenue before subsidies    | 13,934         | 14,392         | -3%          | 24,825         | 26,088         | -5%           | 5,033         | 1,527         | 230%        | 78,317         | 81,161          | -4%          |
| <b>Total revenue</b>              | <b>18,473</b>  | <b>31,253</b>  | <b>-41%</b>  | <b>26,296</b>  | <b>27,887</b>  | <b>-6%</b>    | <b>6,242</b>  | <b>3,305</b>  | <b>89%</b>  | <b>119,482</b> | <b>168,038</b>  | <b>-29%</b>  |
| Personnel expenses                | 13,928         | 25,455         | -45%         | 13,345         | 17,094         | -22%          | 5,036         | 5,904         | -15%        | 99,236         | 137,418         | -28%         |
| Third party fees and expenses     | 329            | 176            | 87%          | 623            | 513            | 21%           | 377           | 118           | 220%        | 2,328          | 1,640           | 42%          |
| Third party services              | 2,673          | 4,533          | -41%         | 2,549          | 3,067          | -17%          | 645           | 359           | 80%         | 15,842         | 17,336          | -9%          |
| Taxes                             | 635            | 767            | -17%         | 295            | 243            | 22%           | 31            | 23            | 32%         | 3,157          | 3,878           | -19%         |
| Other expenses                    | 286            | 421            | -32%         | 1,840          | 2,773          | -34%          | 298           | 186           | 60%         | 3,256          | 4,273           | -24%         |
| Interest expenses                 | 0              | 607            | -100%        | 5              | 6              | -10%          | 1,262         | 1             | 142308%     | 13,814         | 3,271           | 322%         |
| Depreciation                      | 6,086          | 5,854          | 4%           | 788            | 891            | -12%          | 2,978         | 0             | 100%        | 17,438         | 6,744           | 159%         |
| Provisions                        | 0              | 0              | 0%           | 0              | 0              | 0%            | 0             | 0             | 0%          | 67             | 0               | 100%         |
| Inventory cost                    | 105            | 316            | -67%         | 280            | 239            | 18%           | 128           | 42            | 207%        | 16,090         | 16,474          | -2%          |
| Non-recurring expenses            | 2,234          | 739            | 202%         | 92             | 281            | -67%          | 1,074         | 11            | 9321%       | 3,921          | 1,198           | 227%         |
| <b>Total expenses</b>             | <b>26,277</b>  | <b>38,867</b>  | <b>-32%</b>  | <b>19,818</b>  | <b>25,107</b>  | <b>-21%</b>   | <b>11,829</b> | <b>6,645</b>  | <b>78%</b>  | <b>175,150</b> | <b>192,232</b>  | <b>-9%</b>   |
| <b>EBT (before subsidies)</b>     | <b>-12,342</b> | <b>-24,475</b> | <b>50%</b>   | <b>5,007</b>   | <b>981</b>     | <b>410%</b>   | <b>-6,796</b> | <b>-5,118</b> | <b>-33%</b> | <b>-96,833</b> | <b>-111,071</b> | <b>13%</b>   |
| <b>EBT (after subsidies)</b>      | <b>-7,803</b>  | <b>-7,614</b>  | <b>-2%</b>   | <b>6,478</b>   | <b>2,780</b>   | <b>133%</b>   | <b>-5,587</b> | <b>-3,340</b> | <b>-67%</b> | <b>-55,668</b> | <b>-24,194</b>  | <b>-130%</b> |
| <b>Total number of employees*</b> | <b>1,048</b>   | <b>1,305</b>   | <b>-20%</b>  | <b>1,418</b>   | <b>1,680</b>   | <b>-16%</b>   | <b>668</b>    | <b>686</b>    | <b>-3%</b>  | <b>10,655</b>  | <b>11,847</b>   | <b>-10%</b>  |

Source: MIS system that connects the Special Secretariat with the Public Enterprises. Notes: Companies belonging in OASA Group (Total OASA figures present the aggregate figures for the group).

|                                   | EAV           |                |             | ETA           |               |             | ODIE          |               |             |
|-----------------------------------|---------------|----------------|-------------|---------------|---------------|-------------|---------------|---------------|-------------|
|                                   | Q1 2011       | Q1 2010        | % CHANGE    | Q1 2011       | Q1 2010       | % CHANGE    | Q1 2011       | Q1 2010       | % CHANGE    |
| Sales                             | 14,201        | 5,578          | 155%        | 9,281         | 9,045         | 3%          | 37,343        | 58,373        | -36%        |
| Subsidies                         | 36            | 37             | -2%         | 0             | 9             | -100%       | 0             | 0             | -           |
| Other revenue                     | 75            | 3              | 2261%       | 750           | 357           | 110%        | 235           | 319           | -26%        |
| Non-recurring revenues            | 82            | 9              | 760%        | 23            | 3,716         | -99%        | 3             | 407           | -99%        |
| Total revenue before subsidies    | 14,358        | 5,590          | 157%        | 10,055        | 13,118        | -23%        | 37,581        | 59,099        | -36%        |
| <b>Total revenue</b>              | <b>14,394</b> | <b>5,627</b>   | <b>156%</b> | <b>10,055</b> | <b>13,127</b> | <b>-23%</b> | <b>37,581</b> | <b>59,099</b> | <b>-36%</b> |
| Personnel expenses                | 21,010        | 43,928         | -52%        | 3,488         | 4,039         | -14%        | 2,470         | 5,064         | -51%        |
| Third party fees and expenses     | 801           | 389            | 106%        | 1,295         | 1,583         | -18%        | 32,641        | 50,874        | -36%        |
| Third party services              | 1,876         | 1,689          | 11%         | 490           | 727           | -33%        | 391           | 359           | 9%          |
| Taxes                             | 5             | 4              | 55%         | 25            | 108           | -77%        | 2,921         | 4,290         | -32%        |
| Other expenses                    | 1,505         | 1,455          | 3%          | 239           | 198           | 21%         | 223           | 459           | -51%        |
| Interest expenses                 | 1,032         | 699            | 48%         | 17            | 63            | -73%        | 1,212         | 816           | 49%         |
| Depreciation                      | 1,992         | 1,807          | 10%         | 1,882         | 1,902         | -1%         | 2,104         | 2,107         | 0%          |
| Provisions                        | 0             | 0              | -           | 0             | 0             | -           | 0             | 300           | -100%       |
| Inventory cost                    | -9,500        | -7,500         | -27%        | 108           | 19            | 465%        | 60            | 89            | -32%        |
| Non-recurring expenses            | 709           | 0              |             | 45            | 747           | -94%        | 241           | 218           | 10%         |
| <b>Total expenses</b>             | <b>19,431</b> | <b>42,471</b>  | <b>-54%</b> | <b>7,591</b>  | <b>9,386</b>  | <b>-19%</b> | <b>42,264</b> | <b>64,576</b> | <b>-35%</b> |
| <b>EBT (before subsidies)</b>     | <b>-5,073</b> | <b>-36,881</b> | <b>86%</b>  | <b>2,463</b>  | <b>3,732</b>  | <b>-34%</b> | <b>-4,683</b> | <b>-5,477</b> | <b>15%</b>  |
| <b>EBT (after subsidies)</b>      | <b>-5,037</b> | <b>-36,844</b> | <b>86%</b>  | <b>2,463</b>  | <b>3,741</b>  | <b>-34%</b> | <b>-4,683</b> | <b>-5,477</b> | <b>15%</b>  |
|                                   |               |                |             |               |               |             |               |               |             |
| <b>Total number of employees*</b> | <b>1,880</b>  | <b>2,269</b>   | <b>-17%</b> | <b>467</b>    | <b>398</b>    | <b>17%</b>  | <b>170</b>    | <b>289</b>    | <b>-41%</b> |

*Source: MIS system that connects the Special Secretariat with the Public Enterprises. Notes: SOEs and entities not classified in General Government. ETA: 1) 2011 payroll cost includes salaries for 58 employees who were not included in 2010 payroll (due to separation of operating unit) 2) Data not finalised for Q1. EAV: 1) Data not finalised for Q1. Estimation of the changes in inventory for Q1 2011. ELGA: 1) The amount of euro 55.527,59 in personnel expenses refers to fixed term contract employees for Q1 2011 and the amount of euro 14.591,17 refers the employers contributions for the same period.*