

**HELLENIC REPUBLIC**  
**MINISTRY OF ECONOMY AND FINANCE**

**THE 2001 UPDATE OF THE HELLENIC**  
**STABILITY AND GROWTH PROGRAMME:**  
**2001-2004**

- The programme can be found at the web site of the Greek Ministry of Economy and Finance:  
[http://www.mnec.gr/ministry/converg/spg2001\\_en.htm](http://www.mnec.gr/ministry/converg/spg2001_en.htm)

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## 1. Introduction

With the accession to the Economic and Monetary Union the Greek economy operates now in a different framework, with low interest rates, almost no exchange rate risks, and a much higher confidence of market participants for the stability of the economic environment.

This first update of the Greek Stability and Growth Programme takes into account the new financial and economic situation, which has been shaped after the slowdown of the world economy and particularly after the terrorist attack of the 11<sup>th</sup> of September. Hence, it provides for a review of the economic developments in Greece for the period 2000-2001, and projections for the economic developments for the years 2002 and 2004.

The economic activity in Greece was sustained in 2000, with a GDP growth rate that at the end turned out to be higher than the estimated one in the Stability and Growth Program (SGP) presented last year. However, the unfavourable economic conditions that prevailed in the world economy in 2001, and particularly after the events of the September 11, have adversely affected the current economic activity. As a result the GDP growth rate in 2001 is estimated to be at 4.1 percent, lower than the forecast of 5 percent envisioned in the 2000 SGP. Despite this, growth performance still remains higher than the European Union average and is expected to remain so in the coming years.

The GDP growth projections for the years 2002-2004 are based on cautious assumptions about the evolution of the domestic components of the economic activity, and with respect to the external environment we mainly rely on the Commission's projections. For 2002 our projection is that GDP will grow by 3.8 percent and for the years 2003 and 2004 by 4 percent each year. These growth rates are certainly lower than the ones included in the previous SGP, but fairly consistent with the projections of the Commission, the OECD and the IMF. The main contributions to growth will come from: a) the strong public investment, which to a large extent stem from the 3<sup>rd</sup> Community Support Framework, the public works for the 2004 Olympic Games and

strong private investment; b) the structural changes that have been planned and with some of them being implemented already; c) the initiatives that the Greek Government has taken aiming at macroeconomic stability, increase in competitiveness, public debt reduction and social cohesion and d) the expected, from the second semester of 2002, improvement in the economic situation of the rest of the EU member states and the world economy in general.

The Greek government's efforts in the field of public finances have yielded very good results over the last seven years. The general government deficit from 10 percent of GDP in 1994 has been reduced to 1.1 percent of GDP in 2000. For 2001, the general government surplus turns out to be 0.1 percent of GDP, instead of a target of 0.5 percent. For 2002 the target for the general government balance is a surplus of 0.8 percent of GDP, and for the years 2003 and 2004 the targets are 1.0 percent and 1.2 percent respectively. These targets are lower than the ones anticipated last year, and as a result the decline of the debt, measured as a percent of GDP, will be slower than the one projected in the previous SGP.

The basic aim of the Greek government, in the context of the Economic and Monetary Union, is to achieve real convergence. In spite of the unfavourable international economic environment, GDP growth in the coming years is expected to be amongst the higher in the EU and certainly higher from the European average, contributing, thus, to the real convergence of per capita income.

## 2. The Greek Economy

**Table 1. Growth and Associated Factors**

	2000	2001	2002	2003	2004
GDP GROWTH AT CONSTANT PRICES	4.3%	4.1%	3.8%	4.0%	4.0%
GDP LEVEL AT CURRENT MARKET PRICES (bn drs)	41406.7	44483.7	47559.3	50946.0	54573.0
GDP DEFLATOR CHANGE	3.4%	3.2%	3.0%	3.0%	3.0%
HICP CHANGE	2.9	3.6	2.7	2.6	2.7
EMPLOYMENT GROWTH	-0.3%	0.8%	0.8%	1.3%	1.5%
LABOUR PRODUCTIVITY GROWTH	4.6%	3.3%	3.0%	2.7%	2.5%
GENERAL GOVERNMENT BALANCE	-1.1%	0.1%	0.8%	1.0%	1.2%
GENERAL GOVERNMENT DEBT	102.7%	99.6%	97.3%	94.4%	90.0%
<b>SOURCES OF GROWTH: PERCENTAGE CHANGES AT CONSTANT PRICES</b>					
1. PRIVATE CONSUMPTION EXPENDITURE	3.2%	3.1%	2.9%	3.1%	3.1%
2. GOVERNMENT CONSUMPTION EXPENDITURE	2.3%	1.8%	-0.5%	0.7%	0.7%
3. GROSS FIXED CAPITAL FORMATION	7.8%	8.5%	9.5%	9.9%	7.4%
4. CHANGES IN INVENTORIES (% GDP)	0.1%	0.0%	-0.1%	-0.1%	-0.1%
5. EXPORTS OF GOODS AND SERVICES	18.9%	5.8%	4.8%	6.2%	8.3%
6. IMPORTS OF GOODS AND SERVICES	15.0%	5.2%	4.6%	6.8%	6.8%
<b>CONTRIBUTION TO GDP GROWTH</b>					
7. DOMESTIC DEMAND (excluding inventories)	4.4%	4.0%	3.8%	4.4%	3.9%
8. CHANGES IN INVENTORIES	0.4%	-0.1%	-0.1%	0.0%	0.0%
9. EXTERNAL BALANCE OF GOODS AND SERVICES	-0.43%	-0.3%	-0.3%	-0.7%	-0.2%
<b>BASIC ASSUMPTIONS</b>					
	2000	2001	2002	2003	
SHORT-TERM INTEREST RATE	7.8	4.3			
LONG-TERM INTEREST RATE	6.5	5.3			
EURO / USD EXCHANGE RATE	0.92	0.90	0.91	0.91	
WORLD GDP GROWTH, EXCLUDING EU	4.7	2.2	2.3	3.9	
EU GDP GROWTH	3.3	1.7	1.4	2.9	
WORLD IMPORT VOLUMES EXCLUDING EU	11.2	0	1.2	5.8	
OIL PRICES	28.6	24.9	22.3	24.8	

Table 1 presents, in a compound form, the main macroeconomic aggregates and projections of the 2001 updated SGP for the Greek economy for the period 2000-2004, as well as the assumptions used for the external environment. An analysis of these developments and projections are presented in the sections that follow.

## **2.1 The Greek Economy 2000-2001**

### ***2.1.1 The Greek Economy in 2000***

In 2000 economic activity in Greece, continued strong and the GDP growth rate reached 4.3 percent, instead of the 4.1 percent projected in the 2000 SGP. The main macroeconomic indicators continued to improve, despite the significant oil price increases and the unexpected big appreciation of the US dollar against the euro and of course the Greek drachma. All components of the domestic demand were buoyant. The contribution of total domestic demand to change in GDP was 4.8 percentage points while the external balance of services had a negative contribution of 0.4 percent, although exports of goods and services were increased in real terms by 18.9percent as a result of the recovery in the world economy.

The inflation target set for 2000 was exceeded by 0.4 percentage points. The national index of consumer prices increased by an annual average of 3.2 percent from 2.6 percent in 1999. This was due principally to pressures stemming from surging oil prices and the appreciation of the US dollar against the drachma. In drachmas, the average annual increase of the crude oil price in 2000 was 87 percent, against an increase of 42 percent in 1999.

The process of fiscal consolidation continued in 2000, and the general government deficit was reduced to 1.1 percent of GDP from 1.8 percent in 1999, and the general government primary surplus exceeded the 6.0 percent of GDP. Also, the general government debt as a percentage of GDP decreased to 102.7 percent in 2000 from 103.9 in 1999 and 111.3 percent in 1996.

### ***2.1.2 The Performance of the Greek Economy During 2001***

In 2001, for the sixth consecutive year GDP growth is estimated to be above the EU average. It is true, however, that the significant slowdown of the world economy and in particular of the EU economies has affected the economic activity in Greece, and the GDP growth for the current year is estimated to be 4.1 percent, instead of a 5.0 percent forecast of the 2000 SGP. Despite this slowdown, at the end of 2001 Greece

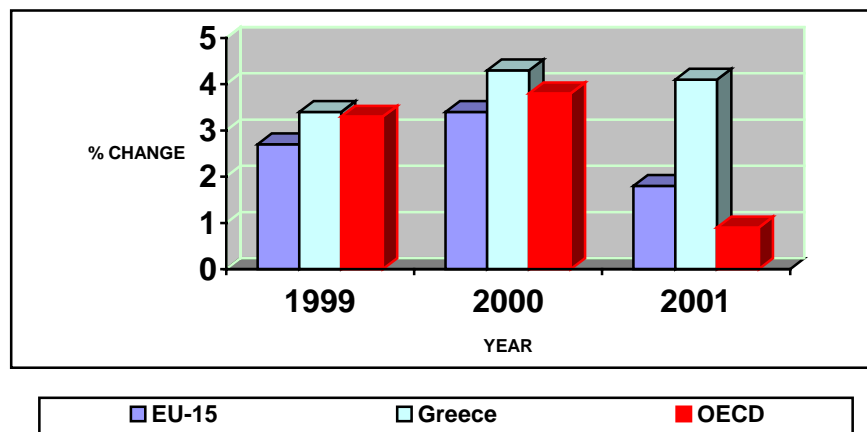
will have the fastest rate of real convergence, compared to the European average, since 1981 when the country joined the European Union.

**Table 2: Selected Economic Indicators 2000-2001**

	2000		2001	
	<i>SGP2000</i>	<i>SGP2001</i>	<i>SGP2000</i>	<i>SGP2001</i>
1. GDP GROWTH	4.1%	4.3%	5.0%	4.1%
2. GROSS FIXED CAPITAL FORMATION	9.3%	7.8%	11.7%	8.5%
3. REAL UNIT LABOUR COST	-1.2%	-1.5%	-1.5%	-1.2%
4. PRIVATE CONSUMPTION DEFLATOR	2.7%	3.1%	2.3%	3.1%
5. GENERAL GOVERNMENT BALANCE (% GDP)	-0.8%	-1.1%	0.5%	0.1%
6. GENERAL GOVERNMENT DEBT (% GDP)	103.9%	102.7%	98.9%	99.6%
7. UNEMPLOYMENT RATE	11.3%	11.4%	10.4%	10.9%

The terrorist attack of September 11 only aggravated the bad economic conditions and amplified the uncertainty that already existed for the prospects of the world economy. However, the Greek economy has shown one the slowest slowdown compared with the other Eurozone member countries. As depicted in Graph 1, the rate of growth of the Greek real GDP is twice the rate of the European Union and OECD averages.

**Graph 1: Real GDP Growth, Greece, EU-15 and OECD**



An important element sustaining this high growth rates in Greece is investment. In 2001 the growth rate of gross fixed capital formation will be higher than that of the year 2000. The significant inflows of community resources, from the 3<sup>rd</sup> Community Support Framework, along with strong private and public investments, will certainly increase the productive potential of the Greek economy. At the same time, the completion of extensive infrastructure projects, and the works for the 2004 Olympic Games are expected to further contribute to the growth of private and public investment. Aggregate investment is expected to increase by 8.5 percent, stimulated also by the significant increase in the investment of public enterprises, which will grow by 20.2 percent in current prices. This will improve the growth prospects and will enhance the competitiveness of the Greek economy.

Invigorating elements in the dynamics of the Greek economy are also the structural changes that have taken place recently, and the ones also planned such as those related to fiscal administration, the redesign of the tax system, the new “quality” of the privatisation policies, markets liberalisation, the modernisation of the public administration and the public sector reform in general.

The process of the tax reform is expected to be completed in the first half of 2002. This is a major reform effort aiming at simplifying the tax system, making it more transparent and more equitable, and at enhancing the competitiveness of Greek firms. Finally, the dialogue which is to be soon initiated by the government concerning social insurance and pension system reform, is expected to give solutions towards the direction of long-term sustainability of public finances and growth.

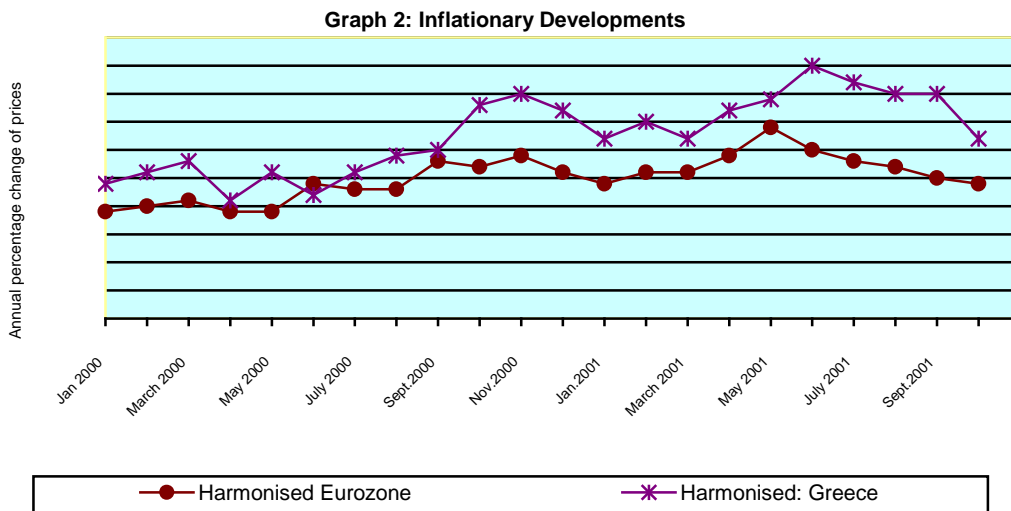
With regard to unemployment, which is still high, the acceleration of GDP growth will contribute to employment creation and smaller unemployment rates. The employment growth in 2001 is expected to be 0.8 percent, and the unemployment rate to fall to 10.9 percent from 11.4 percent in 2000.

In the first eight months of 2001 the course of the short-term indicators of economic activity manifested indicated acceleration of the rate of growth, mainly, of domestic demand. The volume of retail sales was exhibiting faster growth in the period of January-August 2001, compared with the same period in 2000. Similar growth results are observed in the construction sector. Moreover, according to the OECD Greece’s leading economic indicator is growing at a rate of 1.0 percent, whereas in the



Eurozone it is declining by 5 percent. However, demand and especially, private consumption demand is estimated to decelerate in the last quarter of the year 2001.

Inflation (Graph 2) at the end of 2001 is expected to be less than 3 percent. The deceleration of the inflationary increases caused by the fall in the oil price has started influencing positively domestic prices since last June. The up to now positive developments in the oil prices, the expected reduction in domestic demand, and the anticipated strengthening of the Euro against the dollar, will all contribute to weaken inflationary pressures. However, the oil price equilibrium is very fragile and may be affected by developments in the front of the war against terrorism.



In the area of fiscal policy, developments are not as favourable as projected by the 2000 SGP. Shortfalls in revenues have reduced the projected surplus of the general government, from the targeted 0.5 percent, to 0.1 percent of GDP. This surplus was achieved despite the adoption of a tax package in November 2000 which introduced reductions in personal and corporate income tax rates and the cost of which for 2001 is estimated to be of around 0.4 percent of GDP.

The shortfall in revenues is mainly due to three reasons. First, the slowdown in the economic activity and the decline in the profitability of the Greek firms, relative to 2000, resulted in lower revenues from corporate taxes. To a great extent this shortfall is also due to some technical reasons related to the system of collecting the corporate

income tax. Second, the sharp decline in the activity of the Athens Stock Exchange together with 50 percent reduction in the tax rate imposed on the transactions on shares traded had an important negative effect on the revenues raised by this tax. Third, the fall in the interest rates on bank deposits reduced the interest income and consequently the tax revenues from the tax on savings. To some extent the lower tax revenue is also due to the fact that many depositors switched from bank deposits to repos, which are untaxed in Greece. However, from next year on, there will be also a tax on income from repos. Part of the shortfall in tax revenues has been compensated, however, by higher non-tax revenues and mainly by the proceeds of the UMTS licences, estimated to be 484 million euros, which were not included in the 2001 budget.

Tables 3 and 4 present the budget and estimate for 2001 of the disaggregate central government balance and debt.

**Table 3: Central Government Revenues and Expenditures (billion Euros)**

	2001 BUDGET	
	BUDGET	ESTIMATE
<b>1. REVENUES</b>	39.86	39.56
(a) ORDINARY (NET REVENUE)	36.03	35.73
<i>of which</i>		
i. DIRECT TAXES	14.32	13.64
ii. INDIRECT TAXES	20.22	19.62
(b) PUBLIC INVESTMENT PROGRAM	3.83	3.83
<b>2. EXPENDITURES</b>	44.13	44.14
(a) ORDINARY BUDGET	35.97	35.98
<i>of which</i>		
i. COMPENSATION OF EMPLOYEES	13.08	13.26
ii. OTHER EXPENDITURE	10.33	10.11
iii. INTEREST PAYMENTS	9.71	9.71
(b) PUBLIC INVESTMENT PROGRAM	8.16	4.16
<b>3. ACQUISITION OF CAPITAL</b>	1.85	1.85
<b>4. CENTRAL GOVERN. BALANCE (1-2+3)</b>	-2.42	-2.73
<b>5. PUBLIC ENTITIES SURPLUS AND ESA ADJUSTMENT</b>	3.03	2.83
<b>6. GENERAL GOVERNMENT BALANCE (4+5), % OF GDP</b>	0,61 (0.5%)	0.10 (0.1%)

**Table 4: Contributions to Debt Developments (million Euro)**

	2001 BUDGET	
	BUDGET	ESTIMATE
1. NET BORROWING REQUIREMENTS	4279.0	4580.0
2. BURDEN FROM FOREIGN EXCHANGE	-490.0	87.0
3. OTHER	1144.0	3796.0
4. MILITARY BORROWING	2054.0	2553.0
5. DEKA	2201.0	4463.0
6. INCREASE IN DEBT (1+2+3+4-5)	4777.0	6553.0
7. CENTRAL GOVERNMENT DEBT	143918	145737
8. INTERGOVERNMENTAL DEBT	15689	15689
9. GENERAL GOVERNMENT DEBT (7-8)	128229	130048

It is worth mentioning that it is the first time in the last two decades that the general government balance will be in surplus. Regarding public debt, it is expected that the general government consolidated gross debt in 2001 will be reduced to 99.6 percent of GDP in 2001 from 102.7 percent of GDP in 2000.

## 2.2 Basic Growth Scenario 2002-2004

The prospects of the Greek economy, in the short run, appears more favourable than in most other EU economies. For the period 2002-2004, a robust sustainable growth rate is projected together with further improvements in the fiscal position which will improve further. These projections are in line with the recently published projections of the Commission, the OECD, and the IMF.

The highly uncertain international economic environment, particularly after the terrorist attack of September 11, makes forecasts very fragile. Our assumptions about the domestic economic activity are rather cautious, and the main driving force will remain investment. For the external sector, we assume that markets will develop according to the projections of the Commission and other international organisations. More specifically, we assume that oil price will be, on average, around 23.5 dollars a

barrel for the coming years, and that the Euro will recover but will remain below one dollar.

Investment will constitute the most important component of domestic demand. The share of gross domestic fixed capital to GDP will increase, in the period 2002-2004, to at about 26 percent from 22 percent in 2000. This increase will come from both private and public investment. The low interest rates, the liberalisation of markets, and the strong domestic demand create conditions very conducive for private investment. Moreover, the large inflows of funds from the 3<sup>rd</sup> Community Support Framework, along with the works for the 2004 Olympic Games, will contribute significantly to the economic activity.

Private consumption in 2002-2004 is projected to increase on average at the same rate as in the 2000-2001 period, namely approximately 3.1 percent annually. The external sector will continue to have a negative contribution to the GDP, but this is expected to improve by the end of 2004.

**Table 5: Selected Economic Indicators 2002-2004**

	2002		2003		2004	
	<i>SGP2000</i>	<i>SGP2001</i>	<i>SGP2000</i>	<i>SGP2001</i>	<i>SGP2000</i>	<i>SGP2001</i>
1. GDP GROWTH	5.2%	3.8%	5.5%	4.0%	5.5%	4.0%
2. GROSS FIXED CAPITAL FORMATION	12.6%	9.5%	12.0%	9.9%	10.0%	7.4%
3. REAL UNIT LABOUR COST	-1.2%	-0.6%	-1.0%	-0.4%	-0.8%	0.0%
4. PRIVATE CONSUMPTION DEFLATOR	2.2%	2.8%	2.3%	2.7%	2.4%	2.8%
5. GENERAL GOVERNMENT BALANCE (% GDP)	1.5%	0.8%	2.2%	1.0%	2.0%	1.2%
6. GENERAL GOVERNMENT DEBT (% GDP)	96.0%	97.3%	90.5%	94.4%	84.0%	90.0%
7. UNEMPLOYMENT RATE	9.5%	10.5%	8.4%	9.8%	7.5%	9.0%

In the period 2002-2004, the general government balance is projected to be positive, and to continue improving over the period, from 0.8 percent of GDP in 2002, to 1.0

percent in 2003 and 1.2 percent in 2004. The increase in the general government surplus will come primarily from the decrease in the consumption expenditures of the budget and the reduced interest payments for public debt servicing. The improvement of the general government balance in conjunction with the continuation of the privatisation programme, are expected to lead to a further reduction of the public debt as a percent of GDP to 90.0 percent 2004.

For the Programme's period, the approach to incomes policy will be in line with economic activity, so that it will ensure not only improvements in competitiveness but also convergence of the real compensation of employees with the rest of the EU. The annual growth of real compensation per employee is projected to remain between 2.3 percent and 2.5 percent. Although this increase is almost twice as high as the corresponding European average, unit labour costs will continue declining. It should be mentioned here, that from the 1<sup>st</sup> of January 2002, minimum wage will increase by almost one percent. This is due to a catch-up clause contained in the collective bargaining agreement, concluded between the General Confederation of Employees and the Employers organisations in 2000. The clause provided for an automatic increase in the minimum wage from the 1<sup>st</sup> of January 2002, which will be equal to the difference of the 2002 inflation outturn and the then anticipated inflation rate of 2.3 percent for 2001.

Employment for the years 2002 and 2004 is expected to increase as a consequence of high growth rates and investment and the implementation of the National Action Plan for Employment. The unemployment rate is expected to decrease from 11.4 percent that was in 2000 to around 9.0 percent in 2004.

### **3. Economic Policy Developments**

The economic policies pursued by the Greek government aim at improving economic performance of the economy, promoting employment creation, improving the quality of life, enhancing the fight against social exclusion, and maintaining of our cultural heritage.

Economic policies in the coming years will continue to be geared towards maintaining macroeconomic stability, further realising fiscal consolidation, and strengthening structural reforms. In the framework of the Monetary Union, stabilisation will rely primarily on fiscal policy, while efficiency and competitiveness can be promoted through structural reforms. Although significant progress has been made in recent years, it remains a lot to be done, particularly in reforming the public sector.

### *3.1 Fiscal Policy and Prospects for 2002-2004*

Fiscal policy will remain prudent in the coming years, aiming at reaching the targets set mainly through expenditure restraint. At the level of general government, total resources are projected to decline slightly from 47.3 percent of GDP in 2001 to 46.8 percent, while total expenditure is expected to decline from 47.2 percent in 2001 to 45.6 percent in 2004.

**Table 6: General Government Budgetary Developments**

% of GDP	2000	2001	2002	2003	2004
<b>BALANCE BY SUB-SECTORS</b>					
1. GENERAL GOVERNMENT	-1.1%	0.1%	0.8%	1.0%	1.2%
2. CENTRAL GOVERNMENT	-3.55%	-2.35%	-0.85%	-0.65%	-0.15%
3. LOCAL GOVERNMENT	0.05%	0.05%	0.05%	0.05%	0.05%
4. SOCIAL SECURITY	2.4%	2.4%	1.6%	1.6%	1.3%
<b>GENERAL GOVERNMENT</b>					
5. TOTAL REVENUE	46.4%	47.3%	47.1%	46.9%	46.8%
6. TOTAL EXPENDITURE	47.5%	47.2%	46.3%	45.9%	45.6%
7. GENERAL GOVERNMENT BALANCE	-1.1%	0.1%	0.8%	1.0%	1.2%
8. INTEREST	7.1%	6.5%	5.6%	5.2%	4.8%
9. GEN. GOVN. PRIMARY SURPLUS	6.1%	6.6%	6.4%	6.2%	6.0%
<b>COMPONENTS OF: REVENUES / EXPENDITURES</b>					
10. TAXES	25.8%	24.8%	24.7%	24.5%	24.6%
11. SOCIAL CONTRIBUTIONS	13.5%	13.5%	13.5%	13.5%	13.5%
12. OTHER CURRENT RESOURCES	3.7%	5.4%	5.4%	5.2%	5.0%
13. TOTAL REVENUE	46.4%	47.3%	47.1%	46.9%	46.8%
14. GOVERNMENT FINAL CONSUMPTION EXPENDITURE	15.5%	15.8%	15.5%	15.3%	15.2%
15. SOCIAL TRANSFERS OTHER THAN IN KIND	16.3%	16.5%	16.7%	17.0%	17.3%
16. SUBSIDIES	0.2%	0.2%	0.1%	0.1%	0.1%
17. INTEREST PAYMENTS	7.1%	6.5%	5.6%	5.2%	4.8%
18. OTHER CURRENT EXPENDITURE	1.3%	1.3%	1.2%	1.2%	1.2%
19. GROSS FIXED CAPITAL FORMATION	4.1%	4.2%	4.3%	4.4%	4.6%
20. TOTAL EXPENDITURE	47.5%	47.2%	46.3%	45.9%	45.6%

As mentioned earlier, the expected balance of the general government for the current year will be of the order of 0.1 percent of GDP. For the coming years, this positive balance is expected to rise to 0.8 percent of GDP in 2002, 1.0 percent in 2003, and 1.2 percent in 2004. At the same time, the general government primary balance will fluctuate around 6.5 percent of GDP for the period 2002-2004.

In the period of 2002-2004 the reduction of the general government consolidated public debt will continue to decline, although at a rate that is lower than the one projected in the 2000 SGP. The medium term target for public debt remains as before, namely to reduce the ratio of public debt to GDP, to around 60 percent by the year 2010.

**Table 7: General Government Debt Developments**

<b>% of GDP</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>GEN. GOVN CONSOLIDATED GROSS DEBT</b>	102.7%	99.6%	97.3%	94.4%	90.0%
<b>CHANGE</b>	-1.9%	-3.1%	-2.2%	-2.9%	-4.4%
<b>CONTRIBUTION TO CHANGES IN GENERAL GOVERNMENT CONSOLIDATED GROSS DEBT</b>					
<b>PRIMARY SURPLUS</b>	6.1%	6.6%	6.4%	6.2%	6.0%
<b>INTEREST</b>	7.1%	6.5%	5.6%	5.2%	4.8%
<b>NOMINAL GDP</b>	7.9%	7.4%	6.9%	7.1%	7.1%
<b>OTHER FACTORS AFFECTING THE GENERAL GOVERNMENT CONSOLIDATED GROSS DEBT</b>					
<b>PRIVATISATION PROCEEDS</b>	2.0%	3.4%	1.6%	1.0%	0.9%
<b>IMPLICIT INTEREST RATE (Central Government)</b>	7.4%	6.8%	6.0%	5.7%	5.4%

In order to enhance the efficiency of fiscal policy, the government is proceeding to an overall tax reform, which is expected to be announced in the first months of 2002. The main objectives of this reform are:

- Simplification of the very complex present system,
- A more equitable distribution of the tax burden
- Enhancement of the competitiveness of the Greek firms

- Improvements in the functioning of the tax administration ,and
- Further reduction of tax evasion.

These changes are expected not only to improve significantly the efficiency of the Greek economy, but also to reduce the administrative costs of collecting the taxes and the compliance costs for the taxpayers.

As a first step in this direction, the government announced recently a small package of tax measures, which can be summarised as follows:

1. For all mergers and acquisition that will take place until the end of 2004, the corporate income tax rate for the first year after the merger will be reduced by 10 percentage points, while for the second year the reduction will be 5 percentage points.
2. The untaxed part of the incomes subjected to personal income tax is increased to 7,400 euros for non-wage earners, and for the salaried and wage earners the untaxed income increases to 8,400 euros.
3. The stamp duty applied to the wages and salaries of the private sector, and which was paid both by employers and employees, is abolished. The same tax applied to a number of other transactions is also abolished.
4. A tax of seven percent will be imposed, from the 1<sup>st</sup> of January of 2002, on the income from repos. This new tax helps to reduce the distortion between the income from bank deposits, which are taxed 15 percent and the income from repos, which is tax-free.
5. The taxation of heavy oil is reduced by 50 percent.
6. The taxation of income from mutual funds investing in venture capital companies will also have a relatively favourable treatment. This measure aims at removing the existing disincentives in this area, and to promote venture capital activity in Greece.



7. For those companies that will increase employment in 2002, there will be a reduction of the corporate income tax, up to 2.5 percentage points, in proportion to the extra employment that will be created relative to 2001.

The above measures are expected to have a positive effect on the competitiveness of the Greek firms, but will also help the imminent negotiations for a new collective bargaining agreement, since they have increased the disposable income of all wage earners, and particularly those at the lower income scale.

On the expenditure side of the budget, the government is to pursue important reforms in the areas of budgeting and expenditure management, at the level both of the central government and at the level of the broader public sector. The government is also aiming at introducing systems of closer internal audit as well as systems of quantifiable targets and expenditure assessments. To this end, a major project is under way, which is expected to take some time for implementation, but will have long lasting effects on the fiscal system of the country.

For example, in the area of the National Health System, a major project is currently in the process of implementation. Hospitals will be run by professionals, their obsolete bookkeeping and information systems are modernized, etc. In the area of public administration, a major effort is also under way aiming at improving the system of civil servants pay, and at giving incentives to competent people to pursue a career in the public sector.

#### 4. Comparison of the 2001 SGP with the 2000 SGP

**Table 8: Divergence from the First, 2000 SGP**

% of GDP	2000	2001	2002	2003	2004
<b>REAL GDP GROWTH</b>					
<b>SGP 2000</b>	4.1%	5.0%	5.2%	5.5%	5.5%
<b>SGP 2001</b>	4.3%	4.1%	3.8%	4.0%	4.0%
<b>DIFFERENCE</b>	+0.2	-0.9	-1.4	-1.5	-1.5
<b>GENERAL GOVERNMENT BALANCE</b>					
<b>SGP 2000</b>	-0.8%	0.5%	1.5%	2.0%	2.0%
<b>SGP 2001</b>	-1.1%	0.1%	0.8%	1.0%	1.2%
<b>DIFFERENCE</b>	+0.3	-0.4	-0.7	-1.0	-0.8
<b>GENERAL GOVERNMENT GROSS DEBT</b>					
<b>SGP 2000</b>	103.9%	98.9%	96.0%	90.5%	84.0%
<b>SGP 2001</b>	102.7%	99.6%	97.3%	94.4%	90.0%
<b>DIFFERENCE</b>	-1.2	+0.7	+1.3	+3.9	+6.0

When the first Stability and Growth Program of Greece was submitted, December of last year, the economic conditions and prospects for the world economy were completely different. Today, the USA economy is in recession, the economic conditions in Japan have further deteriorated, and the economic activity in the EU economies is much slower than expected a year earlier. As a result the performance of the Greek economy has been affected, and this is quite evident on the economic developments in 2001, but also on the prospects for the coming years.

Taking into account these developments, we observe that the deviations of the updated SGP from the previous one can be fully justified.

In the following sections, we will attempt to briefly explain the deviations between the two programs.

### *1. Real GDP Growth*

In 2000 the outturn for the growth rate of real GDP was 0.2 percentage points higher than the one that was originally estimated in the Stability and Growth Programme of 2000. This increase can be explained mainly by the more buoyant than anticipated exports, particularly to the Central and Eastern European countries.

For 2001 and 2002 we estimate that the rate of real GDP growth will be lower by 0.9 and 1.4 percentage points correspondingly. This slowdown is due to the deceleration of the domestic demand growth and to the exports, the latter being the result of the important weakening of the international economic activity.

In the updated SGP it is projected that in 2003 and 2004, the growth rates of real GDP will be also lower than the rates included in the 2000 SGP. The reduction by 1.5 percentage points can be attributed to:

- The slowdown in the domestic private consumption
- The lower growth rates for fixed capital formation,
- The deterioration of the external balance of goods and services, which is due to the fact that exports are expected to fall because of the worldwide economic slowdown, but some imports are to be sustained at high levels, especially those of technological equipment, which is necessary for the current intensive investment activity in Greece

One important factor that is difficult to predict is tourism, which is presently characterised by high uncertainty not only because of the economic slowdown, but also because of the continuing war against terrorism, and the serious problems of the airline companies. Under these conditions, the assumptions for growth are rather conservative.

**Table 9: Factors Influencing GDP Growth  
(Differences between SGP 2001 and SGP 2000 in growth rates)**

		2000	2001	2002	2003	2004
<b>GDP</b>	SGP 2000	4.1%	5.0%	5.2%	5.5%	5.5%
	SGP 2001	4.3%	4.1%	3.8%	4.0%	4.0%
	DIFFERENCE	+0.2	-0.9	-1.4	-1.5	-1.5
<b>1. PRIVATE CONSUMPTION</b>	SGP 2000	3.1%	3.2%	3.5%	3.7%	3.8%
	SGP 2001	3.2%	3.1%	2.9%	3.1%	3.1%
	DIFFERENCE	+0.1	-0.1	-0.6	-0.6	-0.7
<b>2. PUBLIC CONSUMPTION</b>	SGP 2000	0.8%	0.5%	0.5%	0.9%	1.0%
	SGP 2001	2.3%	1.8%	-0.5%	0.7%	0.7%
	DIFFERENCE	+1.5	+1.3	+1.0	-0.2	-0.3
<b>3. GROSS FIXED CAPITAL FORMATION</b>	SGP 2000	9.3%	11.7%	12.6%	12.0%	10.0%
	SGP 2001	7.8%	8.5%	9.5%	9.9%	7.4%
	DIFFERENCE	-1.5	-3.2	-3.1	-2.1	-2.6
<b>4. FINAL DOMESTIC DEMAND</b>	SGP 2000	4.3%	4.9%	5.0%	5.4%	5.2%
	SGP 2001	4.4%	4.0%	3.8%	4.4%	3.9%
	DIFFERENCE	+0.1	-0.9	-1.2	-1.0	-1.3
<b>5. EXPORTS OF GOODS AND SERVICES</b>	SGP 2000	8.0%	8.8%	9.3%	9.4%	10.1%
	SGP 2001	18.9%	5.8%	4.8%	6.2%	8.3%
	DIFFERENCE	+10.9	-3.0	-4.5	-3.2	-1.8
<b>6. IMPORTS OF GOODS AND SERVICES</b>	SGP 2000	7.4%	7.4%	7.5%	7.8%	7.8%
	SGP 2001	15.0%	5.2%	4.6%	6.8%	6.8%
	DIFFERENCE	+7.6	-2.2	-2.9	-1.0	-1.0
<b>7. EXTERNAL BALANCE, (contribution to GDP change)</b>	SGP 2000	-0.59%	-0.42	-0.32	-0.37	-0.18
	SGP 2001	-0.43%	-0.28	-0.34	-0.73	-0.21
	DIFFERENCE	-0.16	-0.14	+0.02	+0.36	+0.03

## 2. General Government Balance

The general government deficit in 2000 turned out to be 1.1 percent of GDP and not 0.8 percent as it was originally estimated in the 2000 SGP. This small deviation is due to a small overrun in government current expenditures, especially public consumption and other minor categories of current expenditures.

In 2001, the deviation from the target is due to lower revenues, as we explained earlier, while expenditures kept in line with the budget. It is worth noticing, however, that this is the first time since 1974 that the Greek general government balance will not be negative; 0.1 percent of GDP from 0.5 percent that was projected in the 2000 SGP. This surplus is expected to increase in the following years but the rise is expected to be smaller than the one projected in the 2000 SGP. The main reasons for these deviations are:

- The lower, than originally projected, level of economic activity
- The slowdown in tax revenues, which are projected to rise by a rate lower than the growth rate of nominal GDP. This relies on the assumption that the overall tax burden on the economy will be slightly alleviated, as a result of the tax reform.

Important contribution to the amelioration of the fiscal variables for the coming years, although not at the expected extent, will come from the reduction in interest payments for public sector debt servicing. Hence, the general government primary balance will be of the size of 6.4 percent on average for 2001-2004. In the first SGP the general government primary balance was 7.1 percent on average for 2001-2004.

With the high public debt, one could argue that a further restraint on public expenditures could ensure the originally projected targets for primary balances. However, the need of the country for infrastructures, the complementarities needed for the absorption of the Community funds, and the unusually high, for a EU economy, defence expenditures, would make such a task extremely difficult to be realised.

**Table 10: Factors Influencing General Government Balance and Debt  
(Differences between SGP 2001 and SGP 2000 in growth rates)**

		2000	2001	2002	2003	2004
<b>1. TOTAL CURRENT RESOURCES</b>	SGP 2000	8.4%	7.8%	7.6%	7.0%	7.2%
	SGP 2001	10.1%	9.2%	6.3%	6.3%	6.9%
	DIFFERENCE	+1.7	+1.4	-1.3	-0.7	-0.3
of which						
<b>TAXES ON PRODUCTION AND IMPORTS</b>	SGP 2000	8.0%	7.5%	6.8%	6.5%	6.7%
	SGP 2001	10.3%	6.0%	5.7%	7.2%	7.3%
	DIFFERENCE	+2.3	-1.5	-1.1	-0.7	-0.6
<b>TAXES ON INCOME AND WEALTH</b>	SGP 2000	10.0%	7.0%	6.8%	6.0%	5.8%
	SGP 2001	13.2%	-0.3%	7.0%	5.5%	7.0%
	DIFFERENCE	+3.2	-6.7	-0.2	-0.5	+1.2
<b>SOCIAL CONTRIBUTIONS</b>	SGP 2000	8.2%	8.4%	9.0%	8.2%	8.4%
	SGP 2001	6.6%	6.8%	7.0%	7.2%	7.3%
	DIFFERENCE	-1.6	-1.6	-2.0	-1.0	-1.1
<b>2. TOTAL CURRENT EXPENDITURE</b>	SGP 2000	5.7%	5.1%	3.8%	5.0%	5.9%
	SGP 2001	8.7%	7.1%	3.9%	6.2%	6.2%
	DIFFERENCE	+3.0	+2.0	+0.1	+1.2	+0.3
of which						
<b>GOVERNMENT CONSUMPTION</b>	SGP 2000	7.5%	5.0%	4.5%	4.6%	5.1%
	SGP 2001	10.1%	10.0%	4.5%	6.0%	6.1%
	DIFFERENCE	+2.6	+5.0	0.0	+1.4	+1.0
<b>SOCIAL TRANSFERS THAN IN KIND</b>	SGP 2000	8.0%	7.5%	7.2%	7.2%	7.2%
	SGP 2001	9.9%	8.7%	8.2%	8.8%	9.0%
	DIFFERENCE	+0.2	+1.2	+1.0	+1.6	+1.3
<b>INTEREST</b>	SGP 2000	2.9%	-2.6%	-4.5%	-1.0%	-0.5%
	SGP 2001	2.6%	-2.0%	-7.9%	-0.8%	-1.8%
	DIFFERENCE	-0.3	-0.6	+3.4	-0.2	+1.3
<b>3. GROSS FIXED CAPITAL FORMATION</b>	SGP 2000	12.0%	9.0%	8.5%	10.0%	10.0%
	SGP 2001	10.7%	10.2%	10.0%	9.8%	11.5%
	DIFFERENCE	-1.3	+1.2	+1.5	-0.2	+1.5
<b>4. CAPITAL TRANSFERS RECEIVED (% GDP)</b>	SGP 2000	3.0%	3.2%	3.1%	3.0%	2.8%
	SGP 2001	3.4%	3.5%	3.7%	3.7%	3.7%
	DIFFERENCE	+0.4	+0.3	+0.6	+0.7	+0.9
<b>5. OTHER CAPITAL EXPENDITURES (% GDP)</b>	SGP 2000	2.3%	2.2%	2.4%	2.3%	2.4%
	SGP 2001	2.9%	2.7%	2.8%	2.6%	2.5%
	DIFFERENCE	+0.6	+0.5	+0.4	+0.3	+0.1
<b>6. PRIMARY SURPLUS (% GDP)</b>	SGP 2000	6.5%	7.0%	7.3%	7.3%	6.8%
	SGP 2001	6.1%	6.6%	6.4%	6.2%	6.0%
	DIFFERENCE	-0.4	-0.4	-0.9	-1.1	-0.8
<b>7. GENERAL GOVERNMENT BALANCE (% GDP)</b>	SGP 2000	-0.8%	0.5%	1.5%	2.0%	2.0%
	SGP 2001	-1.1%	0.1%	0.8%	1.0%	1.2%
	DIFFERENCE	+0.3	-0.4	-0.7	-1.0	-0.8
<b>8. GENERAL GOVERNMENT DEBT (% GDP)</b>	SGP 2000	103.9%	98.9%	96.0%	90.5%	84.0%
	SGP 2001	102.7%	99.6%	97.3%	94.4%	90.0%
	DIFFERENCE	-1.2	+0.7	+1.3	+3.9	+6.0
<b>9. NOMINAL GDP GROWTH</b>	SGP 2000	7.2%	8.0%	7.8%	8.2%	8.4%
	SGP 2001	7.9%	7.4%	6.9%	7.1%	7.1%
	DIFFERENCE	+0.7	-0.6	-0.9	-1.1	-1.3

### 3. *General Government Gross Debt*

The general government consolidated gross debt in 2000 was, at the end of the year, lower by 1.2 percentage points from what it was originally projected in the 2000 SGP. On the contrary, in 2001 the general government debt reduction was by 0.7 percentage points higher than the originally projected in the 2000 SGP. This can be explained by the lower general government balance and by the lower increase in nominal GDP.

In the 2003-2004 period it is observed a deceleration in the rate of reduction of public debt, compared with what was projected in the 2000 SGP, by 4.2 and 6.0 points in the corresponding years. These deviations can be explained by the lower level of GDP, the smaller general government surpluses, and the further assumption of public debt. In spite of these developments, in 2004 the general government gross debt as a percentage of GDP will be lower by 13 percentage points compared with the year 2000.

## **5. Alternative Growth Scenario**

As we stressed at the outset of this program, the uncertainty prevailing in the international economy is very high, and therefore the projections of our baseline scenario may turn out to be optimistic, although they are based on rather cautious assumptions. In such a case, we have worked out a pessimistic scenario for the economic activity, which also affects as is natural, the other macroeconomic and fiscal variables of the economy.

In this section (Table 11) we present our more pessimistic projections and compare them with the baseline scenario.

We assume that at the start of our forecast period the rate of growth of real GDP is lower as a consequence of a deeper slowdown in the world economic activity. This downturn is expressed through the decrease in domestic demand and the deterioration of the external balance.

The combined effect of the above changes on the Greek economic activity will result to an average annual GDP growth rate, which will be about 0.6 percentage points lower in the period 2002-2004, compared with the baseline scenario.

Due to these assumptions the growth rate will turn out to be lower in each year of the period 2002-2004 compared with the base line scenario. The inflation rate, as measured by the private consumption deflator, will be lower by 0.2 percentage points annually than in the baseline scenario. This projection can be explained by the fact that domestic demand will be lower and thus its inflationary pressure will be reduced.

As far as concern public finances, we assume that the targets set in the baseline scenario for general government balances as a percentage of GDP, will remain unchanged, because of the urgent need to reduce public debt. This assumption is accommodated by maintaining the same government revenue to GDP elasticities, and by adjusting current and capital expenditures.

However, the general government consolidated gross debt, as a percentage of GDP, is now higher compared with the baseline scenario. This is due to the fact that the GDP growth rate and levels will be lower than in the baseline scenario, as well as to the expected lower absolute levels of the general government surpluses (although, as a percentage of GDP the size of the surpluses remain unchanged).

Regarding the other macroeconomic variables, all of them will be worse in comparison with the baseline scenario. The explanation is rather obvious, and we will not dwell on it in more detail.



Table 11: Comparison of the Two Alternative Growth Scenarios for the Greek Economy

	Baseline Scenario							Alternative Scenario	
	Annual Average Rates of Change	Annual Average rates of Change	% GDP (except as indicated)		Annual Average rates of Change	% GDP (except as indicated)			
			2001/1995	2004/2001		2002	2004	2004/2001	2002
<b>A. DEMAND AND OUTPUT</b> (CONSTANT PRICES 1995)									
GDP	3,5%	3,9%			3,3%				
PRIVATE CONSUMPTION	3,0%	3,0%			2,4%				
GOVERNMENT CONSUMPTION	1,6%	0,3%			-0,1%				
GROSS FIXED CAPITAL FORMATION	8,0%	8,9%			8,0%				
TOTAL DOMESTIC DEMAND	3,7%	4,0%			3,4%				
EXPORTS OF GOODS AND SERVICES	10,1%	6,4%			5,6%				
IMPORTS OF GOODS AND SERVICES	8,9%	6,1%			5,3%				
<b>B. PRICES</b>									
PRIVATE CONSUMPTION DEFLATOR	4,4%	2,7%			2,5%				
GDP DEFLATOR	4,8%	3,0%			2,8%				
MERCHANDISE OF EXPORT PRICES	4,7%	2,3%			2,2%				
MERCHANDISE OF IMPORTS PRICES	4,4%	2,2%			1,9%				
<b>C. PRODUCTIVITY, INCOME AND EMPLOYMENT</b>									
LABOUR PRODUCTIVITY	3,0%	2,7%			2,2%				
REAL COMPENSATION PER EMPLOYEE	2,9%	2,4%			2,1%				
NOMINAL UNIT LABOUR COST	4,3%	2,5%			2,4%				
EMPLOYMENT	0,5%	1,2%			1,0%				
UNEMPLOYED	4,0%	-5,9%			-4,4%				
<b>D. PUBLIC FINANCES</b>									
<i>TOTAL CURRENT RESOURCES OF WHICH</i>									
DIRECT TAXES	13,4%	6,5%	43,5%	43,1%	5,7%	43,6%	43,3%		
INDIRECT TAXES	10,6%	6,8%			6,1%				
<i>TOTAL CURRENT EXPENDITURE OF WHICH</i>									
SOCIAL TRANSFERS OTHER THAN IN KIND	10,2%	8,7%	39,1%	38,5%	8,3%	39,3%	38,7%		
INTEREST	-0,8%	-3,6%			-3,6%				
GENERAL GOVERNMENT BALANCE			0,8%	1,2%		0,8%	1,2%		
GENERAL GOVERNMENT DEBT			97,3%	90,0%		98,3%	92,2%		
<b>E. CURRENT EXTERNAL TRANSACTIONS</b>									
TRADE BALANCE			-16,4%	-17,3%		-16,5%	-17,2%		
CURRENT EXTERNAL BALANCE			-4,3%	-3,9%		-4,4%	-3,8%		

## 6. Sustainability of Public Finance

The main challenge Greece, like all other EU countries, has to face is to alleviate the pressure on public pension and other age-related spending without putting in peril its sound macroeconomic performance. The comparatively late-although quite steep decline in fertility rates provide the pension system with a short “period of grace” that lasts until about 2010. Till then, pension expenditures remain practically stable at the current levels. On the assumption of unchanged policy, pension expenditure is estimated to rise from just over 12 percent of GDP at present to about 14.5 percent in 2020. It then increases more rapidly to 20 percent of GDP by 2040 when the demographic effects are particularly important. Thereafter, the position remains

relatively stable until 2050 as new rules<sup>1</sup> become progressively important and offset some of the demographic pressures.

**Table 12: Long-term Sustainability of Public Finances**

<b>% of GDP</b>	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2030</b>	<b>2050</b>
<b>Total expenditure</b>	47.5%	45.5%	42.6%	52.5%	55.0%
<b>Old age pensions</b>	12.6%	12.8%	12.6%	19.6%	24.8%
<b>Health care (not-including care for the elderly)</b>	4.8%	5.0%	5.2%	5.9%	6.6%
<b>Interest payments</b>	7.1%	4.3%	1.8%	1.0%	0.5%
<b>Total revenues</b>	46.4%	47.0%	44.6%	52.0%	54.0%
<b>of which: from pensions contributions</b>	7.9%	8.3%	8.4%	9.0%	8.8%
<b>Assumptions</b>					
<b>Labour productivity growth</b>	2.5	3.3	2.7	1.75	1.75
<b>Real GDP growth</b>	4.0	4.75	3.73	0.73	0.85
<b>Participation rate males (aged 20-64)</b>	84.1	84.0	83.4	81.1	82.1
<b>Participation rates females (aged 20-64)</b>	51.1	53.4	55.3	61.0	71.9
<b>Total participation rates (aged 20-64)</b>	67.6	68.7	69.4	71.3	77.1
<b>Unemployment rate</b>	11.0	8.2	8.0	6.7	5.5

Three are the main driving forces behind this increase in pension expenditure: the ageing effect, the eligibility effect and the benefit effect. Firstly, the impact of ageing is clearly reflected on the support ratio, the relationship between economically active and inactive persons. Secondly, an increase is anticipated in the proportion of the population over age 60 entitled to full pension rights (including auxiliary pensions). And last, but certainly not least, pensions after retirement are assumed to be indexed to consumer price index plus 1 per cent; this assumption increases the pension spending to GDP ratio by approximately 4 percentage points.

Turning to public expenditure on health care (not including the long-term care), the pure impact of ageing on expenditures over the projection period is estimated at about 1.8 percent of GDP. Health expenditures are estimated to go up to 6.6 percent of GDP from the current level of 4.8 percent.

<sup>1</sup> According to the L2084/90, the retirement age for those entering the system after the 31<sup>st</sup> of December 1992, is common for both men and women at 65, while the replacement rate is limited to 60 percent.

The reliability of long-term demographic projections is something that is worth mentioning. Inevitably, the uncertainty over any specific set of demographic assumptions increases the further it goes into the future. This is true, even in the short term, for the migration assumptions. Therefore, it must be pointed out that the projections of Eurostat, used to model the above-mentioned age-related expenditure, seem rather outdated compared to the 2001 population census in Greece. This is mostly due to the underestimation of the migration flows.

In light of these adverse projections, the reform of the social security system is a top priority in the government agenda for 2002. The social dialogue process, involving both political parties and social partners, will be launched by the end of 2001.

## **7. Budgetary Implications of Structural Reforms**

A basic prerequisite for a successful macroeconomic performance is the smooth functioning of individual markets: the product, services, capital and labour markets. The main policy priorities are the effective liberalisation of markets, the safeguarding of competition and the establishment of the necessary institutional framework for the smooth operation of product and financial markets. Progress has been made in all these areas. The structural reforms undertaken during 2001 are briefly presented in the table 13.

Emphasis has been placed on the enhancement of the role of the independent Competition Committee (CC) that is responsible for safeguarding competition. Since the enactment of Law 2837/2000 and its full implementation in October 2000, its role has been upgraded. This was achieved mainly through the authorisation of the CC to issue opinions on competition matters on its own initiative, and the reassurance of its financial independence. The law provided also for the co-operation of the CC with the Independent Regulatory Authorities operating in the telecommunications and energy sectors.

During 2001, wide reforms have been implemented in the network industries.

In the *telecommunications sector* important developments have taken place since last year, including the liberalisation of the fixed-voice telephony services, the awarding

of the UMTS licenses and supplementary CGM licenses. The revenues from these sales went up to 484,523,069 Euros and 162,000,000 Euros respectively.

Turning to the *energy sector*, the basic thrust of the overall policy is to increase competition in all major energy market. The monopoly of the state in the electricity sector officially ceased on February 19, 2001, while the intention is to open up the gas market well before the end of the derogation.

**Table 13: Structural Reforms Realised in 2001**

Enhancement of the role of the Regulatory Authorities and the Competition Committee	Jan. 2001
Full liberalisation of telecom market	Jan. 2001
Public Power Corporation becomes a <i>société anonyme</i> in view of the forthcoming public offering	Jan. 2001
Liberalisation of the electricity sector	Feb. 2001
Up-grading of the Athens Stock Exchange	May 2001
Parliamentary lodgement of law concerning the abolishment of cabotage and the liberalisation of sea transports in compliance with the European Union directive	June 2001
Enactment of law concerning exchangeable bonds and warehousing	June 2001
UMTS licenses award	July 2001

Within this fully liberalised environment, the roles of the National Telecommunications and Post Commission (EETT) and the Regulatory Authority for Energy (RAE) become increasingly important. Following the parliamentary lodgement of a relevant law, the liberalisation of sea transports is planned for 2002.

The total amount raised in 2001 from privatisations, including the issuance of Privatisation Certificates (“prometoxa”) is more than 3.2 billion Euro.

The privatisation programme continues vigorously with a number of companies prepared for privatisation in the forthcoming period.

**Table 14: Recent Privatisation Of State-Owned Enterprises, 2001**

PUBLIC ENTERPRISE	% SOLD	METHOD OF PRIVATISATION	DATE COMPLETED	TOTAL AMOUNT RAISED (IN € MILLION)
FOOTBALL PROGNOSTICS ORGANIZATION	5.4%	Listing in the Stock Exchange	April 2001	88.04
CORINTH CANAL	100%	Concession Contract	May 2001	29.35
OTE	Further 10%	Exchangeable	June 2001	997.8
SALONICA PORT AUTHORITY	25%	Initial Public Offering	July 2001	16.14
SALONICA WATER AND SEWAGE COMPANY	25.5%	Initial Public Offering	August 2001	15.55
HELLENIC BANK FOR INDUSTRIAL DEVELOPMENT (ETBA)		Merger	Oct. 2001	
SKARAMAGAS SHIPYARDS	51%	sale	Oct. 2001	

**Table 15: Privatisation Programme for 2001-2002**

PUBLIC ENTERPRISE	METHOD OF PRIVATISATION	
PIREAS PORT AUTHORITY	20-25%	Creation of Port Management subsidiary/privatisation of the management company through public offering
OLYMPIC AIRWAYS	51%	Strategic Investor
ATHENS WATER & SEWAGE COMPANY	10%	To be determined
PUBLIC POWER CORPORATION (PPC)	15-17%	Public Offering
DEPA	To be determined	Strategic ally
HELLENIC PETROLEUM (ELPE)	25-30%	Strategic Investor
POSTAL SERVICES (ELTA)	15% (+subsidiary)	Strategic ally is sought in order to develop the express delivery mail service
POSTAL SAVINGS BANK	To be determined	Public Offering
GENERAL BANK	To be determined	Sale of a controlling block to a financial institution
HELLENIC STOCK EXCHANGE	33%	To be determined
HELLEXPO	To be determined	Initial Public Offering

**8. Detailed Tables 2000-2004**