



HELLENIC REPUBLIC
MINISTRY OF FINANCE
GENERAL ACCOUNTING OFFICE

DRAFT BUDGETARY PLAN 2019

ADDENDUM

October 2018

1. Table 0a

External Assumptions			
	2017	2018	2019
Short-term interest rate (annual average)	-0,33	-0,33	-0,2
Long-term interest rate (annual average)	1,03	1,12	1,32
USD/€ exchange rate (annual average)	1,13	1,18	1,14
Nominal effective exchange rate	2,2	5,1	0,6
World excluding EU, GDP growth	3,9	4,2	4,1
EU GDP growth	2,4	2,1	2
Growth of relevant foreign markets	5,3	4,1	3,6
World import volumes, excluding EU	5,3	4,9	4,4
Oil prices (Brent, USD/barrel)	52,81	70,23	68,99

2. Table 4ci

a) %GDP, amounts

	2018 (% of GDP)	2018 (mil €)	2019 (% of GDP)	2019 (mil €)
Education	4,0	7360,2	3,8	7316,8
Health	4,9	8956	4,8	9118
Employment	0,5	976	0,6	1080

b) %GDP, %General government Expenditure

	2018 (% of GDP)	2018 % general government consolidated expenditure	2019 (% of GDP)	2019 % general government consolidated expenditure
Education	4,0	8%	3,8	8%
Health	4,9	10%	4,8	10%
Employment	0,5	1%	0,6	1%

3. Tables 5

a) Discretionary measures taken by the General Government

Measure	Detailed description	ESA	Accounting principle	Adoption status	2018	2019
1 Reduction of ENFIA (Unified property tax)	Average 10% reduction on ENFIA (Unified property tax)	D.2: Taxes on production and imports	Accrual	Not yet adopted but credibly planned	0	-0,1
2 Reduction of social security contributions for self-employed, independent professionals and farmers	Reduction of social security contributions for self-employed (OAEE), independent professionals (ETAA) and farmers (OGA). The impact has been reduced from an original calculation of 229 mil to 177, because of the assumption of improved collectability.	D.61: Social contributions	Cash	Not yet adopted but credibly planned	0	-0,09
3 Non - implementation of the Public Investment counter-measure	Non - implementation of the Public Investment counter-measure (energy efficiency, agricultural infrastructure, investment law 4399/2016).	P.51: Gross fixed capital formation	Cash	Not yet adopted but credibly planned	0	0,16
4 Non implementation of pension reform	Non implementation of the pre-legislated (law 4472/2017) pension reform. The net impact of the measure is -1,09% of GDP, because of the resulting increase in PIT (D.5) and social contributions (D.61).	D.62: Social payments	Cash	Not yet adopted but credibly planned	0	-1,56
5 Non - implementation of Social Protection counter-measures	Non - implementation of the pre-legislated Social Protection counter-measures (school meals, increase of pre-schooling and nursery units, housing allowance, active employment policy programmes, co-payment of prescribed medicines) with the exception of the family benefits which has been implemented.	D.62+D.63+D.621 +D.624+D.631: Social payments	Cash	Not yet adopted but credibly planned	0	0,75
6 Housing allowance recalibration	Recalibration of the housing allowance adopted in the context of the pre-legislated package in a more targeted manner	D.62: Social payments	Cash	Not yet adopted but credibly planned	0	-0,11
7 Subsidy on the SSCs recalibration	The subsidy on SSCs included in the pre-legislated package becomes more targeted to only include young employees up to 24 years old. The subsidy covers 100% of employee's contribution and 50% of employer's contribution.	D.3: Subsidies	Cash	Not yet adopted but credibly planned	0	-0,05
8 Special education	Hiring of 4,500 teachers and specialized staff for positions currently occupied by temporary teachers.	D.1: Compensation of employees	Cash	Not yet adopted but credibly planned	0	-0,01

b) Discretionary measures taken by the Central Government

Measure	Detailed description	ESA	Accounting principle	Adoption status	2018	2019
1 Reduction of ENFIA (Unified property tax)	Average 10% reduction on ENFIA (Unified property tax)	D.2: Taxes on production and imports	Accrual	Not yet adopted but credibly planned	0	-0,1
2 Non - implementation of the Public Investment counter-measure	Non - implementation of the Public Investment counter-measure (energy efficiency, agricultural infrastructure, investment law 4399/2016).	P.51: Gross fixed capital formation	Cash	Not yet adopted but credibly planned	0	0,16
3 Non - implementation of Social Protection counter-measures	Non - implementation of the pre-legislated Social Protection counter-measures (school meals, increase of pre-schooling and nursery units, housing allowance, active employment policy programmes, co-payment of prescribed medicines) with the exception of the family benefits which has been implemented.	D.62+D.63+D.621 +D.624+D.631: Social payments	Cash	Not yet adopted but credibly planned	0	0,75
4 Housing allowance recalibration	Recalibration of the housing allowance adopted in the context of the pre-legislated package in a more targeted manner	D.62: Social payments	Cash	Not yet adopted but credibly planned	0	-0,11
5 Subsidy on the SSCs recalibration	The subsidy on SSCs included in the pre-legislated package becomes more targeted to only include young employees up to 24 years old. The subsidy covers 100% of employee's contribution and 50% of employer's contribution.	D.3: Subsidies	Cash	Not yet adopted but credibly planned	0	-0,05
6 Special education	Hiring of 4,500 teachers and specialized staff for positions currently occupied by temporary teachers.	D.1: Compensation of employees	Cash	Not yet adopted but credibly planned	0	-0,01

c) Discretionary measures taken by sub-sectors of the General Government – Social security funds

Measure	Detailed description	ESA	Accounting principle	Adoption status	2018	2019
1 Reduction of social security contributions for self-employed, independent professionals and farmers	Reduction of social security contributions for self-employed (OAEE), independent professionals (ETAA) and farmers (OGA). The impact has been reduced from an original calculation of 229 mil to 177, because of the assumption of improved collectability.	D.61: Social contributions	Cash	Not yet adopted but credibly planned	0	-0,09
2 Non implementation of pension reform	Non implementation of the pre-legislated (law 4472/2017) pension reform. The net impact of the measure is -1,09% of GDP, because of the resulting increase in PIT (D.5) and social contributions (D.61).	D.62: Social payments	Cash	Not yet adopted but credibly planned	0	-1,56

4. Table 6b

Targets set by the Union's Strategy for growth and jobs

National Targets	List of Measures	Description of direct relevance to address the target
1. Employment Target: 70% in the age group 20-64	Operational upgrade of the Greek Employment Fund (OAED)	The project aims at strengthening existing IT capacity and at creating simplified administrative procedures in order to improve the quality of services offered to the unemployed. In parallel, a Quality Protocol is being created for Vocational Training Centers.
	Mechanism for monitoring labour market needs	The mechanism aims at diagnosing the needs that arise in the labour market and provide additional analytical information on the specific sectors and professions that display particular dynamism.
	Re-design of active labour market policies	The main objective consists in moving from standard active labour market programs to open type programs that are analyzed in detail in the "Strategic Framework for the Re-Design of Active Labour Market Policies". In this new type of programs, a central role will be played by the Employment Fund's labour consultants who will be responsible for recording the unemployed individuals' skills, for supporting them and for directing them towards the most appropriate alternative on the basis of their qualifications.
	Strengthening vocational training	It includes a series of actions and projects that are already running in order to strengthen the connection between vocational training and the labour market, to familiarize people of young age with vocational training programs and their operation, to improve these programs' quality and to achieve a closer tie between initial and consequent vocational training. Future actions include the creation of new, specialized continuous vocational training programs for specific high demand professions.
	Online internship platform	An online application in OAED's website is operational since 2017, allowing accredited employers to submit calls for internship positions. It is expected that a fraction of the internship positions to be thus covered will be transformed to full employment positions.
	Reduction of Social Security Contributions	The measure consists in a reduction of social security contributions rate for independent professionals, self-employed and farmers and will take effect from 01/01/2019. The SSC current rate is reduced by 1/3 and the minimum income base will be implemented for supplementary pension and lump-sums. The above categories suffered a significant burden as a result of the switch from notional to actual income base that was introduced in the 2016 pension reform, while the increase in contributions led to a drop both in the number of self-employed and independent professionals and in their declared income. By reducing the often excessive burden on the above categories, the measure aims at reversing the trend and at supporting higher employment ratios among the self-employed and independent professionals, as well as at increasing tax compliance.
	Social Security Contributions subsidy for young employees	The subsidy will be applied for employees up to 24 years of age and it will cover 100% of employees' contributions and 50% of employers' contributions. The objective of the measure is to improve access of young people to the labour market and to lead to the creation of new jobs for the specific age cohort in order to contribute to the reduction of youth unemployment which is currently the highest among the E.U. member states. In addition, the measure is expected to have a beneficial impact on poverty rates recorded for the specific category, as well as to lead to a reduction in income inequality. It will take effect from 01/01/2019.

		Reduction in Corporate Income Tax rate	The measure refers to the gradual reduction in the CIT rate from 29% to 25%, the reduction being uniformly allocated in the years 2019-2022. The rate will be reduced to 28% for 2019 and to 27% for 2020, implying that a significant part of its effect will be realized in the next two years, thus contributing to Greece's effort for achieving the 2020 national target. The reduction in companies' tax burden is expected to provide incentives for investment and to lead to a rise in labour demand, hence further contributing to economic recovery and to the attainment of strong growth rates in the coming years.
		Reduction in distributed earnings tax rate	The measure will take effect from 01/01/2019 and consists in a reduction of the rate applied to dividends from 15% to 10%. Along with the reduction in the corporate income tax rate, this measure is expected to further increase incentives for investment activity and at a very low fiscal cost that will only be incurred from 2020 onwards.
2.	R&D Target: 1.2% of GDP	Inquire - Create - Innovate	The specific action is financed through the NSRF and aims at connecting research and innovation to entrepreneurship and at strengthening companies' productivity and competitiveness in order to increase domestically produced value added. The purpose is the direct and efficient transfer of available resources in order to promote research activity and the implementation of innovations, especially in SMEs. The majority of enterprises that participate in the action are small and medium size start-ups.
		Establishment of ELIDEK	The Hellenic Foundation for Research and Innovation was established in 2017 and manages additional resources directed to R&D, on the basis of a financing agreement with the European Investment Bank. The main objective is to support researchers and already from 2017 a significant number of relevant actions are being implemented, focusing mainly on the support of PhD candidates, post-doc researchers and university research, as well as on the procurement of research equipment.
		RIS3	The National Research and Innovation Strategies for Smart Specialization (RIS3) is characterized by a specific sectoral dimension that was obtained through the entrepreneurial discovery process and includes the agri-food sector, health and life sciences, ICT, energy, environment and sustainable development, transport and logistics, construction, and culture. These priority sectors are analyzed through three core strategic choices, consisting in investment in the creation and diffusion of new knowledge, strengthening of innovative enterprises and developing an innovation mentality along with the related institutions and the necessary linkages between innovation and society. The strategic choices are implemented through a series of specific actions whose activation has started since 2016 and that include, among others, the financing of innovation clusters, of spin-offs and start-ups, as well as of enterprises that have received a Seal of Excellence.
3.	Greenhouse Gas (GHG) Emissions Target: -4% in relation to 2005	-	-
4.	Renewable Energy Sources Target: 20% of gross final energy consumption	RES new support scheme	The support scheme for the production of electricity from RES was amended in 2016 in order to achieve the gradual integration and participation of RES in the electricity market in an optimal and economically efficient manner. The new scheme incentivizes RES producers to react to prevailing market prices, while it provides incentives to investors in the industry to take the expected load curves of the system into account in the design and operation of their projects. These incentives, provided through the feed in premium (FIP) mechanism, contribute to the increased integration of RES in the electricity market and lead to a more efficient combination of supply and demand.
		Energy offset and virtual energy offset	The energy offset program for the production of electricity by individual producers has been running since 2014, aiming at achieving energy savings and reductions in energy cost. Since its inception, the scheme has been extended to cover most types of RES technologies, while a 2017 amendment introduced the concept of virtual energy offset, making the offsetting principle independent from the location at which power is being generated and electricity is consumed.

		Energy communities	<p>The institution of energy communities has been introduced in order to promote the role of the social economy and of innovation in the energy sector, to address energy poverty, to promote energy sustainability, to strengthen energy security in island communities and to improve energy efficiency in final use at both a local and a regional level. Energy communities are non-profit organizations that are active in the fields of RES, energy efficiency, demand management and production and distribution of energy at a local and regional level. The main objective is to create local value added and address instances of energy poverty by strengthening the role of citizens and local communities.</p>
5.	Energy Efficiency Target: reduction by 2.85 Mtoe	Buildings' energy efficiency programs	<p>Increasing the energy efficiency of buildings has been one of the cornerstones of the National Action Plan for Energy Efficiency, mainly due to the high potential for efficiency increases as a result of the fact that most buildings - private and public - had been constructed prior to 1980. The main focus during the current programming period has been given to private buildings where NSRF financing has been used to subsidize energy upgrades that lead to significant increases in efficiency. In the context of the same programs, further calls for the energy upgrade of both private and public buildings will be issued, securing additional progress until 2020 and beyond.</p>
6.	Early School Leaving Target: 9,7%	Strengthening special education	<p>Special education has been significantly reinforced over the previous years in order to support children with special needs and combat early school leaving in this vulnerable category. Programs for the further training of teachers are being designed, among else for the early detection of learning difficulties. The hiring of 4,500 teachers and specialized staff in permanent positions where the needs are currently covered through contracts is expected to further reinforce special education and to secure continuity of support.</p>
7.	Tertiary Education Target: 32% in the 30-34 age group	-	-
8.	Poverty Target: Reduction of population at risk of poverty or social exclusion by 450,000	Social Solidarity Income	<p>The SSI constitutes the first guaranteed minimum income scheme to be implemented in Greece. Its implementation started in 2016 through a pilot phase in thirty municipalities, while its national rollout was accomplished in 2017. The scheme's objective is to financially support individuals and families living under conditions of extreme poverty, to ensure their access to social services and to assist the beneficiaries in the process of their reintegration into the labour market. Through its emphasis on the bottom end of the income distribution, the SSI has a positive impact not only on the headcount ratio of people at risk of poverty or social exclusion, but also on the poverty gap.</p>
		Establishment of OPEKA	<p>The Organization for Welfare Benefits and Social Solidarity was founded in 2018 and constitutes the single entity that will take over both the implementation of welfare policies and actions and the payment of the related benefits. The creation of a single entity that will be responsible for the execution of welfare policy is expected, besides the obvious administrative advantages, to indirectly affect the efficiency of welfare and poverty reduction policies by providing with the possibility of a more rational and streamlined welfare system that is better suited to identify the areas where assistance is mostly needed, as well as possible overlaps among different policies that may reduce the efficiency of public welfare spending.</p>

Family benefits	The reform of the family benefits was originally included in the 2019 pre-legislated expansionary package, but its implementation took effect from 2018 as a result of improved fiscal conditions. As a result of this reform, the total support towards poor families with children was significantly increased, while the structure of the benefit and the eligibility criteria were rationalized in order to improve targeting and to achieve a stronger effect in terms of poverty and inequality reduction.
Housing allowance	The introduction of a housing allowance constitutes a new measure that will take effect from 01/01/2019 and will further strengthen the welfare safety net for the poorest households through targeted eligibility criteria, while its design will moreover take into account poverty trap considerations and the possible creation of work disincentives.

—