Greece: Technical Memorandum of Understanding

Accompanying the MoU of the ESM programme

June 16, 2016

1. This Technical Memorandum of Understanding (TMU) is a supporting document for the Memorandum of Understanding. It sets out the definitions of the indicators subject to quantitative targets, including performance criteria and indicative targets. It also describes the methods to be used in assessing programme performance and the information needed to ensure adequate monitoring of the targets.

General Government

2. **Definition**: For the purposes of the programme, the general government includes all units classified as government units in the published Register of the General Government Entities of the Hellenic Statistical Authority (ELSTAT), in accordance with the rules specified in the *European System of Accounts 2010* (*ESA2010*) and the *Manual on Government Deficit and Debt Implementation of ESA 2010 (ESA2010 MGDD).* [1]

DEFINITIONS AND REPORTING STANDARDS

A. Modified General Government Primary Cash Balance

3. **Definition**: The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus general government interest payments. The MGGCB is defined as the sum of the cash balances general government entities as included in the Register of the General Government Entities of ELSTAT in accordance with ESA2010 rules. The delineation of the above the line and below the line transactions, and classification of the main revenue and expenditure categories is in accordance with the rules specified in the *ESA2010* and the *ESA2010 MGDD.*

- **The ordinary state budget.** The cash balance of the ordinary state budget will be measured from above the line, based on: (i) gross ordinary budget revenues (recurrent and non-recurrent), minus tax refunds; minus (ii) ordinary budget expenditures as published monthly on the official website of the General Accounting Office of the Ministry of Finance.
- **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured from above the line, based on investment budget revenues minus investment budget expenditures of the investment state budget as published monthly on the official website of the General Accounting Office of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.
- **Other Sectors (EBFs, SOEs, local governments, and social security funds).** The cash balance of the remaining sectors of the general government will be measured from above the line based on: (i) gross revenues (including transfers from the State government as well as from other subsectors) minus (ii) expenditures, as published monthly on the official website of the General Accounting Office of the Ministry of Finance. However the cash balances should be adjusted, in some cases, in order to be consistent with State flows.

4. **Adjustments**: The MGGPCB will exclude:

  - the part of the public investment budget (revenues and expenditures) related to EU structural funds and their co-financing;

[1] On sectorization, both manuals are consistent with the general principles of the Government Finance Statistics Manual (2014) (GFSM2014).

- all transfers related to Eurogroup decisions in regard to income of euro area national central banks (SMP and ANFA revenue) including the BoG, stemming from their investment portfolio holdings of Greek government bonds;
- the sale of non-financial assets such as land, buildings, leases, concessions or licenses that are treated as sales of non-financial assets (recorded as one-off transaction), unless these have been agreed in the context of the programme;
- total general government migration-related expenditure net of EU transfers to the Greek budget for migration-related costs including (i) state expenditure recorded under the special budget account for migration expenditure codes 590 to 596 (for Ministries), 078(for Decentralized Administration) and 187, 188 and 238 (for regional services of Ministries), as well as (ii) the state payments for migration-related expenditure provided from the contingency reserve prior to the establishment of the special budget account if they are well-documented through ex-post surveys. Migration-related expenditure will exclude wages and salaries of permanent civil servants for the purposes of this adjustor. Delayed EU fund payments related to migration expenditure already deducted from previous years programme balance will be also excluded. The total adjustment will not exceed 0.2% of GDP per annum.
- payments related to support of the banking system that are part of the programme's financial sector strategy;[2]
- any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test. The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place.
- any refunds concerning taxes and actual payments related to special financing and budget appropriations for clearance of arrears and payment claims, as defined in Section C below.

5. Supporting material: All of the following will be provided within four weeks of the end of each reporting months:

- For the State, EBFs, and SOEs, the Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures including interest expenses, accounts payable distinguishing third parties, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign currency cash balances of the central government at the central bank of Greece, and all other sources of cash financing.
- For local governments, the Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures, accounts payable distinguishing third parties, as collected in the Ministry databank.
- For the social budget, the Ministry of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures and accounts payable distinguishing third parties, in the social security funds, the central healthcare fund (EOPYY) and public hospitals.
- Finally, with a view to cross-check above and below the line primary cash balances, the Bank of Greece will provide detailed monthly data on net acquisition of financial assets and liabilities of the State and all non-State subsectors of the General Government as defined above: local authorities, social budget entities, extra-budgetary funds, and state enterprises included in the definition of general government. The entity that will be in charge of the operation of the STA will provide monthly data on the outstanding amount of the Single Treasury Account (STA), and inflows and outflows passing through the

[2] Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, European Commission, and ECB staff.

STA grouped by main categories, and distinguishing above and below the line transactions.

- Monthly data by budget code on the use of the special account allocated for refugee spending, including data on wage and nonwage-related spending, within three weeks of the end of each month. Results of the ex-post surveys of line ministries on migration-related spending on quarterly basis.
- The Ministry of Finance in co-operation with the institutions will develop a reporting framework for account receivable for the state and other general government entities. The reporting will be on quarterly basis starting from 1.1.2017 and the scope will widen in line with an agreed timetable.

B. State Budget Primary Expenditure

6. **Definition.** The state budget primary spending consists of ordinary state budget expenditure minus interest paid by the state budget, minus any arrears payments made related to the special appropriation for arrears clearance. Ordinary state budget expenditure includes called guarantees to entities inside and outside the general government.

7. **Adjustments**: State budget primary expenditure will exclude payments related to support of the bank system that are part of the programme's financial sector strategy.[3] Expenditures related to EU structural funds and their co-financing will also be excluded.

8. **Supporting material.** The General Accounting Office of the Ministry of Finance will provide monthly expenditure data, as defined above.

C. The Stock of Domestic Arrears and Other Payment Claims

9. **Definition.** For the purpose of the programme, domestic arrears and other payment claims are defined as: (i) unpaid invoices of the general government owed to third parties that are 90 days past their due date; plus; (ii) the entire stock of tax refund claims of third parties that have received an AFEK (verified and non-verified) but excluding those under legal dispute, and any unprocessed tax refund claims that have exceeded 90 days since the claim was filed; and (iii) any processed and unprocessed pension claims that have exceeded 90 days since the retirement application was filed. In case no due date is specified on a given supplier contract, an unpaid commitment is considered to be in arrears 90 days after the receipt of the invoice. Tax refund claims that have received an AFEK and processed and approved pension claims are due immediately. The net accumulation of arrears and other claims is calculated as the change in the stock of general government spending arrears (excluding arrears subject to the clawback and rebate mechanism), processed (AFEK) tax refund claims, unprocessed non-AFEK tax refunds and pension claims older than 90 days.

10. **Supporting material.** Monthly data on spending and tax refund (processed) arrears of the general government will be provided by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will publish this information on its website. The Ministry of Finance will also provide for the institutions data on accounts payable overdue by 0–30, 31–60, and 61–90 days for general government entities as reported in the commitment registers as well as (i) stock of spending arrears; (ii) stock of unpaid processed tax refund claims, showing verified and unverified claims; (iii) stock of unpaid unprocessed tax refund claims, distinguishing those that are older than 90 days. Tax refund arrears data (including the age of tax refund claims) will be based on information provided by General Secretariat for Information Systems and General Secretariat for Public Revenue / Independent Authority for Public Revenue (IAPR). The GSPR / IAPR will fill out the tax refund template provided for this purpose on a monthly basis. Unprocessed pension claims, including the age of the claims, will be provided by the Ministry of Labor. The coverage of the current reporting of general government contingent claims will be

[3] Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, EC, and ECB staff.

assessed in consultation with the institutions, and extended according to an agreed timetable to cover all contingent claims that are not currently reported on monthly basis.

11. **Supporting material.** Further disbursements for arrears clearance will be made on the basis of a report by the European institutions assessing that there has been good progress in clearing net arrears inter alia by verifying that the authorities have cleared net arrears for an amount equivalent to 80% of the previous disbursement. To this end, the authorities will provide monthly reports on the financing from the overall envelop for arrears clearance and the account dedicated to arrears clearance, the utilization of the special appropriation for clearance of arrears, as well as on the relevant payments, based on data reported through the BoG, the GAO FMIS and surveys.

D. The Overall Stock of Central Government Debt

12. **Definition.** The overall stock of central government debt will refer to central government gross debt, as defined in the Excessive Deficit Procedure (EDP), i.e. covering the state, extra budgetary funds and state owned enterprises consistent with the Registry of the General Government Entities of the Hellenic Statistical Authority (ELSTAT). Holdings of intra-government debt will be consolidated. The ceiling reflects total outstanding gross liabilities in the form of deposits, debt securities, and loans. It will not include accounts payable and will be measured at nominal value as defined in the EDP.[4] The programme exchange rates will apply to all non euro-denominated debt.

13. **Adjustments.** The ceiling on the overall stock of EDP central government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December 2015 EDP central government debt of €323.1 billion.

14. **Supporting material.** Data on the total stock of central government debt will be provided to the European Commission, ECB and IMF staff by the General Accounting Office consistent with the EDP definition no later than 30 days after the end of each quarter.

15. **The programme exchange rates**. All foreign currency-related assets, liabilities, and flows will be evaluated at “programme exchange rates” as defined below, with the exception of the items affecting government fiscal balances, which will be measured at current exchange rates. The programme exchange rates are those that prevailed on May 31, 2016. In particular, the exchange rates for the purposes of the programme are set: €1 = 1.1154 U.S. dollar, €1 = 123.83 Japanese yen, and €1.2577 = 1 SDR.

E. Ceiling on New General Government Guarantees

16. **Definition.** The ceiling on the new general government guarantees shall include all new guarantees granted by any entity that is classified in the Register of the General Government Entities of ELSTAT under general government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of general government debt as defined above. The ceiling includes any guarantees to the Institute for Growth but shall exclude: (i) guarantees related explicitly to financial stability goals of the programme (e.g., government-guaranteed bank bonds or emergency liquidity assistance (ELA)); (ii) guarantees related to EIB or ESIF financed loans; (iii) guarantees related to guarantees provided by the EIB or ESIF through the trade finance facility up to an outstanding amount of €500 million; (iv) guarantees granted by ETEAN (up to a total outstanding amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); (v) guarantees granted under a risk sharing instrument of the EU structural funds (see COM (2011) 655 final) that do not create contingent liabilities for the Greek State; and (vi) guarantees granted to individuals and businesses for proven damages from natural disasters less any amounts received as compensation insurance up to a total amount of €30 million. New guarantees are guarantees extended during the current fiscal year, but for those for whom the maturity is being extended beyond the initial contractual provisions, only 50 percent of the full value will be counted. Modification of existing guarantees (without changing the maturity, amount of guarantees, and beneficiaries of the loan) will not be treated as new guarantees. In case of a change in the beneficiaries, the state will assess whether there is an increase in the liability (and/or potential contingent liabilities) of the State and if the State's

[4] Under EDP, nominal value is considered to be equivalent to the face value of liabilities.

position as a guarantor is adversely affected. If the new beneficiary meets the exact same requirements as the old beneficiary and neither the liability of the State nor the state position as a guarantor is adversely affected, a modification of existing guarantees (without changing the maturity, amount of guarantees, will not be treated as new guarantees.

17. **Supporting material.** All new and modified central government guarantees will be reported in detail, identifying amounts and beneficiaries, and a risk assessment of calls and probability that the guarantees will be called. The report on modified guarantees, in which the beneficiary has changed, will include an assessment of the State's modified position as a guarantor. The General Accounting Office will provide the data on a monthly basis within three weeks after the end of each month. Non-state entities classified under the general government shall report the new guarantees they extended to the General Accounting Office on a monthly basis within three weeks after the end of each month.

F. Non-Accumulation of External Debt Payment Arrears by the General Government

18. **Definition.** For the purposes of the programme, an external debt payment arrear will be defined as a payment on debt to non-residents contracted or guaranteed by general government units, which has not been made within seven days after falling due. For purposes of this programme, the term "falling due" means the date in which external debt payments are due according to the relevant contractual agreement, including any contractual grace periods. The performance criterion will apply on a continuous basis throughout the programme period.

19. **Supporting material.** The stock of external arrears of the general government will be provided by the PDMA with a lag of not more than seven days.

G. "Programme" Primary Balance and Overall Monitoring and Reporting Requirements

20. **Definition**. For the purpose of the programme, the primary balance is defined as ESA 10 general government balance (B.9) minus ESA 10 general government consolidated interest payable (D.41), adjusted for the factors delineated in paragraph 20.

21. **Adjustments.** The balance (B.9) will exclude the following:

- the sale of non-financial assets such as land, buildings, leases, concessions or licenses that are treated as sales of non-financial assets (recorded as one-off transaction), unless these have been agreed in the context of the programme;
- total general government migration-related expenditure net of EU transfers to the Greek budget for migration-related costs including (i) state expenditure recorded under the special budget account for migration expenditure codes 590 to 596 (for Ministries), 078 (for Decentralized Administration) and 187, 188 and 238 (for regional services of Ministries) as well as (ii) the state payments for migration-related expenditure provided from the contingency reserve prior to the establishment of the special budget account if they are well-documented through ex-post surveys. Migration-related expenditure will exclude wages and salaries of permanent civil servants for the purposes of this adjustor. Delayed EU fund payments related to migration expenditure already deducted from previous years programme balance will be also excluded. The total adjustment will not exceed 0.2% of GDP per annum.
- costs related to banking support as defined in MGGPCB above;
- all transfers related to Eurogroup decisions in regard to income of euro zone national central banks (SMP and ANFA revenues), including the BoG, stemming from their investment portfolio holdings of Greek government bonds
- any other transactions related to debt-reducing measures agreed in the context of the programme, such as the reduction of Greek Loan Facility (GLF) interest margin which are counted below the line in the debt sustainability analysis.

- any payments from banks that would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test. The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place.

The balance (B.9) will include the following:

change of the stock of outstanding tax refunds claims without AFEK older than 90 days, net of the amount of rejected tax refund claims that exceeds the normal annual rejection volume (5% of the flow of new claims submitted in the respective year) [5] .

22. **Supporting material**. Monthly data by budget code on the use of the special account allocated for refugee spending, including wage and nonwage related spending, within three weeks of the end of each month. Results of the ex-post surveys of line ministries on migration-related spending on quarterly basis.

23. **Overall monitoring and reporting requirements.** Performance under the programme will be monitored from data supplied on a quarterly basis to the EC, ECB, and IMF by ELSTAT, the Ministry of Finance, the General Accounting Office, and Bank of Greece. The authorities will transmit to the IMF, EC, and ECB staff any data revisions in a timely manner.

H. Coordination on Data and Statistical Provisions

24. Exchange of the information and data among ELSTAT, MoF/GAO, and the BoG will be based on a Memorandum of Understanding, regularly reviewed and updated at least on an annual basis and no later than September 2016. In particular, ELSTAT will provide the following information to the General Accounting Office, EC, ECB, and IMF, that would make possible to compile timely projections based on the ESA 2010 and programme definitions:

- A bridge table between KAE and ESA 2010 codes starting from 2015 data. Each update of the bridge table by ELSTAT is to be provided as soon as available.
- A bridge table between the detailed list of EDP T2A/C/D adjustments and the ESA 2010 codes for each adjustment line.
- Completed detailed EDP tables (including analytical details), as soon as the clarification process of the Greece EDP data is concluded by Eurostat
- Completed supplementary table on the financial crisis, as soon as the clarification process of the Greece EDP data is concluded by Eurostat
- Data on bank support adjustments, by subsectors and ESA 2010 codes.
- Changes in the Register of the General Government Entities, as soon as the change is agreed with Eurostat.

[5] This adjustor will apply only in the fiscal year 2016 and onwards.

MONITORING OF KEY PERFORMANCE INDICATORS (KPI)

I. KPI on Revenue Administration

Progress in revenue administration will be defined as reaching or exceeding the targets set in TMU Table 9.

25. **Definitions**:

- **A completed audit** is defined as an audit formally reported as finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the corrective assessment as referred to in Article 34 of the TPC has been issued, or the audit report states that no underpayment has occurred.
- **High Wealth Individual** (HWI) audits carried out on a legal person owned or controlled by the high wealth individual will also count as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual. Furthermore, audit of off-shore companies with the aim of identifying the natural person owing or controlling the offshore company will also be regarded as an HWI audit case. These audits will be reported separately.
- **Risk-based audits** for large taxpayers and high wealth individuals are defined as audits selected on a risk basis using the ELENXIS audit management system.
- **Collection** on HWI and LTU full scope audits and partial audits are amounts collected from such LTU and HWI audits completed during the year or previous years.
- **Collection of new tax debt** includes collection of debt accrued in the period from the 1st of December of the previous year till the 30th of November of the current year and does not include debt items such as calls on loan guarantees, fines, etc., of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities, such as parafiscal taxes, rentals, services, loans, other parafiscal charges, other non-tax penalties, revenue stamps, debits and other non-tax fines, and other contributions.
- **Old tax debt collection** includes collection during current year of debt accrued before 30th November of previous year.
- **Fresh tax audit cases** are closed audit cases, concerning tax years, fiscal years, cases, periods or obligations related to the last five years, including the year when a SGPR decision was issued to define the priority cases.
- **Audits from prosecutors orders:** The number of audits upon prosecutors order: refers to the amount of audit orders (per TIN) which occurs following prosecutor's order[6] (one prosecutor's order may be related to more than one audit order.

26. **Supporting material.** Monthly Information will be made available by the Minister of Finance in the Tax administration monitor no later than three weeks after the end of each month, including:

- On stock, collection, and write off of tax debt (old, new, and by LDU);
- On the number of debtors under enforcement: The indicator is defined as a fraction where the numerator consists of the total number of debtors against whom some enforcement measure are taken by GSPR at the end of the quarter, and the denominator consists of the total number of debtors against whom GSPR could legally impose enforcement measures at the same date. Enforcement measures are defined as one of the following: garnishment orders, garnishments at the hands of third parties (including e-garnishments), auctions,

[6] TIN: tax identification number (compulsory for each taxpayer). One prosecutor order may refer to multiple tax identification numbers.

mortgages, imposing liens against assets-garnishments) wages, income or assets seizures. From the denominator are excluded debtors which cannot, by law, be pursued[7].

- On full-scope and partial audits, assessed taxes and penalties[8], collection of assessed taxes and penalties, percent of fresh tax audit cases in total completed audits, the stock of priority cases for audit, and inflows and outflows of such cases. The data will be provided for large taxpayers audit centre (KEMEP), high wealth individuals audit centre (KEFOMEP), local and regional tax centres (DOYs), FAE, and investigation centre (YEDDE).

- On payment and rejection of tax refund claims (within or in more than 90 days during the period, ; for VAT,). This information will include number of refunds and amounts. The KPI is a ratio. The numerator is the number of VAT refund claims processed within 90 days during the quarter (even if they originate from the previous quarter). The denominator is the sum of (Numerator + Number of pending VAT refund claims, for which 90 days have passed at the end of the quarter).

- On-time payment of VAT, income, and property tax: collection of taxes paid during the period before they become overdue, and after they became overdue.

- Cases registered and closed by the Dispute Resolution Unit, with number of cases closed within the time limit and closed by implicit rejections. The table will also include suspension requests.

- There will also be a monthly report of the standard 15 tax collection tables by type of tax, by age of tax, by amount of debt due, by status of debtor, There will also be an additional monthly report of a collection table, by category of tax and by payment on time or overdue.

- Installment schemes, with amounts and number of debtors.

J. KPI on Collections of Social Security Contribution

Progress in collecting social security contribution will be defined as reaching or exceeding the targets set in TMU Table 2B.

27. Definitions:

- **Social security fund payment compliance** is defined as the ratio of the amount of current year social security contribution paid to the fund divided by the amount invoiced or declared for each reporting period, expressed as a percentage.

28. Supporting material. For each of the four main social security funds IKA, OAEE, ETAA and OGA, a monthly submission no later than three weeks after each month-end is required on the following: total amount of social security contribution paid (flow), total amount of social security contribution invoiced or declared (flow), total amount of active debtors' debt transferred (measured as of the transfer date, flow), total amount of active debtors' debt held by the fund at the month-end (measured as of the month-end, stock), and KEAO' s SSC debt collection.

[7] According to legislation, debtors with due debts under an installment scheme, under judicial suspension, equal or less than 500 euro (basic debts, without interest and surcharges) and debts deemed uncollectible) cannot be pursued.

[8] The assessments will also include, for consistency and completeness purposes, information about cancellations because of assessment errors which may occur several months after the assessments. The percentage of collection will be calculated on the net assessment amounts.

K. KPI on Public Financial Management

Progress in implementing public financial management reforms will be defined as reaching or exceeding the floor targets and staying at or below the ceiling targets as set in TMU Table 10.

29. **Definitions**:

- **Invoices received by the state** are the invoices or other equivalent documents consisting of a request for payment that have been submitted (accompanied by a submission document) by ministries to the fiscal audit offices (FAOs), or by suppliers to the general directorates of financial services (GDFSs) after the financial service responsibilities are transferred from FAOs to GDFSs, for payment, which include the information on the date when line ministries received the invoice from suppliers or the dates as specified in the Late Payment Directive.

- An **unprocessed pension application** is an application filed by an insured or entitled person for receiving an old age, disability or survivors' pension. The pension claim will be counted as unprocessed if a decision on the validity and amount due under the claim has not been reached by the end of the month following the month in which the application was filed.

- **Actual all social security funds-to-EOPYY transfer** is the amount of cash transfer to EOPYY and the expenditures paid by all social security funds (SSFs) on behalf of EOPYY year to date. **The amount that should be transferred from all social security funds to EOPYY** is the revenue collected by all social security funds on behalf of EOPYY during the same period, calculated as 6 percent on full monthly net (after measures) pensions received by each pensioner, and 6.45 percent on monthly insurable earnings of each worker. The exact amount of insurable earnings is calculated ex post based on monthly filings of Analytical Periodic Declarations.

- **Medical claims submitted by public hospitals to EOPYY electronically** are claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients on inpatient services with at least one night stay. No more than one claim is allowed for each inpatient service.

30. **Supporting material.** Monthly summary information on the following (i) stock of unpaid processed pension applications (number and total value of claims of the application); (ii) stock of unpaid non-processed pension applications (number and total value of claims of the application) provided by the Ministry of Labor; (iii) number of days and processing time of invoices received, invoices paid, and invoices rejected upon verification by the state government (including ministry of finance and line ministries), as well as invoices that have been neither paid nor rejected since the date of receipt of the invoice or the other dates as specified in the Late Payment Directive for a period longer than the ceiling days specified in the Late Payment Directive, (iv) the amount of all SSFs-to-EOPYY cash transfer, expenditure paid by all SSFs on behalf of EOPYY, and revenue collected by all SSFs on behalf of EOPYY, (v) the number of medical claims submitted by public hospitals to EOPYY electronically, and the number of inpatient services with at least one night stay, and (vi) the number of claims submitted by private entities (including private hospitals, clinics, diagnostic centers, etc) to EOPYY for insured patients and the number of full-scope audits conducted by EOPYY on those claims.

Monitoring of Fiscal Prior Actions

L. Pension Reform

31. Definitions: The pension reform will aim to achieve ⅓ percent of GDP in savings in 2016 and 1 percent of GDP in pension savings by 2018 (including about 0.9 percent from spending measures). It will also compensate for the fiscal impact of the 2015 Council of State ruling on the 2012 pension reform. The pension legislation will specify the following provisions:

- *EKAS*. The solidarity grant EKAS will be gradually phased out by end-2019 by reducing it by €130 million in 2016; €570 million by 2017; €808 million by 2018; and €853 million by 2019.
- *Contribution rules*. Tripartite funding will be abolished, state financed exemptions phased-out, and health and pension contribution rules for all insured will be harmonized by end-2019 (for persons insured under OGA by end-2021) with the structure of contributions in IKA, consisting of 20 percent pension contributions (taking into account specific provisions for farmers and newly insured independent professionals) and 7.1 percent health contributions, paid at monthly frequency. For self-employed, time for which contributions are owed will not form a part of actual insurance coverage until paid. Non-contributory service time will not be recognized as time of insurance for any categories of insured. Any benefits for past higher contributions will be provided in a fiscally neutral manner based only on accrual rates as defined in the primary law.
- *Joint liability*. Under no legislative act, decree or administrative act, will shareholders be held jointly and severally liable together with the legal person or entity for paying owed social contributions; directors and managers can assume such liability if and only if this liability is linked to fraudulent and negligent conduct.
- *Income base for self-employed*. The contribution base will be transformed from notional to actual incomes for all self-employed and professionals, defined as net taxable earnings, subject to minimum contribution rules corresponding to applicable contribution rate applied to the lowest entry-level salary of an unmarried employee over 25 years of age, or in case of farmers applied to 70 percent of the lowest entry-level salary of an unmarried employee over 25 years of age, or in case of newly insured independent professionals, during the first five years of activity, applied to 70 percent of the lowest entry-level salary of an unmarried employee over 25 years of age (to be repaid in full before the end of the 15th year of contributions and by one fifth any time the annual gross personal income exceeds €18,000).
- *Spending and contributions ceilings.* The ceilings will be set as temporary upper ceilings on the main pension payments of €2,000 per month and on multiple pensions at €3,000 per month (without any exemptions in both cases) in force until end-2018. Ceiling for mandatorily insurable earnings for the calculation of the monthly insurance contribution of employees and employers, shall be ten-times the amount that corresponds to the entry-level basic salary provided each time for unmarried employees over 25 years old, currently at €586.08. This implies a ceiling for contributions at €5,860.80. Any reference to the minimum daily wage of an unskilled worker for determining pension rights is set as of the date of publication of the current law.
- *Survivor pensions.* Rules for survivor pensions will be tightened by including an eligibility requirement of 55 years of age for the surviving spouse to be entitled to a permanent survivor pension and limiting temporary survivor pension for the spouse aged below 55 to 3 years. Survivors aged 52 to 55 will receive a 3-year temporary benefit, but their survivor pension will be reinstated from age 67 onwards as a permanent benefit, at 50 percent of the original benefit level. Surviving spouses caring for dependent children will receive a temporary survivor benefit until the youngest child reaches age 18 or 24 in case of full-time education. Exemption can be given to surviving spouses upon proof of at least 67 percent of permanent incapacity to work. Two years of contribution subsidy can be provided within 5 years starting from the gathering of the temporary survivor pension.

- *Guaranteed minimum pension limits.* Any and all minimum pension limits will be eliminated in all funds and pension schemes.

- *Nuisance charges.* All nuisance charges financing pensions will be abolished and offset by reducing benefits or harmonizing contributions in specific funds.

- *Child, spouse, and other bonuses.* Any such bonuses in the pension system will be abolished for new retirees.

- *Unified pension rule.* Seasonal bonuses will be abolished and a single unified main pension benefit rule applied for all retirees—current and future without pro-rating of previous benefit rules—to fully offset the fiscal effects of the Council of State rulings on the 2012 pension reforms (around 2 percent of GDP in net savings) as well as any current and prospective Court of Auditors' decisions on the same past reforms. The single unified benefit rule will consist of: (i) a national pension equal to €384 per month at 20 years of insurance, reduced by 2 percentage points for every year before that, reaching €346 per month at 15 years of insurance, which is the minimum insurance time to be eligible to the national pension; (ii) a schedule of marginal accrual rates increasing over years of insurance as shown in Table 1. Both national and contributory pensions will be indexed as in the Law 3863/2010.

Table 1. Marginal accrual rates

Years of contribution	Accrual rate
15	0.77%
18	0.84%
21	0.90%
24	0.96%
27	1.03%
30	1.21%
33	1.42%
36	1.59%
39	1.80%
42	2.00%

Table 2. OGA benefit rule pro-rating

Year	Old System	New System
2017	93.8%	6.2%
2018	87.1%	12.9%
2019	80.4%	19.6%
2020	73.7%	26.3%
2021	67.0%	33.0%
2022	60.3%	39.7%
2023	53.6%	46.4%
2024	46.9%	53.1%
2025	40.2%	59.8%
2026	33.5%	66.5%
2027	26.8%	73.2%
2028	20.1%	79.9%
2029	13.4%	86.6%
2030	6.7%	93.3%
2031	0.0%	100.0%

- *Recalibration.* Main pensions of existing retirees will remain at current levels and be frozen by law in nominal terms at the level of December 2014 until such time when the nominal level of pensions equals that produced by the new unified formula. In case the pension level implied by the new formula is lower, it will be indexed as specified in the new law. For persons insured under OGA pension benefit rules will be gradually harmonized by 2031 with the rest of the pension system in a pro rata manner as shown in Table 2. Individual recalculation of pension benefits must be finalized by December 2017.

- *Other spending measures.* Any existing rules providing favourable treatment to any special groups will be eliminated. Any, pre-retirement pensions, including for bank personnel (ETAT) will be abolished for new retirees and recalibrated for all existing retirees and new retirees with vested rights under the uniform rules generating at least €20 mln in gross savings. In case of multiple insurance only one national pension will be paid.

- *Supplementary, lump-sum, and dividend funds.* The deficit from all supplementary, lump-sum and dividend funds will be eliminated by reducing spending in these funds to achieve around ¼ percentage points of GDP in net savings by 2018 without relaxing any eligibility conditions.

a. *Supplementary insurance.* In the supplementary funds, a one-off net benefit reduction of €210 million will be applied on existing retirees with main and supplementary pensions (without any exemptions) equal to or exceeding €1,300 per month (before taxes, including AKAGE and health contributions) to reduce the deficit in the supplementary insurance by 2018 combined with a nominal freeze until any deficit—the difference between pension contributions and benefits—is phased out. For new retirees the accrual rate for pre-2013 insurance years will be set at 0.45 percent, pro-rated over the NDC formula for post-2013 years of insurance. The remaining financing gap of the supplementary pension system will be closed without further State transfers through the use of pension fund reserves and a temporary increase in the social security contribution rates of 1 percentage points up to May 2019 and 0.5 up to May 2022, to be divided equally between employers and employees.

b. *Dividend funds.* In the MTPY spending will be reduced by €160 million in net terms to automatically eliminate any annual deficit and the accrual rate will be reduced for all retirees to 0.215 percent. In all dividend funds pension benefits will be re-adjusted every year automatically by the pension formula to eliminate any deficits in these funds. Any provisions setting a minimum dividend will be repealed and eligibility rules tightened by abolishing the additional benefit for families with children older than 18 years (or 24 years in full time study) as well as for other relatives.

c. *Lump-sum funds.* In the lump-sum funds the replacement rates for insurance periods up to and including 2013 will be set at 60 percent for both wage earners and self-employed with pensionable earning calculated over the last 5 years of service up to end-2013 and valorized thereafter to average wages until the year of retirement. to guarantee actuarial fairness. This valorization may not result in negative adjustments. For new retirees the pre-2013 insurance years will be pro-rated over the NDC formula for post-2013 years of insurance.

- *Legal clarity.* Eliminate explicitly all old contradicting provisions.

32. **Supporting material.** Detailed explanatory notes supporting the legislation, actuarial projections of the pension system, a specific economic study by KEPE and by the Ministry of Labor detailing the compliance of the reform with constitutional principles, and *ex ante* opinions from the Court of Auditors and the Scientific Council of the Parliament on the aforementioned reforms will be provided prior to voting the legislation in parliament.

M. Income tax reform

33. **Definitions.** The income tax legislation will specify the following components of the reform**:**

- *Pooling of income.* Income from wages, pensions, and business activities will be pooled under a single rate schedule as shown in the table below. Farming income will be pooled together with the 1st pillar basic EU subsidies and taxed under the same rate structure separately from wage and business income.

- *Definition of farming income*. The determination of the profit from business activity for individual farming businesses shall include the basic direct payments under the first pillar of the Common Agricultural Policy and also green and coupled payments in excess of €12,000 euros. The tax credit on farming income will be extended only to those tax-payers who are professional farmers for agricultural subsidy purposes and who derive at least 50 percent of their total taxable income from farming activities.

- *Tax rates.* The tax rates on pooled business and employment income, as well as for farming income, are as shown in Table 3.

Table 3. PIT Marginal tax rates

Income (EUR)	PIT Marginal tax rate
0 - 20,000	22%
20,001 - 30,000	29%
30,001 - 40,000	37%
> 40,000	45%

- *Tax credit.* The tax credit will be available to offset tax on employment income, pension income, and farm income. It will be set at €1,900 for a taxpayer without children, €1,950 for a taxpayer with one child, €2,000 for a taxpayer with two children, and €2,100 for taxpayers with 3 or more children. This will bring the average tax-free threshold to around €8,750. The tapering of the tax credit is calculated based on total income from employment, pensions and farming income and will reduce the tax credit at a rate of €10 per €1,000 additional income beyond €20,000 until the tax credit reaches zero. The maximum allowable offset of the tax credit is the sum of employment, pension, and farm income multiplied by the basic tax rate. Tax credit in excess of this eligible amount cannot be offset.
- *Solidarity surcharge.* The legislation for the solidarity surcharge will be included in the Income Tax Code as a separate article. It will be levied on all income, whether subject to Personal income tax or not, including salaries, pensions, income from business activity, capital, capital gains and transfers, whether real or presumed. The tax will have the structure of marginal rates as shown in Table 4.

Table 4. Solidarity surcharge marginal tax rates

Income (EUR)	Solidarity Surcharge marginal tax rate
0 - 12,000	0.0%
12,001 - 20,000	2.2%
20,001 - 30,000	5.0%
30,001 - 40,000	6.5%
40,001 - 65,000	7.5%
65,001 - 220,000	9.0%
>220,000	10.0%

- *Dividend and rental income*. Tax rates on dividends and rental incomes up to €12,000 will be harmonized at 15 percent. The rate on rental income above €12,000 is set at least 35 percent.

N. Other Fiscal Measures

34. **Definitions**. Legislation to adopt the following fiscal measures:

- *VAT:* the standard VAT rate will be raised from 23 to 24 percent, effective as of June 1, 2016;
- *Public wage bill:* (i) freeze promotion and wage drifts for 2017-18 for the special wage grids, as is currently the case for the unified wage grid; and (ii) maintain 1 hiring for

every 5 exits in 2016 and ease gradually the public sector attrition rule to 1:4 in 2017 and 1:3 in 2018;

- *Motor vehicle registration taxation.* The measure implemented from 1 June 2016 changes the tax base from wholesale value to market value, which widens the tax base by some 40%. Tax rates will be based on retail prices, with adjustment factors for CO2 emission and Euro auto emission performance standards. Taxes will no longer be based on engine capacity. The luxury tax on car purchases and the scrappage scheme are both abolished.

Table 5. Registration tax rates (price component)

Price Intervals (Retail Price before taxes in EUR)	Tax Rate
< 14,000	4.0%
14,001 - 17,000	8.0%
17,001 - 20,000	16.0%
20,001 - 25,000	24.0%
> 25,000	32.0%

Table 6. CO2 emission coefficients

CO2 emission (g/km)	Coefficient
0 - 100	95%
101 - 120	100%
121 - 140	110%
141 - 160	120%
161 - 180	130%
181 - 200	140%
201 - 250	160%
> 250	200%

Euro auto emission performance standard at 100% for euro 6, 150% for euro 5 and 300% for earlier euro standards and 600% for vehicles without euro standards.

- *Personal income tax on benefit-in-kind provided by company cars.* The taxable amount of business operating expenditure on company cars is raised from the current 30 to 80 percent starting from 2016 incomes. From 2017 incomes onwards the taxable amount will be determined by the retail price of the company car (to be implemented by December 2016, after consultation with Technical Assistance).

- *Fuel excises*: from 1st June 2016, natural gas used for electricity production is exempt from the excise duty consistent with the EU Energy taxation directive (Directive 2003/96/EC);

  - from15th October 2016, raise the excise duty on heating fuel (diesel and kerosene) from €230 to €280 per 1,000 litres,

  - from January 2017, raise the excise duty on petrol from €670 to €700 per 1000 litres; on diesel from €330 to €410 per 1,000 litres, on kerosene from €330 to €410 per 1,000 litres, and on motor LPG from €330 to €430 per 1,000KgrFrom 1st January 2017, reduce the excise duty on natural gas for heating in non-businesses (ie residential) from €5.4/MWh (€1.5/GJ) to €1.07/MWh (€0.3/GJ).

  - Effective 1 January 2017: revision of the excise tax rates on natural gas for industrial/commercial (non-heating) use, with the new rates (€/MWh) based on consumption, as follows (revised rates):

Table 7. Excises on natural gas for industrial/business (non-heating) use

Consumption (in MWh)	current rate (€/MWh)	current rate (€/GJ)	revised rate (€/MWh)	revised rate (€/GJ)
Consumption>1.000.000	5.4	1.5	1.08	0.30
500.001<C<1.000.000	5.4	1.5	1.26	0.35
100.001<C<500.000	5.4	1.5	1.44	0.40
10.000<C<100.000	5.4	1.5	1.62	0.45
C<10.000	5.4	1.5	5.40	1.50

- *Collective investment vehicles*: tax rates on the net capital base on UCITS funds, Real Estate Investment Companies and Portfolio Management Companies will be reformed and set at fixed tax rates of 0.75% on equity and structured funds, REICs, and portfolio management funds, 0.5% on balanced funds, 0.35% on bond funds, and 0.05% on money market funds as of 1st June 2016.
- *Communication levies*: a new 5 percent levy on landline and broadband subscriptions will be introduced from 1st January 2017; a new Pay TV levy of 10 percent will be introduced from 1st June 2016.
- *Tax on gaming:* the tax on gross gaming revenues of gaming companies will be increased from 30 to 35 percent from 1st January 2016.
- *Dodecanese reduced rate on alcohol excises:* the current 50 percent reduction of excise duties on alcoholic beverages in the Dodecanese islands will be removed from 1st January 2018.
- *Excise duty on beer:* the excise duty on beer will be increased from 2,6 euros per 100 litres to 5 euros per 100 litres. The reduced rate for small independent breweries will be increased from 1.3 to 2.5 euros from 1st June 2016.
- *Excise tax rates on cigarettes and tobacco*: the excise tax regime on cigarettes will be restructured from 1st January 2017 by increasing the ad valorem excise from 20 to 26 percent of the retail selling price. The specific tax on fine cut smoking tobacco will be increased from €156.70 to €170 per kg.
- *Consumption tax on e-cigarettes*: a new tax of 10 cents/ml will be introduced on e-cigarettes from 1st January 2017.
- *Overnight Stay Hotel tax*: a new "City tax" will be introduced from 1st January 2018 on hotels and rented rooms. On hotels the tax per room per night will be set at €0.50 for 1- and 2-star hotels, €1.5 for 3-star hotels, €3 for 4-star hotels, and €4 for 5-star hotels. For rental rooms the tax per room per night will be set at €0.25 for 1- and 2-key, €0.50 for 3-key and €1 for 4-key rented rooms.
- *Consumption tax on coffee*: a new tax on coffee will be introduced from 1st January 2017 at €2 per kilo on raw (non-roasted) coffee, €3 on roasted coffee, and €4 on instant coffee and other coffee-products.

O. Attrition Rule

35. **Definition.** The ratio of hiring during the year (excluding carryover from previous years) to exits during the previous year (including retirements and separations other than due to disciplinary procedures or verified illegal recruitment) for the general government. Effective 2016, hiring or re-hiring resulting from Court decisions issued since 01.01.2015, including from the European Court of Justice, as well as those resulting from re-entering service due to the increase of statutory age of retirement, and mobility within the public sector (except from Chapter B companies) are exempt from the calculation. The ratio of hiring to exits due to disciplinary procedures or verified illegal recruitment is one to one.

36. **Supporting material**. Monthly report (15 days after the closing of each month) on the stock of total employment, new hiring and departures by entity for the general government of permanent staff include exits due to disciplinary cases and illegal recruitments as well as the stock of total employment by entity for the general government of both permanent and temporary staff. Monthly report on ESPA workers employed in the general government aggregated and by entity, also to be included to the Apografi database.

P. Contingent Fiscal Mechanism

37. **Definition**. For the purposes of paragraph 10a of article 233 of law 4389/2016 (FEKA94), the transition, from the general government result communicated by Eurostat to the terms of the Financial Assistance Facility Agreement, is made as defined in section G of this document, the resulting value being increased by the amount of any state expenditure in excess of 0.15% of GDP made as a result of standardized guarantee calls pursuant to the provisions of sub-sections bb and cc of case a of paragraph 1 of article 1 of law 2322/1995 as currently in force.

38. **Definition**. *In* the case where the contingency fiscal mechanism (Article 233, L. 4389/2016) is activated, the expenditure adjustments should be calculated taking into account any negative impact on general government revenues such as direct taxes and social security contributions that will result, so that the fiscal savings from these expenditure adjustments *net of any negative impact on revenues*, are equal to fiscal adjustment needed to correct any deviation identified (as outlined in paragraphs 3 and 10a of article 233 of L. 4389/2016). The net fiscal savings from the expenditure adjustments will be calculated by subtracting the following shares from the gross savings estimates: (i) pensions: 15 percent; (ii) wages and salaries: 45 percent; (iii) goods and services: 19.3 percent (iv) other categories: 0 percent. In the case where the contingency mechanism is activated and a Presidential Decree is issued to adopt expenditure adjustments, the maximum downward adjustment to discretionary expenditure categories will not exceed 5% the budget ceilings of the respective category for the year of application. Discretionary expenditure categories are defined as all those categories that do not involve pension benefits (main, supplementary, lump-sum, EKAS) nor public sector salaries/wages

39. **Supporting material.** As outlined in paragraph 9 (b) of the legislated mechanism, in the event of under-performance in the real GDP growth rate in excess of 0.5 percentage points, the deviation to be corrected with expenditure cuts under the Mechanism will be reduced by half of the difference resulting from the projected real GDP growth rate in the table below and the real GDP growth rate as reflected in the annual ELSTAT announcement for March.

Table 8. Macroeconomic projections

	2015	**2016**	**2017**	**2018**
	Act.		**Proj.**	
Real GDP (bn EUR)	185.1	184.5	189.5	195.5
y-on-y % change	*-0.2%*	*-0.3%*	*2.7%*	*3.1%*

Source: Greek Authorities; EC, ECB and IMF staff.

Q. Independent Revenue Agency legislation

40. **Definition.** A primary legislation setting up the Independent Revenue Agency is adopted in line with the agreed policy paper. Specifically, the Agency is an independent administrative authority, is not subject to hierarchical control of the Minister of Finance, has a Management Board and a Head selected in a transparent manner, has its own General Directorate for Financial Services and a minimum level of budget which will observe the overall spending limits of the MTFS across general government, has a flexible human resources policy taking into account the need for autonomy of the Agency, will benefit from recruitments needed to reduce the vacant positions to a normal level and consistent with the overall attrition rule of the general government, and has a sufficiently independent IT system through the a service level agreement to be signed by June 30, 2016.

MONITORING OF DELIVERABLES

R. Audit of Arrears (End-June 2016)

41. **Deliverable**. Complete a comprehensive audit of arrears accumulated between end-September 2015 and June 2016 and produce a report on the result of the audit by end-October 2016. In parallel complete final verification of the audit of arrears accumulated until end-September 2015 by June 2016.

42. **Definition**: The authorities will conduct financial and system audits on a representative sample of spending arrears accumulated between end-September 2015 and June 2016, including EOPYY arrears.

43. **Supporting material**: Three reports on (i) financial audit of arrears accumulated between September 2015 and June 2016 (separately for EOPYY and non-EOPYY), (ii) financial audit of EOPYY arrears, and (iii) system audit of EOPYY to be delivered by 15/07/2016. In addition, the authorities will produce monthly reports showing net arrears clearance in the previous month, in line with the requirements of the arrears clearance monitoring mechanism put in place.

44. **Supporting material:** Quarterly published reports on the outcome versus KPI targets.

S. Merger of Pension Funds (End-December, 2016)

45. **Deliverable**. Complete the transfer of all insured individuals into a single social security entity.

46. **Definition**. A single unified pension fund (EFKA) for all retirees will focus solely on benefit expenditure and customer service with streamlined business processes, single management and unified account. By end-2016 all insured persons and related data will be merged and integrated into EFKA. All other social security funds with the exception of non-pension insurance activities of OGA, NAT and TSMEDE will be eliminated and all existing governance and management arrangements of these funds will be abolished after filing the financial statements but no later than March 2017. During a transition period, the collection of current Social Security Contributions from all funds will be integrated temporarily into EFKA; overdue SSCs will be collected by KEAO as a unit within EFKA. A single contributor register will be created by September 2016 and a legal framework for joint collection of SSC and PIT will be adopted by November 2016. The collection of SSCs will be merged into the tax administration by end-December 2017. Remuneration of staff of EFKA and selection for managerial positions and Management Board will be based on laws 4354/2015 on unified wage grid and 4369/2016 on selection of managers. Civil servants will not receive additional compensation for participating in National Social Security Council or other similar committees.

47. **Supporting material:** Reports on the various administrative steps and legislation towards the unification of benefits and the merge of collections into the tax administration.

T. Revenue Agency full implementation (End-December 2016)

48. **Definition.** The revenue agency is fully implemented when (i) the agency's budget is adopted, taking into account its needs and its legal status as an independent administrative authority; (ii) secondary legislation is adopted on key human resource, budget, and operational issues; (iii) all key managers are put in place through a transparent selection and evaluation process, consistent with the recent law on evaluation, and taking into account the agency's independence; (iv) all other staff are transferred to the agency; (v) the agency's human resource policy and operational plans are approved by the Board; (vi) the performance contract is signed between the agency's head and the Ministry of Finance; and (vii) a sufficiently independent IT system is set up.

49. **Supporting material:** Legislation, reports, or notes on each of the key actions above.

U. Large Debtor Unit (End-October, 2016)

50. **Definition:** The large debtor unit will publish a report on liquidation, debt restructuring, and other enforcement measures carried out, which will be assessed against the key performance indicators.

51. **Supporting material:** Quarterly published reports on the outcome versus KPI targets.

V. Tax refunds monitoring

52. **Supporting material.** Monthly Information will be made available by the Minister of Finance in the Tax administration monitor no later than three weeks after the end of each month, including :

- payment and rejection of tax refund claims (within or in more than 90 days during the period, for VAT, PIT CIT and "other tax refunds", with and without AFEK, verified and non verified). This information will include number of refunds and amounts.

W. Monitoring proposed measures on smuggling

53. To allow monitoring specific measures proposed by the authorities the following data will additionally be submitted: (i) for smuggling of fuel: VAT and excise tax receipts from energy products: petrol, diesel (heating and motor), LPG (heating and motor), kerosene, heavy fuel oil. Releases for consumption of energy products Number of GPS systems installed on tankers. Number of installations (fixed (above ground & underground) + mobile (land & maritime transport) involved and equipped with the inflow-outflow system, Fuel volumes included in monitoring system and as proportion of fuel production plus imports. Number of specific actions executed to combat fuel smuggling, initiated by the strategic / operational plan of combatting illicit trade of oil products (total + by agency involved); Number and quantity of fuel seizures made. Number of criminal prosecutions initiated in relation to fuel smuggling cases (outcomes of prosecutions to be included in implementation report); (ii) Similar indicators for alcohol and tobacco.

X. Publication of names of Tax and social security debtors

54. The authorities will publish and regularly update the list of large debtors of tax and social security contribution having 150 000 euros of debt and above for more than three month. Debt under an interlocutory injunction, a judicial decision, a suspension act of an administrative body, debt under an instalment schemes for which the conditions are being respected, debts characterized as uncollectible will not be published.

Y. Social Welfare (End-December 2016)

55. **Key deliverable**. Complete the full roll-out of the GMI, financed by permanent savings of ½ percent of GDP.

56. **Definition.** Permanent savings of ½ percent of GDP will be identified and legislated as needed, including through better targeting and streamlining of social benefits across the general government (e.g. family, disability, transport, in-kind etc.) and household tax expenditures in line with the World Bank findings. Other sources include permanent savings, such as those identified through spending reviews or in areas of non-discretionary spending. Legislation will be adopted on social benefits and household tax expenditures based on the World Bank findings inter alia to (i) improve the design, eligibility, and verification; (ii) better target social benefits to those most disadvantaged or in need, whilst maintaining incentives for labour participation and saving (iii) consolidate to improve effectiveness and reduce fragmentation, duplication, and administrative costs; (iv) eliminate those benefits or tax expenditures that are deemed not efficient, effective, or equitable taking account of the their distributional, incentive, and dependency effects. Where possible, the legislation will also strengthen the effectiveness of social assistance and social care spending. Further legislation will specify the eligibility and benefit criteria for the national rollout based on income from all sources, specifying in particular the treatment of all non-contributory social assistance benefits in the GMI income definition, and will set up a dedicated unit to ensure delivery. . Based on this legislation the GMI will be permanently rolled out nation-wide from end-December 2016, replacing fully the humanitarian crisis measures.

57. **Supporting material.** Frequent reports and documentation prepared by the World Bank supporting the Social Welfare Review and the GMI implementation and rollout.

Z. Property Valuation (End-June, 2017)

58. **Key Deliverable**. Align property assessment values with market prices.

59. **Definition**. Property assessment values will be aligned with market prices. This will envisage the following actions: (i) set up experienced real property valuation unit; (ii) determine the nature of the value based and valuation methodologies relevant to individual categories of properties in collaboration with Technical Assistance by September 2016; (iii) review the valuation of commercial properties March 2017; (iv) ensure full identification of property ownership through the existing cadastre of properties and cross-checking of all ownership interests with all individual properties; (v) pass legislation to align property assessment values with market prices by June (2017).

AA. Merger OASA departments

60. **Deliverable.** Complete the merging of departments of OSY and STASY into group functions of OASA – Transport for Athens.

61. **Definition**. The authorities will complete by June 2016 the merging into group functions of OASA – Transport for Athens of IT, marketing and ticket inspectors departments of OSY and STASY. Also, the authorities will complete by June 2016 the update of the OASA Action Plan prioritizing targets and quantifying results while respecting the principles of the restructuring plan as in Law 4337/2015. By end June 2016 the procurement and HR departments each will be merged at OSY and STASY level and a report will be drafted describing the respective merging at OASA level. The merging of the procurement and HR departments at OASA level will be completed by mid-September 2016.

62. **Supporting material:** Action Plan June 2016 prioritizing targets and quantifying results while respecting the principles of the restructuring plan as in Law 4337/2015.

MONITORING OF FINANCIAL SECTOR CONDITIONALITY

BB. NPL monitoring and targets for banks (End-June and End-November, 2016)

63. Key deliverable.

- Set bank-specific targets for key operational and financial indicators, consistent with achieving reduction of the aggregate stock of NPLs to sustainable levels by the end of the programme (End-June, 2016)
- Publish KPIs for banks relative to agreed operational targets. (End-November, 2016)

64. Definition.

- *Monitoring framework:* It encompasses operational and financial indicators that enable the analysis of the evolution of the banks' NPE portfolios and allow for the identification of underlying drivers at the level of specific banks as well as the entire system. The monitoring framework will be based on current reporting template "ECA 47" extended to include all necessary data points on banks' NPL and NPE ratios, provisions, restructurings, collections, forgiveness and write-offs. Migration matrices will be used to monitor flows between relevant loan states in line with the EBA reporting standard. Information on the distribution of loan reductions as a result of modifications and redefault rates will be used to analyze the sustainability of restructuring agreements. The efficiency of the restructuring procedures will be measured by operational indicators that follow restructuring cases along key process steps such as client contacts, offer and acceptance of solutions. Banks will submit data to the BoG, initially on a quarterly basis, on a solo basis (foreign operations will be excluded) segmented by portfolios: (i) Consumer, (ii) Residential mortgage, (iii) SBP, (iv) SME, (v) corporate (excl. shipping), (vi) shipping. From 2017, after banks have established internal processes to automate reporting as much as possible, data will submitted on a monthly basis.
- *Targets.* As of July 1, 2016, a subset of the monitored indicators will be set as forward-looking targets, initially covering NPE/NPL evolution, sustainability and procedural indicators. The calibration of the targets will be agreed per bank and – where appropriate – at sub portfolio level. The targets will be consistent with achieving reduction of the aggregate stock of NPLs to well-defined sustainable levels by the end of the programme period. *Frequency*. Targets will be defined for a three-year horizon; for the first year on a quarterly basis for the following year (four quarters), and for the then following two years on a yearly basis. The targets will be established for the first time for the third quarter of 2016, to be agreed with the banks by June 2016. The targets will be updated on a quarterly basis considering past performance as well as changes to a bank's NPL strategy and reflecting changes in the economic, legal and operational environment.

65. Supporting materials. Quarterly and – as soon as available – monthly data reported according to the extended template "ECA 47" for each of the individual banks as well as aggregated on system-wide level. Targets for each of individual banks as well as aggregated on system-wide level. The BoG will also make available any analytical reports derived from the banks' data submissions.

CC. Out-of-Court Workout (OCW) Law (End-June, 2016)

66. Key deliverable Amend legislation to improve the effectiveness of the out-of-court workout mechanism

67. Definitions. The amended OCW legislation will specify:

- *Scope of the regime*. The OCW legislation will be applicable to enterprises of any size and to professionals. All elements of debt, tax, social security and private debt, should be considered as part of the restructuring plan.

- *Information requirements*. Access to the debt restructuring mechanism will require the debtor to share information on all his debts, assets, and sources of income.
- *Viability assessment.* The legislation will define basic principles for viability assessments. For less complex or less sizable debtors, the assessment will be based on a set of standard metrics. For complex cases, the assessment will be prepared by independent experts.
- *Debt restructuring proposals.* For viable debtors these will specify – commensurate with the complexity and size of the case – the contents of the restructuring measures (among others, rescheduling, write-downs, debt/equity swaps, or a combination of measures) designed to restore the debtor to long-term viability, based on, where applicable, market valuations of assets and projections founded on accurate financial statements and credible business plans. The plans can also include operational restructuring measures (changes in management, fixed assets, commercial relationships, etc.). No debt restructuring proposals will be offered to unviable debtors.
- C*oordination and decision making mechanism*, The law will require that debt restructuring agreements be adopted by qualified majority of voting creditors, and that non-action by creditors duly notified to participate will not prevent adoption of debt restructuring agreements.
- *Rapid Court confirmation*. The law will specify the period within which restructuring agreements will be ratified by court in order for the final outcome to become binding on minorities and fully enforceable. At confirmation, the court can analyze complaints presented by dissenting creditors.
- *Link with insolvency legislation.* The law will require that initiation of the insolvency procedure for debtors subject to this procedure is facilitated in case of lack of compliance with the restructuring plans or in case the debtor has been assessed as non-viable.

DD. Implementation of Code of Civil Procedure and Insolvency regime (End-September, 2016)

68. **Key deliverable.** Adopt secondary legislation to facilitate valuation of assets and online auctions in line with the amended CCP and to develop the institutional framework for insolvency administrators.

69. **Definitions.**

- *Secondary legislation for insolvency administrators.* This includes the Presidential Decree for the regulation of Insolvency administrators and the following regulatory actions: i) Internal Regulation of the Insolvency Administration Committee, ii) decision of the Competent Authority establishing the means for evidencing professional qualifications and experience, decision of the competent authority regarding the examinations, iii) decision including the conditions for the renewal of license, iv) joint decision of the Minister of Finance and the Minister of Justice on remuneration of the examiners and fees to be paid by candidates, v) decision of the Minister of Justice, vi) establishing a code of conduct for insolvency administrators, vii) decision of the Minister of Justice for continuous training, viii) decision of the Minister of Justice regarding the Code of Functioning of the competent authority, ix) decision of the Minister of Justice for the initiation of disciplinary procedures.
- *Secondary legislation to facilitate the valuation of assets according to commercial standards for the purpose of enforcement actions under the CCP*. The Presidential Decree will set out the method for the determination of the market value of the seized property, based on the use of internationally recognized standards (European Valuation Standards or International Valuation Standards), the entity responsible for selecting the professional charged with assessing the value of the asset and any other relevant details.
- *Electronic on-line auctions in civil procedure*. A Presidential Decree will provide for the regulation of electronic auctions of seized property under the CCP. An electronic auction system is based on the principles of fairness, transparency and value maximization of the

proceeds through enhanced competition by providing easy and economic access to all interested parties, while guaranteeing legal certainty and security. The system requires a web portal to provide publicity for the auctions, including information about the real-estate assets (description, legal certificates, valuation reports, photographs, etc.). The web portal is connected to a functional platform where auctions are performed. In order to participate in auctions, it is necessary for natural or legal persons to obtain a registration. The registration procedure is designed to allow easy and secure access. The assets to be auctioned are listed in the platform, which incorporates a search engine. Auctions are initiated after a specified period after the asset is announced on the webpage. Once an auction starts, any registered person can submit bids during the period specified for the conduction of the auction. Any bid has to be submitted by safe electronic means, with appropriate certification. Every time a person submits a bid, the system sends a receipt notification, specifying the time the bid was received and the amount. The system publishes, in real time, the highest current bid and its amount, without publishing the identity of the bidder or the number of bidders. A valid bid must be superior to the latest published bid. The bidding ends at the end of the specified period. The system ensures compliance with the deposit and payment obligations of the bidders. The results of the auction are certified by the person responsible for the auction. In the certificate, the system includes the whole list of received bids in chronological order, with full identification of the bidders. The system is built in a safe architecture, ensuring certainty and safety of communications, full recording of time sequences and traceability of all actions.

- *Implementation* of the electronic auction system warrants the design and launch of the platform by specialized experts.

MONITORING OF PUBLIC ASSETS CONDITIONALITY

EE. Management, Investment and Privatization of Public Assets

- **Definition.** Proceeds from the privatization of assets included in the Asset Development Programme of HRADF (Annexed in the MOU and approved by KYSOIP on 26/4/2016) will be treated as below the line. All proceeds are deposited to the special segregated account for the repayment of debt.
- HFSF will continue to make payments to the State in accordance with the HFSF law and the relevant legislation.
- Profits generated by the new Management, Investment and Privatisation Fund (HCAP) will be split as follows:
    - 50 percent will be paid as dividend to the Hellenic Republic to be used to repay debt in accordance with law 4336/2015;
    - 50 percent will be used for investment purposes.
- The overall fiscal and accounting treatment of the profits of the Management, Investment and Privatisation Fund (HCAP) will be clarified after its full operationalization and the adoption of relevant Internal Regulations.
- The list of State-owned enterprises to be transferred to the Management, Investment and Privatization Fund (HCAP) is provided in the Annex (Table 12).

Table 9. Key Performance Indicators on Tax Administration

Indicator	2016 Target			
	End-Mar.	End-Jun.	End-Sep.	End-Dec.
Debt collection				
Collection of tax debts as of the end of the previous year 1/	740	1,270	1,730	2,050
Collection of new debts in the current year (percent of new debt in the year) 1/	13%	17%	21%	23%
Collection of debts by Large Debtor Unit 1/	150	300	450	600
Audits of fresh tax cases by the whole GSPR				
Percent of tax audit cases in total completed audits 2/	50%	50%	50%	50%
Tax audits and collection of large tax payers				
Collection after audits in the year (percent of assessed tax and penalties) 1/	45%	45%	45%	45%
Audits and collection of high wealth individuals				
Collection after audits in the year (percent of assessed tax and penalties) 1/	22.5%	22.5%	22.5%	22.5%
Taxpayer service				
Percent of VAT tax refund claims paid or rejected within 90 days 3/	45%	53%	63%	72%
Compliance and enforcement				
Percentage of total tax paid on time for VAT, Income and Property taxes 4/	70%	74%	78%	81.5%
Percentage of debtors under enforcement measures 5/	45%	48%	52%	55%
Pre litigation phase				
Percentage of cases closed by explicit decision of the Dispute resolution Unit 6/	55%	60%	65%	70%

Source: Greek Authorities; EC, ECB and IMF staff

1/ Cumulative targets from the beginning of each year. Targets for old debt collection and large debtor unit collection are in millions of euros.

2/ Cumulative from the beginning of the quarter. The ratio is calculated as follows. The numerator is the number of audit cases closed during the quarter, where none of the tax returns subject to audit concerns tax periods dating more than 5 years back counted from the beginning of the current year. The denominator is the total number of audits closed during the quarter.

3/ The KPI is a ratio: Numerator: Number of VAT refund claims processed within 90 days during the quarter (even if they originate from the previous quarter) Denominator: Sum of (Numerator + Number of pending VAT refund claims, for which 90 days have passed at the end of the quarter).The 90-day period refers to the period between a claim is made and final payment to the claimant is completed or the taxpayer is notified that the claim can be paid, or an offset has been made, or the claim is rejected.

4/ The numerator is tax liabilities paid by due date from the beginning of the year to the quarter-end; the denominator is total tax liabilities assessed that should be paid from the beginning of the year and to end of the quarter. The numerator only takes into account the assessed tax liabilities of the denominator. Tax assessed and immediately cancelled are not taken into consideration in the total tax liability assessed.

5/ Enforcement measures are wage, income or assets seizure (including e-garnishment), putting a lien on assets, mortgage in favour of the Tax Administration, auctions, and freezing of assets. Installment schemes or prosecution are not considered enforcement measure. The denominator is the number of debtors who can be subject to enforcement measures. Target is calculated on data at the end of period.

6/ The suspension requests are not taken into consideration for the calculation. Quarterly data and targets.

Table 10. Key Performance Indicators on Public Financial Management 1/

Indicator	Actual		2016 Target			2017 Target	
	2015	End-Mar. 2016	End-Jun.	End-Sep.	End-Dec.	End-Mar.	End-Jun.
1. Ceiling on average period for expenditure payments or rejection after receipt of invoices by state government, including ministry of finance and line ministries. 2/							
Ceiling on number of days		33.3	40	35	30	29	29
2. Ceiling on unprocessed pension applications in thousands.							
Ceiling on pension applications	265	267	250	200	150	100	50
3. Floor on percentage of all social security funds-to-EOPYY actual transfer of the amount that should be transferred. 3/							
Floor on percentage	80	85	87%	88%	89%	90%	90%
4. Floor on percentage of number of claims submitted by public hospitals to EOPYY for insured patients electronically. 4/							
Floor on percentage			60%	80%	95%	99%	99%

Sources: Greek authorities; EC, ECB and IMF staff

1/ Cumulative targets from the beginning of the year unless otherwise specified.

2/ Applies to all invoices received since January 1, 2016. The average period is calculated on all the invoices paid or rejected during the quarter, and invoices still pending beyond the target. The period for each invoice is measured from when the invoice is received to the final payment, or to rejection upon verification, or to the test date if the invoice is pending beyond the target for the average for that test date (e.g. 35 days on Sept 30, 2016).

3/ The ratio in percentage is calculated as follows. The numerator is the amount of cash transfer to EOPYY and the expenditure paid by all social security funds on behalf of EOPYY during the period. The denominator is the revenue collected by all social security funds on behalf of EOPYY during the period.

4/ The ratio in percentage is calculated as the number of claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients divided by number of treatment cases provided by hospitals to insured patients.

Table 11. Key Performance Indicators on Social Security Contribution 1/

Indicator	2015	2016 Target			
	Dec	End-Mar.	End-Jun.	End-Sep.	End-Dec.
Social Security Fund Payment Compliance					
Percent of total invoiced or declared current-year SSC amount paid to the fund 2/					
IKA	91%	…	93%	…	95%
OAEE	57%	…	62%	…	65%
ETAA	63%	…	77%	…	80%
OGA	72%	…	75%	…	77%
KEAO Collection Performance and Enforcement					
Collection of SSC debts transferred to KEAO 3/	633	188	375	563	750

Sources: Greek authorities; EC, ECB and IMF staff

1/ Cumulative targets from the beginning of each year.

2/ For each reporting period, social security fund payment compliance is calculated as the amount of current year SSC paid to the fund divided by the amount invoiced or declared, expressed as a percentage.

3/ In millions of euros.

Table 12. State Owned Enterprises to be transferred to the HCAP

a/a	Company	Sector	Instrument
	IMMEDIATE TRANSFER BY LAW		
1	OASA	Transport	By law
2	Bus Transportation of Athens (OSY) S.A	Transport	By law
3	Urban Rail Transport (STASY) S.A	Transport	By law
4	Hellenic Railway Organization (OSE) S.A	Transport	By law
5	Olympic Athletic Centre of Athens (OAKA)	Sports	By law
6	Hellenic Post (ELTA) S.A	Post	By law
	DEFERRED TRANSFER BY SEPTEMBER 2016		
1	Thessaloniki Water Supply & Sewerage (EYATH) S.A	Infrastructure	By law
2	Athens Water Supply & Sewerage (EYDAP) S.A	Infrastructure	By law
3	Hellenic Vehicle Industry (ELVO) S.A	Defence	By law
4	Attiko Metro S.A	Transport	By law
5	Building Infrastructure (KTYP) S.A	Construction	By law
6	Public Power Corporation (PPC) S.A	Energy	By law
7	ADMIE	Energy	By law 1/
8	Hellenic Aerospace Industry (EAV) S.A	Defence	By law 2/
	FINAL LIST FOR FINAL ASSESSMENT BY DECEMBER 2016		
	All remaining SOEs to be assessed 3/		

1/ To be transferred when ADMIE deal concluded (specified in MOU). The transfer to the Fund of any ADMIE shares that will be owned by the Hellenic Republic will have respect the governance structure of the company, which will be defined when the planned transaction to accomplish ownership unbundling of ADMIE will be completed.
2/ The Authorities and the institutions will review the operations of EAB by June 2016 to assess to what extent they are broadly commercial and should to be included in the new Fund, or whether they predominantly fulfil the needs of the Hellenic Armed Forces which gives rise to compelling national security exemption from new Fund
3/ EKXA will be included in this review