

## Supplemental Memorandum of Understanding

Fourth Review of the ESM Programme

DRAFT – 20 June 2018

### 1. Outlook and strategy

**In July 2015, Greece requested support from its European partners to restore sustainable growth, create jobs, reduce inequalities, and address the risks to its own financial stability and to that of the euro area.** In August 2015, the Hellenic Republic concluded an agreement for stability support in the form of a loan from the European Stability Mechanism for an availability period of three years. In accordance with Article 13(3) of the ESM Treaty, a Memorandum of Understanding was signed which details the conditionality attached to the financial assistance facility covering the period 2015-18. The conditionality is updated regularly, taking into account the progress in reforms achieved over the previous months. In each review the specific policy measures and other instruments to achieve these broad objectives outlined here are fully specified in detail and timeline. This update reflects the agreement among the ESM, the European Commission acting on its behalf, and the authorities upon conclusion of the fourth review of the ESM programme.

**Success requires ownership of the reform agenda by the Greek authorities.** The government therefore stands ready to take any measures that may become appropriate for this purpose as circumstances change. The government commits to consult and agree with the European Commission, the European Central Bank and the International Monetary Fund on all actions relevant for the achievement of the objectives of the Memorandum of Understanding before these are finalized and legally adopted.

**The recovery strategy takes into account the need for social justice and fairness, both across and within generations.** Fiscal constraints have imposed hard choices, and it is therefore important that the burden of adjustment is borne by all parts of society and taking into account the ability to pay. Priority has been placed on actions to tackle tax evasion, fraud and strategic defaults, as these impose a burden on the honest citizens and companies who pay their taxes and loans on time. Product market reforms seek to eliminate the rents accruing to vested interest groups as the associated higher prices undermine the disposable income of consumers and the competitiveness of companies. The pension reform takes into account that existing pensioners find it more difficult to compensate for income losses and it has applied cuts progressively, based on the level of pensions. To get people back to work and prevent the entrenching of long-term unemployment, the authorities have accelerated the absorption of ESIF funds and are working to ensure an effective impact on the economy, both in the short and the long run. A fairer society requires that Greece continues to improve the design of its welfare system, so that there is a genuine social safety net which targets scarce resources at those who need them most. In this context, the authorities have taken measures to provide access to health care for all (including the uninsured) and rolled out nationally a basic social safety net in the form of a Social Solidarity Income (SSI) in early 2017.

**Implementation of the reform agenda provides the basis for a sustainable recovery, and the policies are built around four pillars:**

- Restoring fiscal sustainability (section 2): Greece will target a medium-term primary surplus of 3.5 percent of GDP. This is supported by an ambitious programme to strengthen tax compliance and public financial management, and fight tax evasion, while ensuring adequate protection of vulnerable groups, including through the Independent Agency for Public Revenues (IAPR).
- Safeguarding financial stability (section 3): Further efforts are needed to tackle the large stock of Non-Performing Loans (NPLs). This requires in particular the effective implementation of the strengthened framework to support NPL resolution (market for NPLs, out-of-court workout (OCW), e-auctions, insolvency framework). Banks and the public sector need to speed up the restructuring of debts and the liquidation of non-viable businesses to support the recovery of the economy along with the gradual phasing out of capital controls.
- Growth, competitiveness and investment (section 4): Greece will continue to design and implement a wide range of structural reforms that not only ensure full compliance with EU requirements, but which also aim at achieving European best practices. The authorities will continue to implement an ambitious privatisation programme, and the independent Privatisation and Investment Fund (HCAP) has been established supporting a more efficient monetisation of valuable State assets..
- A modern State and public administration (section 5): Particular attention is being paid to the implementation of reforms to increase the quality and efficiency of the public sector in the delivery of essential public goods and services. Measures will be carried forward to enhance the efficiency and improve the capacity of the judicial system and to upgrade the fight against corruption. Reforms include strengthening the institutional and operational independence and effectiveness of key institutions and agencies such as the statistics institute (ELSTAT), the Hellenic Competition Commission and other regulatory agencies.

#### Technical support

**The success of recovery will require the sustained implementation of agreed policies over many years - which necessitates the political commitment, but also the technical capacity of the Greek administration to deliver - and to this end the authorities have committed to make full use of the available technical support.** Technical support on the European side is coordinated by the Structural Reform Support Service (SRSS) of the European Commission. Technical support is already in place for some key reform commitments, including on tax policy and Public Financial Management (PFM), the reform of the custom and tax administrations, the review of regulatory barriers to competition, licensing simplification and doing business reforms, the social welfare review, the national roll-out of the Guaranteed Minimum Income (GMI), the consolidation of pension funds into one single fund, the fight against corruption, the implementation of the Greek energy policy objectives, the reform of the Greek health programme, the modernisation of the judicial system and the administrative reform. In October 2015, the Greek authorities and the European Commission finalised a medium-term technical support plan in line with the MoU signed in August 2015. In December 2015, the Greek authorities informed the Commission that they would allocate EUR 30 million to technical support projects in the areas of PFM and privatization; economic development and procurement; justice and anti-corruption; public administration reform at both central and local level; labour, employment and social protection (including health and education). The transport sector and other sectors such as

tourism, energy, waste and water are also addressed. In July 2017, the Commission agreed with the Greek authorities on a complementary plan aligning the framework to the newly established Structural Reform Support Programme (SRSP) for the period 2017-2020. This complementary plan defined technical support projects with a value of EUR 2.9 million for SRSP 2017 and EUR 2 million for SRSP2 2018. The support projects funded are aligned with previous technical support requests (that they deepen and / or complement) and with the MoU, including this update. Moreover, the Greek authorities have activated Article 11 of the SRSP on January 30 for EUR 20 million to continue in the coming years technical support for ongoing projects where the reform has still not yet been completed and for new technical support needs that may arise from the Growth Strategy.

### Growth strategy

**Greece needs to build upon the agreed recovery strategy and pursue a genuine growth agenda which is Greek-owned and Greek-led and fully uses available resources, including those provided by the EU.** This should take into account the reforms included in this SMOU, relevant European Union initiatives, the Partnership Agreement of the implementation of the National Strategic Reference Framework (NSRF) and other best practices. Greece must benefit fully from the substantial means available from the EU budget and the European Investment Bank (EIB) to support investment and reform efforts. For the period 2007-2013, Greece was eligible for EUR 38 billion in grants from EU policies, and should ensure that all projects funded under that financing envelope are completed as planned according to the EU regulations. For the 2014-2020 period, more than EUR 35 billion is available to Greece through EU funds and Greece should continue in its effort to maximise and speed up absorption of this envelope. The European Commission's Investment Plan for Europe and the EBRD will provide additional sources of investment, as well as technical help for public and private investors to identify, promote and develop high-quality and feasible projects to fund, and the Greek authorities and operators should make full use of this opportunity.

**The Greek authorities have presented a draft Growth Strategy to the Eurogroup on 27 April 2018,** which sets out key priorities in the areas of ensuring fiscal sustainability, strengthening the business environment, wage setting framework, ensuring effective functioning of network industries and management of state assets, fostering fair and inclusive growth, and strengthening the financing of growth (financial instruments, development bank, reduction of non-performing loans). It also aims at designing sectorial priorities in areas such as transport and logistics, energy, circular economy, agri-food, manufacturing, shipping, pharmaceutical sector, health and environment, tourism and culture. The Growth Strategy builds upon reforms agreed under the programme as well as existing medium-term action plans in key areas. The authorities will consult social partners and other stakeholders in finalising the growth strategy. Where the draft growth strategy remains general in scope, the authorities will use it as a basis for further elaborating and operationalising concrete policy measures, so as to enhance its traction and credibility. The authorities will implement the Strategy with the assistance of a Scientific Development Council including social partners and sectoral business organisations as well as an Advisory Panel of foreign investors.

End-November 2017, the authorities presented a concept paper aimed at establishing a National Development Bank that will coordinate the implementation of development and promotional activities, in line with the Eurogroup statement of 15 June 2017. The new entity will not accept deposits from the public nor engage in direct lending. The new entity's

functions, final structure and by-laws will reflect in-depth consultation and agreement with the institutions and will be designed to ensure no risks to public finances and financial stability; its objectives, instruments and governance will be established in line with international best practice and with the benefit of technical support.

## **2. Delivering sustainable public finances that support growth and jobs**

### **2.1 Fiscal policy**

The general government primary balance in programme terms reached 4.2% of GDP in 2017, significantly outperforming the programme target for three consecutive years. The outturn of 2017 was supported by a large amount of measures, in particular the 2016 pension reform and the reform of indirect taxation, while the yield from the PIT reform was below expectations. An additional boost was provided by sizeable payments of tax arrears through the Voluntary Disclosure Initiative and through social contributions, while most of the over-performance was however accounted for by lower-than-expected spending, in particular on investment.

The Greek authorities commit to ensuring sustainable public finances by pursuing the fiscal path agreed in August 2015 that is based on a **primary surplus target of 3.5 percent of GDP in 2018**. The primary surplus target of 3.5% of GDP will be maintained over the medium term until 2022.

The government as a **prior action** will adopt the Medium-Term Fiscal Strategy (MTFS) 2019-22 that will set spending ceilings consistent with ESM programme targets and a primary surplus of 3.5% of GDP for 2019-2022.

The Greek government will monitor fiscal risks, including existing and future court rulings, and will take offsetting measures as needed to meet the medium-term fiscal targets in the context of the Medium-term Fiscal Strategy and in its annual updates.

The authorities have pre-legislated a fiscal package in June 2017 in support of rebalancing the budget toward more growth-friendly and distributionally just policies. Specifically, the package contains the following elements:

- a pension reform, to be implemented in 2019, delivering net savings of 1% of GDP in 2019-2022 and a personal income tax reform to be implemented in 2020 and delivering net savings of 1% of GDP in 2020, 2021 and 2022 (see TMU Section L);
- a growth-enhancing tax package matching in net terms the yield from the personal income tax reform encompassing (i) a reduction in PIT rates and the solidarity surcharge with a medium-term fiscal impact of 0.8% of GDP; (ii) a reduction in CIT rates with a medium-term fiscal impact of 0.1% of GDP, and (iii) a reduction in property tax (ENFIA) with an impact of 0.1% of GDP (see TMU Section L);
- a targeted spending package matching in net terms the yield from the pension reform composed of an increase in (i) spending on targeted welfare benefits (housing allowance; child benefits; school meals; nursery/pre-school education; means-tested reduction in health co-payments) by 0.7% of GDP, (ii) high-quality public infrastructure investment by 0.15% of GDP, and (iii) active labour market policies by 0.15% of GDP (see TMU Section L). To the extent that elements of the social welfare package have been advanced to 2018, the use of available fiscal space will be specified in agreement with the institutions.

The authorities, as a **prior action**, will bring forward the implementation of the personal income tax measures to 2019 if the IMF, in cooperation with the European institutions and the Greek authorities, in the context of the final programme review, considers that, based on a transparent forward looking assessment, a frontloaded implementation is needed in order to reach the agreed 3.5% primary surplus fiscal target in 2019, which should be reached without growth-detrimental measures, and if needed will adopt legislation, in agreement with the institutions, to ensure the exact achievement of the fiscal target, in a manner that is positive for growth. In addition and based on an assessment and agreement by all institutions and in consultation with the Greek authorities, following a transparent process, the authorities will adopt the necessary secondary legislation for the implementation of the expansionary package starting in 2019. The amount to be implemented will be in line with the institutions' projected over-performance relative to the agreed medium-term targets – on the assumption that the contractionary measures will have already been built into the baseline scenario – in order to ensure the achievement of the targets.

## 2.2 Tax policy reforms

The authorities will as a **prior action**: (a) review preferential tax treatments for the shipping industry in the light of the indications of the European Commission; (b) undertake a technical review of the ITC provisions after its 3-year application, identifying problems and loopholes and proposing amendments with the objective of clarifying and ameliorating its application and eliminating conflicting provisions, (c) reform the business tax incentives for employment, environmental protection, and the production of audio-visual work in agreement with the institutions; (d) codify and simplify the VAT legislation, aligning it with the TPC and eliminating outstanding loopholes and (e) review the TPC interest regime and (f) the authorities have amended the Code of Public Revenue Collection to provide for the extension of the e-auctions mechanism to auctions conducted by the revenue authorities under the Code of Public Revenue Collection under its provisions.

By June 2018, the authorities will (a) review the Stamp duty code with the aim of modernising and simplifying the Stamp duty regime by taking into account the modern business environment; (b) review of the imputed income system of ITC and legislate if change needed.

In parallel with the review by the Ministry of Justice, the IAPR will review the effectiveness of the application of the KEDE for auctions and e-auctions; and, if needed, adopt legal or procedural amendments (**prior action**).

As a **prior action**, (i) the authorities with the aid of technical support will align property tax assessment zonal values with market prices, through legislation if needed and will issue legislation for a permanent unit dedicated to property revaluation; (ii) the authorities will legislate to adjust tax rates and broaden the property tax base if necessary in a revenue neutral way in order to issue ENFIA bills by August 2018. By July 2018, the authorities with technical support will (i) develop plans for the permanent IT system for property revaluation and will identify the required budget and (ii) establish the property evaluation unit within the Ministry of Finance organigramme.

The authorities will review the implementation of the capital gains tax on real estate and adopt legislation if needed by May 2018.

The authorities will ensure that the VAT discount on the remaining islands is eliminated by end-June 2018 (**prior action**).

### 2.3. Public revenue reforms

Revenue collection has been hampered by complicated legislation, poor administration reflected by chronically weak enforcement, political interference and generous amnesties. To break from this practice and build a responsible tax and social security payment culture, the government firmly commits to take strong actions to ensure the independence of the revenue services and improve compliance and collection.

The authorities will continue to improve operations as measured by key performance indicators (KPIs) (see TMU Section H and I). The authorities will continue the reforms improving public revenue administration in agreement with the institutions, and taking into account recommendations of technical support.

#### ***The Independent Authority of Public Revenue***

The authorities will take the necessary measures to ensure an effective functioning of the Independent Authority of Public Revenue (IAPR). In this respect, the authorities will, taking into account the experience gained since the January 2017 inception of the Management board, take any necessary measures for improvement by June 2018 taking into account as necessary technical support suggestions..

The authorities will undertake an assessment of the experience with the 2017 performance contract of the Head of the Agency together with the institutions in May 2018 (see TMU Section R).

With the help of technical support, the IAPR has produced the Human Resources policy paper for the agency staff, in terms of grading, assessment, promotion and remuneration. The authorities will pass primary and/or secondary legislation as appropriate on the grading of staff and will initially allocate staff to appropriate grades by June 2018. The authorities will pass primary and/or secondary legislation as appropriate for remuneration and on the individual assessment of staff by July 2018. A specific appropriation will be agreed in May 2018 for the implementation of the new remuneration system.

The IAPR will be given a specific budget envelope, within General Secretariat of Information Systems (GSIS) budget line, for central IT hardware and systemic software (see TMU Section S). The IAPR will define the priorities within this envelope. The GSIS will provide the hardware and systemic software as service provider on the basis of agreed costs. The framework and level of budget envelope within GSIS budget line will be agreed by May 2018.

The authorities will ensure that the tax and customs academy is fully in place by June 2018.

The authorities will (**prior action**) proceed with the following hiring plan for 2017 – 2018, as agreed with the one-off injection of resources through the Supreme Council for Civil Personnel Selection (ASEP) (see TMU Section T):

- starting the process for hiring through ASEP 728 staff, including 28 IT staff
- implementing an attrition rule 1:1 (i.e. one entry for one exit) for 2018 and going forward,
- applicants through the mobility schemes: IAPR has the capacity to screen staff coming from the 1997 ASEP recruitment and from the mobility scheme if they do not meet the qualification requirements corresponding to the IAPR needs and decided by IAPR.
- After IAPR concludes the screening of applicants through the mobility scheme, 60% of the remaining vacant positions will be covered by recruitments in 2018 and 40% in

early 2019, with a maximum threshold of 900 people. The decisions on the 2018 and 2019 recruitments will be taken and the hiring process will be launched.

IAPR makes the final decision on staff to be transferred to it. For the ASEP recruitments, in order to limit delays, a reserve list system will be created by May 2018 and ASEP will schedule its recruitment process to ensure that the reserve list contains sufficient candidates for a year of future recruitment.

With a view to reinforce fight against corruption, the authorities will proceed with a yearly publication of disciplinary proceedings and infringements.

Finally, the authorities will provide the institutions with regular updates on the activities of the IAPR including :

- monthly updates on the budget execution, and on the situation of staffing and actual hiring of the Authority;
- the semi-annual updates of the service-level agreement implementing corrective actions where needed.

### ***Improving compliance***

To further improve compliance, the government will pursue, and will quarterly report to the institutions on the progress of the implementation of the action plan for the promotion and facilitation of the use of electronic payments (through both transfers and cards) and the reduction in the use of cash and cheques: in 2018 this should take place in April and July. The authorities will update regularly the action plan, and in 2018 do so by the month of May.

The authorities will fully implement the operational roadmap to improve compliance, according to its timeline.

The authorities will procure or lease the risk-assessment software allowing substantially increased detection of carousel fraud to be used as from May 2018.

The authorities will commit not to provide any filing extension and to put in place in time the necessary information campaign to encourage taxpayers to fulfil their declarative obligations by due date (continuous action).

### ***Improving the fight against tax evasion***

The authorities will implement the new system of organisation of fight against financial crime between Justice and IAPR. The previously received pending orders not in their final stage of audit will be transferred back to the prosecutors as a **prior action** (see TMU Section U).

The authorities will adopt legislation establishing a central registry of beneficial ownership information of legal persons to ensure public authorities access to adequate, accurate and current information in line with the Financial Action Task Force standard by May 2018.

The authorities will address the problem of base erosion, and propose by May 2018 an action plan which will use risk assessment measures to identify for priority audit Greek taxpayers engaged in profit shifting through manipulation of transfer pricing or avoidance of Permanent Establishment status.

In order to reduce unnecessary litigations the authorities will reinforce the dispute resolution unit by providing it by May 2018 with a case management system.

### ***Improving public revenue collection and debt management***

To improve the collection of tax debt the authorities will fully implement the agreed national collection strategy. This will include:

- i. following the completion as **prior action** of a key procedural step as specified in the TMU (Section V), the pursuit of the procurement of the software allowing for further automation of the debt collection, embracing notably fully automatized garnishment procedure.
- ii. if needed, the possible amendment of the legislation establishing clear criteria of non-collectability to enable the write-off of tax claims, to be implemented by May 2018,
- iii. review and amend, if necessary, of the statute of limitation for collection to ensure an adequate ceiling on the total number of years that collection of a tax claim can be enforced, by May 2018,
- iv. a study on the possibility to introduce a system of regular monthly payment by automated electronic means for the taxes paid by individual taxpayers, to be completed by May 2018,
- v. publication of the yearly update of the list of large tax debtors with the next publication due in March 2019 (see TMU Section X),
- vi. commitments to review and amend if necessary the TPC framework relative to actions to regularly revert against persons who are jointly and severally liable for the liabilities of legal persons by May 2018,
- vii. the commitment, necessary to improve payment compliance, not to introduce new instalment or other amnesty or settlement schemes nor extend existing schemes and to take immediate enforcement action regarding debtors who fail to pay their instalments or current obligations on time (continuous action).

After the first phase of the triage of the large debtors on the basis of the analysis of economic and financial data determining their viability (see TMU Section W), starting by the debtors of the Large Debtor Unit (LDU) and of the Single Collection Centre for Social Security Contribution Debt (KEAO), and in the framework of the second phase of the triage the LDU and the KEAO will finalize a report classifying large debtors and proposing solutions by May 2018. The report will also include timelines and specific KPIs.

The authorities will produce, by May 2018, a policy paper on the ways and means to curb the regular increase in public tax debt.

### ***Fight smuggling and improve customs efficiency***

The authorities will implement the anti-smuggling strategy for excisable products according to its timeline. They will report progress on a quarterly basis (see TMU Section Y). The anti-smuggling strategy implementation will include the fight against fuel smuggling and the full and timely implementation of the joint ministerial decision taken to combat fuel smuggling and its measures for locating storage tanks (fixed or mobile) and for installing the inflow-outflow system. The authorities will install and operationalize the Operational Coordination Centre against Excisable Product Smuggling. It has access to IT systems and a detailed business



plan has been agreed. The interoperable IT system will be up and running by May 2018. The centre will be fully staffed by October 2018. The authorities will also register equipment and licence warehousing, companies and individuals by December 2018. The authorities will implement the action plan for the procurement of an effective fuel marker system to be put in place for full scale application expected in May 2019.

The authorities will pass, if necessary, legislation as a **prior action** to reinforce domestic tobacco manufacturers' responsibility of their distributors by supply chain agreements (see TMU Section Z). The authorities will fully implement the customs reorganisation, with the mobile control units and regional centres fully financed and equipped, and to be fully staffed by December 2018. To improve customs efficiency the authorities, with the participation of public and private stakeholders, will implement in a timely manner the trade facilitation roadmap for the national single window including the streamlining of pre-customs procedures and will report quarterly on the implementation.

### ***Centralise the collection of social security contributions into a single social security fund***

With the scope of merging all contributions and debt collection into EFKA and KEAO, and in order to ensure full completion of the registration of all social-security-contribution debts in the single social-security-contribution debt database managed by KEAO, the authorities have set up a dedicated team to start clearing the paper cases and introduce the relevant information into KEAO database. As a **prior action** (see TMU Section AA),

- The dedicated team will produce a report about the cases that have been dealt with and, based on the number of the remaining cases to be checked, will propose a timeplan for completion of the integration into the KEAO debt database; and
- All social security contributors debt in all instalments schemes will be entirely transferred to KEAO.

To improve social security debt collection, the authorities will publish regularly the list of large debtors for social security debt at the same time as they publish the list of large tax debtors (see TMU Section X). The authorities will further improve the rules for quarantining and writing off debt in order to align them with rules applicable to tax debt, one month after the publication of the relevant rules for tax debt. They will also improve, if necessary, the framework in order to allow restructuring of public debt for viable businesses in distress. KEAO's business process will be reviewed and adapted by May 2018 (see TMU Section BB).

## **2.4 Public Financial Management and Public Procurement**

### ***2.4.1 Public financial management***

The authorities commit to continuing reforms that aim at streamlining and improving the budget process and expenditure controls, clearing arrears, strengthening budget reporting and making cash management more effective.

The government is implementing a new Government Budget Classification structure and Chart of Accounts. The authorities commit to: (i) implement the Chart of Accounts for the economic and administrative classifications in the 2019 State budget and to (ii) complete the Chart of Accounts for central administration concerning the remaining segments. In detail,

the fund classification will be adopted for its implementation in the 2020 State budget and the functional classification in the 2021 State budget. The programme and project classifications will be introduced in line with the performance budgeting framework to be agreed with the technical support. The implementation of the new classifications will be also in view of supporting the cash management functions. The authorities will modify the presentation of the State Budget bulletin, t-report and MTFs to align with international statistical standards and the General Government monthly bulletin. The finalization of the Chart of Accounts for the general government will be done in consultation with the relevant stakeholders of the reform. Furthermore, the authorities commit to: (iii) set up an action plan for the implementation of the Chart of Accounts in the general government. These actions require adequate staff resources allocated to the reform in GAO. A pilot phase will be conducted ahead of the implementation of the Chart of Accounts in the 2019 State budget. The pilot phase will conduct a test exercise, the mapping of the Chart of Accounts to fiscal reporting in line with international standards and a parallel run of the old and new FMIS in at least one ministry. Moreover, the authorities commit to: (iv) amend the conflicting provision with reference to the sectoral Chart of Accounts (Article 40 of Law 4483/2017) to specify it is meant to be transitional pending the full implementation of the single Chart of Accounts for general government; (v) finalize the design of the integration of the Financial Management Information System (FMIS) and the new Chart of Accounts (**prior action**) so as to ensure the full use of the FMIS to support the implementation of the new Chart of Accounts in the 2019 State budget; and (vi) develop a programme of communication and training covering all the stakeholders.

The authorities will make sufficient progress in clearing arrears to the private sector by June 2018. With a view to fully clear the outstanding stock by the end of the programme, and the authorities will implement their arrears clearance plan taking also account of the disbursement plan under the ESM programme. The authorities will clear the outstanding stock of arrears, including overdue but unprocessed tax refund and pension claims by using own resources and designated programme financing. The authorities will continue producing detailed monthly reports on the arrears cleared and on outstanding gross and net arrears. In parallel to the arrears clearance programme, and without hampering or delaying it, the authorities will ensure that the assessment by the independent auditor will be completed by May 2018, covering the government accounts payable and the use of ESM programme funds from end-June 2016 up to end-December 2016. The assessment will check the accounts to verify proper use of the funds, identify the extent of structural problems and assess the optimality of the arrears clearance plan sequencing. Based on the recommendations of the final report presented to the authorities and the institutions, the authorities will take corrective actions to address structural shortcomings leading to the accumulation of new arrears (see TMU Section N) (**prior action**). The supervising Ministries will ensure the implementation of these actions by the concerned entities. The implementation will be assessed through the Hellenic Court of Auditors follow-up compliance audit in 2019 and monitored by GAO on an ongoing basis. The government will ensure that budgeted social security contributions are transferred from social security funds to health funds and hospitals evenly throughout the year so as to clear the stock of health sector-related arrears, in line with the KPI targets.

The authorities will provide all relevant information for the institutions to assess progress in the implementation of the Late Payment Directive and will continue to improve operations as measured by KPIs. In order to facilitate the clearance of hospitals' late payments the government will submit by May 2018 a roadmap on: i) the implementation of measures to make allocation of staff in financial departments more efficient, as well as improving their technical capability, ii) the roll out of the business intelligence system to improve the quality and quantity of data and for calculating average payment terms, and late payment amounts

(interests) on a monthly basis. The government will take appropriate measures to ensure that payments to suppliers of public and military hospitals arising from contracts signed after 15 February 2016 comply fully with Law 4152/2013, and will avoid taking legal or administrative measures or implementing practices that are not in conformity with it.

The government will continue the work on improving the fragmented cash management system transferring general government surplus reserves to the Bank of Greece accounts. The transfer is to be conducted in cooperation with the Bank of Greece and taking into account financial stability implications and operational needs of general government entities. The amounts to be transferred are to be determined in agreement with the institutions. Following the implementation of the cash management reform the authorities will close accordingly unused central government accounts in commercial banks and consolidate them in the Treasury Single Account (TSA). By May 2018, the authorities will prepare the new legislative framework defining the TSA and the timeline for the full integration of the general government accounts into it.

The authorities will fully implement the action plan to improve the management of state guarantees granted to individuals and enterprises for proven damages as a result of natural disasters or to private enterprises operating in geographical areas characterized by exceptionally low economic activity.

The Ministry of Finance will continue using the established ring-fenced account for the management of the EU Home Affairs Funds (AMIF/ISF). A bi-monthly detailed reporting of the activities of this account will be provided to DG Home of the European Commission.

The Greek government is committed to making the Fiscal Council fully operational by ensuring better coordination of information flows with relevant entities (e.g. ELSTAT and IAPR) through a memorandum of understanding or amending the relevant legislation if needed.

#### **2.4.2 Public procurement**

Greece has made significant progress in the area of public procurement to increase efficiency and transparency of the Greek public procurement system, prevent misconduct, and ensure more accountability and control. Further action is needed to complete the reforms in the area of public procurement.

In particular, the authorities will, as a **prior action**, appoint the remaining members of the Remedies Review Body and will complete the selection procedure and appoint its scientific and administrative personnel (as provided for in Article 357 of Law 4412/2016).

### **2.5 Sustainable social welfare**

#### **2.5.1 Pensions**

The authorities have adopted a comprehensive reform of the pension system, to strengthen long-term sustainability while targeting savings of around 1 percent of GDP by 2018, mostly from the expenditure side, on top of the full absorption of the impact of the Council of State ruling on the pension measures of 2012, around 2 percent of GDP. To fully implement the new legislative provisions, the authorities:

- i. *Recalibrate pension benefits.* In order to achieve intra- and inter-generational equity and fully absorb the Council of State ruling, recalibrated all the existing pensions on the basis of the new parameters of the uniform pension rule applied to the pensionable earnings in current value, with the exception of OGA. For ETEA insured persons, accrued rights up to 2014 were recalculated with an accrual rate of 0.45, to align them to the current NDC system and taking into account higher contribution rates than those specified with the harmonised contribution rules. Lump-sum calculation will be revised to guarantee actuarial fairness.
- ii. The cross-check between digital records and paper documents for the individual recalculation of the pension benefit under the new uniform rules will be completed as a **prior action**.
- iii. As a **prior action**, the authorities will calculate and process all main pension applications of 2016 and 30% of main pensions applications submitted in 2017 and at least 13.800 of supplementary pension applications submitted from 1.1.2015 and 31.12.2016.
- iv. *Eliminate EKAS.* Phase out the solidarity grant (EKAS) for all pensioners by end-December 2019, reducing it by EUR 570 million by 2017; EUR 808 million by 2018; and EUR 853 million by 2019. The authorities will adopt as a **prior action** the Ministerial Decision setting all the details for the awarding of EKAS in 2019.
- v. *Benefits for past higher contributions.* Benefits should be provided in a fiscally neutral manner based only on accrual rates as defined in the primary law.
- vi. For the full implementation of the pension reform, the authorities have issued the Ministerial decisions of art. 70.2 of Law 4387/2016 and the Presidential Decree of art. 52 of the same law. The authorities will finalise and implement this Presidential Decree within one month after the opinion of the Council of State.

To complete the full merge of all insured persons and related data into the single pension fund EFKA:

- i. As a **prior action**, the incorporation of the public-sector pension scheme in EFKA, including transfers of relevant staff from the General Accounting Office, and any legal or administrative step required for the actual transfer of databases, software and IT infrastructure will be fully completed;
- ii. On 2 May 2018, Eurostat has published its official opinion on the classification of the journalists pension fund (EDOEAP) within the general government periphery. In light of this opinion, as a **prior action**, the authorities, within one month following the publication, will adopt the necessary measures (see TMU Section O) in consultation with the institutions and in compliance with the supreme court ruling (5/2002), including measures to ensure the full alignment to ETEAEP rules as defined in Articles 96 and 97 of law 4387/2016 and any other measure necessary to guarantee that no public funding of EDOEAP's deficit can occur. Additional revenues (if any) can only fund health care services offered by EDOEAP.
- iii. Automatic electronic records shall be created in EFKA also for insured persons. The authorities will record data on insured persons targeting those over 55-years old ensuring that 90% of the relevant data are entered in the system by June 2018 ; and the process will be fully completed by the end of the programme.

The merging of the social security funds into EFKA will lead to efficiency gains including through a reduction of overall staff. The authorities will implement the action plan adopted as

part of the second review. As a matter of priority, qualified personnel will be directed to clearing unprocessed pension claims and creating electronic registries for the insured and retirees (see ¶2.3) or transferred to other administrations. Staff who are not retained should be transferred to other entities – including KEAO, the National Actuarial Authorities and EOPYY (the National Organisation for the Provision of Health Services), in order to strengthen their operational capacity– taking into account their hiring needs, and making use, to the extent possible, of the new mobility system introduced with law 4440/2016.

As a **prior action**, EFKA will take concrete steps for the diversification of its investment portfolio in line with best practices, to ensure that it holds no controlling stakes in any private company.

The authorities will continue the regular publication of the Helios report whose structure and content will be defined in agreement with the institutions (continuous action).

## **2.5.2 Health care**

The authorities have committed to further reforming the health care sector, with the aim of universal, equal and effective care, controlling public expenditure, managing prices of pharmaceuticals, improving hospital management, increasing centralized procurement of hospital supplies, managing demand for pharmaceuticals and health care through evidence-based e-prescription protocols, commissioning private sector health care providers in a cost effective manner, modernizing IT systems, developing a new electronic referral system for primary and secondary care that allows to formulate care pathways for patients. As the full implementation of these objectives requires time, the authorities are committed to implement necessary additional necessary measures also beyond the deadlines referred to this document.

### **2.5.2.1 Rationalisation of health expenditure**

The authorities will, in line with detailed targets and deadlines set out in the TMU (Section P),

- a. in order to address the remaining part of the recent overspending on "other items" in the EOPYY budget for "Other Illness Benefits" (125 million in 2017) EOPYY will extend the clawback to include optometrist services and special education services (**prior action**);
- b. as a **prior action**, the authorities will implement the 14 measures included in the EOPYY Action Plan to reduce the amount of excess spending;
- c. by May 2018, they will develop a mapping of overall public sector capacity; by December 2018, based on this mapping, the authorities will develop an in-depth assessment to be used in the future to commission private providers per region subject to insufficient public capacity;
- d. implement a new system of electronic referrals (e-referrals) to secondary care to be used by family doctors. (May 2018);
- e. develop, by May 2018, a critical mass of prescription guidelines and therapeutic protocols for patient care pathways (primary and secondary care) for the pathways that have the greatest therapeutic and cost implications, to feed into the e-prescription system; as a **prior action**, at least additional (compared to December 2017) 20 of these therapeutic protocols will be introduced in the e-prescription.

- f. develop an annual report on human resources for the whole health care sector (to be used as a human resource planning instrument) with a focus on PHC (first report to be published by May 2018);
- g. closely monitor and fully implement universal coverage of health care and inform citizens of their rights in that regard and proceed with the gradual implementation of the new Primary Health Care System. To this end, the authorities have adopted all the necessary legislation to implement this new system in May 2017. Within this framework, EOPYY will change the way it provides primary health care by introducing compulsory patient registration with a family doctor, who will act as a gatekeeper in charge of referrals to specialists. As a **prior action**: a) the complete matching of all Social Security Number (AMKA) holders with the available family doctors will be finalised by May 2018 and b) the compulsory patient registration system with a family doctor, who will act as a gatekeeper, will be in place and fully operational by end of May 2018, with gatekeeping to be gradually implemented over 2018. In parallel, the roll-out of Local Health Units, started in December 2017, will lead to creation of a critical mass of Local Health Units (at least 85) by May 2018, with full implementation to be achieved subsequently. As new Local Health units become operational, the existing contractual arrangements of EOPYY with private GPs will be correspondingly reduced so as to avoid duplications in the local provision of primary care;

#### **2.5.2.2. Execution of clawbacks and regular audit<sup>1</sup>**

- a. The authorities will execute the clawbacks every six months and perform regular audits.
- b. The authorities will continue to collect relevant data from EOPYY, the National Organisation for the Provision of Health Services, and regularly publish it.
- c. The authorities will apply and collect outstanding clawbacks, continuously until they are cleared. As a **prior action**, (i) EOPYY will finalise the legal procedure for the offsetting of the residual outstanding clawback (2013-2015) for all outstanding amounts except those for which it is not legally/technically possible to perform the offset; (ii) any outstanding uncollected clawback amount related to 2016 will be offset and collected for health care providers and (iii) the authorities will extend the clawback ceilings for diagnostics, private clinics, pharmaceuticals up to 2022. The ceiling will rise in line with the authorities' forecast of the annual growth of GDP at constant prices; (iv) the clawbacks of 2017 (and for 2016, for pharmaceutical companies) will be collected/offset according to the timetable specified in the TMU (Section P).
- d. To assess and improve the performance of health care providers, EOPYY will carry out systematic monthly auditing of private clinics.

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<sup>1</sup> Details on specific targets by deadline contained in the TMU (Section P ¶¶64-70).

### **2.5.2.3. Measures to improve the financial management and cost effectiveness of hospitals**

The authorities will:

- a. take concrete steps to increase the proportion of centralised procurement by May 2018, following the adoption of the Law on centralised health procurement; for details see TMU (Section P); in May 2018 present the plan to increase the proportion further in 2019. The appointment procedures under the rules set by Law 4369/2016 will be started as a **prior action** (see TMU section P).
- b. by December 2018, reduce waiting times (including for elective surgery) with respect to the previous year in line with the Social Pillar and reduce unwarranted variation in waiting times across providers and patients (including across socio-economic and other patient characteristics); for details see TMU (Section P);
- c. by May 2018, start the implementation of the DRGs system in pilot hospitals;
- d. produce regular quarterly and yearly reports, based on financial data for hospitals and hospital performance (benchmarking based on activity related indicators).

### **2.5.2.4. Reducing pharmaceuticals spending through generic penetration and price reduction**

- a. The authorities will update and publish on a regular basis (for details see TMU Section P), and at least every six months, the positive and the negative list.
- b. As a **prior action**, the authorities will publish a revised price bulletin in May 2018.
- c. As a **prior action**, the authorities will adopt further measures to improve cost-effectiveness of pharmaceutical spending with a view to reaching the 40% generics penetration target. These measures may target many relevant areas, such as updating the set-up of reimbursed prices and of patients' participation to ensure they promote the choice of cost-effective drugs and by further improving the incentive structure of pharmacists to encourage the sale of less costly drugs for any given active substance prescribed.
- d. To further reduce prices, they will make use of the negotiating committee to develop price volume and risk agreements, such as MEAs (Managed Entry Agreements), in line with other EU countries standards and international expertise, especially for innovative and high cost drugs and regularly report on the progress. The authorities will set-up a Health Technology Assessment (HTA) centre to evaluate which products to reimburse and under what conditions and agreements, in line with existing guidelines and with evidence of best-practice in the EU, to become active once fully operational after June 2018.

### **2.5.3 Social safety nets and activation**

The economic crisis has had an unprecedented impact on social welfare. The most pressing priority for the government remains to provide immediate support to the most vulnerable to help alleviate the impact of the crisis. A fairer society will require that Greece improves the design of its welfare system in line with EU best practices, so that there is a genuine social safety net which targets scarce resources to those in most need.. The SSI was successfully rolled out at national level in February 2017. To further support the smooth implementation of

the scheme the authorities have established a disputes resolution system and developed an internal capacity to provide risk assessment, auditing, and inspections.

The social inclusion component (2nd pillar) of the SSI scheme includes linkages with social services and other benefits. The objective is to widen access to the existing available social services (such as psycho-social and health-related support and legal counselling) aiming at inclusion and removing barriers to work. The Greek authorities have adopted an operational strategy for the delivery of this 2<sup>nd</sup> pillar. The registries of social services and service providers have become operational at the end of February 2018 and will be maintained up to date on a real time basis. Links between the Community Centres, municipal social services and service providers are being further developed including by establishing an automatic exchange of information with major providers.

With regards to the activation component (3rd pillar) of the SSI, the Greek authorities will formalise the cooperation arrangements between the municipalities/community centres and the local offices of the public employment services, also in light of the results of the pilot testing the new delivery model of ALMPs. As a **prior action**, the requirement will be introduced for all individuals in SSI-beneficiary households who are able to work and are not employed nor in education or training, to register as jobseekers at OAED. Individuals in beneficiary households who can be integrated in the labour market will be offered access to personalised active labour market (ALM) measures. This will include the systematic preparation of individual action plans by OAED employment counsellors. The menu of ALM measures offered to SSI beneficiaries will include amongst others training, reintegration employment schemes (including public work schemes with an embedded training component), participation in activation and job search assistance sessions, mentoring, apprenticeships/traineeships. The aforementioned ALM measures will be progressively offered under the open-framework delivery model as described in Section 4.1.

The authorities will agree with the institutions, the implementation of the next steps towards further welfare reforms and specifically as **prior actions** (see TMU Section Q):

- i. with the view to apply a new disability assessment to all contributory disability and welfare benefits (including under Law 4387/2016) by end-2018, on the basis of the results from the on-going pilot programme, adopt legislation to extend gradually to the entire country the new business processes for disability welfare benefits and to expand the pilot testing of the new functional disability assessment;
- ii. commence the implementation of the reform of the system of transport subsidies, following the introduction of the electronic ticket reform by transportation companies, starting from the city of Athens;
- iii. adopt new legislation to specify the design of a means-tested housing benefit, developed with advice from the World Bank, to be rolled out as part of the growth-enhancing measures.

With regards to institutional welfare reforms, the authorities have:

- i. implemented the National Mechanism for the Coordination, Monitoring and Evaluation of social inclusion and social cohesion policies, which is fully operational since February 2018;
- ii. established in February 2018 a benefits agency (OPEKA) as a single payment authority for all welfare benefits.



### **3. Safeguarding financial stability**

All necessary policy actions will be taken to safeguard financial stability and strengthen the viability of the banking system. No unilateral fiscal or other policy actions will be taken by the authorities, which would undermine the liquidity, solvency or future viability of the banks. All measures, legislative or otherwise, taken during the programme period that may have an impact on banks' operations (i.e. solvency, liquidity, asset quality etc.) should be taken in close consultation with the institutions.

The authorities will proceed with actions in a timely manner included in the comprehensive strategy for the financial system related to reinforcing the banking sector by (i) normalising liquidity and payment conditions and strengthening capital, (ii) addressing NPLs and (iii) enhancing governance of the financial institutions.

#### **3.1 Preserving liquidity and capital in the banking system**

The authorities are committed to preserving sufficient liquidity in the banking system in compliance with Eurosystem rules and to achieving a sustainable bank funding model for the medium term. In this context, banks are required to submit quarterly funding plans to the Bank of Greece so as to ensure continuous monitoring and assessment of their liquidity needs.

The impact of the capital controls will be monitored with full information sharing with the institutions. The authorities are committed to the implementation of the published roadmap aiming to ultimately abolish capital controls consistent with the milestones. They will manage, in timely consultation with the institutions, the process for implementing the relaxation steps, taking into account liquidity conditions of the banking system and aiming to minimise the macroeconomic impact of the controls. The Bank of Greece will send quarterly to the institutions a standardised report on agreed key statistics related to capital controls and liquidity, as well as its assessment and proposals for actions. The banks should keep adequate cash buffers to facilitate the smooth implementation of the relaxation of capital controls.

Taking into account regulatory requirements, including the latest Supervisory Review and Evaluation Process (SREP) decision by the Bank of Greece, any potential capital shortfalls in the cooperative banks will be addressed by June 2018.

#### **3.2 Resolution of Non-Performing Loans (NPLs)**

##### ***3.2.1 Enable an active NPL secondary market***

The authorities will continue to take any necessary actions to enhance the functioning of a dynamic NPLs' secondary market as a **prior action** (see TMU section CC).

##### ***3.2.2 Monitoring the banks' non performing exposure***

The Bank of Greece, in cooperation with the ECB-SSM, will make every effort to ensure that the NPE targets remain both realistic and ambitious and that banks' NPE strategies are adequately designed and executed to reach the targets. The Bank of Greece will assess and analyse banks' performance in achieving targets on an ongoing basis. The Bank of Greece will publish quarterly an aggregated summary report on the developments with regard to banks' NPE strategies and targets. Furthermore, the Bank of Greece will, on a quarterly basis, present to the institutions a report, which includes a) detailed analyses on the

developments of the targets and KPIs, b) the reasons for missed targets and underperformance, and c) recommendations to remedy the problems' drivers.

### **3.2.3 Debt restructuring and insolvency procedures**

#### *Out-of-Court Debt Workout (OCW)*

In order to improve the application of the OCW framework, the authorities, on the basis of the assessment of administrative and technical impediments to filing a complete application and reaching an agreement between debtors and borrowers, will address these impediments as a **prior action**, including through necessary legal amendments (see TMU section DD).

#### *In-court insolvency*

The authorities will by June 2018 appoint the new support staff for the trial of household insolvency cases selected through the ASEP competition launched on March 2017, in order to reduce the backlog of pending applications under law 3869/2010.

#### *Insolvency legislation*

As a **prior action**, the authorities will amend the household insolvency law and take additional actions to address the identified shortcomings as specified in the Technical Memorandum of Understanding (see TMU Section EE), most notably by putting in place an appropriate mechanism for filtering out non-admissible petitions and for taking all necessary actions to significantly shorten the time span between the filing of the petition and the issuance of the court decision as well as eliminating the backlog of cases.

Starting from April 2017, the Ministry of Justice has been providing, on a quarterly basis, detailed information to the institutions on the backlog and processing of cases related to Law 3869/2010. The Ministry of Finance and the Secretariate of Private Debt will, on a quarterly basis, provide information to the institutions on the take-up of state subsidies related to Law 3869/2010.

### **3.3 Governance of the HFSF and the banks**

As a **prior action**, the authorities will take all necessary actions to ensure that any future ordinary shareholdings of the central administration (State) in credit institutions will be transferred *ipso jure* to the HFSF.

As a **prior action**, the current mandate of the HFSF shall be extended until end-2022. The *independence of the HFSF* will be fully respected, its governance reinforced and it shall operate under commercial terms and without any political or other interference.

The *independence of the management, decision-making and commercial operations of banks* will be fully respected and the banks will continue to operate strictly in accordance with market principles. Any potential replacement of board members and senior management of the banks will be carried out without any political or other interference. Appointments will be made in line with best international practice.

The HFSF will continue to make every reasonable effort to ensure the compliance of all four systemic banks' board members with the eligibility criteria of the HFSF law. The authorities will also ensure that potential future Greek State representatives will meet these eligibility

criteria.

Following the review and reconstitution of the banks' boards, the HFSF will make every effort through its representative on the boards of the banks, on the basis of the Relationship Framework Agreements (RFAs) and as an active shareholder, to ensure that the boards function effectively in overseeing the performance of management. The HFSF as shareholder and also on the basis of the RFAs should assess regularly, using if needed external expertise, the banks' overall governance framework and the performance of the banks' Boards of Directors and recommend, if needed, changes. The HFSF will make every reasonable effort to ensure that the banks' Boards of Directors assess regularly, using if needed external expertise, the effectiveness of Banks' middle and senior management.

#### **4. Structural policies to enhance competitiveness and growth**

##### **4.1 Labour market and human capital**

In recent years, major changes have been made to Greek labour market institutions and wage bargaining systems to make the labour market more flexible. The Greek authorities are committed to achieve EU best practice across labour market institutions and to foster constructive dialogue amongst social partners. The approach not only needs to balance flexibility and fairness for employees and employers, but also needs to consider the very high level of unemployment and the need to pursue sustainable and inclusive growth and social justice.

*Review of labour market institutions.* Following up on the labour market review undertaken in the context of the second review, the authorities will implement the following measures:

- i. With a view to promote and monitor the representativeness of sectoral collective agreements, the government, after consultation with the social partners and in agreement with the institutions, will issue a circular specifying the administrative procedure to assess representativeness at sectoral level (**prior action**).
- ii. The authorities have delivered a report early May 2018 with an independent legal opinion on the role of arbitration in collective bargaining. As a **prior action**, the authorities, taking account of the independent legal report and the outcome of the consultations with the social partners, will adopt legislation to :
  - a. reintroduce the discretion of the mediator to submit a proposal to allow parties to resume bilateral negotiations;
  - b. allow the unilateral recourse to arbitration only for the party that has accepted a mediation proposal while the other refused it, or in case that the other party had refused to enter in the mediation procedure;
  - c. extend the duration of the term of the OMED Board members;
  - d. review the list of criteria to be taken into account in the arbitration decision to add the purchasing power of wages.

In addition, the authorities will take appropriate measures in conjunction with OMED to ensure the expertise of mediators and arbitrators, by improving the selection and evaluation procedure.

*Simplification of labour legislation.* Existing labour laws will be streamlined and rationalised through the codification into a Labour Law Code and a Code of Labour Regulatory Provisions. In line with the dedicated technical support project which was launched in June 2017, the first draft of the Labour Law Code will be delivered by May 2018.

*Undeclared work.* The authorities in cooperation with the social partners will continue the implementation of the Action Plan for fighting undeclared work. In particular:

- i. the existing system of fines for undeclared work will be revised in May 2018, providing sufficient incentives for compliance, promoting the regularisation of workers found undeclared and discouraging fraudulent behaviour (repeated offences in particular);
- ii. as a **prior action**, the automatic exchange of information between the databases of the Ministry of Labour, the Ministry of Finance, SEPE, IAPR, OAED, IKA (EFKA) and the Greek police will be completed.

*Vocational education and training (VET).* As part of the 3<sup>rd</sup> review, the authorities have launched pilot tenders for a series of major business community-led partnerships for VET involving sectoral and local employer representative bodies and social partners, targeting a total of 4,000 apprenticeship places between 2017-18 and 2018-19. In order to reach the desired targets, the Ministry of Labour with the support of the Public Employment Service (OAED), the Ministry of Education and relevant stakeholders will have made fully operational these major VET partnerships by May 2018 (implementation report to be provided). The partnerships will *inter alia* provide outreach to companies and find apprenticeship places, provide training and mentoring services, and verify, foster and enhance the quality and effectiveness of apprenticeships. As part of the 3<sup>rd</sup> review, a cohesive and inclusive governance structure for VET has been put in place (JMD). In addition, local apprenticeship coordination committees (OYM) will be activated in the KPAs of OAED taking on board the role of the newly introduced employer counsellors in OAED and extending their composition to include representatives of local employer bodies by May 2018. By May 2018 a technical assistance contract will be signed with SRSS to prepare an integrated plan for Human Capital development of the Labour Force addressing economic growth and supported by the VET Reform.

*Capacity building.* The need has been identified to strengthen over the medium term the institutional capacity in the field of labour administration (encompassing the Ministry of Labour as well as all responsible implementing bodies and agencies). The on-going exercise of upgrading and reinforcing the public employment service (OAED) will ensure that by May 2018: (i) the role of employer counsellors is fully activated in all local offices (KPAs) and the counsellors play a proactive role in engaging employers; (ii) quality employment counselling is provided to jobseekers of priority groups through regular pre-scheduled appointments with employment counsellors; (iii) along with the roll-out of the new profiling and segmentation methodology, individual action plans are upgraded to offer tailor-made activation paths.

*Active labour market policies.* The Ministry of Labour will engage in further improving the design, impact and efficiency of the active labour market programmes (ALMPs), in line with the adopted ALMP strategy. The implementation of the strategy encompasses the following elements:

- a. the application of the reformed mutual obligations, adopted in April 2018;

- b. a new framework of quality specifications for ALMP training providers, to be finalised in cooperation with the Ministry of Education by May 2018;
- c. a blueprint, to be drafted by June 2018, for establishing an evaluation and monitoring system to draw lessons and inform the design of future ALMPs;
- d. the phased introduction of a new delivery model for ALMPs, starting with the launch of a pilot project as a **prior action**. The new delivery model for ALMPs will encompass open framework programmes to ensure the continuous availability of a core menu of actions and services and the enhanced role of employment counsellors in referring the jobseekers to ALMPs based on individual profiling.
- e. a reform to further upgrade the design of ALMPs, in line with technical support provided by the World Bank.

*Education.* Greece will further modernize its education system at all levels to substantially improve educational outcomes while safeguarding equity. The final report of the OECD review of the Greek educational system was published by the OECD in April 2018. The authorities will address the recommendations of the Report through a concrete action plan to be adopted with technical support by July 2018.

In agreement with the institutions, the authorities will, as a **prior action**: (i) adopt legislative measures on future appointments and evaluation of head teachers and senior ministry of education staff to ensure a depoliticised, transparent and meritocratic process including the involvement of ASEP in relevant committees and upgrade their role within the school units and specifying their career prospects (ii) pass a law on upgrading the bodies responsible for evaluations and (iii) pass a law on the evaluation of senior education staff, school self-evaluation and rational use of resources. By May 2018 they will adopt a strategy on initial and continuous teacher training in pre-primary, primary and secondary education; the authorities will agree with the institutions the fiscal aspects of changes in the organisation of secondary and higher education and will safeguard the revenues of HEI coming from overheads, fees for graduate education, services to third parties and exploitation of University property.

The framework for dismissals legislated in the Private Education Act Art. 56 of Law 4472/2017 has been assessed in April 2018. Any amendments deemed necessary will be taken up in consultation the institutions and legislated by May 2018 and put into effect for the school year 2018-19.

## **4.2 Product markets and business environment**

More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards. In this context, the alleviation of unjustified and disproportionate restrictions in the access to market and the conduct of professions and economic activities shall adhere to the principles of proportionality, justification of any restrictions and non-discrimination. In line with their growth strategy, the authorities will intensify their efforts to bring key initiatives and reform proposals to fruition as well as enrich the agenda with further ambitious reforms that will support the country's return to sustainable growth, attract investments and create jobs.

The authorities will adopt the following measures:

*Competition: Toolkit I recommendations:* On building materials, the authorities will, as **prior action**, enter into a contract with the Standardisation Body in order to start by June 2018 the harmonisation of the 372 technical specifications according to its categorisation (Project 2).

*Investment licensing.* The authorities have agreed with the institutions to implement as **prior actions**: (i) horizontal reforms on specific sectors (see TMU Section HH); (ii) the launch of the tender to renew the licensing ICT system for notifications, approvals and inspections; (iii) the second phase of installation licensing. A mapping of the status of investment licensing reform in the Greek economy will be completed as a **prior action**, including sectors included in law 4442/2016 as well as the rest of the economy. Following the time-bound action plan for the promotion of effective and coordinated ex-post controls and inspections for businesses, implementation of pilot projects is progressing in the areas of slaughterhouses, hygiene inspections for food and service businesses, and fire safety inspections. For slaughterhouses, the training activities will be finalised and pilot inspections will be launched as a **prior action**.

*On competition, investment licensing and administrative burden:* as **prior actions**, the government will:

- i. address the pending recommendations no. 4 and 17 of the ex-post assessment on business parks through the publication of a KYSOIP decision and the issuance of a circular;
- ii. address the recommendations of the ex-post assessment on book prices; and
- iii. address the recommendations of the ex-post assessment on tourism;

(see TMU section II).

To *modernize company law*, the government

a) has prepared a review on changes needed to bring Law 3190/1955 in line with best practices. Based on the recommendations of the review, the government will, as a **prior action**, amend Law 3190/1955;

b) has prepared an assessment in cooperation with the European Commission and involving the consultation of key stakeholders. Based on the recommendations of the review, the government will, as a **prior action**, submit a progress report, along with draft provisions on mergers and acquisitions, with a view to adopting legislation by October 2018;

c) has prepared a review on changes needed to bring Law 2190/1920 in line with best practices. Based on the recommendations of the review, the government will, as a **prior action** amend Law 2190/1920.

*On regulated professions*, the authorities will, following agreement with the institutions, as a **prior action**, place under public consultation the draft law relating to the requirements and procedure for the establishment of private clinics with a view to adopting it by mid-July 2018. On one-day clinics, the authorities will as a **prior action** amend the legal framework in agreement with the institutions in order to reduce restrictions (including on different medical specialties and on mixed operations) to the establishment and operation of one-day clinics, taking into consideration EU best practices; (see TMU Section JJ).

On *export promotion*, the authorities with the participation of public and private stakeholders, will proceed with the timely implementation of the agreed export promotion action plan, whose implementation is monitored on a quarterly basis.

On *land use*, the authorities have continued with the adoption of secondary legislation related to the implementation of law 4447/2016. They have adopted a Ministerial Decision with the technical specifications for special spatial plans and town plans in January 2018. They will further adopt a Ministerial Decision with technical specifications for regional spatial plans by June 2018.

In addition to the forest maps covering 35.72% of the country which were uploaded in 2017, forest maps covering an additional 9% of the country's surface completed by the Hellenic Cadastre or forestry services and endorsed by the forestry services have been uploaded for public consultation. Another 8% is pending for upload until September 2018, while the drafting of forest maps for the rest of the country will take place in the period summer 2018 to summer 2019 (14 months). To date, 32.2% of the country's surface has ratified and definitive maps. In areas where objections were raised during 2017, the ratification will follow the prescribed process, and will be completed at the latest by November 2018 following the relevant legislative provisions.

On *cadastre*, the authorities will, as a **prior action**, produce and agree with the institutions a roadmap and timetable with key steps for a) the completion of the cadastral mapping and b) the completion and ratification of the forest maps, with a final deadline 30/06/2021 for both (see TMU Section KK).

On *agriculture*, the rural development strategy will be formally adopted by the government by May 2018. In accordance with the strategy, by June 2018, the authorities will make proposals to (a) introduce incentives to boost the organisation of farmers into producer groups, and (b) in support of young farmers, aged up to 40 years of age.

With a view to limiting the risk of financial corrections relating to direct aid, the government shall:

- a) Renew by 50% the ortho-photos by May 2018, with the most recent imagery, digitise and update the corresponding reference parcel boundaries and maximum eligible area in accordance with the requirements of the European Commission and implement an appropriate and continuous update of the system thereafter.
- b) as a **prior action**, ensure that the Greek Payment Authority of Common Agricultural Policy Aid Schemes (OPEKEPE) is staffed with the necessary permanent staff in specific fields (technicians, agronomists and surveyors) trained in Geographic Information System and photo-interpretation in order to perform the regular update of the Land Parcel Information System (LPIS) and assure the correct yearly execution of the LPIS Quality Assessment, including the definition of appropriate remedial action when so required.

On *structural funds*, the Ministerial Decision associated with legislation setting up a registry of experts to ensure the supervision of co-financed projects will be agreed with the institutions and adopted as a **prior action**.

Significant municipal engineering projects of a value in excess of 500,000 EUR (water supply, sewerage & waste water treatment, and solid waste management) in municipalities with up to 10,000 inhabitants that are co-financed with EU funds will be supported with a

Technical Advisor encompassed in the design contract according to law 4412/2016 (especially articles 136, 144) for new projects or through the register of experts of article 28.8 of law 4314/2014 for on-going projects.

The selection and appointment of the Director General and Director positions for all ESPA structures will be completed by July 2018. The authorities will also implement the new rules for evaluation and mobility of staff.

The authorities have agreed with the European Commission as part of the 3<sup>rd</sup> review a list of 15 to 20 large, emblematic projects for the period 2014-2020 including timelines from approval to completion. The inter-ministerial committee on major projects will convene after a proposal of the Alternate Minister of Economy and Development responsible for ESIF to its Chair to consider the progress made with these 2014-2020 projects and to resolve any blockages as may occur. The General Secretariat for Public Investments and Structural Funds will send regular reports to the Commission.

The authorities have committed that the Information System for State Aid (PSKE): (i) remains the sole and unique management tool for co-financed state aid operations under all ESIF programmes, (ii) includes on a continuous basis all relevant data to verify the legality and regularity of all such co-financed state aid operations, (iii) provides all necessary means (staffing, organisation, processes) in order to achieve a smooth and fully integrated management - within the PSKE system - of all incoming requests for state aid operations emanating from managing authorities of ESIF programmes, and (iv) will be technically upgraded in order to increase speed and capacity.

On *technical support*, in order to ensure an effective reform implementation the authorities will continue the support as appropriate in the critical areas of a) the investment licensing reform with support of the World Bank; b) education; c) export promotion; d) trade facilitation, e) competition, f) environment including, the completion of the national cadastre and the systematisation and digitisation of environmental legislation. The authorities will use technical support in other areas as needed, including through Commission services, Member State experts, international organisations, and independent consultants. This includes areas such as, agriculture and fisheries and structural funds.

#### **4.3 Regulated Network Industries (Energy, Water, Transport)**

##### *Energy*

The Greek energy markets need wide-ranging and structural reforms to bring them in line with EU legislation and policies, make them more modern and competitive, reduce monopolistic rents and inefficiencies, promote innovation, favour a wider adoption of renewable energy and gas, and ensure the transfer of benefits of all these changes to consumers.



*i. Structural measures relating to lignite-fired generation capacity.*

With a view to complying with recent judgments of the European Courts in relation to Commission decisions C(2008) 824, C(2009) 6244 and C(2018) 2104 (adopted on 17 April 2018) on lignite, the authorities have agreed to implement structural measures relating to lignite-fired generation capacity.

The following principles, which have been endorsed by KYSOIP, apply to the structural measures relating to lignite-fired generation capacity:

- a. The measures shall consist of the divestment of the Public Power Corporation's (PPC) lignite-fired generation capacity to existing or new alternative suppliers and other investors.
- b. PPC shall not have any participation or link, including preferential supply of electricity, with any divested entity. In line with the European Commission's practice as set out in the merger remedies notice, the purchaser(s):
  - shall be independent of and unconnected to PPC and its affiliated undertakings;
  - shall have the financial resources, proven expertise and incentive to maintain and develop the divested generation capacity as a viable and active competitive force in competition with PPC and other competitors;
  - shall neither be likely to create, in light of the information available, prima facie competition concerns nor give rise to a risk that the implementation of the structural measures will be delayed.
- c. The divestment shall represent around 40% of PPC's lignite-fired generation capacity, in accordance with the Commission Decision (C(2018) 2104) adopted on 17 April 2018 and the law "Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions" (FEK A 75/2018, Law 4533/2018) that was passed by the Hellenic Parliament on 25 April 2018. The exact percentage will be defined with technical discussions with Commission, according to the aforementioned judgments and decisions on lignite. The divestment shall have equivalent economic characteristics to PPC's lignite-fired generation capacity, in particular in terms of efficiency and lifetime, reflecting commissioning and decommissioning of lignite-fired generation capacity.
- d. The measures will be designed and implemented following the applicable competition procedural rules.

Commission Decision C(2018) 2104 and Law 4533/2018 confirm the divestment through two spin-off businesses of (1) the lignite-fired plant of Meliti 1 and option for a new Meliti 2 plant; and (2) units 3 and 4 of Megalopoli and of all related assets and resources as described in the Schedule of the Commitments (hereafter the Divestment Business(es)) as going concern(s) to one or more purchaser(s), according to the terms of sale, divestment procedure and timeframe approved by the Commission. The adopted law by the Parliament also includes specific rules as concerns the employees at the Divestment Business(es). Regarding the lignite-fired power plants which are not part of the Divestment Business(es) as defined in the Commitments, it is upon PPC to decide on investments and consider life-time extensions.

Following the adoption of Law 4533/2018, the Hellenic Republic will, as a **prior action**, fully and correctly implement all the necessary steps for the effective divestment to the purchaser(s) of the Divestment Business(es) in accordance with the Commission Decision

(C(2018) 2104), including the adoption of all the necessary legislative, regulatory and corporate measures and/or resolutions, the carve-out and spin-off of the Divestment Business(es), as well as the official launch of the international open tender procedure run by PPC, that will be based on a fair valuation and will ensure the legitimate financial interests of the company and its shareholders. The Divestment will effectively be completed by end-2018.

*ii. NOME auctions and possible additional structural measures*

NOME auctions will be continued, with the quantities to be auctioned adjusted following the monitoring mechanism, so that, in combination with the adopted structural measures, they ensure the agreed market share reduction targets for PPC, as laid down in the MoU. With a view to continuing reducing, progressively, PPC's retail and wholesale market share below 50% in a sustainable and permanent way, promoting competition in the electricity market and removing distortions, RAE has decided, in accordance with the provisions of the KYSOIP NOME Action Plan, (i) the overall ex-ante quantities to be auctioned for 2018, i.e. 19% (13% multiplied by the total volume of electricity in the interconnected system in 2017 plus 6% rollover of the 2016 total volume in the interconnected system, with the physical deliveries of the rollover starting in December of the year), unless promptly adjusted by the monitoring mechanism in the two auctions following the ascertainment of a deviation, (ii) the number of auctions which will need to be launched in 2018 in order to achieve the target and (iii) the quantities per auction.

In June 2018, the authorities will, as a **prior action**, revise the reserve price of the auctions based on RAE's proposal, to incorporate (i) CO<sub>2</sub> prices as specified in law 4389/2016, as amended by law 4393/2016, and (ii) updated data for PPC production costs, in line with the methodology deriving the initial Reserve Price.

Following the first joint assessment with the institutions, taking into account the lignite structural measures and the indicative plan for the introduction of the forward market under the Target Model, the authorities will, as a **prior action**, amend the KYSOIP action plan and legislation related to NOME. In particular:

- a. Once the launch of the international tender and the spin-off of the lignite divestiture businesses takes place, additional quantities due to the adjustment mechanism on the assessment of the interim targets of June 2018 will be reduced by 50%. RAE will implement the modified monitoring mechanism, such that the adjusted quantities will be equally spread over the two auctions following the ascertainment of a deviation, which occurred in semester S;
- b. Once the selection of preferred bidder(s) and the signature of the SPA with the selected bidder(s) regarding the lignite divestiture will be finalized, the above adjustment mechanism will cease to be in effect;
- c. Once the financial closure of the agreement(s) and the selected bidder(s) take over the management of the respective plant(s) the overall NOME quantities to be auctioned in 2019 will be 13% multiplied by the total volume of electricity in the interconnected system in 2018;
- d. When the new electricity markets are introduced under the Target Model, the NOME regulated forward products characteristics will converge with the characteristics of the new markets (forward, day-ahead and balancing), in particular with respect to their financial settlement, physical delivery and balance responsibility.

The authorities will undertake a new joint assessment by September 2019 with the institutions in addition to the already existing semestrial impact assessment, *inter alia* taking into account:

- the introduction of the new markets under the Target Model, including the forward market,
- the completion of the structural measures relating to lignite-fired generation capacity,
- the effect of the NOME mechanism in the electricity market,
- the evolution of the retail market shares,
- the potential need for alternative policy and/or structural measures with the overall objective of maximizing the benefit to consumers.

The first such joint assessment by the authorities and institutions has taken place regarding the adjustment of the NOME mechanism due to the structural measures relating to lignite-fired generation capacity. For the future planned joint assessments the authorities will provide all relevant information for this assessment to the institutions (see TMU Section NN);

LAGIE shall provide full and timely information on auction results, nominations, deliveries and re-sales on the secondary market, as well as market shares per player, on a monthly basis (see TMU Section MM).

*iii. PPC financial situation.*

PPC will implement the action plan to address arrears agreed as part of the second review and report on its implementation. In particular, the authorities will (i) as a **prior action**, finalise the electricity supply contract between the Hellenic Republic and PPC for public entities as agreed in the 3<sup>rd</sup> review and clear all arrears of public sector entities covered by this supply contract; and (ii) take all necessary action to ensure the smooth implementation of the action plan and provide a detailed report on its implementation, including the report submitted by the contracted consultant, on the basis of which further potential efforts regarding private sector arrears can be specified. As a **prior action** the authorities will introduce a legislative amendment in the Law 4067/2012 that will ensure that no fiscal issue will arise for the years 2018, 2019 and 2020 from the review of the Social Residential Tariff for electricity that is part of the PSO account (see TMU section RR).

The PSO level going forward will be adjusted as needed, such that no new deficit will be accumulated on an annual basis, taking into account the interconnections entering into operation in each year, which will be ensured by a monitoring and adjustment mechanism that provides for the respective actions taken through secondary legislation in case of any over or under performance of the PSO account. Any financing from the State budget will be dependent on the available fiscal space for that year.

*iv. RES account.*

As a **prior action**, (i) the supplier surcharge will be reduced by the forecast annual surplus in the RES account for 2018 (Step 1 – amendment adopted on 25 April 2018 by the Hellenic Parliament, Article 143 of Law 4001/2011, included as Article 12 of FEK A 75/2018); (ii) the supplier surcharge will be further reduced and equal (a) by 1 January 2019, 50% of the total charge; and (b) further reduced by 1 January 2020, 30% of the total charge; and (c) will be completely phased out by end of 2020; (iii) the CO<sub>2</sub> permission rights (current revenue stream of RES account) will be set at least at 65% for 2019 and 2020; (iv) any surplus of the

RES account, beyond the buffer, until full removal of the supplier surcharge will be allocated to the reduction of the supplier surcharge; (v) commitment to maintain a buffer of EUR 70 million; and (vi) if a deficit arises of the RES account other revenue streams, including the ETMEAR will need to be increased accordingly. Further, the authorities commit to maintain the RES account in balance, for example through committing to notify to EC and introduce a new RES revenue scheme that will become operational in 2021 and be fully compliant with the Energy and Environmental Guidelines (EEAG). The reformed scheme and any additional revenues to be applied as of January 2021 should ensure that RES account remains in balance and viable on the way forward (see TMU Section LL).

*v. Capacity mechanism.*

The authorities will, as a **prior action**, notify a new flexibility mechanism, replacing the temporary one, which has expired in April 2017, in line with Energy and Environmental Aid Guidelines. In particular, the flexibility mechanism should be based on a thorough adequacy assessment including a reliability standard and it should be based on a competitive allocation process. In order to achieve this, the authorities will also implement the commitments agreed with the European Commission under the approval decision on the temporary flexibility mechanism scheme (review of secondary reserve price cap, actual hydro power availability, market-based methods for tertiary reserve). Subsequently, the authorities will also notify, based on a thorough adequacy assessment including a reliability standard, and implement a permanent capacity mechanism in line with the Energy and Environmental Aid Guidelines, including a competitive allocation process and open to all potential capacity providers.

*vi. Gas market roadmap.*

The authorities will, as a **prior action**, agree with the institutions on the overall corporate restructuring and tender structure for DEPA assuming the successful completion of transactions for the EPAs and in a way that will eliminate any horizontal or vertical conflict of interest for the entity(ies) to be sold and, if/where applicable, propose specific and effective mitigating measures. The agreement reached as concerns the overall tender structure of DEPA will need to be consistent with the agreed privatisation commitments of HELPE.

*vii. Gas release programme.*

Quarterly auctions under the revised gas release programme as endorsed by decision of HCC will take place according to schedule. The quantity auctioned for 2018 will amount to 17% of DEPA's yearly gas supply to customers. HCC and RAE will provide the institutions, after every auction, with a report on its outcomes (see TMU Section OO).

*viii. Renewable energy support.*

In April 2018, the authorities issued the two Ministerial Decisions setting a new framework for the support of renewable energies. The first auctions will take place in July 2018.

*ix. Target model.*

Following the entry into force of EU Regulation 2015/1222 establishing a guideline on

capacity allocation and congestion management (CACM)<sup>2</sup> and EU Regulation 2017/2195 establishing a guideline on electricity balancing, Greece needs to take the necessary steps for joining the day-ahead and intraday market coupling on its borders and establish the balancing market (Target model). LAGIE (and Hellenic Energy Exchange (HENEX) as its successor), acting as the nominated electricity market operator (NEMO) in accordance with CACM and national legislation/decisions put in place in 2016, needs to have all required codes and technical means in place to comply with the obligations of CACM or appoint another third party to perform these tasks. Respective codes need to be drafted by LAGIE (or HENEX) and approved by RAE. ADMIE will act as the operator of the balancing market based on the balancing code to be drafted by ADMIE and approved by RAE. The authorities will launch the Target Model, including the day-ahead, intraday, forward and balancing markets by April 2019. To implement this, the authorities will, as **prior action**, (i) set up the entity to be created as a successor of LAGIE (i.e. HENEX<sup>3</sup>); (ii) ensure that HENEX and IPTO will submit to the Regulator all market Rulebooks for day-ahead, intraday and balancing markets, removing any bidding restrictions such as maximum and minimum bidding and clearing prices without prejudice to the maximum and minimum technical limits set in accordance with Article 41(1) and 54(1) of Regulation 2015/1222, in order to be fully compliant with EU legislation at the time the Target Model will be launched in April 2019; (iii) ensure that HENEX will complete the functional design specifications for the IT systems for the day-ahead and intraday market; and (iv) undertake a joint assessment with the institutions on the progress made regarding the corporate and technical aspects of the project, and take the necessary actions in line with the agreed roadmap to ensure that the Target Model is functioning will be launched by April 2019. The authorities will ensure that the Rulebook for the forward market will be submitted by HENEX to the Regulator by August 2018. The authorities will ensure that functional IT systems is put into place for the day ahead and intraday markets by December 2018 and for the forward and balancing market by February 2019. The authorities will also ensure that all necessary licenses for the operation of the markets will be obtained by the responsible legal entities by the time of approval of the day-ahead, intraday and balancing market Rulebooks (September 2018).

x. *Day-ahead market coupling*

For day-ahead market coupling (Italy-Greece and Bulgaria-Greece), the authorities will ensure that Greece is coupled with Italy and Bulgaria on the day-ahead timeframe at the time of the go-live of the new day-ahead market in Greece; and utmost effort is made to achieve intraday coupling with Italy and Bulgaria through continuous trading or auctions as soon as possible and in accordance with CACM. The authorities will provide to the institutions information about the progress as specified in the TMU (Section PP and QQ).

The authorities will make use of technical support, provided by the SRSS of the European Commission, for implementing all energy market reforms.

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<sup>2</sup> Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.

<sup>3</sup> In accordance with the omnibus law (FEK A 5/2018, Law 4512/2018, Article 96, 15<sup>th</sup> January 2018) the electricity exchange should had been established by 15 April 2018.

### *Water utilities*

A stable regulatory regime is key for allowing much needed investment in the water networks and to protect consumers in terms of pricing policies.

#### **As prior action,**

- i. the SSW, with technical support, will deliver an evaluation report on the existing system of regular collection of information and on the progress towards the development of the Full Information System. It will also finalise the assessment of the business plans of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH);
- ii. the authorities, with technical support, will launch: (ii.a) the strategic plan for SSW for a six year period, from 2018 to 2023, with the aim to strengthen the governance, the administrative capacity and the financial autonomy of the SSW within the Ministry of Environment and Energy; (ii.b) an operational plan for the years of 2018-2019 including specific actions, steps, timelines for the remainder of 2018 and for 2019, that will contribute to the implementation of the 6 year Strategic Plan; (ii.c) the authorities will provide input to the Plans specifying the role, mission and competences for the SSW in relation to other organisations in the water sector; (ii.d) in the context of the preparation of the Strategic Plan, the authorities will ensure access to information to SSW from the relevant ministries and local authorities on water companies, in order for them to have a full picture of the sustainability and needs of the water system. Inter alia, the required information set includes data on water quality and data and projections on detailed administration costs and revenues, physical assets and investments of water companies;
- iii. the authorities will amend law 3199/2003 to further strengthening the inclusiveness, transparency, and efficiency of the decision-making process in the water system by reviewing the composition and functioning of the National Water Commission, the National Water Committee and the Advisory Commission for Water;
- iv. the new unit "Costing & Pricing of Water Services" of SSW will be operational.

### *Transport and logistics*

The authorities will undertake reforms to increase the efficiency and viability of the urban bus transportation in Thessaloniki (OASTH). By May 2018 the government, in agreement with the institutions, will take action to ensure a maximum deficit before any state transfer of EUR 40 mn per year for the remaining duration of the concession. In order to show progress towards this objective, the authorities will provide a quarterly update on the evolution of operational savings.

The authorities will ensure stronger governance, financial autonomy through distinct budgeting and enhance the administrative capacity of the Regulatory Authority for Passenger Transport (RAEM) (see section 5.4) taking into account Law 4199/2013.

The authorities have launched a general transport master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal, including logistics aspects), and appointed a steering committee and project team for the preparation and monitoring of the master plan. The authorities will continue with the timely implementation of the Transport

master plan; to this end the authorities will report to the institutions every two months on the project implementation progress.

On logistics, the authorities have activated the logistics law by issuing the JMD of art. 8, par. 8 law 4302/2014 and adopted the logistics strategy with a time-bound action plan. As part of the logistics action plan, the authorities will complete the modernisation of the legislative framework affecting logistics.

In line with the logistics strategy and action plan, the authorities will ensure the operation and maintenance of the Logistics centre (Freight Centre) on the 588 acres foreseen by the Thriassio Complex Freight Centre, by signing a concession contract after the approval by the Court of Auditors. The maintenance and operation of the other (1,600) acres of the Thriassio Freight Complex will be secured through a PPP following another international tender procedure.

In view of the above, the following actions will have to be achieved: i) parliamentary ratification of the concession contract for the 588 acres Logistics center by end of June 2018, ii) completion of the options analysis for the PPP scheme for the operation and maintenance of the other (1,600) acres of the Thriassio Freight Complex by end of May 2018, iii) decision on PPP scheme for the operation and maintenance by June 2018 and iv) the tender documents of the international tender for the PPP scheme on operation and maintenance will be finalised by July 2018.

In support of this reform agenda on network industries, the authorities intend to use technical support as needed, including on transport and logistics and on the strengthening of regulators (for the latter, see section 5.4).

#### **4.4 Privatisation**

Privatisation can help to make the economy more efficient and contribute to reducing public debt. The government and the Hellenic Republic Asset Development Fund (TAIPED) have taken important steps in advancing the privatisation programme forward and are committed to proceed with the ambitious, ongoing privatisation programme of TAIPED.

Implementation of the agreed TAIPED Asset Development Programme (by means of direct sale, concessions, securitisations, or other forms of monetisation) regarding all its core assets is key to stimulate private investment, increase efficiency, and provide financing to the State.

To maintain investor interest in key tenders, the Hellenic Republic commits to proceed with the on-going privatisation programme. The Board of Directors of the TAIPED will approve its updated Asset Development Plan (ADP), which includes for privatisation assets under TAIPED as of April 2018. It will be subsequently endorsed by KYSOIP. HCAP in mid-2019 will review the mandate of TAIPED.

The implementation of this programme aims to generate further annual proceeds (excluding bank shares) for 2018 and 2019 of EUR 2.0 bn and EUR 1.0 bn, respectively, on top of EUR 0.3 bn, EUR 0.5 bn and EUR 1.4 bn collected in 2015, 2016 and 2017, respectively.

The government commits to facilitate the privatization process and complete all needed government actions to allow tenders to be successfully executed. In this respect, it will

complete all actions needed as agreed on a quarterly basis between TAIPED, the institutions and the government. The list of Government Pending Actions is attached to this Memorandum as an Annex and constitutes an integral part of this agreement.

**As prior actions:**

- i. The Asset Development Plan (ADP) is attached to this Memorandum as Annex and constitutes an integral part of this agreement. The ADP will be updated on a semi-annual basis and approved by TAIPED. KYSOIP will endorse the updated plan;
- ii. The authorities will conclude the remaining Government Pending Actions identified by the institutions and TAIPED and which are due by May 2018 and that are not listed in this section (continuous action).
- iii. On **DESFA**, the nomination of the preferred bidder has been completed on 19 April 2018. The Share Purchase Agreement and Shareholders' Agreement will be signed (subject to approval by the Court of Audit), with a view to achieve a financial closing by the end of 2018.
- iv. On **Egnatia**,
  - (a) By 22 May, the Minister for Infrastructure and Transport and the Minister for Finance in agreement with the institutions and TAIPED will revise Joint Ministerial Decision (JMD) 6686/2014 (as in force) to provide for the disconnection/exemption of the Egnatia motorway concession from the ongoing e-tolls tendering process of the Ministry of Infrastructure and Transport. The Concession Agreement for Egnatia will provide that the EGNATIA concessionaire will be:
    1. free to select, design/procure, finance, install, and operate a distance-based e-toll system (GNSS technology for heavy vehicles over 3.5 tons, ANPR technology for all other vehicle) or decide to join the system procured by the Ministry of Infrastructure and Transport for the other motorways, if applicable;
    2. allowed to design and operate the above system as a barrier controlled system;
    3. exclusively responsible for the management and control of Egnatia toll revenue collection;
    4. required to ensure that the tolls system implemented in Egnatia is compliant with applicable EU law; and
    5. required to ensure that the tolls system implemented in Egnatia is interoperable and compatible with the electronic tolls system of the Ministry of Infrastructure, if applicable, and those of other EU member states systems.

The revised JMD should also guarantee the above under 1-5.



The JMD will be accompanied by a relevant amendment of the tender documents of the ongoing e-tolls tendering procedure of the Ministry of Infrastructure to implement the disconnection of the two projects by 15 June 2018.

- (b) Following the adoption of the revised JMD and the amendment of the tender documents, TAIPED will release the draft Concession Agreement to the tender participants by 15 June; in this regard, by 30 May, the Ministry of Infrastructure and Transport will provide to TAIPED all necessary technical specifications to allow TAIPED prepare the draft Concession Agreement.
- (c) By 22 May, the Ministry of Infrastructure and Transport, in cooperation and in agreement with TAIPED, will submit its response to the clarification questions sent by DG MOVE regarding the new tolling policy that will be implemented in the Egnatia motorway and its vertical axes.
- (d) By 30 May, the Ministers of Infrastructure and Transport and Finance will issue a JMD providing for the new toll pricing policy for the Egnatia motorway and its vertical axes. The JMD will provide for the implementation of the toll pricing policy which was approved by the Board of TAIPED and notified by the Greek authorities to DG MOVE for clearance. The JMD will stipulate that this new tolling policy will enter into force in Egnatia motorway on 1/1/2019 subject to clearance by DG MOVE. If DG MOVE's decision clears a different pricing policy, the JMD and the draft Concession Agreement will be revised accordingly. The Ministry of Transport and Infrastructure will issue a new MD (or amend the existing MD) providing that the applicable exemptions granted to residents and businesses in several prefectures and municipalities adjacent to the Egnatia motorway from payment of tolls will apply until 31/12/2018 and no further extension will be given.
- (e) By 22 May, Egnatia S.A. will sign the contract for the construction of the Asprovalta toll station with the preferred bidder and instruct the constructor to commence its construction immediately. Within a week upon completion of the construction of the toll stations of Asprovalta and Thessaloniki (Oreokastro), the Minister for Infrastructure and Transport and the Minister of Finance will adopt, in agreement with TAIPED, a JMD by virtue of which (a) the abovementioned toll stations will be put in operation and (b) the toll rates to be applied respectively shall be determined based on the current toll pricing policy applied to the already existing Egnatia toll stations.
- (f) By 22 May, Egnatia SA will immediately instruct the contractor of the two, new Operations & Maintenance Contracts (O&M) to commence construction of the Frontal Toll Stations of Strymoniko and Kavala.
- (g) Upon the approval of the modification of environmental terms permits by the competent Ministry for Energy & Environment (no later than mid-June 2018), Egnatia SA will immediately trigger and put in effect the options of the two O&M contracts for the immediate commencement of construction of all remaining Frontal Toll Stations and of all Lateral Toll Stations (except four, for which the commencement of the construction will follow by the end of July) envisaged in JMD 6686/29.5.2017 (no later than end-June 2018).

- (h) By 30 May, the Inter-ministerial Committee of Assets Restructurings and Privatizations will issue a decision (text to be agreed with TAIPED), in accordance with article 2 par. 5 of Law 3986/2011, pursuant to which TAIPED shall be entitled to include in the scope of the services concession agreement of the Egnatia tender the obligation of the concessionaire to finance, study and perform all the necessary works pertaining to the upgrade of motorway standards of (a) the Halastra – Polykastro section of the Halastra – Evzoni vertical road axis and (b) the Christos – Ambela section of the Thessaloniki – Serres – Promachonas vertical road axis, such sections measuring approximately 54 km in total. Egnatia S.A. will be transferred to the Ministry of Infrastructure and Transport following the date of commencement of the concession.
  
- v. On **Hellenikon**, the authorities will complete (a) the relocation of the existing users (actions included in the GPAs); (b) the enactment of a law for the establishment of the management authority of open and public areas and facilities and (c) implement the revised timetable agreed in the working group on the fulfilment of all Conditions Precedent relating to the adoption of the necessary ministerial decisions and the award of the casino licence (actions included in the GPAs) to ensure financial closing by December 2018.
  
- vi. **Other projects:**
  - (a) The authorities have launched the tender for the sale of 5% of **OTE** and for the joint sale (by PANEUROPEAN and TAIPED) of at least 50.1% of **HELPE**. The unsold stake of TAIPED (15.5%) will be transferred to HCAP. They will launch the tender for the sale of 30% of **AIA** (subject to clearance of the extension of the concession agreement by DG COMP).
  - (b) On **DEPA**: the updated ADP will provide for the sale of 65 percent of DEPA or another form of transaction of equivalent effect. To this end, the ADP will provide for the agreed privatization transaction structure between the Greek authorities and the institutions. The tender will be launched once the assessment of potential obstacles to competition, as a result of the exit of any of the current shareholders of the EPAs, will be concluded.
  - (c) On **PPC**: the launch of the tender for the sale or other form of monetization of 17% of PPC provided it generates at least equivalent financial benefits to the Hellenic Republic compared to the sale will follow at a subsequent stage.
  
- vii. On **Athens International Airport** the extension of the concession agreement will be ratified in Parliament (subject to the prior issuance of the required decisions by the relevant European authorities).
  
- viii. On **OLTH** the concession agreement has been ratified in Parliament.
  
- ix. The Board of Directors of TAIPED, with the help of external advisors, will (a) review the corporate governance structure of DEPA and Egnatia S.A. and assess the Board of Directors of the specific companies and (b) replace executive and non-executive members if needed.

*Hellenic Corporation of Assets and Participations*

The Hellenic Corporation of Assets and Participations (HCAP), which will have in its

possession valuable Greek assets, was established through law 4389/2016 in line with the statement of the Euro Summit of 12 July 2015. The overarching objective of the Fund is to manage valuable Greek assets; and to protect, create and ultimately maximize their value which it will monetize through privatisations and other means. The Fund is established in Greece and is managed by its Board of Directors, overseen by a Supervisory Board; two members of the Supervisory Board have been nominated jointly by the European Commission and the ESM and appointed by the Minister of Finance, together with three members nominated by the Minister. The Fund is expected to fulfil its objective by adhering to international best practices and OECD guidelines in terms of governance, oversight and transparency of reporting standards, and compliance, as well as best practices for socially and environmentally sustainable business and consultation with stakeholders. The Fund and its assets will be under professional management at arm's length from the State. The monetisation of the assets will be one source to make repayments of the new loan of ESM, in line with the Euro Summit Statement.

**As prior actions:**

- i. The General Assembly shall adopt the chapter of the company's internal regulation on the investment policy, following agreement with the institutions on the specific content of this document;
- ii. Submission of business plans to HCAP by the SOEs transferred to HCAP, in which HCAP is the majority shareholder;
- iii. The Board of Directors of HCAP will review the Boards of ELTA, OASA and replace executive and non-executive members if needed. For the listed companies, the review and replacement of executive and non-executive members if needed, will be in full compliance with the regulatory framework in place;
- iv. The additional non-executive members of the Board of Directors of HCAP have been appointed;
- v. Based on the process agreed among the authorities and the institutions, identification of the real estate assets to be transferred, and completion of the transfer of the real estate assets;
- vi. SOEs transfer to HCAP: (i) Amendment of the articles of association of the SOEs transferred to HCAP, in which HCAP has the majority shareholding, so that there is compliance with the codified company law 2190/1920. (ii) Due to implementation difficulties related to the carve-out of GAIAOSE assets and rights from the company as set out in the TMU of July 2017, the HCAP law will be amended for the transfer of the shares of GAIAOSE to HCAP. Policy goals relevant to the company will be addressed in accordance with the HCAP coordination mechanism. The transfer will be effective from 1 July 2018. (iii) With a view to transferring OAKA to HCAP by the end of 2018, and as a prior action, the authorities shall provide a list of actions needed to achieve this transfer, and a timetable for their completion. The list shall include the determination of the amounts needed to maintain or overhaul OAKA facilities as applicable, provision for these amounts by the State in compliance with any applicable legal constraints, conversion of OAKA to a sufficiently capitalised *societe anonyme*, and transfer to HCAP. As a further prior action, the authorities shall establish a committee or working group, including representatives of HCAP, to oversee implementation of those actions.

The Ministry of Finance, using the technical support of HCAP or other experts as it judges appropriate, will review on a regular basis the portfolio of real estate assets belonging to the state as well the portfolio of SOEs (including newly set up SOEs). Within this framework, the real estate assets of OSE will be reviewed following their transfer to the Greek State. The State shall transfer to HCAP those complying with the purposes of HCAP.

## 5. A modern State and Public Administration

### 5.1. Public administration

The authorities will continue to modernise and significantly strengthen the Greek administration, and to put in place a programme, in close collaboration with the European Commission, for capacity-building and de-politicizing the Greek administration at all levels. Significant reforms have already been adopted in the context of the ESM Programme, and now attention is turned to their full implementation.

In this context:

- (i) *Mobility*. The authorities are already implementing the new mobility scheme. The appointing authorities of the receiving services will as a **prior action** i) issue the selection certificates regarding the first cycle signifying the completion of the selection process and ii) adopt a legal amendment to facilitate the swift completion of the salary fiche allowing for the actual transfer to take place without the risk of the originating entity holding it up. Actual transfers will be completed by July 2018. Final decision on employee mobility will be taken by the receiving service with a vacant position, without involvement of the political level, and according to pre-defined rules to limit disruption in the departing service. This will rationalize the allocation of resources as well as the staffing across the general government. According to Law 4440/2016, mobility is primarily carried out in the form of transfers, whereas secondments are only allowed in special circumstances and for strict time periods that cannot be extended.
- (ii) *Appointments*:
  - As **prior action**, (a) the authorities will complete a study in conjunction with technical support of the minimum requirements of the job announcements for all Administrative, Alternate Administrative and (Special) Sector-Level Secretaries positions listed in the TMU (Section VV), taking into account the factors included in Article 7 of 4369/2016. Based on the results of the study the authorities will take appropriate actions where needed by July 2018; (b) the appointments of 55 thematic Directors General will be completed with the remaining 35 thematic Directors General by July; and (c) the call for 220 of all Directors will be launched with the remaining 175 by July.
  - All Directors will be appointed by October 2018. The call for all Heads of Division will be launched in October 2018 with all appointments completed by December 2018.
  - The authorities will provide a detailed report on the implementation of the above actions by June 2018 (see TMU section VV).
- (iii) *Performance assessment*. As a **prior action** (i) the web-based/online tool/platform for performance assessment, at the initiative of M.A.R., has been launched and is fully operational; (ii) a Ministerial Decision, setting the timeframe for the second performance assessment will be issued and iii) the first step (self-assessment by

the employee) will be completed for the majority of positions, with the remaining steps to be completed by July.

- (iv) *Organigrams and job descriptions*: A comprehensive Human Resource Management System (HRMS) will be created that will allow for the effective management of the all public administration's personnel. As a first step the authorities will initiate a platform in which both digital organigrams and job descriptions will be interconnected. As a **prior action** a manual will be circulated to all public sector entities and a training programme started on populating the database; and a selective number of pilot entities will complete organigrams and job descriptions thorough setting out at the unit level respective job descriptions for all unit positions.
- (v) *Allowances*. As a **prior action**, the authorities will (i) publish the short-term plan on protection and prevention as specified in the law, (ii) provide to the institutions the initial opinion of the Committee regarding allowances for hazardous and dangerous work, together with the detailed study and provisional quantifications, as specified in the law, and (iii) agree with the institutions the guidance provided by the ministers to the Committee.
- (vi) *Coordination*. The authorities will strengthen the capacity for coherent policy making, to ensure effective planning and coordination of governmental work, of legislative initiatives, of monitoring of implementation of reforms, and of arbitrage functions on all policies. As a **prior action**, following the submission of an Inter-Ministerial Coordination Manual in April 2018, the authorities will (i) formally adopt the Manual to enhance structures and procedures within the government and the public administration, which includes the preparation, coordination and arbitration of policies, and (ii) commit to an implementation plan of how the structure and procedures will be applied by the government, notably by re-enforcing the role of the existing Secretariat General for Coordination.

Further actions include:

- i. *Curricula*. By mid-June the current 'klados' system will be mapped and streamlined with the generic and specific job descriptions with the cooperation of the available technical support.
- ii. *Wage bill*. The MTFS 2019-22 will establish ceilings for the wage bill and the level of public employment consistent with achieving the fiscal targets and ensuring a declining path of the wage bill relative to GDP during the period, inter alia through the use of the attrition rule which will go from 1:3 in 2018 to 1:1 from 2019 onwards, while exempting from the calculation of the total annual number of hirings those that are due to staff mobility within the public sector, except from Chapter B companies. Conversions of temporary contracts into permanent contracts following a final Court decision will require action to ensure adherence to the projected wage bill in the 2018 budget and the 2019-22 MTFS.

Furthermore, a ceiling on temporary contracts will be introduced to ensure that the average number of contracts burdening the budget, as reported in the Census database, remains unchanged in 2018, preserving the projected general government wage bill. Additional temporary contracts to cover needs coming from the refugee crisis, natural disasters and humanitarian crisis will be exempt from the ceiling.

- iii. *ASEP (Supreme Council for Civil Personnel Selection)*: Setting up a committee to provide a detailed review of ASEP's existing capacity and develop an action plan to

ensure that ASEP has the resources required to fulfil its mandate, including ensuring appointments/recruitments within a reasonable time plan, which needs to be defined for each appointment/selection process.

- iv. *Illegal hires.* The authorities will continue to identify illegal hires and temporary injunctions, as well as disciplinary cases, and take appropriate enforcement action.
- v. *Development of an Internal Control System.* To strengthen the transparency and accountability of the public administration, the authorities will develop and implement a system of internal control including internal audits, making the best use of technical support. By May 2018, the authorities will present to the Commission the proposal of the system of internal control including internal audit in view of its subsequent implementation. The internal control systems will be developed in close cooperation with the on-going technical support activities on Anti-Corruption and on Administrative Reform undertaken respectively by the OECD and Expertise France.
- vi. *Access to law.* The authorities will engage, with the help of technical support, in a programme to improve access to law by citizens. This includes a long-term plan of codification of the main legislations which will be proposed by May 2018, with a view to fully implement it by the end of 2018. This also includes the creation of a publicly and freely accessible electronic portal giving access to legislation, both in the form published in the Gazette (FEK form) and in the consolidated version of the various provisions.

## 5.2 Justice

The authorities will implement the three-year strategic plan for the improvement of the functioning of the judicial system. The plan encompasses key actions aimed at enhancing judicial efficiency, speeding up judicial proceedings and addressing shortcomings in the functioning of courts such as, but not limited to, collecting information on the situation of the courts, computerization, developing alternative means for dispute resolution, such as mediation, rationalizing the cost of litigation and improving in court functioning and court management.

The authorities will continue to ensure a regular and unimpeded flow of e-auctions (see TMU Section GG).

In order to support lenders' capacity to auction foreclosed properties, the authorities will make an assessment of potential legal and technical impediments to the further improvement of electronic auctions by May 2018. These impediments, if any, will be addressed, by adopting necessary legal amendments as a **prior action** including a review of the mechanism for decreasing the asking price in the event of failed auctions.

The authorities, making use of technical support as appropriate, will:

- i. Integrate in the growth strategy the three-year strategic plan for the improvement of the functioning of the judicial system, since timely, efficient and reliable justice is a key driver for growth, and implement the plan according to its schedule; submit biannual reports to the institutions on the progress of integration, starting from June 2018. Assess the implementation and effectiveness of proposed measures to reduce the backlog of cases in civil courts, and deliver to the institutions a report by June 2018. Potential identified problems, impediments or shortcomings will be addressed, including by enacting the necessary legal amendments, by December 2018.

Assess the implementation and effectiveness of proposed measures comprised in the agreed action plans to improve e-justice, mediation and judicial statistics by June 2018. Disseminate the relevant information on the new legal framework of mediation to the legal practitioners and the public at large, so as to increase awareness of the availability of this mechanism and encourage its use (June 2018).

### **5.3 Anti-corruption**

The authorities will fully implement the legal framework for the financing of the political parties, notably by ensuring that all necessary secondary legislation is adopted (**prior action**, TMU Section WW). They will also ensure the publication of the report from the authority in charge of controlling the financing of the 2015 elections by May 2018.

The authorities will revise the legal framework of the declaration of assets system in light of the recent Council of state ruling. This implies revising primary legislation and ensuring that secondary legislation is fully in place by June 2018. The authorities will also ensure that the bodies in charge of controlling the declarations of assets are fully staffed and operational by May 2018. The authorities will ensure that all declarations up to 2016 (based on 2015 income) are processed by December 2018.

The authorities will continue to implement the Strategic Plan against corruption in full and in line with its timeline. The update of the national anti-corruption plan (**prior action**, TMU Section XX) will include a commitment to assess the implementation of the Code of Conduct of members of Parliament and, based on this assessment, it will be revised, if needed, by June 2018. The updated plan will also include the creation by September 2018 of a monitoring mechanism of a selection of important financial crimes, including notably corruption and money laundering cases with the objective to build a credible track-record of prosecuting and sanctioning such crimes.

Following the assessment of the reduction of penalties for financial crimes provided by Law 4312/2014, the authorities will by October 2018 deliver a draft and by December 2018 amend this legislation.

The authorities will continue to pursue technical support with the European Commission SRSS in the fields of anti-corruption.

### **5.4 Independent agencies and regulatory bodies**

#### *Hellenic Statistical Authority (ELSTAT)*

The government fully respects the independence of ELSTAT in carrying out its tasks and providing high quality statistics in a timely manner. For this, the government will continue implementing necessary reforms and investigate all the support possibilities available to provide ELSTAT with adequate human resources, sufficient financial means and continue providing effective access to administrative data.

This follows up the commitments taken by the government in the Commitment on Confidence in Statistics signed in March 2012, in order to support ELSTAT in upholding confidence in Greek statistics and to defend them against any efforts to undermine their credibility, as well as to report annually to the Hellenic Parliament and to the European Commission.

### *Independent agencies and entities*

A unified approach should be adopted towards all independent agencies, irrespective of whether they are constitutionally protected or not. A common set of rules, applicable horizontally, would simplify the normative framework and would enhance effective governance of the relevant agencies and unhindered performance of their functions.

Following the agreement on the principles and key elements to strengthen the autonomy and effectiveness of all independent agencies and entities in the context of the second review, the authorities will, as a **prior action**, enact legislation to reorganize the field, including, where appropriate, merging eligible entities, reassigning functions to relevant services of the central administration and abolishing redundant entities; and finalize and enact, after consultation with the institutions, the legislation on bringing horizontal provisions in line with the results of the horizontal review and best practices.

In addition:

- i. *Hellenic Competition Commission (HCC)*: the government commits to safeguard the independence and the effectiveness of the Hellenic Competition Commission in line with EU requirements. As a **prior action**, the authorities will agree with the institutions the principles of future legislation, included detailed drafting where possible so as to bring these in line with best practices, including on issues relating to the conflicts of interest of the HCC's Board members and the staffing of the HCC's internal legal office, consistent with the general framework for the appointment of legal staff of the entities of the public sector, as defined by law. The advocacy unit of the Hellenic Competition Commission will be strengthened by twelve additional posts and a review will be conducted with the support of the European Commission and international expertise to ensure that the competition law is in line with EU best practice. This legislation shall be adopted by July 2018, in agreement with the institutions and after consulting the relevant Commission services.
- ii. *Regulatory Authority for Energy (RAE)*: As a **(prior action)**, the authorities will agree with the institutions the principles of future legislation, included detailed drafting where appropriate, so as to bring these in line with best practices. By July 2018, the authorities, in agreement with the institutions and after consulting the relevant services of the European Commission, will adopt or amend any primary and secondary legislation, including the Internal Operation Rules of RAE under Article 45 of Law 4001/2011.
- iii. *Regulatory Authority for Passenger Transport (RAEM)*: As a **prior action**, the authorities will agree with the institutions the principles of future legislation, included detailed drafting where appropriate, so as to bring these in line with best practices. By July 2018, in agreement with the institutions and after consulting the relevant Commission services, the legislation will be adopted.