Supplemental Memorandum of Understanding: Greece
Third Review of the ESM Programme
DRAFT – 3 December 2017

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 will be 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 third 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 finalised 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 will provide 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. The authorities have created an autonomous revenue administration to secure effective revenue collection.

- **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 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 a new independent Privatisation and Investment Fund (HCAP) has been established supporting a more efficient use of resources. Policies which support investment shall be framed within a comprehensive Growth Strategy.

- **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 taken to enhance the efficiency and improve the capacity of the judicial system and to upgrade the fight against corruption. Reforms will strengthen 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**

Programme success 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 plan confirmed that EUR 2.9 million had been allocated to Greece for 2017 under the SRSP in the areas of trade facilitation, investment promotion, labour market, sustainable social welfare systems, health procurement, renewables and energy efficiency, and insolvency administrators. These projects are aligned with previous technical support requests (that they deepen and / or complement) and with the MoU, including this update.

Growth strategy

Greece needs to build upon the agreed recovery strategy and develop a genuine growth strategy 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 will present a growth strategy by December 2017, which inter alia should aim at creating over the next 3-5 years a more attractive business environment, enhancing growth opportunities from infrastructure, improving the education system as well as human capital formation through vocational education and training (See section 4.1), strengthening the financing of business, and developing R&D and innovation. It should also help design sectorial priorities in areas such as ICT, tourism, transport, pharmaceuticals and logistics, and agriculture and agro-food. 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. The growth strategy should build upon existing medium-term action plans in key areas including on the education system, the modernisation of the public administration, the modernisation of the justice system and the anti-corruption strategy.

The authorities will, by December 2017, present 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 technical support.

2. Delivering sustainable public finances that support growth and jobs

In 2010, the extreme imbalances in Greek public finances culminated in the loss of access to private capital markets. The subsequent and necessary correction has required an
unprecedented fiscal adjustment and sacrifices from Greek citizens. General government deficits have fallen considerably and Greece is currently projected to achieve rising primary surpluses until 2018, absent additional measures. At the same time, Greece is expected to enhance the effectiveness of public spending by redirecting resources to functions that can most effectively promote growth, employment and the protection of the most vulnerable.

2.1 Fiscal policy

The general government primary balance in programme terms reached 3.8% of GDP in 2016, up from 0.7% of GDP in the previous year, significantly outperforming the 0.5% of GDP programme target. This follows an over-performance of the 2015 ESM programme target by 1.0% of GDP. The over-performance in 2016 was broad-based, driven by both higher revenues and expenditure restraint. The largest contributions on the revenue side came from the corporate income tax, VAT, and non-tax revenue, while the main expenditure shortfall was registered in investment spending and intermediate consumption.

The Greek authorities commit to ensuring sustainable public finances by pursuing the fiscal path agreed in August 2015 that is based on **primary surplus targets of the ESM programme of 1.75 and 3.5 percent of GDP in 2017 and 2018 respectively**. The primary surplus target of 3.5% of GDP will be maintained over the medium term, until 2022.

In 2017, Greece is projected to achieve a primary surplus that is substantially above the primary surplus target of 1.75% of GDP. In view of the projected fiscal space, the Greek authorities have agreed with the institutions to use the fiscal space on well-targeted social policy and other actions consistent with the MoU so as to catch up on underspending on the social budget and reduce other payment obligations. In particular, the authorities commit to:

- implement a well-targeted one-off social benefit corresponding to the amount of underspending in social policy areas identified in agreement with the institutions in the 2017 Budget, amounting to up to EUR 720 million;
- clear the accumulated public service obligation to the Public Power Company amounting to up to EUR 360 million;
- refund health contributions to pensioners miscalculated in previous years, amounting to up to EUR 320 million.

The implementation of these actions is projected to allow for a safety buffer of at least 0.5% of GDP (EUR 900 million) vis-à-vis possible downward revisions in the annual fiscal outturn of 2017 notified to Eurostat in April 2018, while intensifying efforts to clear arrears and build a cash buffer.

The Government as a **prior action** will adopt a budget for 2018 and as a **key deliverable** will adopt by May 2018 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 achievement of the fiscal targets will be supported by continued and expanded implementation of administrative actions on the revenue and expenditure side. On the revenue side, these actions will most notably aim at addressing shortfalls in tax collection and inadequate enforcement and to further incentivise tax compliance (see section 2.3). On the expenditure side, a spending review has been initiated, and is expected to yield 0.1% of GDP of savings in the 2018 budget.
If annual budgetary outturns confirm that the above measures are leading to permanent fiscal over-performance vis-à-vis the programme targets, the authorities may, in agreement with the Institutions, consider the use of the available fiscal space to strengthen social protection (in particular the GMI programme) and/or to reduce the tax burden provided that the achievement of fiscal targets is assured.

The Greek government will monitor fiscal risks, including 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. The final review will decide on the precise timeline and elements of the implementation. 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 XX);

- 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 XX);

- a targeted spending package matching in net terms the yield from the pension reform composed of (i) an increase in spending on targeted welfare benefits (housing allowance; child benefits; school meals; nursery/pre-school education; means-tested reduction in health co-payments) 0.7% of GDP (ii) high-quality public infrastructure investment 0.15% of GDP, and (iii) active labour market policies 0.15% of GDP (see TMU Section XX).

The authorities, as a key deliverable, in May 2018, 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, consider 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 in May 2018. 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 prior actions: (a) revise TPC provisions to provide for reduced fines imposed in connection of an audit taking account of the cooperation of the taxpayer; (b) revise the fines provisions of pre-TPC legislation in line with TPC fines; (c) complete the assessment of a possible increase in the VAT threshold; (d) review the Code of Public Revenue Collection (KEDE) to align with the Code of Civil Procedure including for e-
auctions, revising the law as appropriate (see TMU section xx); (e) review business income tax incentives and integrate the tax exemptions, eliminating those deemed inefficient or inequitable; (f) accelerate VAT deregistration procedures and limit reregistration. (g) legislate to reinstate the responsibility for GAO for the Tax Expenditure Report (with retrospective effect).

As key deliverable, they will for March 2018 (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; (d) codify and simplify the VAT legislation, aligning it with the Tax Procedure Code and eliminating outstanding loopholes and (e) review the TPC interest regime; and (f) if not already completed, the authorities will amend 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 May 2018, in addition the authorities will (f) review the Stamp duty code with the aim of modernising and simplifying the Stamp duty regime by taking into account the modern business environment (f) 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 Code of Civil Procedure for auctions e-auctions undertaken by the tax administration; and, if needed, adopt legal or procedural amendments that fall under the responsibilities of the IAPR by April 2018 (key deliverable).

By March 2018, the authorities with the aid of technical support will legislate to align property tax assessment zonal values with market prices and will develop a dedicated team and a permanent IT system for property revaluation. By May 2018 (key deliverable), 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.

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

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 XX). The authorities will continue the reforms improving public revenue administration in agreement with the institutions, and taking into account recommendations of technical support.

Completing the establishment of 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) (see TMU xx).
The authorities will, as a prior action, ensure that the performance contract between the Minister of Finance and the head of the Agency is signed. An assessment of the experience with the 2017 contract will be done with the institutions in March 2018 (see TMU Section xx).

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 IAPR will adopt the secondary legislation necessary for the one-off assessment of staff by November 2017. As a prior action, all staff will be assessed and allocated to appropriate job descriptions. The authorities will pass legislation and implement the grading of staff by March 2018. Further legislation needed for assessment and for payroll will be passed by May 2018.

The authorities have produced an action plan for the implementation of the tax and customs academy, and they will ensure that the latter is fully in place by April 2018.

The authorities will 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):

- 28 IT staff in 2017 and 700 staff in 2018,
- attrition rule 1:2 (i.e. one entry for two exits) for 2017 and 1:1 for 2018 and going forward,
- applicants through the mobility schemes.

IAPR will have 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 recruitments will be taken at the latest by 31 October 2017 based on the situation by that time and the decision on the early 2019 recruitments will be taken and the process launched at the latest by 30 June 2018.

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 January 2018 and ASEP will schedule its recruitment process to ensure that the reserve list contains sufficient candidates for a year of future recruitment.

As a prior action, a decision will be taken, in agreement with the institutions, on defining and providing the appropriate level of organic positions for the medium term.
The authorities will adopt an IT strategy for the IAPR by December 2017.

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 in line with the MoU:

- 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 January and April. The authorities will update regularly the action plan, and in 2018 do so by the month of March. The authorities will take all necessary measures to make the VAT lottery operational by December 2017. By January 2018, the authorities will report whether the 80% target of Point-Of-Sales equipment in the first category of professionals (defined as high risk tax evaders) has been reached by June 2017, and if not they will report as soon as this target is met.

The authorities will fully implement the compliance operational roadmap, 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 December 2017.

By December 2017, with the aim to significantly reduce the burden on the IAPR from dealing with the backlog of cases for which the statute of limitation has been extended, the authorities will clarify the capacity to make tax audits of tax years for which the tax statute of limitations had been extended in the past, taking notably into consideration the recent related Council of State ruling on such extensions. They will also, if needed, clarify the situation as regard "supplementary evidence", following another recent Council of state ruling. The authorities will also clarify the situation and procedure applicable to investigations of penal tax evasion for tax years which are barred by tax statute of limitations.

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 make the new system of organisation of fight against financial crime between Justice and IAPR fully operational as a **prior action** (see TMU xx). The previously received pending orders not in their final stage of audit will be transferred back to the prosecutors by February 2018 (**key deliverable**) (see TMU xx).

IAPR and and the Financial Intelligence Unit (FIU) will, starting in December 2017, publish monthly statistics on FIU cases transmitted to the IAPR and of their outcome. 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 December 2017.

The authorities will address the problem of base erosion, and propose by March 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 January 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. the procurement of the software allowing for further automation of the debt collection, embracing notably fully automatized garnishment procedure, with a key procedural step as specified in the TMU (section xx) completed by February 2018 (key deliverable).

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 March 2018,

iii. review by March 2018 and amendment, 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 January 2018,

v. publication of the yearly update of the list of large tax debtors, with the next publication to be done by December 2017 (see TMU xx),

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, to be implemented by March 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 triage of the large debtors on the basis of the analysis of economic and financial data to determine their viability (see TMU XX), starting by the debtors of the Large Debtor Unit (LDU) and of the Single Collection Centre for Social Security Contribution Debt (KEAO) is operational, and by January 2018, the LDU and the KEAO will finalize a report classifying large debtors and proposing solutions. The report will also include timelines and specific KPIs.

The authorities will produce, by December 2017, 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 purchase scanners to equip the three main international "ports". The scanners shall be made fully operational as a prior action (see TMU xx).
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 xx). 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. In this respect the authorities will install and operationalize the Operational Coordination Centre against Excisable Product Smuggling by December 2017, by ensuring it is fully staffed, have access to IT systems and a detailed business plan is agreed. The interoperable IT system will be up and running by May 2018. They 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, by March 2018 (key deliverable), to reinforce domestic tobacco manufacturers’ responsibility of their distributors by supply chain agreements to be implemented by May 2018 (see TMU xx). The authorities will fully implement the customs reorganisation, with the mobile control units and regional centres to be fully financed, equipped by December 2017 and 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.

Centralize the collection of social security contributions into a single social security fund (EFKA)

As a prior action, the authorities will produce a policy paper laying out the key features, steps and timeline for a future merger of social security contributions collection with IAPR (see TMU xx).

The authorities will pursue the merge of the collection of social security contributions into EFKA and of the social security contributions debt into EFKA’ single centre for social security debt collection (KEAO). In order to complete the integration of social security contributions, NAT contributions for seamen will be collected by EFKA starting in September 2017. The authorities will also continuously check and clean the list of self-employed contributors for whom information is lacking or insufficient so as to allow for their inclusion into the normal operating IT procedure and report monthly on their numbers and the date of completion of the cleaning up, which will not be later than December 2017. As concerns the requirement to full integration of all debt collection into KEAO, by May 2018 all social security contributors debt in all instalments will be entirely transferred to KEAO (TMU xx). In order to ensure full completion of the registration of all social-security-contributions debts in the single social-security-contribution debt database managed by KEAO, the authorities will set up a dedicated team, by December 2017, to start clearing the paper cases and introduce the relevant information into KEAO database. By March 2018, the team will produce a report about the cases that have been dealt with until then, and based on the number of the remaining cases to be checked, will propose a timeplan for completion of the integration into KEAO debt database (key deliverable) (see TMU xx).
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 with the next publication to be done by December 2017 (see TMU xx). 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 March 2018 (see TMU xx).

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, and strengthening budget reporting and cash management.

By December 2017, the authorities commit to prepare a concrete staff mobility plan in the context of the new organizational chart for the General Accounting Office of the Ministry of Finance.

The Government will design a new government Budget Classification structure and Chart of Accounts. The authorities commit to: (i) complete the Chart of Accounts for central administration concerning the remaining segments (e.g. administrative and functional), and also to support the cash management functions and finalize the Chart of Accounts for the general government (by February 2018) in consultation with the relevant stakeholders of the reform; (ii) implement the Chart of Accounts in the 2019 State budget and (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 and conducting a pilot phase by April 2018 ahead of the implementation of the Chart of Accounts in the 2019 State budget. The pilot phase will conduct a test exercise, a gap analysis and the mapping of the Chart of Accounts to preliminary reporting. Moreover, the authorities commit to (iv) adopt the Chart of Accounts for central government as designed so far and submit the necessary legal documents (prior action); (v) 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; (vi) finalize the integration of the Financial Management Information System (FMIS) and the new Chart of Accounts (key deliverable, May 2018) 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 (vii) develop a programme of communication and training covering all the stakeholders. In order to support the implementation of all the foreseen segments of the new Chart of Accounts, the authorities will present an action plan by May 2018 for designing and procuring a new IT system which meets the necessary requirements (i.e. the Enterprise Resource Planning) with advice from the technical support.

The authorities will make sufficient progress in clearing arrears to the private sector by June 2018 (see TMU XX). 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 an independent auditor will be selected as a prior action and its assessment will be completed by end-March 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 before end-April 2018 (key deliverable). 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 Government will also address structural issues in order to avoid the accumulation of new arrears, inter alia by advancing the reforms in the Public Financial Management system, based also on the recommendations of the IMF/EC technical support experts.

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 March 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 in line with the current legislation. The transfer will 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 will 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 Single Treasury Account (STS) and general government accounts will be integrated in the STA by June 2018.
The authorities will undertake a diagnostic on state guarantees. On this basis, they will, as a **prior action**, prepare an action plan to improve the management of state guarantees.

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 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, based on the Action Plan on Public Procurement agreed with the European Commission in October 2015:

i. The authorities will take as a **prior action** all necessary measures and actions to ensure that full operation of the Remedies Review Body. Specifically, the authorities will (a) complete the procedure for the selection of the remaining members of the Body (temporary list of selected candidates); (b) appoint the general director of the Body; (c) appoint the legal counsels; and (d) start the procedure for the selection of the scientific and administrative personnel (as provided for in Law 4412/2016) by publishing the relevant invitation. As a **key deliverable**, the authorities, by February 2018, will appoint the remaining members of the Body and, by March 2018, will complete the selection procedure and appoint the scientific and administrative personnel.

ii. The authorities have already adopted measures as a **prior action** to improve the judicial remedies system in the area of public procurement (second-instance remedies), taking into account the establishment of the Remedies Review Body.

iii. As a **prior action**, the authorities will submit to the Court of Auditors the of award the three (3) framework contracts under the new centralised procurement scheme as agreed with the institutions. The authorities will continue to implement actions on establishing a new centralised procurement scheme in the health sector in line with the actions outlined in section 2.5.2.3.a.
iv. The authorities have already completed the actions on e-procurement (KHMDHS and ESHDHS) as agreed with the European Commission in the action plan as a prior action.

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 will:

i. Recalibrate pension benefits. In order to achieve intra- and inter-generational equity and fully absorb the Council of State ruling, recalibrate 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 will be 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 individual recalculation of the pension benefit under the new uniform rules must be finalised as a prior action.

iii. Recalculate and process pension applications according to the new benefit rules (Law 4387/2016).

As prior action:

- at least 30% of all main pension applications submitted between 13 May 2016 and December 2016 have to be recalculated and processed, without any disruption to finalising the calculation of final pensions to previous applicants;
- at least 3500 supplementary pension applications submitted from 1.1.2015 will be recalculated and processed, without any disruption to finalising the calculation of final pensions to previous applicants.

As key deliverable, by April 2018, 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 2018. The Ministerial Decision setting all the details for the awarding of EKAS in 2019 will be issued by June 2018 (key deliverable).

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 will issue as a prior action the Ministerial decisions of art. 70.2 of Law 4387/2016 and the Presidential Decree of art. 52.
To complete the full merge of all insured persons and related data into the single pension fund EFKA:

i. as a **prior action**, the Joint Ministerial Decision and any other legal requirement for incorporating the public-sector pension scheme in EFKA will be issued, and as a **key deliverable** the merge, including transfers of relevant staff from GAO, will be fully completed by May 2018;

ii. as a **prior action**, the authorities (ELSTAT) will ask Eurostat to deliver an official opinion on whether EDOEAP is a private entity and thus, from a fiscal point of view, stays outside the general government (according to ESA 2010 definition);

iii. as a **key deliverable**, the authorities, within one month following the official opinion on the statistical classification of EDOEAP by EUROSTAT, will adopt the necessary measures (see TMU XX) in consultation with the institutions and in compliance with the supreme court ruling (5/2002);

iv. as a **prior action**, the authorities will take any necessary steps including legislative measures to prevent EFKA to provide guarantees and direct lending to private entities.

v. as a **prior action**, the authorities will further ensure that EFKA can maintain automatic electronic records on service history for retirees.

Automatic electronic records shall be created in EFKA also for insured persons. The authorities will record data on insured persons targeting those with longer service history ensuring that 50% of the relevant data are entered in the system by December 2017, and an additional 40% 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 (TMU XX) – taking into account their hiring needs, and making use, to the extent possible, of the new mobility system introduced with law 4440/2016.

By May 2018 (**key deliverable**), 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, by December 2017, finalise the consolidation of the single register and service history of all insured persons, and the migration of the data of all insured persons to the operation platform of the new organisation.

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 XX),

a. take structural measures focusing on improving efficiency as a means to contain expenditure. By May 2018 these measures will address the remaining part of the recent overspending on "other items" in the EOPYY budget for "Other Illness Benefits" which was not included under the clawback (125 million), which will be eliminated by gradual implementation of these measures and/or adoption of additional ones as necessary; to this end EOPYY will contract and directly purchase optometrician services as a prior action and by March 2018 special education services (key deliverable);

b. as a prior action, they will take further structural measures as needed to ensure that the estimated gap between spending for 2018 and the claw back ceilings for pharmaceuticals, diagnostics, private clinics, "other items" is reduced compared to the previous year;

c. by January 2018, they will develop a mapping of overall public sector capacity; by March 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. (March 2018);

e. develop, by January 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 key deliverable, at least additional 20 of these therapeutic protocols will be introduced in the e-prescription system between December 2017 and May 2018.

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 February 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 EOPYY will launch the procedure for contracting family doctors. Compulsory patient registration shall be finalised and become fully operational by March 2018 (key deliverable), with gatekeeping to be gradually implemented over 2018. In parallel, the roll-out of Local Health Units will start by December 2017, as a first step of the planned creation of a critical mass of Local Health Units (at least 100) 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;
as a prior action, the authorities already have developed a plan in collaboration with the Ministry of Education, the medical faculties, the Central Health Board and the Medical Association to restructure academic curricula and specialty training in medicine in order to increase the availability and enhance the training of general practitioners. First elements of this plan will be implemented in the academic year 2017-2018.

2.5.2.2. Execution of claw backs and regular audit

a. The authorities will execute the claw backs 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, EOPYY will finalise the legal procedure to offset outstanding clawback amounts for past periods (2013-2015) with accumulated arrears. As key deliverable, by March 2018, (i) any outstanding uncollected clawback amount related to 2016 will be offset and collected and (ii) the authorities will extend the 2018 clawback ceilings for diagnostics, private clinics and pharmaceuticals to the next three years; (iii) by May 2018 the clawbacks of 2017 will be collected/offset according to the timetable specified in the TMU (section xx).

d. To assess and improve the performance of health care providers, EOPYY will carry out systematic monthly auditing of private clinics.

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 January 2018, following the adoption of the Law on centralised health procurement; for details see TMU (Section XX); in May 2018 present the plan to increase the proportion further in 2019; the appointment procedures under the rules set by Law 4369/2016 must be started by March 2018 at the latest and completed by May 2018 at the latest (key deliverable).

b. by May 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 XX);

c. by March 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 TMOU Section XX), 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 November 2017. As a key deliverable, they will publish a revised price bulletin in May 2018.

1Details on specific targets by deadline contained in the TMU (Section M ¶57-59).
c. By February 2018, as a key deliverable, 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. As an intermediate step and prior action, they have already set up an HTA committee.

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 authorities plan to benefit from available technical support provided by international organisations for both the social welfare review and the implementation of the guaranteed minimum income scheme named ‘Social Solidarity Income’ (SSI).

The SSI was successfully rolled out at national level in February 2017. To further support the smooth implementation of the scheme the authorities will:

a. establish a disputes resolution system for SSI (March 2018);

b. develop an internal capacity to provide risk assessment, auditing, and inspections of the system (December 2017).

The social inclusion component (2nd pillar) of the SSI scheme will include 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 will adopt an operational strategy by December 2017 for the delivery of this 2nd pillar. The registries of social services and service providers will be fully operational by February 2018 and will then be maintained up to date on a real time basis. Links between the Community Centres, municipal social services and service providers will be 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 by December 2017. By April 2018, the requirement will be introduced for all SSI beneficiaries who are able to work and are not...
employed nor in education or training, to register as jobseekers at OAED **(key deliverable)**. Beneficiaries who can be integrated in the labour market will be offered access to personalised active labour market (ALM) measures with the objective to cover by February 2018 at least 10% of SSI beneficiaries already registered as of September 2017 as unemployed at OAED. 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**:

i. legislate a major reform of the family benefit system, resulting in improved targeting and increased equity among supported children starting by January 2018 (see TMU Section xx);

ii. adopt legislation for a pilot disability benefits reform to move from the current impairment assessment to an assessment including functioning conditions to determine eligibility (i.e. the ability of the person to perform activities of daily living);

iii. in the context of the expenditure reviews, the authorities have already completed a study for the rationalization of educational benefits and have implemented reforms in November 2017.

As **key deliverables**:

i. the pilot programme of the functional disability assessment system will be rolled out by February 2018. The legislation for the national rollout of the new scheme will be adopted in May 2018, applying the new disability assessment to all contributory disability and welfare benefits including under Law 4387/2016, with a view to commence national implementation by June 2018 taking account of guidance from technical support;

ii. by May 2018, 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. new legislation will be adopted by March 2018 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 will:

i. implement the National Mechanism for the Coordination, Monitoring and Evaluation of social inclusion and social cohesion policies to be fully operational by February 2018 including the three registries (of beneficiaries, social service providers and programmes);

ii. establish a benefits agency as a single payment authority for all welfare benefits, by December 2017.

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 BoG 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 BoG 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. The BoG conducted a survey to evaluate depositor confidence and published a summary of the findings, including an assessment of the impact of capital controls on the economy, in November 2017.

The BoG will require the completion of the recapitalisation process for the less systemic institutions (LSIs). As prior action, the BoG has ensured that the capital shortfall identified in the LSIs has been funded. Taking into account regulatory requirements, including the latest Supervisory Review and Evaluation Process (SREP) decision by the BoG, any potential capital shortfalls in the cooperative banks will be addressed by end-February 2018.

The BoG will complete its planning obligation for the high-priority LSIs under Directive 2014/59/EU by end-2017.

3.2 Resolution of Non-Performing Loans (NPLs)

3.2.1 Enable an active NPL secondary market

As part of the 2nd review, the authorities and the BoG assessed and addressed the impediments to the secondary market for NPLs identified in the report on the review of implementation of Law 4354/2015. In order to streamline the licencing process for NPL servicers, the authorities and Bank of Greece took appropriate actions, including necessary legal amendments.

The authorities will continue to take any necessary actions to enhance the functioning of a dynamic NPLs’ secondary market.
3.2.2 Monitoring the banks’ non performing exposure

The BoG, 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 BoG will assess and analyse banks’ performance in achieving targets on an ongoing basis. The BoG will publish quarterly an aggregated summary report on the developments with regard to banks’ NPE strategies and targets. Furthermore, the BoG 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)

As a prior action, the authorities have already (i) registered all coordinator positions and adopted all required ministerial decisions; (ii) completed and enacted all remaining implementing actions of the OCW law.

In order to improve the application of the OCW framework, the authorities will, by February 2018, make an assessment of possible administrative and technical impediments to filing a complete application and reaching an agreement between debtors and borrowers. By March 2018 (key deliverable), these impediments will be addressed, including through necessary legal amendments (see TMU section xx).

In-court insolvency

The authorities will by December 2017, 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.

As a prior action, the authorities have fully operationalised the profession of insolvency administrators, by completing the enrolment of successful applicants into the relevant registry.

Insolvency legislation

As a prior action, the authorities will assess the effectiveness of the legal and institutional framework for the household insolvency law (Law 3869/2010) and present a report setting forth (a) the data gathered from courts dealing with Household Insolvency law petitions and (b) stakeholders’ proposals, along with an assessment and further suggestions by the authorities to address identified shortcomings, especially the speed of processing of cases and the elimination of the risk of procedural abuses. The findings and proposals of the report will be discussed with the institutions.

In consultation with the institutions, by April 2018 (key deliverable), 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 (SectionFF), most notably by putting in place appropriate mechanism for filtering out non-admissible petitions and for significantly shortening the time span between the filing of the petition and the issuance of the court decision.
By May 2018, the BoG will also assess its related Act and, if needed, will prepare amendments to ensure that the borrower payment capability and valuation process of collateral lead to fast and fair decisions.

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.
3.2.4 NPL administrative framework

With a view to strengthening the NPL administrative framework, the authorities will ensure, by end-January 2018 that legislation is adopted that establishes the credit bureau as an independent agency, including a secured and certified central database with consolidated information on arrears on amounts due to the State and the social security funds that would be accessible by means of a score to parties with a legitimate interest, including credit registers, in compliance with the personal data protection legal framework.

3.3 Governance of the HFSF and the banks

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 core 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, in consultation with the social partners and in agreement with
the institutions, are developing a reliable administrative system to assess representativeness, to be made operational by March 2018 (key deliverable).

ii. As a prior action, the authorities will analyse and adopt legislation to increase the quorum for first-degree unions to vote on a strike to 50 percent.

iii. The authorities will deliver a report by January 2018 with an independent legal opinion on the role of arbitration in collective bargaining. As a key deliverable, by March 2018, the authorities, (a) in consultation with the social partners, will review the current procedures for mediation and arbitration; and (b) taking account of the independent legal report and the outcome of the consultations with the social partners, will adopt any necessary measures, in consultation with the institutions and in compliance with the Council of State ruling.


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 as a prior action, 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, they will:

i. Revise the existing system of fines for undeclared work by February 2018, providing sufficient incentives for compliance and discouraging fraudulent behaviour (repeated offences in particular);

ii. As a prior action, the authorities have already developed new risk-analysis rules for targeting inspections.

iii. Complete by May 2018 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 (key deliverable).
Vocational education and training (VET). As prior action, 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 April 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 prior action, 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 February 2018. By May 2018 the government will adopt an integrated plan for Human Capital development of the Labour Force (with technical support), addressing economic growth and supported by the VET Reform.

Capacity building. 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) will be strengthened in terms of policy formulation, implementation and monitoring in order to increase the ability to deliver welfare reforms, active labour market policies, and design and absorb Structural Funds. An initial capacity needs assessment of the labour administration has been carried out with the technical support of the ILO. As a follow-up to the recommendations of the needs assessment, a pilot exercise was launched in October 2017 to assess the functioning of and collaboration between selected departments of the Ministry, with a specific focus on the use of data analysis for the design, implementation and evaluation of policies. The 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). Towards that end, the ALMP strategy currently under review and consultation will be adopted by January 2018. The implementation of the strategy will encompass the following elements:

a. the application of the reformed mutual obligations, to be adopted by January 2018;

b. a new framework of quality specifications for ALMP training providers, to be finalised in cooperation with the Ministry of Education by April 2018;

c. a blueprint, to be drafted by May 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 a pilot in May 2018 (key deliverable). The design of the pilot will be defined by March 2018 in consultation with the Institutions. 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 authorities will address the recommendations of the new OECD Report for the Greek educational system through a concrete action plan by May 2018; a preliminary report was published by the OECD in July 2017, a draft report to be completed by January 2018 and the final report by April 2018.

In agreement with the institutions, the authorities will, by March 2018 (key deliverable): (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 authorities have taken steps towards converging with OECD best practices regarding the number of teaching hours per staff member, and the ratios of students per class and pupils per teacher. As a next step, and as a prior action, the authorities will adopt legislation on i) the obligatory presence of teachers in schools to 30 hours per week; ii) the criteria and the timeline for the merging of school units starting in the school year 2018-2019 and iii) the exclusion of the lunch hour from the teaching hours of teachers. The authorities together with the OECD will review all relevant indicators including latest data by April 2018.

The framework for dismissals legislated in the Private Education Act Art. 56 of Law 4472/2017 will be assessed by March 2018 and if required the necessary amendments will be agreed with the institutions and legislated by April 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:
On competition:

i. Toolkit I recommendations.

On building materials, the authorities will fully adopt as prior action the pending recommendations on building materials. Specifically, the authorities will (i) submit the draft Ministerial Decision on the harmonised 70 technical specifications (Project 1) of building materials by the Standardisation Body for consultation to the European Commission (TRIS) and (ii) will adopt the categorisation of the remaining 372 technical specifications by the Standardisation Body (Project 2). As to the implementation of Project 2, by March 2018, the authorities will start the award procedure for the harmonisation of technical specifications according to the categorisation by the Standardisation Body (key deliverable).

On pharmacy ownership, following the decision of the Council of State 1804/2017 and in order to ensure adequate access for non-pharmacists, the authorities in agreement with the institutions will (i) amend primary legislation; (ii) submit the Presidential Decree to the Council of State; and (iii) adopt the agreed transitional measures until the enactment of the Presidential Decree.

Following an assessment of the current system of opening hours of pharmacies, if needed, by May 2018, the authorities will adjust it in agreement with the institutions, taking into account Toolkit I recommendations on this matter.

As a prior action, the authorities already have adopted legislation to further address the OECD recommendation on Sunday trade in line with the Council of State (CoS) ruling).

ii. Toolkit III recommendations: The remaining Toolkit III recommendations will be adopted as a prior action (including legislation and issuing of frequency maps and launching of the tender for the digital service provider for the digital radio frequency license tenders – fulfilment of M26.2/3, 38, 42.2, 43 and 66) except for six recommendations which will be implemented according to the timeline specified in TMU Section XX.

On investment licensing, the authorities will adopt legislation (primary and secondary), agreed with the institutions, in the quarry sector (second leg of the first round) and in the remaining mining sectors (prior action). The authorities will adopt the following legislation in the areas selected for the second round: inspections (primary legislation), the first phase of installation licensing (primary and secondary legislation), and logistics (primary and secondary legislation) (prior action). The authorities will agree with the institutions on the specific sectors to be reformed (see TMU, section XX) and on the second phase of installation licensing (third round) (prior action), both of which will be implemented by May 2018 (key deliverable), including notification through an IT system. The authorities will adopt, by December 2017, a time-bound action plan for the promotion of effective and coordinated ex-post controls and inspections for businesses, which will include the following pilot projects: slaughterhouses, hygiene inspections for food and service businesses, and firesafety inspections, as described in the TMU (see Section xx, §xx). For slaughterhouses, the training activities will be finalised by February 2018 and pilot inspections will be launched by March 2018 (key deliverable).

On administrative burden, on environmental licensing, the authorities will adopt by December 2017 the required JMD for the issuance of the presidential decree on the external environment assessors, and within 8 months from the adoption of the presidential decree on the external environment assessors, they will adopt any required legislation for the implementation of the Presidential Decree and by December 2017, they will make fully operational the digitization of the licensing process as per the OECD’s recommendations.
The digitization of the licensing process should not be an additional burden for applicants, but it should replace the paper-based licensing process by March 2018. Following the adoption of the primary legislation on one-stop shops for business, the Government will fully implement it by February 2018. By December 2017, the Government will fully implement the law on better regulation.

On competition, investment licensing and administrative burden, the Government will initiate, by December 2017, a second round of ex-post impact assessment of selected reforms (i.e. book prices and tourism) and their implementation. As a prior action, the Government will address the pending recommendations of the ex-post assessments launched in October 2015 (see TMU, section xx) and adopt measures accordingly, in agreement with the institutions. As a key deliverable, the authorities will address, in agreement with the institutions, the recommendations of the ex-post assessments on book prices and tourism by May 2018.

To modernize company law, the Government should

a) prepare a review by December 2017 on changes needed to bring the current legal framework (Law 2190/1920 and 3190/1955) in line with best practices. The review should be carried out in cooperation with the European Commission and involve the consultation of key stakeholders. Based on the recommendations of the review, the Government will, as a key deliverable, amend Law 3190/1955 by February 2018;

b) prepare an assessment by February 2018 of current provisions on mergers and acquisitions. The review assessment should be carried out in cooperation with the European Commission and involve the consultation of key stakeholders. Based on the recommendations of the review, the Government will, as a key deliverable, adopt legislation on mergers and acquisitions by April 2018;

c) prepare a review by mid-March 2018 on changes needed to bring Law 2190/1920 in line with best practices. The review should be carried out in cooperation with the European Commission and involve the consultation of key stakeholders. Based on the recommendations of the review, the Government will, as a key deliverable amend Law 2190/1920 by April 2018.

On regulated professions, regarding the engineers' activities, the working groups and the Committee provided in the adopted legislation have submitted their reports. The Government has already submitted the presidential decree to the Council of State towards liberalizing the reserved activities of engineers, in agreement with the institutions (prior action). The authorities have, in agreement with the institutions, submitted the Presidential Decree on public works engineers’ registries to the Council of State (prior action). Furthermore, to address the external advisor's recommendations on the remaining professions/activities and on the basis of the inter-ministerial committee work and of other recent reports on regulated professions, taking account of the Hellenic Competition Commission opinions, the authorities will adopt, in agreement with the Institutions, a set of measures to alleviate unjustified and disproportionate restrictions (prior action) (see TMU Section XX). On private clinics, the authorities in agreement with the institutions will enact one single law to revise and modernise the legal framework on private clinics. Specifically, the authorities as prior action will submit to the institutions draft provisions of the law relating to the requirements and procedure for the establishment of private clinics. As key deliverable, the authorities will (a) agree by February 2018 with the institutions the draft provisions of the law relating to requirements and procedure for the establishment of private clinics; (b) agree by April 2018 with the institutions the draft provisions of the law relating to technical requirements, specifications, equipment and staff of private clinics as well as transitional
provisions; and (c) enact the law by May 2018. On one-day clinics (ODCs), by March 2018 (key deliverable), the authorities will 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 ODC, taking into consideration EU best practices.

On export promotion, the authorities with the participation of public and private stakeholders, will proceed with the timely implementation of the export promotion action plan. To this end, a detailed list of deliverables will be prepared by December 2017 and the implementation of action plan will be monitored on a quarterly basis.

On land use, the authorities have as a prior action already submitted to the Council of State a Presidential Decree to harmonise older legislation with Law 4447/2016. They will as a prior action, also submit to the Council of State a Presidential Decree with the procedures, approval and revisions of plans. In addition, the authorities will adopt a Ministerial Decision with the technical specifications for regional spatial plans and a Ministerial Decision with the technical specifications for town plans by January 2018.

Forest maps already completed by the cadastral agency EKXA and endorsed by the forestry services covering 40% of the country have already been uploaded. By February 2018, forest maps covering an additional 15% of the country's surface completed by EKXA, endorsed by the forestry services will be uploaded for public consultation. By the same date, 25% of the country's surface will have ratified and definitive maps. In areas where objections are raised, the ratification will follow the prescribed process, and will be completed at the latest by May 2018 following the relevant legislative provisions.

On cadastre, as a prior action the authorities will adopt primary legislation for the new cadastral agency in line with the agreed framework adopted at the time of the 2nd review.

As a prior action, the contracts (see TMU section xx) between EKXA and contractors necessary for the cadastral mapping of the entire country (the remaining contracts of the 2013 tender "KTIMA11a" and the contracts of the 2016 tender "KTIMA16") will be signed, such that full cadastral mapping data for the entire country will be available at the latest by the end of 2020. By February 2018, as a key deliverable, the authorities will 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 31/12/2020 for both.

On environment, the authorities will finalise their proposal on codification and organization of the information by no later than December 2017. In particular, the proposals will involve:

a) codification of existing environmental laws into an Environmental Law Code with the support of technical support;

b) local and regional environmental regulations in force to be assembled in a distinct register and regularly updated thereafter; and

c) digitisation of maps accompanying environmental legislation.

On agriculture, the authorities have followed up on the agricultural competitiveness strategy adopted by the Government, by adopting (i) a Ministerial Decision on the institutional framework to facilitate the organisation of farmers into producers groups (and (ii) a Ministerial Decision to set up a farmers advisory system. The authorities have broadened the scope of the agricultural competitiveness study to cover the whole rural development
sector. The rural development strategy will be formally adopted by the Government by January 2018. In accordance with the strategy, by April 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 February 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) By March 2018, 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 (key deliverable).

On structural funds, as prior actions the authorities will (i) adopt legislative and administrative acts and/or other appropriate means with equivalent effect to streamline the expropriation procedures under a new unified legislative framework; (ii) submit to the General Secretariat for Digital Policy a project proposal for an integrated geo-spatial and cadastral information system to manage and monitor expropriations including their costings; (iii) streamline and simplify the procedures related to archaeological works by codification of legislation and/or through other appropriate means with equivalent effect, including the application of binding deadlines for the delivery of permits; and (iv) adopt legislation to set up a registry of experts to ensure the supervision of co-financed projects as required by article 28.8 of law 4314/2014. The associated Ministerial Decision will be agreed by the Institutions and adopted by February 2018 (key deliverable).

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 authorities have adopted the Ministerial Decision for the selection of management posts of all European Structural and Investment Funds' structures. The procedure for the selection of management posts will be launched with the official publication of the call for interest as a prior action. The selection and appointment of all management staff will be completed by May 2018. The authorities have also adopted Ministerial Decisions for evaluation of staff and for mobility.

The authorities have agreed with the European Commission as prior action 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 information updates to the Commission.

The authorities commit 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 ongoing 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. Finally, 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’s decisions C(2008) 824 and C(2009) 6244 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 PPC’s 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 Commission’s practice as set out in the merger remedies notice, the purchaser(s):
   i. shall be independent of and unconnected to PPC and its affiliated undertakings;
   ii. 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;
   iii. 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.
a. The divestment shall represent around 40% of PPC’s lignite-fired generation capacity. 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.

b. The measures will be designed and implemented following the applicable competition procedural rules.

On 1 December 2017 the Hellenic Republic has officially submitted to the Directorate General for Competition of the European Commission (DG COMP) a commitment offer that DG COMP deems suitable for market test. The Hellenic Republic’s commitment offer envisages the divestment of the lignite-fired plant of Meliti 1 and option for a new Meliti 2 plant, as well as 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. 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. The divestment shall also handle employee issues and any other sensitivities as smoothly as possible.

Taking into consideration the feedback from the market test regarding the specific Divestment Business(es), the Hellenic Republic shall, as a prior action, officially submit a revised, if needed, and final commitment offer deemed suitable by DG COMP addressing the issues that may have arisen in the market test in relation to the lignite-fired generation capacity to be divested and all its related assets, so that the Commission can adopt a binding commitment decision.

The Hellenic Republic will ensure that all the necessary steps for the effective divestment to the purchaser(s) of the Divestment Business(es) as specified in the commitment offer made binding by the European Commission, 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, are fully and correctly implemented by May 2018 (key deliverable) and that the Divestment will effectively be completed thereafter.

i. 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 will decide (prior action), 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.

As a prior action, the authorities will adapt the KYSOIP action plan and legislation related to NOME to appropriately adjust the eligibility criteria of the participants in the NOME auctions in line with the EU acquis. Related secondary legislation will be adapted in accordance with the aforementioned amendments.

The authorities will implement the amended KYSOIP action plan and legislation related to NOME. In particular:

i. 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 $S$;

ii. In June 2018, the authorities will revise the reserve price of the auctions based on RAE’s proposal, to incorporate (i) CO2 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;

iii. for 2019, 9% of the quantities sold in 2018 will be rolled over, with physical deliveries starting in December of the year. Based on the above, the overall ex ante 2019 NOME quantities will be 22%, unless adjusted promptly by the aforementioned adjustment mechanism in the two auctions following the ascertainment of a deviation;

iv. the authorities will undertake a joint assessment with the institutions in addition to the already existing semestrial impact assessment of January 2018 and of every following semestrial impact assessment, inter alia taking into account:

   ▶ the introduction of the Target Model forward market,
   ▶ the lignite structural measures, for which it will specify the timely adjustment of the NOME mechanism. This will include the gradual de-escalation of the quantities to be auctioned, which will be phased in parallel with the implementation of the divestment and become proportionate to the lignite capacity being divested at the time of financial closing of the sale of the Divestment Business(es); and
   ▶ the possible need to adopt additional structural measures in line with the characteristics of PPC’s generation portfolio.

The first such joint assessment by the authorities and institutions will be carried out in February 2018 (key deliverable). The authorities will provide all relevant information for this assessment to the institutions (see TMU Section xx);

i. 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 XX).
ii. **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) clear all central government arrears as a *prior action* (ii) clear all arrears of public sector entities covered by the electricity supply contract between PPC and the Hellenic Republic by May 2018 (*key deliverable*); and (iii) 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 *prior action*, (i) the accumulated deficit for PPC from the PSO of EUR 360 million will be covered from the 2017 budget; (ii) following RAE’s recommendation, the PSO level going forward will be adjusted, 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.

iii. **ADMIE.** As *prior action*, following the signature by PPC and the strategic investor of the Share Purchase Agreement for 24% of ADMIE, (i) the Shareholders’ Agreement has been signed prior to the closing. By June 2017, (ii) PPC has contributed 51% of ADMIE’s share capital to HoldCo, (iii) HoldCo has proceeded to the formal filing of the listing prospectus with the Hellenic Capital Market Commission; and (iv) the transaction has been formally notified to the European Commission for regulatory and merger clearance. The transaction has been closed on 20.06.2017.

iv. **RES account.** The authorities will implement the revised legislation on the RES account and balance the account (*prior action*), which will be kept in balance with an adequate safety buffer on an annual basis going forward. By March 2018 (*key deliverable*), the supplier surcharge will be reduced by the forecasted annual surplus in the RES account and a plan for its full replacement by the end of 2018 agreed, for example through the introduction of Guarantees of Origin/Green Certificates.

v. **Capacity mechanism.** The authorities will, as a *prior action*, pre-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). The new flexibility mechanism will be notified by March 2018 (*key deliverable*). 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. Following the adoption by RAE of gas distribution tariffs, the adoption of legislation for the further unbundling of supply and distribution, and the review of the
gas release programme in October 2016, RAE will monitor the execution of the adopted legislation, regulation and market opening, as well as its impact on investment and on effective competition. A draft roadmap has already been submitted to the institutions (prior action). As a prior action, KYSOIP, following RAE’s opinion and also based on the outcome of technical support, will adopt a medium term (2017-2020) roadmap, incorporating a detailed action plan, which will lead inter alia to full compliance of the Greek gas market with EU Network Codes’ provisions, in particular but not limited to the Network Code on Interoperability\(^2\), Capacity Allocation Mechanisms\(^3\) and Balancing\(^4\) and the manner in which the required IT platforms will be developed and/or procured. The roadmap will include all necessary actions on removing remaining obstacles to effective competition in the wholesale and retail markets, managing and promoting interconnections, promoting the diversification of the sources of supply, extending the distribution and transmission network, and creating a balancing platform and a gas exchange. The roadmap will also include any necessary action to eliminate any existing horizontal or vertical conflict of interest between DEPA and the EPAs supply companies by March 2018 (key deliverable). In case of the exit of any of the current shareholders of the EPAs and upon the conclusion of the relevant transaction, RAE in collaboration with the Hellenic Competition Commission after consultation with the European Commission will make an assessment of potential obstacles to competition, prior to the tender of DEPA being launched. In the event of major obstacles being identified, the tender process will be adjusted accordingly.

vii. 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 XX).

viii. By March 2018, the authorities will implement the full new framework for the support of renewable energies, including the issuing of the two necessary Ministerial Decisions. The first auctions will take place in April 2018.

ix. Target model. Following the entry into force of EU Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management (CACM)\(^5\) and the draft guideline on electricity balancing to enter into force in 2017, Greece needs to take the necessary steps for joining the day ahead and intraday market coupling on its borders and the establishing of the balancing market (Target model). LAGIE (and Hellenic Energy Exchange 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 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 implement the day ahead, intraday, forward and balancing

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markets by August 2018. To implement this, the authorities will as prior action (i) run a public consultation and adopt the necessary amendments to law 4425/2016 including the assignment of all tasks to a specific legal entity by December 2017; and (ii) launch the official public consultation of all market codes by January 2017. In addition, as key deliverable, the authorities will (i) issue all market codes by March 2018, (ii) set up any entity to be created as a successor of LAGIE by February 2018 and (iii) put functional IT systems into place by May 2018 for the day ahead, intraday and forward market; and (iv) the authorities will 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 no later than June 2018 (key deliverable) to ensure that the Target model is functioning by August 2018. By August 2018, the authorities will ensure that a functional IT system is put into place for the balancing market. They will also ensure that all necessary licenses for the operation of the markets are granted to the responsible legal entities by April 2018.

The authorities shall ensure that until the newly created Hellenic Energy Exchange is fully set up, the current relevant operators and authorities put all arrangements in place in order to implement the actions on the Target model in order to cover the transitional phase until such entity is fully set up. The authorities will provide to the institutions information about the progress as specified in the TMU (TMU section XX).

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

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 actions, the authorities will

i. adopt secondary legislation agreed with the institutions to strengthen the governance, administrative capacity and financial autonomy of the Special Secretariat for Water (SSW) through distinct budgeting in the MTFS;

ii. amend legislation to (a) comply with the commitment to professionalise and de-politicise the Greek administration at all levels by reforming the governance of local water companies (DEYAs), particularly the appointment of independent board members and of the Director-Generals and (b) to clarify that the geographical scope of activity of local water companies (DEYAs) and of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH) will not overlap in order to provide legal certainty for investments and long-term planning.
As key deliverables,

i. by February 2018, the SSW, with technical support, will deliver an evaluation report on the existing system of regular collection of information towards the development of the Full Information System and finalise the assessment of the business plans of the Athens Water Company (EYDAP) and the Thessaloniki Water Company (EYATH);

ii. by March 2018, the authorities, with technical support, will finalise 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;

iii. by April 2018 an operational plan for the years of 2018-2019 will be finalized, 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;

iv. By February 2018, 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;

v. By April 2018 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 June 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 overall Thriasio 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 January 2018, ii) completion of the options analysis for the PPP scheme for the operation and maintenance of the overall Thriassio Freight Complex by end of January 2018, iii) decision on PPP scheme for the operation and maintenance by March 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 (e.g., completion of the transaction on the regional airports, the conclusion of the Pireaus Port (OLP) privatisation, launching of Egnatia motorway concession tender, financial closing of Astir and TRAINOSE) 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 approved its updated Asset Development Plan (ADP), which includes for privatisation assets under TAIPED as of November 2017. It will be subsequently endorsed by KYSOIP.

The implementation of this programme aims to generate further annual proceeds (excluding bank shares) for 2017, 2018 and 2019 of EUR 1.4 bn, EUR 2.0 bn and EUR 1.0 bn, respectively, on top of EUR 0.3 bn and of EUR 0.5 bn, collected in 2015 and 2016 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 has been approved by the Board of Directors of the TAIPED and 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. TAIPED will hire advisors for the key remaining tenders of the ADP including Hellenic Petroleum (HELPE); the electricity company (PPC), the gas company (DEPA), the water companies for Thessaloniki and Athens (EYATH, EYDAP, respectively), the telecom company (OTE) and the 30% stake in the Athens International Airport.

i. The submission of binding offers for 66% of DESFA will be completed.

ii. The authorities will conclude the remaining Government Pending Actions identified by the Institutions and TAIPED and which are due by December 2017 and that are not listed in this section (continuous action).

iii. On Egnatia, (a) the Hellenic Republic, with TAIPED, will submit to DG MOVE for clearance the new toll pricing policy to be implemented on the motorway and its vertical axes after the technical advisors of TAIPED conclude their study; the draft toll pricing policy that is proposed for submission to DG MOVE must be agreed with TAIPED prior to its submission to DG MOVE; (b) the Minister of Infrastructure and Transport shall issue an
interim Ministerial Decision putting the stations whose construction has been completed (Pamvotida, Evzonoi, Ieropigi, Mesti) in operation under the current toll pricing policy; (c) the Minister of Infrastructure will issue a new ministerial decision (MD) to replace the MD regulating exemptions issued on 27/11/2017 in FEK. The new MD will be agreed with TAIPED prior to its issuance. The MD will provide that any exemptions set out in it will terminate immediately upon the approval of the new toll pricing policy by DG MOVE and the issuance of a further MD implementing the new toll pricing policy as approved by DG MOVE. (d) Egnatia S.A. shall tender the two operation and maintenance contracts for the Motorway and its vertical axes by way of including in the scope of work (and/or by way of including a relevant unilateral option right of Egnatia Odo S.A in the tender documents) the design and construction of the four frontal toll stations located in Siatista, Ardanion, Kavala and Strymonicon and the construction of the total number of the lateral stations included in the Joint Ministerial Decision nr. ΔΝΣγ/οικ.35897/ΦΝ 393 (Government Gazette 1867/B/29.05.2017); (e) tender documents to be agreed with TAIPED prior to tender approval by the Board of Egnatia Odo S.A and commencement of the tender process; (f) TAIPED will launch the expression of interest for the concession of the motorway (November 2017).

iv. On Hellenikon, the proposed Integrated Development Plan has already been presented to the Central Administration Council and immediately after its formal submission, the Secretary General of Public Property will in turn forward this to the relevant ministries for processing according to the relevant laws. The authorities have launched the public consultation of the Strategic Environmental Impact Assessment Study of the proposed Integrated Development Plan for Hellenikon, no later than one month from its official submission. The authorities will (b) issue the Presidential Decree for the Integrated Development Plan no later than six months from its formal submission, in accordance with the relevant provision of Law 4062/2012; (c) complete the revision of the legislative framework for the operation of casinos and (d) the working group, agreed between the authorities and the investors in June 2017, and made up of all involved Government services, the representatives of the investors, TAIPED and a representative of the European Commission, will be convened on a regular basis to follow the developments and solve any problems that may arise.

v. On the Thessaloniki Port Authority S.A. (OLTH), the Share Purchase Agreement and Shareholders’ Agreement will be signed, with a view to a closing before the end of April 2018.

As key deliverables:

i. On DESFA, the nomination of the preferred bidder will be completed by February 2018. The Share Purchase Agreement and Shareholders’ Agreement will be signed by April 2018, with a closing by June 2018.

ii. On Egnatia, (a) the Ministers of Infrastructure and Transport and Finance will issue a JMD setting out the new toll pricing policy in a form agreed with TAIPED (April 2018); the new toll pricing policy will be implemented immediately upon its approval by DG MOVE; (b) until the endorsement of the new toll pricing policy to be applied to all toll stations of the motorway and the vertical axes, the Minister of Infrastructure and Transport, upon completion of construction of any new toll station, shall issue an interim Ministerial Decision putting such stations in operation under the current toll pricing policy; (c) Egnatia S.A. will (i) sign the contract for the construction of the Asprovalta toll station with the preferred bidder and instruct the constructor to commence its construction immediately (February 2018) and (ii) ensure the commencement of operation of the – currently under construction – Thessaloniki (Oreokastro) Frontal Toll Station. Commencement be effective immediately after the issuance of the necessary JMD (to be agreed with TAIPED) by the Ministers of
Transport and Infrastructure and Finance (March 2018); (d) TAIPED will launch the binding offers phase (March 2018).

iii. On Hellenikon, the authorities will complete all key Conditions Precedent (as specified in the Share Purchase Agreement) by February 2018 with financial closing by June 2018.

iv. Launching of the tender for the sale of 30% of AIA, 65% of DEPA and 5% of OTE, on the basis of the recommendations of the hired by TAIPED advisors (March 2018). By March 2018, launch the tender for the sale of 35.5% of HELPE; the percentage of shares to be sold could be lower, if by that date, agreement has been reached with the institutions on an alternative form of monetization with at least equivalent financial benefits for the Hellenic Republic. By June 2018, launch the tender for the sale or other form of monetisation of 17% of PPC provided it generates at least equivalent financial benefits to the Hellenic Republic compared to the sale.

v. On Athens International Airport the extension of the concession agreement will be ratified in parliament by April 2018 (after the issuance of the required decisions by the relevant European authorities).

vi. On OLTH the concession agreement will be ratified in Parliament by March 2018.

vii. 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 by February 2018 and (b) replace executive and non-executive members if needed, by April 2018.

Hellenic Corporation of Assets and Participations

A new privatisation and investment fund, 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 Government will take a formal decision on the transfer of the Hellenic Aerospace Industry to HCAP in agreement with the institutions and taking into due consideration the report produced by the external advisor on whether the company can be transferred without compromising national security;

ii. The General Assembly shall adopt the chapters of the company’s internal regulation for the following issues: (a) remuneration and compensation policy for the
Supervisory Board; (b) accounting framework; (c) dividend policy, following agreement with the institutions on the specific content of these documents.

iii. The Board of Directors of HCAP will fill the vacant posts in the board of TAIPED and replace executive and non-executive members if needed.

iv. The HCAP Law (4389/2016) will be amended with a view to bringing the SOEs directly under HCAP without the additional layer of a subsidiary; the transfer of the SOEs to HCAP will take place on 31 December 2017 for the avoidance of financial consolidation issues.

v. The Board of Directors of HCAP will review the Board of ETAD and replace executive and non-executive members if needed.

vi. The process for determining the remaining portfolio of real estate that will be transferred to ETAD / HCAP will entail the hiring of external consultants by HCAP to screen the following data bases using the criteria already agreed between the Greek authorities and the institutions: (a) the national cadastre and more specifically the assets already registered as belonging to the state or to an unknown owner; (b) the database of all Ministries and the database of the GSPP on the real estate assets; (c) the data base created from the work done by TAIPED with external consultants back in 2011 and 2012; the consultants should have full access to the above data bases, via excel files, to be provided by GSPP. The consultant will be provided with any required authorization to review the relevant registrations at the cadastre offices. To that end they will sign any non-disclosure agreements required. The transfer process is described in Article 209 of Law 4389/2016. No transfer can be done for assets that belong to exceptions described in paragraph 4 of article of the Law 196 4389/2016. The hiring of consultants and the screening process should start at the latest by the end of January 2017. The Ministry of Finance and the institutions will receive on a regular basis reports of the process.

vii. 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). The State shall transfer to HCAP those complying with the purposes of HCAP.

viii. The Minister will provide the Ministerial Guidance for the Strategic Plan.

ix. The General Assembly will approve the Strategic Plan.

As key deliverables:

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 (March 2018)

ii. Submission of business plans to HCAP by the SOEs transferred to HCAP, in which HCAP is the majority shareholder (April 2018).

iii. The Board of Directors of HCAP will review the Boards of ELTA, OASA (STASY, OSY), and replace executive and non-executive members if needed (May 2018). 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 will be appointed by March 2018.

v. Based on the process agreed among the authorities and the institutions, identification by March 2018 of the real estate assets to be transferred. Completion of the transfer of the real estate assets will take place by May 2018.

vi. 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 and adopt law provisions for transforming OAKA to an S.A., by March 2018.

5. A modern State and Public Administration

5.1. Public administration

The authorities intend 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.** Generic and specific job descriptions will be completed for all ministries, with the collaboration of technical support, a plan for rollout to the wider public administration will be submitted to the institutions and organigrams for all Ministries finalised (prior action). The authorities are already implementing the new mobility scheme. The appointing authorities of the receiving services will issue the decisions regarding the first cycle by February 2018 and changes of position by employees will take place by March 2018 (key deliverable). 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.

(ii) **Appointments:**

! As prior action, the authorities will (a) launch the call for those Administrative, Alternate Administrative and (Special) Sector-Level Secretaries specified in the TMU (see TMU section XX); (b) appoint Directors General for HR and financial services; and (c) launch the call for thematic Directors General; (d) amend law 4369/2016 to introduce a time limit of 3 months for the appointment procedures for all General Directors, Directors and Heads of Division; and (e) amend law 4369/2016 to ensure that the existing Secretaries General will be relieved from their duties at the latest 3 months after the filling of the positions listed in the TMU (see TMU section XX)

! As key deliverables, (a) the appointments of Administrative, Alternate Administrative and (Special) Sector-Level Secretaries listed in the TMU will be completed no later than June 2018; and (b) the appointments of all thematic Directors General will be completed by March 2018.

! As key deliverables, (a) in March 2018, the call for all Directors will be launched, and Directors will be appointed by June 2018, and (b), the call for all Heads of Division will be launched in June 2018, and Heads of Division will be appointed.
The authorities will provide a detailed report on the implementation of the above actions by June 2018 (see TMU section XX).

(i) *Performance assessment.* The first performance assessment exercise will be performed as a **prior action.** By June 2018 and as **key deliverables,** (i) an all-inclusive plan for rollout according to the scope of Part B of law 4369/2016 will be developed, including the implementation of goal-setting for the public administration and an electronic platform for performance assessment; and (ii) the second performance assessment exercise will be performed.

Further actions include:

i. **Curricula.** By May 2018 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 1:4 in 2017 and 1:3 in 2018, 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. **Allowances.** As a **prior action,** (i) legislation will be adopted to streamline allowances for dangerous and hazardous work, through, inter alia, the expertise provided by the available technical support programme; and (ii) amend article 32 of law 4483/2017 to limit to the provision of in-kind benefits of food and accommodation by municipalities of remote areas and islands to temporary teachers and other critical professions and emergency staff in agreement with the institutions.

iv. **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. By February 2018 (**key deliverable**), the authorities will in cooperation with Technical Support develop a manual of (i) structures and procedures within the government and the public administration, which includes the preparation, coordination and arbitration of policies; and (ii) effective process of inter-ministerial consultation prior to the launching of legislative proposals, including a process to ensure that the submission of all amendments to legislation is coordinated in a centralised manner. The inter-ministerial coordination will be implemented notably by re-enforcing the role of the existing Secretariat General for Coordination and of the preparatory bodies for the supervision and governance of reform implementation in all ministries, and in particular of the Council for Reform. The manual will be implemented by March 2018 (**key deliverable**).

v. **Illegal hires.** The authorities will continue to identify illegal hires and temporary injunctions, as well as disciplinary cases, and take appropriate enforcement action.
vi. **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 April 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.

vii. **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 December 2017, and fully implemented 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.

As a **prior action**, the authorities will ensure a regular and unimpeded flow of e-auctions (see TMU section xx).

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 February 2018. These impediments, if any, will be addressed, by adopting necessary legal amendments no later than April 2018 (**key deliverable**).

As a **prior action**, the authorities will amend the Code of Civil Procedure, the insolvency law and other related laws to strengthen the position of secured creditors by aligning the treatment of secured credit with EU best practices, placing secured credit in a position of priority, which will allow lenders to provide financing based on the market value of the collateral. This modification of the ranking of claims will only apply to new secured credit extended after the legal amendments are adopted and enter into force (see TMU xx).

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 end-December 2017.**

ii. **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 end January 2018. Potential identified problems, impediments or shortcomings will be addressed, including by enacting the necessary legal amendments, by April 2018.**

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

The authorities will enact legislation to ensure access to justice by vulnerable persons (December 2017).

5.3 Anti-corruption

As a prior action and in line with written commitments given by the authorities at the closure of the 2nd review, the authorities will amend legislation to fulfil GRECO’s recommendations on the funding of political parties, in light of its report of October 2017. 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 by March 2018 (key deliverable, TMU xx). They will also ensure full publication by the authority in charge of controlling the financing of political parties on its website of the information mentioned in subpara n of para 2 of the article 21 of law n° 3023/2002 according to the legal timeline (continuous action) and the authorities will ensure the publication of the report from the authority in charge of controlling the financing of the 2015 elections by March 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 by March 2018 and ensuring that secondary legislation is fully in place by May 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 September 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 by March 2018 (key deliverable, TMU XX) will include a commitment to assess by April 2018 the implementation of the Code of Conduct of members or Parliament and, based on this assessment, it will be revised, if needed, by June 2018. The updated plan will also include the creation 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 (TMU xx).

Following the assessment of the reduction of penalties for financial crimes provided by Law 4312/2014, the authorities will by February 2018 deliver a draft and by May 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.

In particular, the government will, as a prior action:

i. legislate to facilitate the set up and staffing of the President's office consistent with the Mobility Law;

ii. legislate to give the President of ELSTAT greater autonomy and flexibility in deciding how the organisation's agreed budget should be spent, including the ability to transfer funds between budgetary headings within agreed limits;

iii. increase ELSTAT's budget from January 2018 to facilitate the recruitment and retention of highly skilled staff through the introduction of compensations based on job descriptions, consistent with the unified wage grid legislation;

iv. set up a framework for staff-level agreements to allow ELSTAT to contribute on a cost-paid basis to specific projects of other public bodies.

v. The authorities have already legislated the State indemnification of the ELSTAT President and other ELSTAT officials acting upon his/her authority - against legal and other costs (including counsel's actual fees and personal financial liabilities) incurred as a result of legal challenges/actions/proceedings taken or threatened against them in relation to decisions made and actions taken (including potential omissions) pursuant to carrying out their official functions in compliance with applicable provisions and rules, statutory or otherwise.

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 and independent agencies will (a) provide draft legislation as appropriate so as to bring horizontal provisions and internal regulations in line with the results of the horizontal review (prior action); (b) assess existing independent authorities so as to identify overlapping competences and fields of activity and eliminate redundancies by February 2018; based on this assessment, as a key deliverable, by March 2018 enact legislation to reorganize the field, including 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.

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 **key deliverable**, the authorities, in agreement with the Institutions, will by April 2018, amend any primary and secondary legislation so as to bring these in line with the results of the horizontal review on independent agencies (see above), 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.

ii. **Regulatory Authority for Energy (RAE):** The authorities, in agreement with the institutions, will adopt or amend any primary and secondary legislation, including the Internal Operation Rules of RAE under Article 45 of Law 4001/2011, by April 2018 (**key deliverable**), so as to bring these in line with the results of the horizontal review on independent agencies (see above).

iii. **Regulatory Authority for Passenger Transport (RAEM):** As a **key deliverable**, the authorities, in agreement with the Institutions, will adopt or amend any primary and secondary legislation, so as to bring these in line with the results of the horizontal review on independent agencies (see above) by April 2018.