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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Follow-up to the Council Decision 2011/xxx/EU of 12 July 2011 addressed to Greece, with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit

(October 2011)

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1. INTRODUCTION

This quarterly Communication assesses the measures implemented and planned by Greece to comply with Council Decision of 12 July 2011. Action taken until end-June 2011 was assessed in the Communication dated 1 July 2011.[1] Together with the Commission staff's Compliance Report, prepared in liaison with the ECB,[2] the Communication also contributes to the assessment of compliance with the MEFP and the MoU,[3] in the context of the loan facility agreement between Greece and other euro-area Member States.This assessment is based on the mission conducted by European Commission staff together with IMF and ECB staff in the context of the economic adjustment programme and the quarterly report transmitted by the Greek Ministry of Finance on 19 August 2011.

2. THE COUNCIL DECISION OF 12 JULY

On 12 July 2011, the Council adopted a Decision[4], under Articles 126(9) and 136 TFEU, addressed to Greece with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit by 2014. This Decision recasted the May 2010 Decision, which had been amended several times.

The Decision required Greece to adopt a number of specific measures with the aim of keeping the general government deficit below the following ceilings:

- EUR 17 065 million (7.8 percent of GDP on the basis of the latest forecasts) in 2011;
- EUR 14 916 million (7.0 percent of GDP) in 2012;
- EUR 11 399 million (5.3 percent of GDP) in 2013 and

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1 COM (2011) 422 final.

2 'The Economic Adjustment Programme for Greece – Fifth Review,' *European Economy–Occasional Paper*,. The reader is referred to that document for a more detailed assessment of macroeconomic, financial, fiscal and structural reform developments.

3 Memorandum of Economic and Financial Policies, and Memorandum of Understanding of Specific Economic Policy Conditionality of 3 May, updated 2 July 2011.

4 Not yet published in the *Official Journal*.

- EUR 6 385 million (2.9 percent of GDP) in 2014.[5,6]

The Decision clarifies that privatisation proceeds are not considered in the effort to comply with ceilings. These ceilings for the general government deficit were kept unchanged in the recasted decision.

3. BUDGETARY EXECUTION UNTIL SEPTEMBER 2011

In the context of the economic adjustment programme, Greece committed to meet quarterly performance criteria on the general government cash balance and the state primary expenditure and and indicative criterion on accumulation of arrears to suppliers.[7]

The performance criteria for end-July were met. The state primary spending was EUR 33.5 billion against a criterion of EUR 34.7 billion. The general government primary cash balance was -4.9 billion against a criterion on EUR -5.1 billion. The indicative criterion on the accumulation of arrears has been failed, as arrears accumulated by end-July 2011 were EUR 6.5 bilion.

There are not yet complete data for the period up to September. However, the available information suggests that the target for the primary cash balance for the general government was missed by a small margin. The criterion is EUR -5.0 billion. The indicative target on non-accumulation of domestic arrears is also likely to have been exceeded as there are indications that arrears owed by the state and public hospitals keep on increasing. The criterion on state primary expenditure (EUR 44.5 billion) has been met.

Tables 1A and 1B contain detailed information on the budget implementation in January through July 2011, and also data on the state budget execution for September 2011.

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5 The ratios to GDP are indicative. In the Council Decision, the ratios-to-GDP refer to the nominal GDP figures available in July 2011: 7.6, 6.5, 4.8 and 2.6 percent of GDP for 2011 to 2014, respectively.

6 The Decision also requires that the annual increase in the general government consolidated gross debt does not exceed EUR 17 365 million in 2011; EUR 15 016 million in 2012; EUR 11 599 million in 2013 and EUR 7 885 million in 2014.

7 There are also performance criteria on privatisation receipts, guarantees granted by central government, central government debt and arrears in external debt. These are not discussed in this communication. See the above-mentioned Compliance Report.

Table 1A: Budget implementation
(January-July 2011)

	2010	2011	
cash basis (EUR million)	**Jan - July**		**% change Jan-July**
Total revenue	**29 947**	**28 020**	**-6.4%**
Revenue before refunds	31 356	29 940	-4.5%
Tax refunds	2 688	3 113	15.8%
Capital revenue	1 276	1 173	-8.1%
NATO expenses	3	20	
Total expenditure	**42 396**	**43 588**	**2.8%**
Primary expenditure	28 784	30 173	4.8%
Past-debts of hospitals	190	434	
Military payments and NATO	228	118	
Guarantees called (off general government)	80	25	-68.8%
Interest	8 913	10 218	14.6%
Capital expenditure	4 201	2 620	-37.6%
State budget balance	**- 12 449**	**-15 568**	**25.1%**
Change in arrears	**-**	84	
State primary spending	**33 483**	**33 454**	**-0.1%**
Local government balance (*)	**-**	**622**	**-**
Social security balance (*)	**-**	**-101**	**-**
Other	**-**	**-24**	**-**
General government (modified) balance	**-**	**-15 155**	**-**
General government (modified) primary balance (**)	**-**	**-4 937**	**-**

Source: General Accounting Office, Ministry of Finance of Greece and own calculations.
(*) On the basis of Bank of Greece's banking statistics.
(**) Excludes State-owned enterprises and most extra-budgetary funds.

Table 1B: Budget implementation
(January-September 2011)

	2010	2011	
cash basis (EUR million)	**Jan - September**		**% change Jan-Sept**
Total revenue	**37 855**	**36 856**	**-2.6%**
Revenue before refunds	39 758	38 898	-2.2%
Tax refunds	3 259	3 942	21.0%
Capital revenue	1 348	1 877	39.2%
NATO expenses	8	23	
Total expenditure	**54 506**	**56 020**	**2.8%**
Primary expenditure	36 757	37 807	2.9%
Past-debts of hospitals	300	434	
Military payments and NATO	255	182	
Guarantees called (off general government)	104	32	-69.2%
Interest	11 652	14 033	20.4%
Capital expenditure	5 438	3 532	-35.0%
State budget balance	**- 16 651**	**- 19 164**	**15.1%**
State primary spending	**42 854**	**41 987**	**-2.0%**

Source: General Accounting Office, Ministry of Finance of Greece, and own calculations

4. PROSPECTS FOR 2011 AS A WHOLE AND 2012-14

In the framework of the Medium-Term Fiscal Strategy (MTFS) adopted in June, the government planned additional deficit-reducing measures of almost 3% of GDP in 2011 on top of the measures of close to 3% of GDP already included in the budget for 2011. The additional measures became necessary as a result of projections showing that the 2011 deficit target could be missed by a large margin, due mainly to revenues falling significantly short of plans but also some expenditure categories overshooting budgetary ceiling. While in June these measures were considered to be sufficient to ensure that the 2011 deficit will be on target, projections by the Commission, the IMF and ECB staff in the context of the fifth review mission of the economic adjustment programme revealed yet again a large gap of for the deficit in 2011. The projections also showed large gaps for 2012 through 2014.

Several factors were behind this renewed opening of a gap. The contraction of the economy will be deeper than projected in June. For 2011, the Commission services' current estimate is 5.5 percent of contraction of real GDP compared with 3.8% in the previous review. For 2012, the economy is now expected to contract further as against earlier projetions of moderate positive growth. Moreover, some measures previously agreed within the framework of MTFS have not been implemented or delays in their implementation have resulted in a downward revision of expected yields for 2011 and 2012.

Table 2 summarises th several measures adopted or announced by Greece to comply with the deficit ceilings. Table 3 quantifies the implementation defficiencies by areas for 2011 and 2012, as a result of the monitoring carried out during the mission.

Table 2: Deficit accounting: from the deficit in one year to the next

	EUR million		% of GDP	
		cumulative measures 2010-2014		cumulative measures 2010-2014
2009 deficit	**36150**		**15.4**	
nominal deficit drift in 2010	6149		2.7	
change in interest expenditure	266		0.1	
measures in 2010 1/	18372	18372	8.1	8.1
impact on ratio of nominal GDP growth	--		0.5	
2010 deficit	**24193**		**10.6**	
primary deficit drift in 2011	12724		5.8	
change in interest expenditure	1997		0.9	
measures in 2011 1/	19514	37886	9.0	16.8
impact on ratio of nominal GDP growth	--		0.5	
2011 deficit	**19400**		**8.9**	
primary deficit drift in 2012	6808		3.2	
change in interest expenditure	509		0.2	
measures in 2012 1/	11801	49687	5.6	21.8
impact on ratio of nominal GDP growth	--		0.2	
2012 deficit	**14916**		**7.0**	
nominal deficit drift in 2013	1045		0.5	
change in interest expenditure	509		0.2	
measures in 2013 1/ 2/	5071	54758	2.4	23.3
impact on ratio of nominal GDP growth	--		-0.1	
2013 deficit	**11399**		**5.3**	
nominal deficit drift in 2014	1307		0.6	
change in interest expenditure	800		0.4	
measures in 2014 1/ 2/	7121	61879	3.2	25.5
impact on ratio of nominal GDP growth	--		-0.1	
2014 deficit	**6385**		**2.9**	

1/ Including carry-overs.
2/ Including measures which still require further specifications.

Table 3. Implementation monitoring:
Effective yield of measures agreed in June 2011

	4th review (July 2011)		5th review (Oct. 2011)		Difference (*)	
	2011	2012	2011	2012	2011	2012
Total measures	**6744**	**13641**	**5834**	**11279**	**910**	**2362**
% of GDP	3.0	6.0	2.7	5.3	0.4	1.1
Wage bill	**770**	**1370**	**642**	**960**	**128**	**410**
% of GDP	0.3	0.6	0.3	0.5	0.1	0.2
Operational expenses	**190**	**282**	**180**	**262**	**10**	**20**
% of GDP	0.1	0.1	0.1	0.1	0.0	0.0
Extra-budgetary funds	**540**	**690**	**304**	**396**	**236**	**294**
% of GDP	0.2	0.3	0.1	0.2	0.1	0.1
State-owned enterprises	**0**	**414**	**0**	**414**	**0**	**0**
% of GDP	0.0	0.2	0.0	0.2	0.0	0.0
Health care	**60**	**264**	**53**	**267**	**7**	**-3**
% of GDP	0.0	0.1	0.0	0.1	0.0	0.0
Pharmaceutical spending	**250**	**743**	**372**	**601**	**-122**	**142**
% of GDP	0.1	0.3	0.2	0.3	-0.1	0.1
Social benefits	**1188**	**2286**	**748**	**1664**	**440**	**622**
% of GDP	0.5	1.0	0.3	0.8	0.2	0.3
Investment spending	**950**	**504**	**800**	**804**	**150**	**-300**
% of GDP	0.4	0.2	0.4	0.4	0.1	-0.1
Other expenditure	**150**	**505**	**150**	**250**	**0**	**255**
% of GDP	0.1	0.2	0.1	0.1	0.0	0.1
Tax policy	**2646**	**6583**	**2584**	**5661**	**62**	**922**
% of GDP	1.2	2.9	1.2	2.7	0.0	0.4

(*) Ratios to GDP in this column are calculated on the basis of the latest GDP figures.
Source: Commission services

In view of these slippages and given the late moment of the year, the achievement of the fiscal target for 2011 is no longer realistic. However, the government is committed to adopt measures which should keep the deficit for 2011 within a range of 0.7 and 1.5 percent of GDP above the target. For 2012, the fiscal slippages will be corrected to achieve the target.

More specifically, with the aim of minimising any deficit in excess of the deficit ceiling of EUR 17 065 million in 2011, and to reduce the 2012 deficit to below EUR 14 916 million, the Greek Government is committed to adopt and implement the following measures prior to the sixth disbursement:

- A reduction in tax exemptions, in particular the tax-free personal income thresholds, with the aim of increasing revenue by at least EUR 2 831 million in 2012;

- A permanent levy on real estate, collected through the electricity invoices, with the aim of collecting at least EUR 1 667 million in 2011, and increasing amounts in subsequent years;

- An immediate implementation of the revised wage grid for civil servants, which contribute to reduce expenditure by at least EUR 101 million in 2011, and with a carry over of at least EUR 552 million for 2012, additional to savings provided in the MTFS (medium-term fiscal strategy through 2015, of June 2011). This reform should cover all general government employees, except those covered by special wage regimes (military and police, judges and political personnel, university staff and doctors). These net savings take into account the impact of this measure on income tax and social security collection, as well as bonuses to be paid to specific employee categories;

- A cut in main, and supplementary, pensions, as well as lump sums paid on retirement, with the aim of saving at least EUR 219 million in 2011 with a carry over of EUR 446 million in 2012 additional to savings previously provided for in the MTFS;

- Spending by the Green Fund, which is financed by fines on unauthorised establishments and settlements of planning, is capped with the aim of saving EUR 360 million in 2012;

Moreover, the Government also adopts and implement the following measures which were included in the MTFS:

- Ministerial decisions or circulars concerning the measures on excise on natural gas, heating oil and vehicle taxes provided for in the MTFS

- Ministerial Decisions to uniformly regulate health benefits for also social security funds, and increase the core and supplementary pension contributions for ETAA beneficiaries;

- Legislation for the collection of the so-called 'solidarity surcharge' through withholding;

- Ministerial Decisions to make the labour reserve effective, extend the scheme to include all general government employees, and issue letters to employees to be transferred to the labour reserve;

- Ministerial decisions that initiate closing, merging or substantially downsizing entities is adopted. This affects KED, ETA, ODDY, National Youth Institute, EOMEX, IGME, OSK, DEPANOM, THEMIS, ETHYAGE and ERT;

- Ministerial Decision specifying the disability criteria consistent with achieving the MTFS saving objectives;

- Adoption of the positive list for pharmaceuticals that establish prices charged to social security funds.

6. PROGRESS WITH STRUCTURAL REFORMS

Progress has been made in the area of structural fiscal reforms, though in some cases more slowly than planned. Reforms in the tax administration area are gaining momentum with several actions ongoing. Action taken so far by the government concerns mainly legislation to improve the efficiency of tax administration and controls, putting in place an effective project management and implementing an anti-evasion strategy to restore tax discipline and improve compliance.

Budgetary institution reforms are progressing with the reorganisation of the General Accounting Office. Progress has also been made in ensuring a timely provision of fiscal data, although quality and scope need to improve further. Fiscal management on the expenditure side of the budget also needs to improve, in particular with the commitments registry in each ministry and other-than-state entities. While publication of data on arrears is now an established feature of the fiscal statistics in Greece, improvements in the timeliness of data are necessary.

7. PRIVATISATION

Important steps have been made in implementing the privatisation programme with the creation of a professionally managed privatisation fund. However, due to delays in the preparation of the assets for privatisation, and to some extent worse market conditions, revenues in 2011 will be lower than expected. The government remains committed to the revenue target of EUR 35 billion by the end of 2014 and EUR 50 billion by end-2015.

Sticking to the fiscal consolidation and privatisation plans will contribute to bringing the government debt-ratio-to-GDP to a sustainable path. Although Greece will have to persevere in fiscal austerity and the reduction in the debt ratio will extend for many years, the inflexion in the debt-to-GDP ratio should contribute to improve the market confidence in the Greek economy.

Table 4: Privatisation plan: transactions so far

Assets	Date of deal	Sold stake	Remaining stakes owned by the Greek Government	Collected (EUR million)	To be collected (EUR million)
OTE	July 2011	10%	4%	392	--
OPAP 1 (license extension 2020-30)	October 2011	-	-	0	375 (by end-November) + 5 percent on gross gaming revenue during the extension period (present value estimated at EUR 86 million).
OPAP 2 (sale of new license for VLTs)	October 2011	-	-	0	474 (by end-November) + 86 (by Q4-2013)

Table 5: Planned privatisation receipts

By end of:	Privatisation receipts
	(EUR million)
2011 Q4	1 700
2012 Q1	5 000
Q2	7 000
Q3	9 000
Q4	11 000
2013 Q1	15 000
Q2	17 000
Q3	18 000
Q4	20 000
2014	35 000
2015	50 000

Note: Reprivatisation of banks' shares that the state or the HFSF may acquire in the context of recapitalisations are not included in the planned privatisation receipts.

8. CONCLUSION

The government deficit (ESA95 basis) ceiling for 2011 established by the Council Decision will, most likely, be missed.

For 2012, the government has elaborated a pre-budget aimed at sticking to the target set in the Council decision and has adopted measures which would ensure a further reduction to the deficit in subsequent years.

All in all, despite the 2011 fiscal slippage, Greece is taking the necessary actions to implement the required policies and to remain on track, with a view of putting an end to the excessive deficit by 2014, as required by the Council Decision.

ANNEX I: MEASURES REQUIRED BY THE COUNCIL DECISION, TO BE ADOPTED BY END-SEPTEMBER 2011.

Measures (as required by Article 2(5) of the Council Decision)	**State of progress**
"Greece shall adopt the following measures by the end of July 2011:	
(a) introduces to Parliament a streamlined and unified public sector wage grid to apply to the state sector, local authorities and other agencies, phased in over 3 years, with remunerations reflecting productivity and tasks;	**Observed with delay.** The bill on the unified wage grid was tabled in Parliament at the beginning of October.
(b) a medium-term staffing plan for the period up to 2015 in line with the rule of 1 recruitment for 5 exits (1 for 10 in 2011). The plan shall include tighter rules for temporary staff, cancellation of vacant job post and reallocation of qualified staff to priority areas and take into account the extension of working hours in the public sector;	**Not observed**. The rule of 1 recruitment for 5 exits (1 for 10 in 2011) is the official government policy and it was enshrined by law. However, the staffing plans that should contribute to the preparation of the reallocation of staff have not been prepared. Given the number of exits in 2010 (53 336), the 1-for-10 rule would allow 5 333 recruitments during the whole year of 2011. However, in the first and second quarters 2011, the number of hidings is estimated to have been 10 862.
(c) a detailed action plan with a timeline to complete and implement the simplified remuneration system, in line with private sector wages, achieving a reduction in the total wage bill. This plan shall be based on the results of the report published by the Ministry of Finance and the Single Payment Authority. The legislation for a simplified remuneration system shall be phased in over 3 years. Wages of state-owned enterprises employees shall be in line with the new wage grid for the public sector.	**Partially observed, with some delay**. The bill implementing the simplified remuneration scheme has been tabled in Parliament at the beginning of October and is expected to be adopted shortly.
(d) a reinforcement of the labour inspectorate, which shall be fully resourced with qualified staff and have quantitative targets on the number of controls to be carried out;	**Not observed**. The economic pilot study has not yet been prepared.
(e) an act revising the main parameters of the pension system in order to limit the increase in public sector spending on pensions over the period 2009-2060 to less than 2.5 % of GDP, if long-term projections show that the projected increase in public pension expenditure would exceed this amount. The National Actuarial Authority (NAA) shall continue the submission of long-term projections of pension expenditure up to 2060 under the adopted reform. The projections shall encompass the main supplementary (auxiliary) schemes (ETEAM, TEADY, MTPY), based on comprehensive data collected and elaborated by the NAA;	**Ongoing**. The NAA is producing long-term projections for the main supplementary pensions. The actuarial studies for all supplementary pensions and Pension projections for main and supplementary pension funds are to be submitted to the AWG by October 25 2011 to be peer reviewed in November.

(f) a revision of the list of heavy and arduous professions to reduce its coverage to no more than 10 % of employment; the new list of difficult and hazardous occupations shall apply with effect from 1 August 2011 to all current and future employees;	**Ongoing with some delay**. A Committee has analysed the criteria by other EU countries to classify professions as hazardous and has reviewed the current list in Greece proposing the removal of various professions from the list. The first part of the new list is to be published by October 2011. Authorities indicated that the list of hazardous professions would correspond to less than 9% of employment.
(g) legislation to establish the Single Public Procurement Authority (SPPA) with the mandate, objectives, competences, powers and schedule for entry into force, in line with the Action Plan;	**Observed**. Law 4013/2011 setting up the Central Public Procurement Authority was adopted by Parliament on 6 September and published in the Official Journal of the Hellenic Republic n° 204 on 15/9/2011.
(h) additional measures to promote the use of generic medicines through: compulsory e-prescription by active substance and of less expensive generics when available; associating a lower cost-sharing rate to generic medicines that have a significantly lower price than the reference price (lower than 60 percent of the reference price) on the basis of the experience of other EU Member States; setting the maximum price of generics to 60 percent of the branded medicine with similar active substance;	**Not yet done** although generic prices are now at 63% of the originator drug and a new policy sets the price of originator off patent drugs to 75% of the patent price.
(i) publication of an inventory of state-owned assets, including stakes in listed and non-listed enterprises and commercially viable real estate and land; a General Secretariat of Real Estate Development shall be established with the aims of improving management of real estate assets, clearing them of encumbrances and preparing them for privatisation;	**Partially observed**. An inventory of state-owned assets is being compiled. The secretariat has been legally established (Law 3965/2011) but no terms of reference have been sent on the operational role of this new body. Its exact role still needs fine-tuning.
(j) the medium-term fiscal strategy (hereinafter MTFS) through 2015 as described in Annex I to this Decision and respective implementing bills. The MTFS shall elaborate on the permanent fiscal consolidation measures which ensure that the deficit ceiling for 2011-15 as established by the Council Decision are not exceeded, and that the debt-to-GDP ratio is put on a sustainable downward path;	**Partially observed**.
(k) privatisation of assets worth at least EUR 390 million; adoption of a privatisation programme with the aim of collecting at least EUR 15 billion by end-2012, EUR 22 billion by end-2013, EUR 35 billion by end-2014 and at least EUR 50 billion by end-2015; proceeds from the privatisation of assets (real estate,	**Not observed**. The target for the collection of privatisation proceeds until end-July has been achieved through the sale of 10 percent of the

concessions and financial assets) shall be used to redeem debt and will not reduce the fiscal consolidation efforts to comply with the deficit ceilings in Article 1(2);	share capital of OTE, the telecommunications company. However, the performance criterion for end-September has not been met, and projections suggest that the end-December 2011 target (EUR 5 billion) will not be met either.
(l) establishment of a privatisation fund with sound governance to accelerate the privatisation process and guarantee its irreversibility and professional management. The Fund obtains the legal ownership of the assets to privatise. The Fund cannot pledge its assets in a way that would frustrate its purpose, i.e. privatisation of assets;	**Observed**. The Hellenic Republic Asset Development Fund (HRADF) has been established by Law 3986/2011 and has been operational for almost two months.
(m) tables legislation to close, merge and downsize non-viable entities;	**Partially observed**. The Government has effectively adopted legislation that will lead to the closure, merger or downsizing of these entities. Nonetheless, the savings that are expected from this reform are less than projected in the MTFS.
(n) measures to strengthen expenditure control: a decision specifying the qualification and responsibilities of accounting officers to be appointed in all line ministries with the responsibility to ensure sound financial controls;.	**Observed**.
(o) new criteria and terms for the conclusions of contracts by social security funds with all healthcare providers, with the aim of achieving the targeted reduction in spending; initiates joint purchase of medical services and goods to achieve substantial expenditure reduction of at least 25 percent compared to 2010 through price-volume agreements;	**Ongoing**.

(p) publication of binding prescription guidelines for physicians on the basis of international prescription guidelines to ensure a cost-effective use of medicines; publication and continuous update of the positive list of reimbursed medicines;	**Ongoing with some delay**. A large number of prescription guidelines have been developed and await final agreement by the National Health Council. However, they have not been published and they are not binding. This could jeopardise their effectiveness. After some delay and following several rounds of consultation and changes, the criteria for the positive price list and reference price system for reimbursement has been published in September 2011. The reference price system and positive list implementation are due to follow.
(q) preparation of a plan for the reorganisation and restructuring of hospitals for the short and medium term with a view to reducing existing inefficiencies, utilising economies of scale and scope, and improving quality of care for patients. The aim is to reduce hospital costs by at least 10 percent in 2011 and by an additional 5 percent in 2012 in addition to the previous year.	**Ongoing**. Joint management of hospitals has been introduced reducing the number of hospital boards down to 81. Joint management is the first step in hospital restructuring and reorganisation. Authorities need now to start concentrating and specialising NHS hospitals and departments, including emergency departments and reviewing and ensuring mobility of staff in order to produce more substantial savings. This has only started and needs to be fully implemented in the coming year, possibly using a plan proposed by a dedicated task force.

Measures (as required by Article 2(6) of the Council Decision)	**State of progress**
“Greece shall adopt the following measures by the end of September 2011:	
(a) a budget for 2012 in line with the MTFS and the objective of respecting the deficit ceilings established in Article 1(2);	**Observed** [since they submitted a draft budget]
(b) a mitigation of tax obstacles to mergers and acquisitions;	**Not observed**. In the October 2011 MoU this requirement is subject to the

	quantification of its fiscal implications.
(c) a simplification of the custom clearing process for exports and imports;	**In progress**. The government has passed a Ministerial Decision for the simplification of exports procedures (National Gazette 1868/B/24-08-2011). In addition, as of the first week of October 2011, a Ministerial Decision on the terms and conditions for the implementation of simplified procedures for imports was pending for publication.
(d) a further increase in the absorption rates of structural and cohesion funds;	**Partially observed**. The semi annual target of submitting 5 major project applications was met. However, the semi-annual target in the absorption of EU structural and cohesion funds was missed by EUR 478 million. Nevertheless, it is expected that the annual absorption target of EUR 3.35 billion could still be reached, partly aided by the increase in the co-financing rate. Information on expenditure for non-targeted *de minimis* state aid measures was also provided. The payment claims submitted to the EU structural funds in the first half of 2011 were below target.
(e) the full implementation of the Better Regulation agenda with a view to reducing administrative burdens by 20 % (compared with 2008);	**Observed**. As of the first week of October 2011, the draft law was introduced in Parliament. The draft law assessed by the Commission services does not include recast of legislation as a better regulation tool, nor does it provide for the publication of an annual report on better regulation. On impact assessments, the draft law does not provide for an evaluation of the impact assessment by an independent authority. Otherwise, the draft is broadly in compliance with the MoU requirements.
(f) legislation to close, merge and downsize large non-viable entities;	**Partially observed.** Government has effectively adopted legislation that will lead to the closure, merger or downsizing of these entities.

	However, the savings that are expected from this reform are less than projected in the MTFS.
(g) measures enabling a reduction in procurement and third party costs in state-owned enterprises, updating tariffs, and creating new business lines, and reduce personnel costs by completing and implementing an employment retrenchment plan. Excess staff that cannot be removed by the hiring rule of 1 recruitment for 5 exits (1 for 10 in 2011) shall be dealt with through non-voluntary redundancies and furlough (labour reserve). This rule is without sectoral exceptions; it shall also apply to staff transferred from public enterprises to other government entities after screening of professional qualifications by ASEP under its regular evaluation criteria. Staff in the labour reserve shall be paid at 60 percent of their wage for not more than 12 months, after which they shall be dismissed.	**Ongoing** The law that establishes the labour reserve has been adopted in Parliament. However, so far, no public entity has released staff to the labour reserve.
(h) a legal framework enabling fast assignment of land use and accelerates state land ownership registration.	**Ongoing.**
(i) an act enabling the promotion of investment in the tourism sector (tourist resorts and secondary tourist housing), with a view to, together with the bill on land use, allow for accelerating the privatisation process of land plots managed by the Greek Tourist Real Estate Agency (ETA).	**Observed.** The act was included in the Second Implementation Bill, adopted in August 2011.
(j) finalisation of the functional review of existing social programmes; assessment by the government of the results of the second and final phase of the independent functional review of central administration; legislation and measures to implement the operational recommendations of the first phase of the functional review of public administration at central level and of the full review of existing social programmes;	**Delayed.** The report prepared by the OECD is available. The assessment of the results is ongoing, through the preparation of an action plan.
(k) an in-depth revision of the functioning of secondary/supplementary public pension funds, including welfare funds and lump-sum schemes. The aim of the revision is to stabilise pension expenditure, guarantee the budgetary neutrality of these schemes, and ensure medium- and long-term sustainability of the system. The revision shall achieve: a further reduction in the number of existing funds; the elimination of imbalances in those funds with deficits; the stabilisation of the current spending at sustainable level, through appropriate adjustments to be made from 1 January 2012; the long-term sustainability of secondary schemes through a strict link between contributions and benefits.	**Ongoing with some delay.** The government is waiting for the completion of the actuarial studies for the supplementary pension funds to start the legislative process of reforming supplementary pensions according to the MoU. The legislative process is to be finalised by the end of the year and new rules should be in place from 1st January2012. In the meantime, the government is introducing cuts in the main, auxiliary and lump sum pensions,
(l) identification of the schemes for which lump sums paid on retirement are out of line with contributions paid with the aim of adjusting payment by the end of December 2011.	

(m) Further measures to extend in a cost-effective way the e-prescribing of medicines, diagnostics and doctors' referrals to all social security funds, health centres and hospitals. In compliance with EU procurement rules, the government shall conduct the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system).	**Ongoing**. Some e-health project proposals have been approved by the Digital Convergence Programme to be launched in the coming months. Next review will verify if these have been launched.
(n) further measures to ensure that at least 30 percent of the volume of medicines used by public hospitals is composed of generics with a price below that of similar branded products and off-patent medicines, in particular by making it compulsory that all public hospitals procure pharmaceutical products by active substance.	**Ongoing**. Generic use in hospitals is increasing and constitutes 17% of the whole expenditure on pharmaceuticals in hospitals. There is still a very large variation across hospitals (between less than 10% and more than 60%). The government has launched the first e-tender for drugs by active substance and which can lead to potential large savings and increased use of generics in hospitals
(o) decisions to provide for the institution and establishment of positions for the SPPA's (Single Public Procurement Authority) personnel, as well as for the organization of human resources and services of the Authority in accordance with the provisions of the law on the SPPA; to appoint the members of the SPPA.	**Ongoing**. The Greek Government has communicated that drafts of these Ministerial Decisions should be ready by end-October 2011.
(p) Publication of monthly data on staff movements (entries, exits, transfers among entities) of the several government departments;	**Partially observed.** Quarterly data on staff movements are available.