# DECISIONS

## COUNCIL DECISION

### of 20 December 2010

### amending Decision 2010/320/EU 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

(2011/57/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union (TFEU), and in particular Article 126(9) and Article 136 thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) Article 136(1)(a) TFEU foresees the possibility of adopting measures specific to the Member States whose currency is the euro with a view to strengthening the coordination and surveillance of their budgetary discipline.

(2) Article 126 TFEU establishes that Member States are to avoid excessive government deficits and sets out the excessive deficit procedure to that effect. The Stability and Growth Pact, which in its corrective arm implements the excessive deficit procedure, provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(3) On 27 April 2009, the Council decided, in accordance with Article 104(6) of the Treaty establishing the European Community that an excessive deficit existed in Greece.

(4) On 10 May 2010, the Council adopted Decision 2010/320/EU ([1]) (hereinafter ‘the Decision’) addressed to Greece under Article 126(9) TFEU and Article 136 TFEU 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 at the latest by the deadline of 2014. The Council established the following path for the deficit correction: government deficit not exceeding EUR 18 508 million in 2010, EUR 17 065 million in 2011, EUR 14 916 million in 2012, EUR 11 399 million in 2013 and EUR 6 385 million in 2014.

(5) According to the forecast available at the time the Council adopted the Decision, real GDP was expected to contract by 4 % in 2010 and 2,5 % in 2011, and recover afterwards, with growth rates of 1,1 % in 2012, and 2,1 % in 2013 and in 2014. GDP deflator was expected to be 1,2 %, − 0,5 %, 1,0 %, 0,7 % and 1,0 % for the years 2010 to 2014, respectively. Given economic developments, real GDP is now expected to contract by 4,25 % in 2010 and 3 % in 2011 and recover afterwards with growth rates of 1,1 % in 2012, and 2,1 % in 2013 and in 2014. GDP deflators are now expected to be 3,0 %, 1,5 %, 0,4 %, 0,8 % and 1,2 % for the years 2010 to 2014, respectively.

(6) On 7 September 2010, the Council adopted Decision 2010/486/EU ([2]) amending the Decision.

(7) On 15 November 2010 Eurostat validated the Greek government deficit and debt statistics, in accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community ([3]). On that occasion, the deficit and debt series for the years 2006-2009 were revised upwards. The government deficit ratio-to-GDP for 2009 was revised from 13,6 % of GDP to 15,4 % of GDP, while the debt ratio was revised from 115,1 % of GDP to 126,8 % of GDP.

(8) Greece has made good progress in the implementation of the measures required by the Decision, including the reduction of government deficit. However, the aforesaid revision in statistical series along with weak revenue collection and other problems with budgetary implementation, including the accumulation of payables, imply that the government deficit ceiling for 2010 will most likely be missed. This slippage will have to be fully offset in the course of 2011.

([1]) OJ L 145, 11.6.2010, p. 6.

([2]) OJ L 241, 14.9.2010, p. 12.

([3]) OJ L 145, 10.6.2009, p. 1.

(9) On 24 November 2010, Greece submitted to the Council and the Commission a report outlining the policy measures taken to comply with the Decision. The Commission assessed the report and concluded that Greece is satisfactorily complying with the Decision.

(10) In light of the above considerations, it appears appropriate to amend the Decision in a number of respects, while keeping unchanged the deadline for the correction of the excessive deficit and the adjustment path for the government deficit and the increase of government debt in nominal terms,

HAS ADOPTED THIS DECISION:

*Article 1*

Decision 2010/320/EU is amended as follows:

(1) in Article 1(3), the second sentence is replaced by the following:

'Based on November 2010 GDP projections, the corresponding path for the debt-to-GDP ratio shall not exceed 143 % in 2010, 153 % in 2011, 157 % in 2012, 158 % in 2013 and 156 % in 2014.';

(2) in Article 2(3), point (b) is replaced by the following:

'(b) the implementation of legislation strengthening the fiscal framework. This should, in particular, include the establishment of a medium-term fiscal framework, the creation of a compulsory contingency reserve in the budget corresponding to 5 % of total appropriations of government departments, other than wages, pensions and interest, the creation of stronger expenditure monitoring mechanisms and the establishment of a budget office attached to Parliament;';

(3) in Article 2(3), point (g) is deleted;

(4) in Article 2(3), point (k) is replaced by the following:

'(k) a better management of public assets, with the aim of raising at least EUR 7 billion during the period 2011-2013, of which at least EUR 1 billion in 2011 and proceeds from the sale of assets (real estate 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);';

(5) in Article 2(3), point (m) is replaced by the following:

'(m) a decree disallowing local governments to run deficits at least until 2014; reduction in transfers to local government in line with planned savings and transfers of competences;';

(6) in Article 2(3), point (o) is replaced by the following:

'(o) implementation of a uniform e-prescribing system; publication of the complete price list for the medicines in the market; application of the list of non-reimbursed medicines and of the list of over-the-counter medicines; publication of the new list of reimbursed medicines using the new reference price system; the use of the information made available through e-prescribing and scanning for the collection of rebates from pharmaceutical companies; introduction of a monitoring mechanism allowing for pharmaceutical expenditure to be assessed on a monthly basis; enforcement of co-payments for regular outpatient services of EUR 5 and extension of co-payments to unwarranted visits to emergency departments; publication of audited accounts for hospitals and health centres; and creation of an independent taskforce of health policy experts whose task is to produce, by end May 2011, a detailed report for an overall reform of the health system aimed at improving efficiency and effectiveness in the health system;';

(7) in Article 2(3), point (p) is deleted;

(8) in Article 2(3), the following points are added:

'(q) further reduction in operational expenditure by at least 5 % yielding savings of at least EUR 100 million;

(r) further reduction in transfers yielding savings for the government as a whole of at least EUR 100 million. The beneficiary public entities will ensure the concomitant reduction in expenditure so that there is no accumulation of arrears;

(s) means-testing of family allowances from January 2011 on yielding savings of at least EUR 150 million (net of the respective administrative costs);

(t) reduction in the purchase of military equipment (deliveries) by at least EUR 500 million compared to the actual 2010 level;

(u) reduction in pharmaceutical expenditure by social security funds by EUR 900 million owing to an additional reduction in drug prices and new procurement procedures and by hospitals (also including expenditure in equipment) by at least EUR 350 million;

(v) changes in the management, pricing and wages of public enterprises yielding savings of at least EUR 800 million;

(w) equalisation of taxation on heating oil and diesel oil after 15 October 2011, with the aim of fighting fraud and yielding at least EUR 400 million in 2011 net of specific measures to protect the less prosperous population strata;

(x) increase in the reduced rates of VAT from 5,5 % to 6,5 % and from 11 % to 13 %, yielding at least EUR 880 million and reduction in the VAT rate applicable to medicines and hotel accommodation from 11 % to 6,5 % with a cost not exceeding EUR 250 million, net of savings for social security funds and hospitals that result from the lower VAT rate on medicines;

(y) intensification of the fight against smuggling on fuel (at least EUR 190 million);

(z) increase in court trial fees (at least EUR 100 million);

(aa) implementation of an action plan to accelerate the collection of tax arrears (at least EUR 200 million);

(bb) speeding up tax penalty collection (at least EUR 400 million);

(cc) collection of revenue that results from the new framework of tax disputes and trials (at least EUR 300 million);

(dd) revenue from the renewal of telecommunication licences that are about to expire (at least EUR 350 million);

(ee) revenue from concessions (at least EUR 250 million);

(ff) a restructuring plan for the Athens transportation network (OASA). The objective of the plan shall be to reduce operational losses of the company and make it economically viable. The plan shall include cuts in operational expenditure of the company and tariff increases. The required actions shall be implemented by March 2011;

(gg) an act that limits recruitment in the whole general government to a ratio of not more than one recruitment for five retirements or dismissals, without sectoral exceptions, and including staff transferred from public enterprises under restructuring to government entities;

(hh) acts to strengthen labour market institution and establish that: firm-level agreements prevail over those under sector and occupational agreements without undue restrictions; firm-level collective agreements are not restricted by requirements regarding the minimum size of firms; the extension of sector and occupational agreements to parties not represented in negotiations is eliminated; the probationary period for new jobs is extended; temporal limits in the use of temporary working agencies are eliminated; impediments for greater use of fixed-term contracts are removed; the provision that establishes higher hourly remuneration to part-time workers is eliminated; and a more flexible working-time management including part-time shift work is allowed for.';

(9) in Article 2(4), point (a) is deleted;

(10) in Article 2(4), the following points are added:

'(c) clearance of arrears accumulated in previous years;

(d) a multiannual plan of structural fiscal consolidation including measures of at least 5 % of GDP that will ensure the deficit targets up to 2014;

(e) an anti-evasion plan which includes quantitative performance indicators to hold revenue administration accountable; legislation to streamline the administrative tax dispute and judicial appeal processes and the required acts and procedures to better address misconduct, corruption and poor performance of tax officials, including prosecution in cases of breach of duty;

(f) a detailed action plan with a timeline to complete and implement the simplified remuneration system;

(g) improvement in the accounting and billing systems of hospitals, through: finalising the introduction of double-entry accrual accounting systems in all hospitals; the use of the uniform coding system and a common registry for medical supplies; the calculation of stocks and flows of medical supplies in all the hospitals using the uniform coding system for medical supplies; the collection of co-payments from patients in all National Health System facilities; and the timely invoicing of treatment costs (no later than 2 months) to Greek social security funds, other Member States and private health insurers; and ensure that at least 50 % of the volume of medicines used by public hospitals by the end of 2011 is composed of generics and off-patent medicines by making it compulsory for all public hospitals to procure pharmaceutical products by active substance;

(h) with the aim of fighting waste and mismanagement in state-owned companies and yield fiscal savings of at least EUR 800 million, Greece shall adopt an act by the end February 2011 that: cuts primary remuneration in public enterprises by at least 10 % at company level; limits secondary remuneration to 10 % of primary remuneration; establishes a ceiling of EUR 4 000 per month for gross earnings (12 payments per year); increases urban transport tariffs by at least 30 %; increases other tariffs; establishes actions that reduce operational expenditure in public companies between 15 % to 25 %; and adopts an act for the restructuring of the OASA by March 2011;

(i) a new regulatory framework to facilitate the conclusion of concession agreements for regional airports;

(j) establishment of an independent taskforce of education policy aiming at increasing the efficiency of the public education system (primary, secondary and higher education) and reach a more efficient use of resources;

(k) adoption of a law to establish the Single Public Procurement Authority in line with the Action Plan.';

(11) in Article 2(5), point (b) is replaced by the following:

'(b) assessment of the results of the first phase of the independent functional review of central administration, including the operational policy recommendations and completion of the review of existing social programmes;';

(12) in point (d) of Article 2(5), the years '2010-2060' are replaced by the years '2009-2060';

(13) in Article 2(5), the following point is added:

'(h) further promotion of the use of generic medicines through compulsory e-prescription by active substance.';

(14) in Article 2(6), point (a) is replaced by the following:

'(a) the inclusion in the draft budget for 2012 of fiscal consolidation measures amounting to at least 2,2 % of GDP. The budget shall, in particular, include the following measures (or in exceptional circumstances, measures yielding comparable savings): further broaden the VAT base by moving goods and services from a reduced to a normal rate (with the aim of collecting at least an additional EUR 300 million); reduce public employment in addition to the rule of one recruitment for every five retirements in the public sector (with the aim of saving at least EUR 600 million); establish excise duties for non-alcoholic beverages (for a total amount of at least EUR 300 million); expand the real estate tax by updating asset values (in order to create at least EUR 200 million in extra revenue); reorganise sub-central governments (aiming at generating at least EUR 500 million in savings); introduce a nominal freeze on pensions; increase efficiency of the presumptive taxation of professionals (with the aim of collecting at least EUR 100 million); reduce transfers to public undertakings (by at least EUR 800 million) following their restructuring; make unemployment benefits means-tested (with the aim of saving EUR 500 million); and collect further revenues from the licensing of gaming (at least EUR 225 million in the sale of licences and EUR 400 million in royalties);';

(15) in Article 2(7), point (c) is deleted;

(16) in Article 2(7), the following points are added:

'(d) a hospital case-based costing system to be used for budgeting purposes from 2013 on;

(e) acts 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;

(f) the Single Public Procurement Authority starts its operations with the necessary resources to fulfil its mandate, objectives, competences and powers as defined in the Action Plan.'.

*Article 2*

This Decision shall take effect on the day of its notification.

*Article 3*

This Decision is addressed to the Hellenic Republic.

Done at Brussels, 20 December 2010.

*For the Council*

*The President*

J. SCHAUVLIEGE