

GREECE

Prior actions for the first disbursement of the new economic adjustment programme

SUMMARY

Area	Status	Planned for completion
Fiscal Consolidation	Not yet completed	end-February.
Revenue administration	Not yet completed	end-February.
Pension reform	Not yet completed	end-February.
Statistics	Not yet completed	end-February.
Financial sector regulation and supervision	Not yet completed	end-February.
Growth-enhancing structural reforms: labour	Partially completed	end-February.
Growth-enhancing structural reforms: other	Not yet completed	end-February.

(L: Law; SB: Supplementary budget; MD: Ministerial Decision; JMD: Joint Ministerial Decisions; PD: Presidential Decree; C: Circular)

Action	Status	Requirement (provisional) and planned timetable
FISCAL CONSOLIDATION		
Reduction in pharmaceutical expenditure by at least EUR 1 076 million, in 2012 by reducing medicine prices (generics and branded medicines), increasing co-payments, reducing pharmacists' and wholesalers' trade margins, application of compulsory e-prescription by active substance and protocols, the update of the positive list of medicines and the implementation of a mechanism of quarterly rebates (automatic claw-back) to be paid by the pharmaceutical industry.		Medicine prices: L+MD Co-payment: JMD Pharmacists' margins: Law+JMD Protocols/compulsory e-prescription: L+MD Rebate: L+JMD Timing: end-February
Reduction in overtime pay for doctors in hospitals by at least EUR 50 million		SB+ JMD Timing: end-February
Reduction in the procurement of military material by EUR 300 million (cash and deliveries).		SB Timing: submission of SB by 20 February, adoption by end February
Reduction in the number of deputy mayors and associated staff with the aim of saving at least EUR 30 million.	Law tabled in Parliament. However, even if adopted, there would be no savings for 2012. These would only materialise in 2013.	
Reduction in the central government's operational expenditure, and election-related spending, by at least EUR 270 million, compared to the budget.		Operational expenditure: SB+C Electoral expenditure: SB+MD Timing: : submission of SB by 20 February, adoption by end February

<p>Cuts in subsidies to residents in remote areas, and cuts in grants to several entities supervised by the several ministries, with the aim of reducing expenditure in 2012 by at least EUR 190 million.</p>		<p>SB+MD Education entities: L + MD</p> <p>Timing: submission of SB by 20 February, adoption by end February</p>
<p>Reduction in the public investment budget (PIB) by EUR 400 million: this cut will be implemented through cuts in subsidies to private investments and nationally-financed investment projects. The reduction in the PIB budget will not have any impact on projects that are co-financed by structural funds (uncompleted project financed by the 2000-06 operational programmes, cohesion fund (2000-06) projects, 2007-13 operational programmes, and non-eligible expenditure).</p>		<p>SB+MD (specifying no impact for EU funds)</p> <p>Timing: submission of SB by 20 February, adoption by end February</p>
<p>Changes in supplementary pension funds and pension funds with high average pensions or which receive high subsidies from the budget, with the aim of saving at least EUR 300 (net after taking into account the impact on taxes and social contributions).</p>	<p>Ongoing consultation with the Commission, ECB and IMF staff to define the specific modalities of the changes in pension.</p>	<p>L+MD (it may also require decisions by the pensions scheme boards)</p> <p>Timing: end February</p>
<p>Additional structural spending cuts amounting to EUR 325 million will be identified (in consultation with the Commission, ECB and IMF staff) and implemented.</p>	<p>Ongoing consultation with the Commission, ECB and IMF staff</p>	
<p>Ministerial Decisions for the implementation of the business tax (minimum levy on self-employed) provided for Article 31 of Law 3986/2011</p>		<p>MD</p> <p>Timing: 24 February</p>
<p>Ministerial Decisions to complete the full implementation of the new wage grid in all the pertinent entities, and legislation on the modalities for the recovery of wages paid in excess from November 2011 afterwards.</p>		<p>Recovery: L</p> <p>Implementation: MD for lawyers, special scientists of independent authorities, staff of ministerial offices and fixed-term contracts ready for signature</p> <p>Timing: 24 February</p>

REVENUE ADMINISTRATION

Articles 3 and 21 of Law 4038/2012 are amended. The suspension of criminal prosecution and asset freezing is eliminated; the conditions to extend the instalment plans for overdue taxes and social contributions are revised.		L Law has been adopted. Pending publication in the Government's Gazette Timing: week of 20-26 February
Completion of 75 full-scope audits and 225 VAT audits of large taxpayers, as targets set in the memorandum of 31 October 2011 for end-December 2011		Administrative action Timing: end February
Amend the Bank of Greece's decisions on the reporting by financial institutions, to the Financial Intelligence Unit, of suspicious transactions linked or related to tax evasion (Decisions 285/2009 and 281/2009) to enhance monitoring and detection mechanisms.		D Timing: end February
Take measures to ensure that complaint reports related to confirmed unpaid tax debts arising from an audit are transmitted for prosecution and to the FIU		C Timing: end February
Make it compulsory for large tax cases to exhaust the administrative dispute phase before accessing judicial appeals		C Timing: end February
Tighten rules for waiving the deposit to access judicial appeals (without prejudice to judicial independence)		C Timing: end February
Issue decisions and legislative acts to delegate from the ministerial to the administrative level the control powers over core business activities and human resource management		C Timing: end February
Place under direct control and management of GSTC headquarters the collection of large debts, and consolidate activities in the largest 35 tax offices		C Timing: end February

PENSION REFORM

The Government proceeds, through a framework law, with an in-depth revision of the functioning of secondary/supplementary public pension funds.

L
Timing: end February

STATISTICS		
The ongoing strengthening of the European Statistical System includes the introduction of Commitments of Confidence in Statistics, to be signed by all Member States. The Government will sign such a Commitment, which will be endorsed by Parliament		Timing: end February

FINANCIAL SECTOR REGULATION AND SUPERVISION

The Bank of Greece, with the support of external consultants, will undertake a comprehensive assessment of banks' capital needs.		Administrative action Timing: end February
Based on the ongoing work by the commissioned external audit firm, a study will be completed on how to address ATE. The study will illustrate the legal, operational and financial aspects of the different solutions and lay out associated costs.		Administrative action Timing: end February
Capital adequacy requirements. The banking law (3601) will be amended to enable the Bank of Greece to set new bank capital standards through regulation, and the Bank of Greece will introduce regulation to phase in the foreseen increases in Core Tier 1 requirements.		L Timing: end February
Technical aspects of bank resolution. Building on the recent changes in the bank resolution framework and the experiences gained so far, the authorities will clarify the procedures and responsibilities for the valuation of assets and liabilities and thus for the opening balance sheet of the interim credit institutions. The authorities will also strengthen the framework to ensure that future resolutions initially use conservative asset valuations of failed banks' assets, based on fair value, and subsequently allowing for a proper due diligence and revaluation followed by complementary asset transfers within a specified time period. The authorities will also identify the legislative impediments to a flexible management of employment contracts in the context of bank resolutions and adopt the needed legislative changes to remove them.		L Timing: end February
Recapitalisation framework. The HFSF law will be amended to allow the use of contingent convertible bonds and to provide for restrictions on HFSF voting rights for a 5-year period. The voting rights of the HFSF for the common shares it holds will depend on the size of the capital injection by private investors via common shares. If this injection is below a given minimum percentage of a bank's total capital needs (to be defined in the HFSF law), the HFSF will have full voting rights. The HFSF shall hold its shares for a period of two years, with the possibility to extend for an additional two years for financial and market stability reasons. If instead this private injection is larger than this percentage, the HFSF voting rights will be strictly limited to specific strategic decisions. In this case, the legal framework will be revised to allow the HFSF to hold bank shares for 5 years.		L Timing: end February

<p>Resolution framework. The Government and the Bank of Greece will introduce a clear separation of the supervisory, resolution and restructuring functions. In particular, the legal framework shall vest resolution responsibilities in a separate department in the Bank of Greece and restructuring responsibilities (pertaining to management of all temporary credit institutions) in the HFSF. As regards interim credit institutions, the Bank of Greece will continue pursuing its financial stability role, notably via its supervisory authority, while the HFSF will continue aiming at safeguarding its investments.</p>		<p>L Timing: end February</p>
<p>The Government will revise the legal framework to clarify that the HFSF shall have two departments, responsible for separate functions: (i) A department responsible for managing its ownership interest in banks on behalf of the Government.(ii) A department for management of interim credit institutions (bridge banks), established following the resolution of non-viable banks.</p>		<p>L Timing: end February</p>
<p>The Government will revise the HFSF's governance structure to include a General Council and an Executive Board.</p>		<p>L Timing: end February</p>
<p>The Government will strengthen the funding of the HDIGF Depositor Branch by revising the HDIGF Law.</p>		<p>L Timing: end February</p>

GROWTH-ENHANCING STRUCTURAL REFORMS

<p>The wages established by the national general collective agreement (NGCA) will be reduced by 22 percent compared to the level of 1 January 2012; for youth (for ages below 25), the wages established by the national collective agreement will be reduced by 32 percent without restrictive conditions.</p>	<p>The Law voted by Parliament on 13 February 2012 establishes (Art 1(6)) that the necessary provisions on these issues will be regulated by the Council of Ministers and that no additional law is necessary.</p> <p>Timing: Publication of Law: week 20-26 February. Adoption and publication of other implementing acts (e.g. decrees or circulars): end February.</p>
<p>Clauses in the law and in collective agreements which provide for automatic wage increases, including those based on seniority, are suspended.</p>	
<p>Legislation on collective agreements is amended with a view to promote the adaptation of collectively bargained wage and non-wage conditions to changing economic conditions on a regular and frequent basis. Law 1876/1990 will be amended as follows: (i) Collective agreements regarding wage and non-wage conditions can only be concluded for a maximum duration of 3 years. Agreements that have been already in place for 24 months or more shall have a residual duration of 1 year. (ii) Collective agreements which have expired will remain in force for a period of maximum 3 months. If a new agreement is not reached, after this period, remuneration will revert to the base wage and allowances for seniority, child, education, and hazardous professions will continue to apply, until replaced by those in a new collective agreement or in new or amended individual contracts.</p>	
<p>Legislation is revised so that arbitration takes place when agreed by both employees and employers. The government will clarify that arbitration only applies to the base wage and not on other remuneration, and that economic and financial considerations are taken into account alongside legal considerations.</p>	
<p>Clauses on tenure (contracts with definite duration defined as expiring upon age limit or retirement) contained in law or in labour contracts are abolished.</p>	
<p>Legislation will be enacted to close small earmarked funds engaged in non-priority social expenditures (OEK, OEE), with a transition period not to exceed 6 months.</p>	<p>Law has been adopted (pending publication during the week 20-26 February) Additional legislation may be required. Timing: end February</p>

<p>The Government screens and makes the necessary changes to ensure that the regulatory framework of the following professions and economic activities is fully in line with chapter A of law 3919/2011: private providers of primary care services i.e., i) private providers of primary health care (private doctors and dentists' practices; private group doctors' and dentists' practices; private diagnostic centres; private centres for physical medicine and rehabilitation); ii) chronic dialysis units other than in hospitals and clinics; iii) dental laboratories; iv) shops for optical use and contact lenses; v) physiotherapy centres; vi) beauty salons; vii) slimming/dietary businesses; stevedores / loaders for land operations at central markets; sworn-in valuers; accountants and tax consultants; actuaries; temporary employment companies; private labour consultancy offices; tourist guides; real-estate brokers.</p>		<p>L/PD/MD/C Timing: end February</p>
<p>Secondary legislation specifying the cost for issuing new road transport operator licences. This cost is transparent, objectively calculated in relation to the number of vehicles of the road transport operator and does not exceed the relevant administrative cost.</p>	<p>Ministerial Decision prepared, but not yet published Timing: Publication expected on 24 February.</p>	

Latest update: 15 February 2012.