



EUROPEAN COMMISSION

Brussels, 1.7.2011
COM(2011) 422 final

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Follow-up to the Council 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

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1. INTRODUCTION

This quarterly Communication assesses the measures implemented and planned by Greece to comply with Council Decision 2010/320/EU.¹ Action taken until end-2010 was assessed in the Communication dated 24 February 2011.² Together with an accompanying Commission staff's report, prepared in liaison with the ECB,³ the Communication also contributes to the assessment of compliance with the MEFP and the MoU,⁴ in the context of the loan facility agreement between Greece and other euro-area Member States.

This assessment is based on the report submitted to the Council and the Commission by Greece,⁵ and on the the mission conducted by European Commission staff together with IMF and ECB staff, in the context of the economic adjustment programme which is being financed by bilateral loans by the euro-area Member States and an IMF's stand-by arrangement.

2. THE COUNCIL DECISION OF 10 MAY 2010

On 10 May 2010, the Council adopted Decision 2010/320/EU, 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.

From a general government deficit of EUR 36 306 million at the end of 2009, the Council Decision required Greece to adopt a number of specific measures with the aim of keeping general government deficit below the following ceilings:

- EUR 18 508 million (8.0 percent of GDP, on the basis of the latest GDP data) in 2010;
- EUR 17 065 million (7.6 percent of GDP on the basis of the latest forecasts) in 2011;

¹ OJ L 145, 11.6.2010, p. 6.

² COM (2011) 85 final.

³ 'The Economic Adjustment Programme for Greece – Fourth Review,' *European Economy–Occasional Paper*, (2011). The reader is referred to that document for a more detailed assessment of macroeconomic, financial, fiscal and structural reform developments.

⁴ Memorandum of Economic and Financial Policies, and Memorandum of Understanding of Specific Economic Policy Conditionality of 3 May, updated 23 February 2011.

⁵ *The Economic Adjustment Programme for Greece – Report submitted in accordance with Council Decision – May 2011*. The report was submitted by the Greek government on 17 June 2011. It is available at: http://ec.europa.eu/economy_finance/eu/countries/greece_en.htm.

- EUR 14 916 million (6.5 percent of GDP) in 2012;
- EUR 11 399 million (4.8 percent of GDP) in 2013 and
- EUR 6 385 million (2.6 percent of GDP) in 2014.⁶

The Decision clarifies that privatisation proceeds are not considered in the effort to comply with ceilings.

The Decision also requires that the annual increase in the general government consolidated gross debt does not exceed:

- EUR 34 058 million in 2010;
- 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

The Decision was amended on 7 September 2010 (Decision 2010/486/EU),⁸ 20 December 2010 (Decision 2011/57/EU)⁹ and 7 March 2011 (Decision 2011/257/EU).¹⁰ The aforementioned ceilings for the general government deficit and the annual change in the debt level were kept unchanged.

3. BUDGETARY EXECUTION

3.1. 2010

The ESA-based government deficit ceiling for 2010 was missed. While the deficit ceiling as established in the Council Decision was EUR 18 508 million (or 8.0 percent of GDP) for 2010, the actual deficit was EUR 24 193 million (or 10.5 percent of GDP). Most of the deviation from the budgetary target was already anticipated in the previous quarterly communications, and partly resulted from reclassification of public entities (0.8% of GDP). However, the actual deficit validated by Eurostat¹¹ also exceeded by around 1 percent of GDP the Commission's estimates of February 2011.¹² The deviation compared to the previous estimate was the result of revenue shortfalls, worse-than-estimated balance of social security and an accumulation of payment in arrears in excess of previous estimates.

⁶ The ratios to GDP are indicative. In the Council Decision, the ratios-to-GDP refer to the nominal GDP figures available in May: 8.0, 7.6, 6.5, 4.9 and 2.6 percent of GDP for 2010 to 2014, respectively.

⁷ Taking into account the revised debt figure for 2010 as revised in April 2011 and the latest nominal GDP projections, this corresponds to the following ceilings for the debt ratio: 143, 154, 158, 159 and 157 percent of GDP for 2010 to 2014, respectively.

⁸ OJ L 241, 14.9.2010, p.12.

⁹ OJ L 26, 29.1.2011, p. 15.

¹⁰ OJ L 110, 29.4.2011, p. 26.

¹¹ Eurostat News Release No 60/2011 of 26 April 2011.

¹² 'The Economic Adjustment Programme for Greece – Third Review,' *European Economy–Occasional Paper*, 77 (February 2011).

The general government debt-to-GDP ratio at the end of 2010 reached EUR 328 588 million or 142.8 percent of GDP. Compared to 2009, the debt increased by EUR 29 882 million, therefore, below the ceiling established by the Council.

3.2. First quarter of 2011

In the first quarter of 2011, the quarterly performance criterion for state primary spending, as established in the MEFP and MoU, was respected. The outcome was EUR 13.5 billion against a ceiling of EUR 15 billion. It should be noted that, compared to previous quarters, during which the ceiling for state primary spending was defined on a cash basis, data now include the change in the stock of arrears owed by the state. According to available information, the amount of arrears owed by the state at the end of the first quarter of 2011 stands at above EUR 1.1 billion (compared to 0.9 billion in end-2010).¹³

During the same period, the (modified) general government primary deficit reached EUR 806 million, against the ceiling of EUR 2 billion. It was also the first time this criterion took into account the accumulation of arrears.

Tables 1 and 2 contain detailed information on the budget implementation in January through March 2011, and also some data for May 2011.

¹³ There are also arrears in other government layers, like local governments or hospitals, which are not yet taken into account in the quarterly performance criteria.

**Table 1: Budget implementation
(January-March 2011)**

<i>cash basis (EUR million)</i>	2010		2011	
	Jan - Mar		% change Jan-Mar	Budget % change
Total revenue	12 362	11 732	-5.1	8.5
Revenue before refunds	13 141	11 931	-9.2	5.6
Tax refunds	1 057	825	-21.9	-23.7
Capital revenue	275	609	121.5	27.7
NATO expenses	3	17		
Total expenditure	16 732	16 435	-1.8	6.6
Primary expenditure	12 373	12 086	-2.3	1.9
Past-debts of hospitals	-	375		
Military payments and NATO Guarantees called (off general government)	- 46	50 10	-78.3	0.0
Interest	2 797	3 237	15.7	20.4
Capital expenditure	1 516	677	-55.3	0.6
State budget balance	-4 370	-4 703	7.6	-3.9
Change in arrears	-	263	-	-
State primary spending	13 935	13 461	-3.4	-
Local government balance (*)	-	191	-	-
Social security balance (*)	-	605	-	-
Other	-	-9	-	-
General government (modified) balance	-	-4 179	-	-
General government (modified) primary balance (**)	-	-806	-	-

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 2: Budget implementation
(January-May 2011)**

<i>cash basis (EUR million)</i>	2010		2011	
	Jan - May		% change Jan- May	Budget % change
Total revenue	20 069	19 019	-5.2	8.5
Revenue before refunds	21 508	20 574	-4.3	5.6
Tax refunds	1 751	2 234	27.6	-23.7
Capital revenue	309	661	113.9	27.7
NATO expenses	3	18		
Total expenditure	29 169	29 293	0.4	6.6
Primary expenditure	20 418	21 292	4.3	1.9
Past-debts of hospitals	-	375	-	
Military payments and NATO	68	66	-	
Guarantees called (off general government)	56	15	-73.2	0.0
Interest	5 397	5 844	8.3	20.4
Capital expenditure	3 230	1 701	-47.3	0.6
State budget balance	- 9 100	-10 274	12.9	-3.9
State primary spending	23 772	23 449	-1.4	

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

4. PROSPECTS FOR 2011 AND 2012-14

According to projections by the Commission, the IMF and ECB staff in the context of the fourth review mission of the economic adjustment programme (May 2010), the 2011 deficit would be in excess of 10 percent of GDP if no further measures were adopted. This means a fiscal gap of almost 3 percent of GDP on top of the deficit ceiling of 7½ percent of GDP.¹⁴ There were also very large gaps for 2012 through 2014: 5 percent for 2012, 7 percent for 2013 and almost 10 percent for 2014.

The gap was mainly because of significant revenue shortfalls, disappointing tax revenue, delays in implementation of fiscal measures in the budget for 2011, as well as a base effect from the worse-than-expected 2010 fiscal outcome. Also some measures previously agreed with the Commission, and included in the budget for 2011 are not going to be implemented (e.g. equalisation in the taxation of heating oil and diesel for transport uses). The recession appears to have been deeper and longer than projected so far. Economic activity contracted in 2010 by 4½ percent, somewhat more-than-projected at inception of the programme and subsequent reviews. For 2011, Commission services' current projection is 3.8 percent of contraction of the real GDP compared with 2.5% of the initial programme.

According to the Greek organic budget law, the government is required to prepare a medium-term fiscal strategy for 2012–15. In the context of this strategy, the Greek government

¹⁴ In the previous review of the adjustment programme, the Commission services had already identified a gap of at least ¾ of a percent of GDP.

announced the adoption of additional fiscal measures for 2011-2015 with the aim of reducing the deficit over the period. These measures are characterized by different levels of implementation risks. In 2011 and 2012, this risk is comparatively low, as revenue from improvements in tax compliance has not been considered and the most part of the consolidation comes from broadening tax bases and increasing tax rates (EUR 3.1 billion in 2011) and reductions in the public sector wage bill and in social expenses (expenditure cuts amount to EUR 3.4 billion in 2011).

The additional measures to stick to the deficit ceiling for 2011 and the medium-term fiscal strategy (MTFS) through 2015 are expected to include the following (as usual, the Greek government committed to discuss with the Commission, ECB and IMF, in case there was a need to revise these measures):

- Cuts in wage bill by at least EUR 770 million in 2011, and additional EUR 600 million in 2012, EUR 448 million in 2013, EUR 306 million in 2014 and EUR 71 million in 2015, through the implementation of attrition beyond the rule of 1 recruitment for 5 exits (1 for 10 in 2011); an increase in weekly working hours for public sector employees from 37.5 to 40 hours and reduction in overtime payments; reduction in the number of remunerated committees and councils; reduction in other additional compensation, allowances and bonus schemes; reduction in contractors (50 percent in 2011 and additional 10 percent in 2012 and onwards); temporary freeze of automatic progression; the implementation of a new remuneration grid; the introduction of part-time public sector employment and unpaid leave; a reduction in the number of admissions to military and policy academies, the transfer of excess staff to a labour reserve paid on average at 60 percent of the base wage, and a cut in the productivity allowance by 50 percent.
- Cuts in the state's operation expenditure by at least EUR 190 million in 2011, and additional EUR 92 million in 2012, EUR 161 million in 2013, EUR 323 million in 2014 and EUR 370 million in 2015, through the implementation of e-procurement for all public procurement; rationalization of energy expenses by public services; reduction in rental expenses following more efficient use of public property; reduction of all telecommunication expenses, abolition of free distribution of newspapers; cuts in operational expenditure in the ordinary budget, across the board; implementation of benchmarks in public spending following a one-year full operation of MIS for the general government expenditure.
- Cuts in extra-budgetary funds' expenses and transfer to other entities by at least EUR 540 million in 2011, and additional EUR 150 million in 2012, EUR 200 million in 2013, EUR 200 million in 2014 and EUR 150 million in 2015, through the assessment of the mandate, viability and expenses of all entities subsidized by the public sector and their mergers and closure; merger/closure and reduction in subsidies to educational institutions (schools, higher education institutions); reduction in State grants to entities outside general government, and an action plan on closing, merging and downsizing entities.
- Savings in state-owned enterprises by at least EUR 414 million in 2012, and additional EUR 329 million in 2013, EUR 297 million in 2014 and EUR 274 million in 2015, through increase in revenue of OSE, OASA and other enterprises, the implementation of restructuring plans and privatisation in Hellenic Defence Systems, Hellenic Aeronautical Industry, Hellenic Horse Racing Corporation; sale of

enterprises' assets associated with non-core activities; reduction in personnel expenses; reduction in operational expenses and mergers and closure of enterprises.

- Cuts in operational defence-related expenditure by at least EUR 133 million in 2013 and additional EUR 133 million in 2014 and EUR 134 million in 2015 , on top of the reduction in military equipment procurement (deliveries) of EUR 830 million from 2010 to 2015.
- Cuts in healthcare and pharmaceutical expenditure by at least EUR 310 million in 2011, and additional EUR 697 million in 2012, EUR 349 million in 2013, EUR 303 million in 2014 and EUR 463 million in 2015, through the implementation of a new 'health map' and associated reduction in hospitals expenses; a re-evaluation of mandate and expenses of non-hospital supervised entities; the implementation of central procurement system; reduction of average cost per case through case mixing; reduction in the services provided to the non-insured (gate-keeping function); introduction of charges for services provided to foreign citizens; the operation of the National Organization for Primary Healthcare (EOPI); the scanning by IKA of hand-written prescriptions; the expansion of the list of pharmaceuticals that do not require prescriptions; new prices of medicines; the establishment of insurance price by social security sector and the full implementation of e-prescription.
- Cuts in social benefits by at least EUR 1 188 million in 2011, and additional EUR 1 230 million in 2012, EUR 1 025 million in 2013, EUR 1 010 million in 2014 and EUR 700 million in 2015, through adjustment in supplementary pension schemes and subsequent freeze through 2015; a freeze in the base pensions; the reform of the disability pension system; a census of pensioners and cross-checking of personal data with full implementation of social security number and upper cap on pensions; a rationalization of criteria for pensioners (EKAS); a rationalisation of benefits and beneficiaries of OEE-OEK and OAED; cuts in the lump-sums paid on retirement; the cross-checking of personal data from introduction of ceilings for employers who can join OAED schemes; a reduction in the core pension of OGA and in the lower pension thresholds of other social security funds and tightening of criteria based on the permanent residence; reduction in expenses on social benefits though cross-checking of data; uniform regulation of health benefits for all social security funds; uniform contracts with private hospitals and medical centres; the review of social benefits in cash and in kind leading to the abolition of the least effective; an increase in the special pensioner contribution (Law 3863/2010) for pensioners whose monthly pension exceeds EUR 1 700; an increase in the special social contribution paid by pensioners below 60 years old with monthly pensions above EUR 1 700; the introduction of special tiered contribution for supplementary pensions above EUR 300 per month and reduction in transfers to NAT (sailors' pension scheme) and the OTE pension scheme and concomitant reduction in pensions.
- Cuts in other expenditure by at least EUR 150 million in 2011, and additional EUR 250 million in 2012, EUR 175 million in 2013, EUR 170 million in 2014 and EUR 160 in 2015, through cuts in expenses by local government financed by state subsidies.
- Cuts in expenditure by the public investment budget (domestically-financed public investment, investment-related grants) and administrative costs associated with the National Strategic Reference Framework (ESPA) by EUR 950 million in 2011, of

which EUR 350 million will be permanent, and additional EUR 154 million (administrative costs) in 2012.

- Increases in taxes by at least EUR 2017 million in 2011, and additional EUR 3 678 million in 2012, EUR 156 million in 2013 and EUR 685 million in 2014, through an increase in VAT rate on restaurants and bars from 13 to 23 percent from September 2011 on; increase in property taxes; reduction of income tax-free threshold to EUR 8 000 and establishment of a progressive solidarity contribution; increases in presumptive taxation and levies on self-employed; reduction of tax exemptions/expenditures; changes in tax regime for tobacco products with an accelerated payment of excise duty and in tax structure; an excise on soft drinks; excises on natural gas and liquefied gas; abolition of the tax advantage for heating oil (for enterprises from October 2011 on, and progressively for households from October 2011 to October 2013); an increase in the vehicles tax; an emergency contributions on vehicle, motorbikes and pools; increase fines of unauthorised buildings and settlement of planning infringements; the taxation on private boats and yachts; a special levy on high-value real estate; and special levy on smoking spaces.
- Improvements in tax compliance by at least EUR 878 million in 2013, and additional EUR 975 million in 2014 and EUR 1147 million in 2015.
- Increases in social contributions by at least EUR 629 million in 2011, and additional EUR 259 million in 2012, EUR 714 million in 2013, EUR 1 139 million in 2014 and EUR 504 in 2015, through the full implementation of a single unified payroll and insurance contribution payment method; an increase in contribution rates for OGA and ETAA beneficiaries; the establishment of OAEE beneficiary solidarity fund; the adjustment of unemployment contribution for private sector employees; the introduction of unemployment contribution for self-employed; and a contribution for unemployed paid the employees of the public sector, including state-owned enterprises, local government and other public entities.
- Increases in local government revenue by at least EUR 105 million in 2012 and additional 170 million in 2013, EUR 130 million in 2014 and EUR 145 million in 2015, through an increase in revenues from tolls, fees, rights and other revenue streams following the merging of local administrations; and an increase in local tax compliance following the introduction of a local tax clearance certificate requirement.

5. PROGRESS WITH STRUCTURAL REFORMS

Progress has been proceeding in structural fiscal reforms, though in some cases slower 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 arrangement and implementing an anti-evasion strategy to restore tax discipline and improve compliance. The relevant law, adopted by Parliament in March 2011, is part of the broader 3-year strategy against tax evasion.

Budgetary institution reforms are progressing with the set up of the Parliamentary Budgetary Office and the appointment of its head and staff, as well the reorganisation of the General

Accounting Office. Progress has been also 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 has been launched, improvements in the scope and coverage of data set are necessary.

Progress has been made with the healthcare reform - a first package of reforms having been adopted in mid-February 2011 and its implementation is ongoing, including the operation of the database ESY.NET, which ensures the availability of revenue/expenditure data for most hospitals. However, a number of fiscal structural measures have been delayed, including simplifying the public sector remuneration system and making fully effective the Single Payment Authority (SPA). Albeit with some delay, the preparation of the functional reviews of central administration and social programmes is also making progress.

6. PRIVATISATION

Important steps have been agreed to strengthen and accelerate the privatisation programme. The Greek government is one of the European sovereigns with the richest portfolio of assets. This portfolio includes listed and non-listed companies, concessions and real estate: buildings and commercially-viable land. Most of these assets have not provided any relevant revenue; loss-making state-owned enterprises have actually been a source of costs borne by the taxpayers. Privatising those assets will contribute to reduce the government balance-sheet with a small, if any, cost, in terms of future revenue, and may actually reduce costs. At the same time, privatisation promotes the economic activity and foreign direct investment. The government has identified key assets to be privatised (work is still necessary to establish real-estate portfolios for privatisation) and a provisional calendar of privatisation was agreed. To accelerate the procedure, and ensure the irreversibility of the whole process, the appropriate governance is being put in place: a privatisation fund managed by an independent and professional board will be established shortly. The Commission and the Eurogroup will have the right to appoint one observer each to the board.

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.

7. CONCLUSION

The government deficit (ESA95 basis) ceiling for 2010 established by the Council Decision was missed. However, in 2010, the deficit ratio fell by almost 5 points as compared to 2009. The government debt ratio has increased from 127.1 percent of GDP at the end 2009 to 142.8 percent in 2010.

For 2011, further action is necessary to stick to the deficit ceiling. Therefore, the government has elaborated a set of durable measures that will reduce the deficit in subsequent years. In the context of the medium-term fiscal strategy, permanent fiscal consolidation measures of about 10 percent of GDP have been identified, to ensure the achievement of deficit targets up to

2014, and that the debt-to-GDP ratio is put on a sustainable downward path. A scaled-up privatisation plan is expected to reduce the debt ratio by almost 20 percentage points of GDP in five years.

All in all, despite the 2010 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-MARCH 2011.

Measures (as required by Article 2(4) of the Council Decision)	State of progress
"Greece shall adopt the following measures by the end of March 2011:	
(a) (abrogated)	--
(b) publication of comprehensive long-term projections of pension expenditure up to 2060 as set out in the July 2010 legislative reform. The projections shall encompass the supplementary (auxiliary) schemes, based on a comprehensive set of data collected and elaborated by the National Actuarial Authority. The projections shall be peer-reviewed and validated by the Economic Policy Committee;	<p>Partially observed.</p> <p>The long-term projections submitted by the National Actuarial Authority cover the four major pension funds, which account for expenditure of 9.4 percent of GDP in 2009 or 2/3 of total pension expenditure in that year, 93 percent of total active insured population and 93 percent of total pensioners in Greece. The available projections do not cover all the auxiliary funds, welfare funds, a few public corporations' funds and marine fund.</p>
(c) the government clears payment of arrears accumulated in 2010 and reduces those of previous years;	<p>Not observed.</p> <p>Expenditure pending payment to suppliers and beyond their due date have increased in the first quarter of 2011. Data provided by the Greek Ministry of Finance indicate that arrears at end-March 2011 amount to EUR 1.1 billion for the state; this is an increase of at least EUR 263 million since end-December. There are also arrears in other government layers, like local governments or hospitals, which are not yet taken into account in the quarterly performance criteria. For the government as a whole arrears at end-March 2011 amount EUR 6 billion.</p>
(d) a medium-term budgetary strategy plan which identifies permanent fiscal consolidation measures of at least 8 % of GDP (some of which have already been identified in May 2010), plus a contingency reserve, that will ensure the achievement of deficit targets up to 2014, and that the debt-to-GDP ratio is put on a sustainable downward path. The strategy plan will be published for public consultation before end March. The medium-term strategy plan includes, in particular: prudent macroeconomic forecasts; baseline revenue and expenditure projections for the state and for the other government entities; a description of permanent fiscal measures, their timing and their quantification; annual spending ceilings for each ministry and fiscal targets for other government entities through 2014; post-measures fiscal projections for general government in line with the deficit and debt targets; longer term debt projections based on prudent macroeconomic projections, stable primary surpluses from 2014 on; and privatisation plans. The medium-term strategy plan will be articulated with the ongoing healthcare and pension reforms and with specific sectoral plans. The sectoral plans (draft plans to be available by end March), will cover in particular: tax policy reforms; state-owned enterprises; extra budgetary funds (legal entities of the public sector and earmarked accounts); public wage bill; and public administration; social spending; public investment	<p>Not observed yet.</p> <p>The medium-term fiscal strategy is expected to be adopted by end-June 2011.</p>

and military spending. Each sectoral plan will be managed by interministerial taskforces;	
(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; and publication of monthly reports of the five anti-evasion taskforces, including a set of progress indicators;	Partially observed. The final text of the law as adopted by Parliament was significantly amended, compared with the draft previously discussed with the Commission services. Some of the features of the initial draft, such as the indirect audit methods were left outside the law.
(f) a detailed action plan with a timeline to complete and implement the simplified remuneration system; preparation of a medium-term human resource plan for the period up to 2013 in line with the rule of 1 recruitment for 5 exits, also specifying plans to reallocate qualified staff to priority areas; and publication of monthly data on staff movements (entries, exits, transfers among entities) of the several government departments;	Partially observed. There is a report describing the situation in relation to public employment and public wages. However, this report does not contain policy options of a timeline for streamlining the remuneration grids.
(g) implementation of the comprehensive reform of the health care system started in 2010 with the objective to keep public health expenditure at or below 6 % of GDP; measures yielding savings on pharmaceuticals of at least EUR 2 billion relative to the 2010 level, of which at least EUR 1 billion in 2011; 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; 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;	Partially observed. Government passed Law 3918/2011 on structural changes to the healthcare system and other provisions which introduces a number of changes in the system governance and in the way some services are purchased and provided (e.g. procurement system) and regulated (e.g. pharmacies). The Law also merges the health insurance function of the four biggest funds (IKA-ETAM, OGA, OPAD and OAEE) and creates the National Health Services Organisation (EOPYY) for the purchasing of healthcare services for those insured under those funds. In February 2011, about 20 hospitals did not have a proper / modern ICT system. For the others, the Ministry of Health had created a web platform ESY.net which act as was a system to integrate information (financial, administrative and activity information) from all hospitals. This information is gathered monthly and sent to Ministries of Health and of Finance. 132 hospitals have now moved to the double-entry accrual accounting system for monthly expenses and revenues. 119 hospitals produced balance sheets for 2009, and 121 for 2010, but some have not yet done so. In February, EKEVYL and EPI had created a common coding system for all medical supplies to be used by NHS hospitals together with a web platform to monitor the requests by hospitals. The process of modernising ICT systems in view of a fully integrated and automated system is ongoing. In December 2010 a circular required a quarterly report (October-December 2010) of the cost of drugs from all hospitals including the volume and cost with generics. Another circular set the goal to increase the share of generics in NHS hospitals to 50 percent by 2011. The share of generics is so far 12.4

	percent of total.
(h) with the aim of fighting waste and mismanagement in state-owned companies and yield fiscal savings of at least EUR 800 million, an act 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 %; actions that reduce operational expenditure in public companies between 15 % to 25 %; and an act for the restructuring of the OASA;	Observed. Law 3920/2011 on OASA's restructuring was adopted on 22 February 2011.
(i) a new regulatory framework to facilitate the conclusion of concession agreements for regional airports;	Observed. Law 3913/2011 was adopted on 16 February 2011.
(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;	Observed.
(k) adoption of a law to establish the Single Public Procurement Authority in line with the Action Plan; and development of an e-procurement IT platform and setting up of intermediate milestones in line with the Action Plan, including: testing a pilot version, availability of all functionalities for all contracts and phasing-in of the mandatory use of e-procurement system for supplies, services and works contracts;	Ongoing. The draft law on the Single Public Procurement Authority is in compliance with the action plan agreed between the Commission and Greece in September 2010. The contract to provide an e-procurement platform has not been signed.
(l) an act specifying the qualification and responsibilities of accounting officers to be appointed in all line ministries and major government entities with the responsibility to ensure sound financial controls; appointment of financial accounting officers; and acceleration of the process of establishing commitment registries and operational registries covering the whole general government (except the smallest entities).	Partly observed. The financial accounting officers have been appointed but are not fully operational yet. The commitment registries are not yet operational in all government entities.