

Greece: Technical Memorandum of Understanding

[April..., 2017]

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the indicators subject to quantitative targets (performance criteria and indicative targets), specified in the tables annexed to the Memorandum of Economic and Financial Policies. It also describes the methods to be used in assessing program performance and the information that we will provide to ensure adequate monitoring of the targets.
2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, except for the items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on March 31, 2017. In particular, the exchange rates for the purposes of the program are set: €1 = 1.0691 U.S. dollar, €1 = 119.7927 Japanese yen, and €1.269150 = 1 SDR.

General Government

3. **Definition:** For the purposes of the program, general government entities include all units classified as government units in the registry of the National Statistical Service (ELSTAT) as reflected in the most recent EDP notification, in accordance with the rules specified in the *European System of Accounts 2010 (ESA10)* and the *ESA10 Manual on Government Deficit and Debt*.¹

QUANTITATIVE AND CONTINUOUS PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND CONTINUOUS PERFORMANCE CRITERIA: DEFINITIONS AND REPORTING STANDARDS (TABLE 1)

A. Floor on the Modified General Government Primary Cash Balance (Performance Criterion)

4. **Definition:** The modified general government primary cash balance (MGGPCB) is defined as the modified general government cash balance (MGGCB) minus general government interest payments. The MGGCB is defined as the sum of the cash balances of general government entities measured from above the line (revenue minus expenditure after consolidation for intra- and inter-sectoral transactions).² The delineation of the above the line

¹On sectorization, both manuals are consistent with Government Finance Statistics Manual 2014 (GFSM2014).

²Net lending/net borrowing, as defined by the *ESA 2010*.

and below the line transactions, and classification of the main revenue and expenditure categories is in accordance with the rules specified in the *ESA2010* and the *ESA2010 MGDD*.

- **The ordinary state budget.** The cash balance of the ordinary state budget will be measured as: (i) gross ordinary budget revenues (recurrent and non-recurrent), minus tax refunds; minus (ii) ordinary budget expenditures as published monthly in the State Budget Execution Bulletin on the official website of the Ministry of Finance; plus (iii) all revenues minus expenditures (the balance of operations) performed through the accounts outside the budget, in particular STA.
 - **The cash balance of the public investment budget.** The cash balance of the public investment budget will be measured as investment budget revenues minus investment budget expenditures as published monthly in the State Budget Execution Bulletin on the official website of the Ministry of Finance, and in line with the corresponding line items established in the investment state budget.
 - **Other Sectors (EBFs, SOEs, local governments, social security funds, and hospitals).** The cash balance of the remaining sectors of the general government will be measured as: (i) gross revenues (including transfers from the State government as well as from other subsectors) minus (ii) expenditures, as published monthly on the official website of the Ministry of Finance.
 - **Consolidation.** The sum of cash balances will be derived from the aggregated revenue and expenditure of all general government entities excluding all intra and inter-sectoral transactions.
- 5. Reconciliation:** The Bank of Greece will provide detailed monthly data on assets, liabilities, and net financing of general government entities, by financial instruments, and by groups defined in ¶4. If there is a positive discrepancy between MGGCB and net financing requirements as reported by the Bank of Greece exceeding [200 million] euro, net financing requirements will be used to measure MGGCB for the purpose of the quarterly performance criterion.
- 6. Adjustments:** The MGGPCB will exclude:
- the part of the public investment budget (revenues and expenditures) related to EU structural funds and their co-financing;
 - all transfers related to Eurogroup decisions regarding income of euro area national central banks (SMP and ANFA revenue) including the BoG, stemming from their investment portfolio holdings of Greek government bonds;
 - receipts from the sale of non-financial assets such as land, buildings, leases, concessions or licenses;
 - total general government migration-related expenditure, net of EU transfers to the Greek budget for migration-related costs, recorded under the special budget account for

migration expenditure codes 590 to 596 (for Ministries), 078(for Decentralized Administration) and 187, 188 and 238 (for regional services of Ministries). Migration-related expenditure will exclude wages and salaries of permanent civil servants for the purposes of this adjustor. Delayed EU fund payments related to migration expenditure already deducted from previous years' program balance will be also excluded. The total adjustment will not exceed 0.2% of GDP per annum.

- payments related to support of the banking system that are part of the program's financial sector strategy;
- any payments from banks that, in Fund staff's assessment, would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the most recent stress test. [Such payments include revenues of the Hellenic Deposit and Investment Guarantee Fund (TEKE).] The two exceptions to this are the capital concentration tax and the guarantee fee structures in place as of December 31st, 2016.
- any payments of spending arrears and tax refunds accrued in previous years and paid in the current year with special appropriation for arrears clearance.

7. Supporting material:All of the following will be provided within four weeks of the end of each reporting month:

- For the State, EBFs, and SOEs, the Ministry of Finance (MoF) will provide to the European Commission, ECB and IMF detailed information on monthly revenues and expenditures including interest expenses, accounts payable distinguishing third parties, domestic and foreign debt redemptions, new domestic and foreign debt issuance, change in the domestic and foreign currency cash balances at the Bank of Greece, and all other sources of cash financing.
- For local governments, the Ministry of Finance, in collaboration with the Ministry of Interior, will provide monthly data on revenues and expenditures, accounts payable distinguishing third parties, as collected in the Ministry databank.
- For the social budget and hospitals, the Ministry of Finance, in collaboration with the Ministry of Labor and Ministry of Health, will provide monthly data on revenues and expenditures and accounts payable distinguishing third parties, in the social security funds, the central healthcare fund (EOPYY) and public hospitals.
- Finally, with a view to cross-check above and below the line primary cash balances (see ¶15), the Bank of Greece will provide detailed monthly data on net acquisition of financial assets and liabilities of the State and all non-State subsectors of the General Government as defined above: local authorities, social budget entities, extra-budgetary funds, and

state enterprises included in the definition of general government. The entity in charge of the operation of the Single Treasury Account (STA) will provide monthly data on the outstanding amount of the STA, and inflows and outflows passing through the STA grouped by main categories, and distinguishing above and below the line transactions and possible other economic flows. A template agreed with IMF staff and compiled and provided by the GAO based on the information provided by the above entities will reconcile above (General Government Bulletin) and below the line (BoG) data, including asset and liability stocks and flows reconciling differences between BoG deposit data and c-table deposit data.

- Monthly data by budget code on the use of the special account allocated for refugee spending, including data on wage and nonwage-related spending, within three weeks of the end of each month. Results of the ex-post surveys of line ministries on migration-related spending on quarterly basis.
- Monthly data on payments of spending arrears, tax refunds, and pension claims accrued in previous years and paid with special appropriation for arrears clearance and with ESM special financing for arrears clearance.

B. Ceiling on the Stock of Domestic Arrears and on New Gross Accumulation of Arrears (Performance Criteria)

8. Definition. Domestic arrears are defined as: (i) unpaid invoices of the general government owed to third parties that are 90 days past their due date; plus; (ii) the entire stock of tax refund claims of third parties that have received an AFEK (verified and non-verified) but excluding those under legal dispute, and any unprocessed tax refund claims that have exceeded 90 days since the claim was filed; and (iii) any processed and unprocessed pension claims that have exceeded 90 days since the retirement application was filed. In case no due date is specified on a given supplier contract, an unpaid commitment is in arrears 90 days after the receipt of the invoice. Tax refund claims that have received an AFEK and processed and approved pension claims are due immediately. The net accumulation of arrears and other claims is calculated as the change in the stock of general government spending arrears (excluding arrears subject to the clawback and rebate mechanism), processed (AFEK) tax refund claims, unprocessed non-AFEK tax refunds and pension claims older than 90 days. A ceiling is also set on the gross accumulation of general government spending arrears.

9. Supporting material. Monthly data on the stock and new gross accumulation of spending arrears and tax refund (processed) claims of the general government will be provided by the Ministry of Finance within four weeks after the end of each month. The Ministry of Finance will publish this information on its website. The Ministry of Finance will also provide for the institutions data on accounts payable overdue by 0–30, 31–60, and 61–90 days for general government entities as reported in the commitment registers as well as (i) stock of spending arrears; (ii) stock of unpaid processed tax refund claims, showing verified and unverified claims; (iii) stock of unpaid unprocessed tax refund claims, distinguishing those that are older than 90 days. Tax refund arrears data (including the age of tax refund claims) will be based on

information provided by General Secretariat for Information Systems and Independent Authority for Public Revenue (IAPR). IAPR will fill out the tax refund template provided for this purpose on a monthly basis. Unprocessed pension claims, including the age of the claims, will be provided by the Ministry of Labor. The coverage of the current reporting of general government contingent claims will be assessed in consultation with the institutions, and extended according to an agreed timetable to cover all contingent claims that are not currently reported on monthly basis.

C. Ceiling on the Overall Stock of General Government Debt (Performance Criterion)

10. Definition. The overall stock of general government debt will refer to general government gross debt, as defined in the Excessive Deficit Procedure (EDP), i.e. covering all entities included in the Registry of the General Government Entities of the Hellenic Statistical Authority (ELSTAT) as reflected in the most recent EDP notification. The ceiling reflects total outstanding gross liabilities in the form of deposits, debt securities, and loans, but holdings of intra-government debt will be consolidated. It will exclude accounts payable and will be measured at nominal value as defined in the EDP. The program exchange rates will apply to all non-euro-denominated debt.

11. Adjusters. The ceiling on the overall stock of EDP general government debt will be adjusted upward (downward) by the amount of any upward (downward) revision to the stock of end-December [2016] EDP general government debt of [€xxx] billion.

12. Supporting material. Data on the total stock of general government debt will be provided to the European Commission, ECB and IMF staff by the General Accounting Office consistent with the EDP definition no later than 30 days after the end of each quarter.

D. Ceiling on New General Government Guarantees (Performance Criterion)

13. Definition. New guarantees are guarantees extended during the current fiscal year, but for guarantees for which the maturity is being extended beyond the initial contractual provisions, only 50 percent of the full value will be counted. Modification of existing guarantees (without changing the maturity, amount guaranteed, and beneficiaries of the loan) will not be treated as new guarantees. In case of a change in the beneficiaries, the state will assess whether there is an increase in the liability (and/or potential contingent liabilities) of the State and if the State's position as a guarantor is adversely affected. If the new beneficiary meets the exact same requirements as the old beneficiary and neither the liability of the State nor the state position as a guarantor is adversely affected, a modification of existing guarantees (without changing the maturity, and amount of guaranteed), will not be treated as new guarantees.

14. Coverage. The ceiling on the new general government guarantees shall include all new guarantees granted by any entity that is classified in the Register of the General Government Entities of ELSTAT (as reflected in the most recent EDP notification) under general government, but exclude guarantees to entities whose debt is covered under the ceiling on the stock of general government debt as defined above. The ceiling includes any guarantees to the Institute

for Growth but shall exclude: (i) guarantees related explicitly to financial stability goals of the program (e.g., government-guaranteed bank bonds or emergency liquidity assistance (ELA)); (ii) guarantees related to EIB or ESIF financed loans; (iii) guarantees related to loans provided by the EIB or ESIF through the trade finance facility up to an outstanding amount of €500 million; (iv) guarantees granted by ETEAN (up to a total outstanding amount of €50 million provided these are fully backed by an equivalent amount of bank deposits); (v) guarantees granted under a risk sharing instrument of the EU structural funds (see COM (2011) 655 final) that do not create contingent liabilities for the Greek State; and (vi) guarantees granted to individuals and businesses for proven damages from natural disasters less any amounts received as compensation insurance up to a total amount of €30 million.

15. Supporting material. All new and modified central government guarantees will be reported in detail, identifying amounts and beneficiaries, and a risk assessment of calls and probability that the guarantees will be called. The report on modified guarantees, in which the beneficiary has changed, will include an assessment of the State's modified position as a guarantor. The General Accounting Office will provide the data monthly within three weeks after the end of each month. Non-state entities classified under the general government shall report the new guarantees they extended to the General Accounting Office monthly within three weeks after the end of each month.

E. Non-Accumulation of External Debt Payment Arrears by the General Government (Continuous Performance Criterion)

16. Definition. For the purposes of the program, an external debt payment arrear will be defined as a payment on debt to non-residents contracted or guaranteed by general government units, which has not been made after falling due. The term "falling due" means the date in which external debt payments are due according to the relevant contractual agreement, including any contractual grace periods. The performance criterion will apply on a continuous basis throughout the program period.

17. Supporting material. The stock of external arrears of the general government will be provided by the PDMA with a lag of not more than seven days after each reporting month.

F. Floor on the Primary Spending on Goods and Services (Performance Criterion)

18. Definition: Primary spending on goods and services is defined as the sum of purchases of goods and services and purchases of non-financial assets by the *general government* as reported in the General Government Monthly Bulletin (GGMB) published on the website of the Ministry of Finance, minus the sum of expenditure under the PIB program and military expenditure.

19. Supporting material: The Ministry of Finance will provide monthly data on the decomposition of purchases of goods and services and purchases of non-financial assets in the GGMB. Purchases of non-financial assets should further be decomposed into (i) fixed assets, (ii) inventories, (iii) valuables, and (iv) non-produced assets. The Ministry of Finance will also provide

monthly data on the PIB expenditure and military expenditure by economic categories aligned with the General Government Bulletin data and framework based on the ESA 2010 and GFSM 2014 methodology. Data on military expenditure classified as purchases of non-financial assets will be further spilt into (i) fixed assets and (ii) inventories.

G. Ceiling of State Budget Primary Expenditure (Indicative Target)

20. Definition. The state budget primary spending consists of ordinary state budget expenditure minus interest paid by the state budget, minus any payments of spending arrears and tax refunds accrued in previous years and paid in the current year with special appropriation for arrears clearance. Ordinary state budget expenditure includes called guarantees to entities inside and outside the general government.

- **Adjustments:** State budget primary expenditure will exclude payments related to support of the bank system that are part of the program's financial sector strategy.³ Expenditures related to EU structural funds and their co-financing will also be excluded.

21. Supporting material. The General Accounting Office of the Ministry of Finance will provide monthly expenditure data, as defined above.

H. "Program" Primary Balance and Overall Monitoring and Reporting Requirements

22. Definition. For the purposes of the program, the primary balance is defined as general government EDP balance (B.9) minus ESA 10 general government consolidated interest payable (D.41), adjusted for the factors delineated in paragraph 21.

23. Adjustments. The balance (B.9) will exclude the following:

- [the sale of non-financial assets such as land, buildings, leases, concessions or licenses (recorded as one-off transaction), unless these have been agreed in the context of the program;]
- total general government migration-related expenditure net of EU transfers to the Greek budget (see ¶6).
- costs related to banking support as defined in MGGPCB above;
- SMP and ANFA revenues (see ¶6)
- any other transactions related to debt-reducing measures agreed in the context of the program, such as the reduction of Greek Loan Facility (GLF) interest margin which are counted below the line in the debt sustainability analysis.

³Any financial operation by the central government to support banks, including the issuance of guarantees or provision of liquidity, will be immediately reported to the IMF, EC, and ECB staff.

- any payments from banks that, in Fund staff's assessment, would undermine their solvency or liquidity, unless the Bank of Greece confirms that such a payment would be compatible with the preservation of adequate capital buffers and liquidity going forward, including by verifying consistency with banks' business plans as included in the stress test. [Such payments will include revenues of the Hellenic Deposit and Investment Guarantee Fund (TEKE).] The two exceptions to this are the capital concentration tax and the guarantee fee structures currently in place.

The balance (B.9) will include the following:

- change of the stock of outstanding tax refunds claims without AFEK older than 90 days, net of the amount of rejected tax refund claims that exceeds the normal annual rejection volume (5% of the flow of new claims submitted in the respective year)

24. Supporting material. Performance under the program will be monitored from data supplied on a quarterly basis to the EC, ECB, and IMF by ELSTAT, the Ministry of Finance, the General Accounting Office, and Bank of Greece. The authorities will transmit to the IMF, EC, and ECB staff any data revisions in a timely manner. Monthly data by budget code on the use of the special account allocated for refugee spending, including wage and nonwage related spending, within three weeks of the end of each month. Results of the ex-post surveys of line ministries on migration-related spending on quarterly basis.

I. Coordination on Data and Statistical Provisions

25. For the purpose of standardizing the monthly monitoring of the general government cash balance and the preparation of fiscal projections of the general government, the Ministry of Finance will provide data on the monthly execution of the budget, the outturns of the general government and projections in a format that is aligned with the General Government Bulletin framework based on the ESA 2010 and GFSM 2014 methodology.

26. Exchange of the information and data among ELSTAT, MoF/GAO, and the BoG will be based on a Memorandum of Understanding, regularly reviewed and updated at least on an annual basis and no later than April 2017. In particular, ELSTAT will provide the following information to the General Accounting Office, EC, ECB, and IMF, that would make it possible to compile timely projections based on the *ESA 2010* and program definitions:

- A bridge table between KAE and ESA 2010 codes. Each update of the bridge table by ELSTAT is to be provided as soon as available.
- Detailed EDP tables T2A/C/D, separately for the state, local government, hospitals, and SSFs, and a bridge table between the adjustments in and the *ESA 2010* codes for each adjustment line, on annual basis, as soon as the assessment of the Greece EDP data is concluded by Eurostat. Detailed EDP tables on quarterly basis for state, and for other subsectors, if available.
- EDP explanatory notes supplementing the official transmission of EDP data to Eurostat once the data are validated.
- Completed EDP questionnaire, as soon as the clarification process of the Greece EDP data is concluded by Eurostat

- Completed supplementary table on the financial crisis, as soon as the clarification process of the Greece EDP data is concluded by Eurostat
- Data on bank support adjustments, by subsectors and ESA 2010 codes.
- Data on consolidation of inter and intra-governmental transactions by economic categories, on annual and quarterly basis.
- Tables on revenue and expenditure (ESA T200) for the state, EBFs and SOEs, hospitals, local government and social security funds, on annual and quarterly basis as soon as the data are published.
- Explanatory notes on specific government transactions and classification of units, when submitted to Eurostat.
- Data by KAE for the state bridged into the ESA categories, and including the ESA adjustments for each category, as soon as the EDP data are published.
- Changes in the Register of the General Government Entities, as soon as the change is agreed with Eurostat.

FISCAL POLICY

J. Medium-Term Targets

Prior Action: *Adopt a medium-term fiscal strategy (MTFS) for 2018-21 in line with agreed medium-term targets, which should be reached without growth-detrimental measures.*

27. Definition: The primary balance target, as defined in section G, will be 2.2 percent of GDP in 2018, and 3.5 percent of GDP in 2019-[21]. The medium-term fiscal strategy (MTFS) will set a floor on intermediate consumption [and gross fixed capital formation], as defined in ESA 2010, after adjustments detailed in ¶28 at [4.2]] percent of GDP in 2018-21.

28. [Adjustments. The floor on intermediate consumption and gross fixed capital formation shall be adjusted downward by the sum of state PIB and defense expenditure (in accrual terms).]

29. Definition: The following measures will be legislated to support the 2018 primary balance target:

- *Social welfare review measures:* (i) Tax credit for medical expenses (savings of €121 million): eliminate the deduction equivalent to 10 percent of private medical expenditures incurred by the taxpayer and dependents that are not covered by insurance or the State. (ii) Withholding discount (savings of €68 million): eliminate the tax credit of 1.5 percent on tax withheld from salaried work income and pension income. (iii) Heating oil allowance (savings of €58 million): reduce by half the allowance per beneficiary or decrease the income threshold to generate similar savings. (iv) Unprotected child benefit (savings of €5 million), income support for low income families (savings of about €2 million), poverty and natural disaster benefit (savings of €3 million), unemployment

benefits for entrants to the labor market (savings of €2 million): eliminate the benefits as the beneficiaries will be covered by other social programs such as the GMI.

- *Healthcare Clawback:* clawback ceilings on EOPYY spending in the category of “other illness benefits” as follows: €1,525 million in 2017 and €1,462.5 million in 2018 (yielding savings of €188 million).

30. Supporting material. The authorities will provide MTFS projections in the standard “t-report” format. To assess compliance with the expenditure floor, the authorities will agree with IMF/EC/ECB/ESM a mapping converting the “t-report” into ESA2010 categories. General government MTFS projections based on the ESA 2010 methodology, using this agreed mapping, will be presented with other standard documentation for adoption by parliament.

Prior Action: *Adopt legislation to reduce the personal income tax credit for wage, pension, and farming income by €650 implemented in 2020, or if deemed necessary in 2019 (as per the contingency mechanism defined below) and furnish the two supporting documents as specified below.*

31. Definition. As of January 1, 2020, the tax credit will be reduced by [€650] from the current child-differentiated levels (ranging from €1,900 to €2,100) for wage, pension, and farming income in order to achieve savings of [1] percent of GDP (net of other measures).

- *Contingent mechanism.* The personal income tax measures will be implemented in 2019 if IMF staff, in cooperation with staff of the European Institutions, in the context of the final program review under the arrangement on or around June 2018, considers that, based on a forward-looking assessment, a frontloaded implementation is needed in order to reach the agreed 3.5 percent primary surplus fiscal target in 2019 in a sustainable manner and without growth-detrimental measures. The assessment will take into account the overall quality of the policies supporting the fiscal targets, including all the measures legislated or introduced after the approval of the IMF arrangement, and the authorities’ adherence to the intermediate consumption spending floors defined under the MTFS.

32. Supporting material.

- Assurances to the IMF staff that New Democracy supports the proposed reduction of the income tax credit and will do all in its power to assure that the legislation is implemented in a form and on a schedule, that is consistent with Greece's commitments in its program documents.
- The Ministry of Finance will consult with the relevant highest legal authorities in Greece, including the Ministry of Justice and independent legal experts, to confirm that the contingent timing of implementation of the income tax reform (and of the growth-enhancing fiscal package defined below) are in line with the Greek constitution, and will furnish a legal opinion in this regard to IMF staff by end-May 2017.

Prior Action: Adopt legislation to apply the new main pension benefit formula to current retirees, eliminating fully the “personal differences” [OR eliminating the “personal differences” while ensuring that pension reductions of main pensions do not exceed [22] percent, and also reducing the existing caps on the already legislated supplementary pension cuts] to be fully implemented in 2019, and a freeze of inflation indexation for all pensions during 2019-21 to achieve net savings of 1 percent of GDP by 2019 .

33. Definition. From January 1, 2019, the main benefit formula as introduced in Pension Law 4387/2016 will apply to all current main pensions (recalibration), and the recalibrated pension will be paid. [OR the main benefit formula as introduced in Pension Law 4387/2016 will apply to all current main pensions (recalibration), where the decline of an individual pension is limited to [22] percent; supplementary pensions will be recalibrated with reduced caps, based on the already legislated rules; and for both main and supplementary pensions, the recalibrated pension will be paid.] Further, the legislation will require that the indexation of all main pensions will be suspended for three years starting from 2019. These measures are expected to yield net savings of 1 percent of GDP in 2019.

Prior Action: Adopt legislation of growth-enhancing tax measures of 1 percent of GDP, and a targeted spending package of 1 percent of GDP, which will be implemented starting in 2019 contingent on an assessment of overperformance relative to the agreed medium-term targets.

34. Definition. The package of contingent growth-friendly measures contains:

- *Revenue measures:* (i) a reduction of the CIT rate from 29 to 26 percent (estimated impact on the CIT revenue of [0.2] percent of GDP); (ii) a reduction of the lowest PIT rate from 22 to 20 percent (estimated impact on the PIT revenue of 0.5 percent of GDP); (iii) a progressive reduction of solidarity surcharges, while keeping the current income thresholds (estimated impact on the PIT revenue of 0.2 percent of GDP thereafter); and (iv) a redesign of ENFIA (estimated impact on ENFIA revenue of 0.1 percent of GDP).
- *Expenditure measures:* (i) targeted social spending, which will include an increase in the housing allowance combined with a redesign of the GMI (up to 0.2 percent of GDP); child allowance (up to 0.1 percent of GDP); school meals (up to 0.1 percent of GDP); nursery/pre-school education (up to 0.15 percent of GDP); means-tested reduction in health co-payments (up to 0.1 percent of GDP); (ii) high-quality public infrastructure investments, including for energy efficiency, agriculture (up to [0.2-0.3] percent of GDP); and active labor market policies (up to [0.1-0.2] percent of GDP).
- *Contingent mechanism.* The package of growth-friendly measures will be implemented starting in 2019, contingent on an assessment and agreement by the staff of the IMF/EC/ECB/ESM in the final program review, with the amount to be implemented in line with the institutions’ projected over-performance relative to the agreed medium-term targets—on the assumption that the contractionary measures will have already been built

into the baseline scenario—in order to ensure the achievement of the agreed targets in a sustainable manner. Growth-friendly measures will be implemented only as long as the assessed permanent over-performance relative the agreed medium-term targets above is estimated to be larger than [0.2] percent of GDP every year in 2019-[21].

FISCAL STRUCTURAL REFORMS: PRIOR ACTIONS AND STRUCTURAL BENCHMARKS

K. Revenue Administration

Prior Action: *Adopt legislation to ensure prioritization of audit cases, strengthen collection enforcement, and define criteria for establishing the viability of tax debtors.*

35. Definition:

- *Prioritization of audit cases:* The legislation or IAPR decision will revise the [GSPR's 2015 decision on prioritization criteria] to increase the share of cases from the last three tax years and make use of information from the most recent taxpayer returns as well as externally-sourced information, including data from electronic payments and from the Financial Intelligence Unit. Tax years older than ordinary statute of limitations (i.e. before 2012) should be cancelled from audit orders, and among them only the cases for which the tax administration has already confirmed serious tax evasion through audit verifications will remain open (such as serious information about penal fraud above EUR150,000). All audit cases and the related main actions will be recorded in the automated audit case management system.
- *Addressing cases referred by the prosecutor:* The legislation will repeal legal provisions (notably those included in Article 34 of the Code of Penal Procedure and Article 17A of law 2523/1997) that allow prosecutors to require the IAPR to implement audit and investigation actions and require that, from the previously received pending requests, the Prosecutors prioritizes the cases that need to be followed up, considering the audit capacity of IAPR. Prosecutors will be allowed to send information to the tax administration without binding effect, leaving the tax administration the discretion on the use of the information.
- *Unify imposition of fines and penalties:* The legislation will require that current tax procedure code fines and penalties apply to all cases irrespective of tax year/period of the case.
- *Strengthen prosecution of tax evasion:* The legislation will repeal legal provisions (Article 24, paragraph 2 of law 2523/1999) that prevent prosecution for non- and under-declaration of tax liabilities once evaded taxes and administrative fines have been paid.
- *Define criteria to classify tax and social security debtors according to capacity to pay:* Internal circulars issued by the IAPR Governor and KEAO/EFKA Director will define the

methodology for establishing the viability and capacity to pay of tax debtors. The circulars will require analyzing historical financial performance of the tax and social security debtors as well as their willingness to pay (including past tax compliance records). The analysis of past financial performance (first stage of assessment) will take into account the following parameters: (i) the growth of the company, measured as the sales over the last 3 years; (ii) profitability, measured as the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) to turnover or to capital employed; (iii) liquidity, measured as the ratio of assets to short-term debt; and (iv) leverage ratio, measured as the ratio of debt to EBITDA or to equity. The analysis of willingness to pay will include: (i) paying patterns towards IAPR and KEAO, measured through the percentage change in the outstanding tax and SSC debts; (ii) responsiveness, measured through the frequency and speed of the debtor's response to inquiries from IAPR and KEAO; and (iii) settlement status, distinguishing whether the debtor is under a settlement plan and on track (i.e. not delinquent). Each of the above parameters will be given a weight, which will allow to attribute a score to each debtor and classify the debtor into viable, potentially viable, and non-viable group. The circulars will set a deadline for the issuance of further guidance by end-September to require an in-depth performance assessment (second stage of assessment), using information such as sector potential (e.g. growth potential of the sector and competition intensity), business performance (e.g. projected future financial performance, brand, product quality, quality of assets), and management quality (e.g. technical skills).

36. Supporting material: Revised decision issued by the IAPR Governor on the prioritization of audit cases; copy of legislation on the changes on the treatment of prosecutor cases as described above; copy of legislation unifying imposition of fines and penalties; copy of legislation repealing the legal provisions that prevent prosecution for non- and under-declaration of tax liabilities once evaded taxes and administrative fines have been paid; copy of circulars issued by the IAPR Governor and the KEAO/EFKA Director describing the methodology to classify tax and SSC debtors according to capacity to pay (as described above and in line with the PWC report).

Structural Benchmark (End-December 2017): *Ensure that IAPR has an adequate risk analysis system and adequate and qualified staffing.*

37. Definition.

- *Automated risk analysis system.* A IAPR decision will improve the automated risk analysis and audit case selection system, requiring that it is based on all internal and third party data available within the tax administration, including in AML. This should include, at a minimum, tax return data, bank account and payment transaction data from financial institutions and reports from the Financial Intelligence Unit.

- A IAPR decision will assign authority on determining debt collection enforcement priorities and their implementation to the IAPR headquarters (HQ), based on automated analysis.
- *Staffing.* Hiring by IAPR will reach at least 514 in 2016-17; a modified attrition rule will apply for IAPR (one entry for two exits in 2017 and one entry for each exit in 2018); IAPR will make the final decision on staff to be transferred to it through the mobility scheme. The job description of all positions above directors will be published. The Board will approve the human resources policy and a modern position-based grading and remuneration system, taking performance into account. A suitability assessment will be completed for each IAPR staff based on the HR policy, with a ranking and a determination whether the staff meets IAPR's requirements. Based on this assessment, staff will be allocated to appropriate positions and grades. Staff who do not meet the IAPR requirements will be reallocated within the Ministry of Finance.

38. **Supporting material:**

- *Automated risk analysis system.* IAPR will publish monthly data on: (i) cases disseminated by the financial intelligence unit (FIU) to the revenue agency, (ii) tax audits decided upon by IAPR based on the information disseminated by the FIU, (iii) revenue collected from these audits, (iv) amounts frozen by the FIU in relation to tax crimes, (v) tax crimes-related cases disseminated by the FIU to Prosecutors, (vi) indictments based on these cases, (vii) final convictions and amounts of confiscated proceeds based on these cases, (viii) international requests of information made by the FIU.
- Draft IAPR decision making mandatory for local tax offices to conduct debt collection enforcement actions based on directives from IAPR HQ.
- *Staffing.* Evidence of published job descriptions. Policy paper describing the new human resources policy, including a position-based grading and remuneration system and a staffing plan approved by the Board by end June, 2017. IAPR report on the overall result of the staff individual suitability assessment, issued by end-December 2017, based on the ranking of staff according to their suitability, number of staff reallocated to the Ministry of Finance, and number of new qualified staff recruited. IAPR/MoF circular determining staff reallocation.

Structural Benchmark (End-December 2017): Adopt legislation to amend the Code of Public Revenue Collection to align with the Code of Civil Procedures (CCP), including for e-auctions.

39. Definition: The Code of Public Revenue Collection will be amended to establish rules and criteria for the reduction of reserve prices in the case of unsuccessful auctions in line with the amendments to the CCP (see below).

Structural Benchmark (End-March 2018): *Adopt legislation to codify and simplify the VAT legislation and administration and address VAT fraud.*

40. Definitions: By end-March 2018 as a structural benchmark, the following legislation will be adopted to limit VAT fraud:

- *Accelerate de-registration procedures, limit VAT re-registration.* Review TPC Articles 10 and 11 and the relevant secondary legislation already in place. This will, inter alia, require an amendment of paragraphs 2 and 3 of Article 10 to make the provisions applicable to natural persons, as well as an issuance of the implementation decision referred to in paragraph 3 and Article 10.
- *Codify and simplify VAT legislation.* The streamlined VAT legislation will eliminate loopholes, including those for persons under the special VAT regime. In particular, exceeding the threshold for the simplified regime will require reregistration under the regular VAT regime immediately, without waiting for the end of the financial (or calendar) year. Transfer pricing rules will be included in the revised legislation for VAT purposes.

41. Supporting material: A detailed roadmap to tackle VAT fraud by end-September 2017. Draft primary legislation by end-December 2017.

L. Pension Reform

Prior Action: *The Ministry of Labor will Issue all implementing legislation for the new pension reform, repeal conflicting provisions, operationalize a single pension register, and merge the governance and management arrangements of existing funds into the new single pension fund.*

42. Definition: The following provisions are needed to fully implement Law 4387/2016:

- *Implementing legislation.* All ministerial decisions and circulars needed to fully implement the 2016 pension reform, including to: (i) obtain savings of at least €570 million in 2017 from EKAS; (ii) define the contribution base for self-employed as net earnings before social security contributions and clarify the term “net taxable income” linking it to the income tax base. Primary law amendments to this effect will also be adopted, if needed. The decision on contribution base for self-employed will also specify that the base for social security contributions will not be reduced by losses carried forward; capital income will not be included in the contribution base. The decision will also establish whether increases based on presumptive tax regime will be included in the base for contributions; (iii) implement the lower spending ceiling on main pension payments of €2,000 per month and on multiple pensions at €3,000 per month (without any exemptions in both cases) in force until end-2018.
- *Repeal conflicting legislation.* The prior action requires that the authorities provide a comprehensive list of conflicting legislation to Law 4387/2016 and confirmation that all

conflicting provisions have been repealed. The list will include all primary and secondary legislation as well as implementing circulars that are in conflict with the provisions and principles of Law 4387/2016.

- *Transfer insured individuals into EFKA and create a single register of pensioners.* In line with the current law all data on insured persons should be transferred into EFKA and a single register of pensioners and benefit values should be made fully operational, thus allowing EFKA to become the sole entity responsible for paying main pension benefits.
- *Governance and management arrangements.* A single unified pension fund (EFKA) for all retirees will focus solely on benefit expenditure and customer service with streamlined business processes, single management and unified account. All existing social security funds, with the exception of non-pension insurance activities of OGA, NAT, and TSMEDE will be merged and all existing governance and management arrangements of these funds will be absorbed in EFKA's management arrangements after filing the financial statements. As a matter of priority, qualified personnel will be directed to clearing unprocessed pension claims and creating electronic registries for the insured and retirees or transferred to other administrations. Staff who are not retained should be transferred to other entities—including KEAO, the National Actuarial Authorities and EOPYY (the National Organization for the Provision of Health Services), in order to strengthen their operational capacity—taking into account their hiring needs, and making use, to the extent possible, of the new mobility system introduced with law 4440/2016.

43. Supporting material:

- *Conflicting legislation.* Full list of conflicting legislation to be explicitly repealed.
- *Action plan for efficiency gains.* Action plan for the achievement of efficiency gains from resource reallocation.
- *Actuarial studies.* Full details on the actuarial studies as required in the Pension Law 4387/2016 and any associate laws within the deadline set by the Ageing Working Group [date].
- *Helios reports.* Regular monthly publication of Helios reports, including all past missing reports, reporting all spending data in gross terms (including retirees' health contributions and EKAS benefits) and in net terms.
- *Quantification of benefits for past higher contributions.* This includes a quantification of the benefits to be provided for past higher contributions as specified in the Pension Law 4387/2016.
- *Monthly retirement flows and stocks.* Monthly reporting based on agreed data template on pension retirement flows by the structure of previous funds and by types of pensions

(old-age, disability, survivors) that reports time series on, inter alia, new retirement applications, number and average pension of new issued temporary and permanent pensions, number and average pension of exits, number and estimated value of unprocessed pension applications.

Structural Benchmarks: *The Ministry of Labor will finalize the electronic records of retirees' service histories and the recalibration of pensions and complete the full electronic records of half of insured persons by (end-December 2017).*

44. Definitions: Finalizing the recalibration of all main and supplementary pensions of all existing retirees (excluding pensions following the new pro-rated OGA benefit rule) will be based on the new unified benefit formulas applied to pensionable earnings in current value as specified in the Pension Law 4387/2016.

- *The schedule of recalibration:* This will follow ministerial decision [x] and will be completed by end-2017. The recalculation will be supported by creation of automatic electronic records of retirees that, among other information, will include full details on the length of retirees' service histories and pensionable earnings. In cases these data are not possible to recover, imputation techniques based on either past formula of particular funds or pensioners with similar observable characteristics (such as age, current pension, pension fund etc.) will be used. These imputation techniques will be discussed and agreed with the IMF/EC/ECB/ESM.
- *Processing of pensions:* With a view to establish electronic records of all insured persons by end-August 2018, electronic records of half of insured persons will be established by end-December 2017. The process will target first those with longer service histories. The electronic records will, among other things, include proof of employment, histories of pensionable earnings and days of insurance, and will be updated regularly. A regular communication procedure to all insured persons on their contribution record will allow individuals to reconcile their records with the centralized registry.

45. Supporting material: [Quarterly] reports on the progress on creation of electronic records on the retirees and the insured persons that would include the number and share of persons covered by the electronic records, information collected as well as information that was not possible to recover. This report should also contain information on the number and share of recalibrated current pensions together with estimated cumulative fiscal savings.

M. Property Taxes

Structural Benchmark (End-March 2018): *The Ministry of Finance will align property assessment values with market prices and broaden the property tax base in a revenue neutral way.*

46. Definitions: this structural benchmark requires the following actions with the support of Technical Assistance: (i) set up property revaluation working group and high-level steering group

involving Bank of Greece and ELSTAT by end-June 2017; (ii) compile all required data, complete classification of properties and determine the nature of the value based and valuation methodologies relevant to individual categories of properties by end-July 2017; (iii) improve the capacity of the real property valuation unit by hiring experienced valuers and forming a dedicated property revaluation team by end-September 2017; (iv) develop permanent IT platform for property revaluation by end-September 2017; (v) pass legislation to align property assessment values with market prices by end-December 2017; and (vi) issue ENFIA bills based on new assessment values by end-March 2018. In case the new property assessment values result in a short fall in ENFIA revenue against the budget target of €2.7 billion, the ENFIA tax base will be broadened and tax rates adjusted to reach that revenue target to preserve the fiscally neutral character of the reform.

47. Supporting material: Methodological report, outlining the classification of properties and valuation methodologies used for individual categories of properties by end-July 2017, and fiscal estimates of ENFIA revenue yields by end-October 2017. Primary and secondary legislation adopted by end December, 2017.

N. Public Administration and Public Financial Management

Structural Benchmark (End-September 2017): Adopt legislation to set ceilings on temporary contracts for 2017-18 and include in the existing attrition rule court-mandated conversions of temporary into permanent contracts as well as employment relationships that legally open the possibility for permanent contracts.

48. Definition. To support the fiscal consolidation, transparency, and efficient management of the public administration, legislation will be adopted to limit temporary contracts in the general government that are not financed by EU funds, and that exclude Chapter A companies. The legislation will specify that such contracts will be granted through a transparent and competitive process; the legislation will set a ceiling on temporary contracts for 2017-18 (Table). The ceiling on temporary contracts will ensure that new temporary contracts do not circumvent the existing attrition rule, and that the level of general government employment is consistent with the projected general government wage bill. Any conversion of temporary contracts into permanent contracts following a Court decision will be included in the existing attrition rule. Also, any employment relationship that legally opens in the future the possibility for permanent contracts will be included in the attrition rule from the initial start of the employment relationship. The use of the framework of company-based contracts to hire individuals will be prohibited.

Greece: Ceilings on Temporary Contracts

	2016	2017		2018			
	Dec	Sep	Dec	Mar	Jun	Sep	Dec
Temporary contracts	49,448	51,036	49,104	50,306	49,350	50,325	48,420

Supporting material. The authorities will provide by end-September 2017 a copy of adopted legislation which includes the above provisions. Thereafter, the authorities will provide on monthly basis a census of public sector employment which will be available [thirty] days after the end of the reporting month. The census will show for the general government, excluding Chapter A companies, the number of temporary staff burdening the budget (stock, exits and entries) and temporary staff not burdening the budget.

Structural Benchmark (End-September2017): *The Ministry of Finance will provide the final report of the independent auditor contracted by it to complete an independent assessment of government accounts payable accumulated until end-2016 and of the arrears clearance program.*

49. Definition. A contract will be signed between the government and an independent auditor (private auditor or a foreign public sector auditor) by June 2017, including terms of reference (TOR) that will require the verification of accounts payable, spending arrears and other claims on the general government accumulated until end-2016, and assessment of the arrears clearance program completed in June-December 2016. The TOR will specify priority entities that account for at least [90 percent] of general government spending and/or [90 percent] of currently known spending arrears and whose audit will be required. The TOR will require that the independent auditor submit a final audit report to the authorities by mid-September 2017, providing information on: (i) stock of payables and arrears at end-2016 for, at a minimum, the priority entities (i.e. spending arrears, processed and unprocessed tax refunds, processed and unprocessed pension claims, and a distribution of the claims by their amount); (ii) analysis of the implementation of the arrears clearance program (including amounts of cash payments, amounts of offsets, first-in first-out, payments of obligations accrued in previous years, payments of obligations accrued in current year); (iii) an analysis of the amount and sources of the new accumulation of arrears (e.g., insufficient budgets for entitlement spending, expenditures without proper commitment authorization, delays in internal processes, large and increasing carry-forwards of commitments, revenues below budgets, within-year budget adjustments, etc.); (iv) recommendations to prevent new accumulation of arrears; v) discrepancies across the reporting systems (commitment register, e-portal, surveys); (vi) offsets with current vs. past tax liabilities; (vii) arrears towards domestic vs. foreign suppliers; (viii) interest accrued from late payments; and (ix) cross-checking of payments to final beneficiaries.. The Ministry of Finance will by end-September provide a summary of the report and an assessment, which should include the authorities' plan on addressing the recommendations of the independent auditor.

50. Supporting material: Signed contract, terms of references which include the ultimate objectives (clear old arrears, determine the outstanding stock of arrears, and avoid accumulation of new arrears), the coverage (list of priority entities, particularly sectors that have largest arrears), the claims included (spending arrears, processed and unprocessed tax refunds, processed and unprocessed pension claims), the arrears clearance process (amounts of cash payments, amounts of offsets, first-in first-out, payments of obligations accrued in previous years, payments of obligations accrued in current year). The contract will be provided to IMF staff

by end-June, 2017. The final report of the independent auditor, in line with the contract described above, along with thereport prepared by the Ministry of Finance will be provided to IMF staff by end-September 2017.

Structural Benchmark (End-December 2017): *The Ministry of Finance and the Bank of Greece will fully integrate general government accounts into the Treasury Single Account.*

51. Definition: The Ministry of Finance, in collaboration with the BoG, will issue a Ministerial Decision by end June 2017 describing the design of the bank account structure, payment and accounting arrangements for a fully integrated Treasury Single Account. The decision will require the transfer of the accounts of the central government entities, social security funds, extra-budgetary funds, hospitals, and to the extent it is constitutionally possible, local governments to the Treasury Single Account by end-December 2017. If necessary, zero-balance bank accounts in commercial banks can be used for payment processing (daily sweeping with the TSA). GAO will ensure that entities have access to their deposit balances held in the TSA at all times. The TSA will be incorporated into the fiscal reporting framework, ensuring that the account balances of each entity or fund held in the TSA is consistently incorporated into the monthly fiscal reports submitted to GAO.

52. Supporting material: A template showing—for central government entities, social security funds, extra-budgetary funds, and hospitals—the number of accounts outside the TSA, as well as the amounts of deposits, debits, and credits at end-December 2015, end-December 2016, end-March 2017. Template updated monthly within two weeks of the end of the month.

Structural Benchmark (End-June 2018): *The Ministry of Finance will implement a transparent system for the monitoring of the clearance of government arrears.*

53. Definition: AGAO circular will amend the structure of the information collected by the commitment registers and the e-portal to implement a comprehensive monitoring system of spending commitments, accounts payable and arrears, including to address the shortcomings identified by the GAO review of commitment registers completed in 2016 and those of the independent audit. The circular will require [monthly] reporting by entities with annual spending exceeding €[1] million on the reasons for new arrears accumulation, cash needs and plan for clearance of existing arrears, and measures taken to prevent new accumulation of arrears. The circular will also require that the commitment registers record information identifying: (i) accounts payable and arrears accumulation to nonresidents, (ii) the amount of arrears clearance in cash and through offsets; (iii) offsets with current vs. past tax liabilities; (iv) cash needs for arrears clearance within the fiscal year; and (v) interest accrued from late payments.

54. Supporting material: By end-January 2018, the GAO will provide a draft circular designing the arrears monitoring framework. Any technical preparations, including consultation and training of general government staff, will be conducted by end-March 2018. A pilot phase

will be completed by end-April 2018; the roll-out to all general government entities will be completed by end-June 2018.

O. Social Welfare

Structural Benchmark (End-June 2018): *Parliament will adopt legislation and the government will implement a modern and streamlined system of housing, family, and disability benefits, financed by rationalizing redundant social programs.*

55. Definition. The reform of social benefits will contain the following budget neutral components:

- *Streamlining family benefit:* By end-September 2017, new legislation will be adopted in line with the recommendations in the Social Welfare Review to improve targeting and increase equity. This will be achieved by merging the unified family benefit and large family benefit, adjusting equivalence scales so as to give more weight to children, adjusting the threshold downward to target the most vulnerable. The new family benefit system will be in effect as of January 1, 2018.
- *Reforming the disability benefit system:* by end-September 2017, new legislation will be adopted to move from the current impairment assessment to a functional assessment to determine eligibility (i.e. the ability of the person to perform activities of daily living). The legislation will also harmonize all contributory disability and welfare benefit rules under Law 4387/2016, including all rules on disability and contributory welfare benefits. A pilot program of the functional disability assessment system will be rolled out by September 2017. A national implementation will commence by end-June 2018. (i.e. as of July 1, 2018, the disability benefits, for all beneficiaries nationwide, will be determined and granted based on the new functional assessment).
- *[Introducing a housing benefit:* by end-September 2017, new legislation will be adopted to provide for a means-tested housing benefit. A pilot program will be in effect on January 1, 2018, and the nation-wide implementation of the housing benefit will be finalized by end-June 2018.]
- *Rationalizing redundant social benefit programs and tax expenditures.* By end-September 2017, new legislation will be adopted to require the cancellation or streamlining of programs as recommended by the World Bank to generate savings that will support the benefit reforms above, with effect as of [July] 1, 2018.

FINANCIAL SECTOR POLICIES: PRIOR ACTIONS AND STRUCTURAL BENCHMARKS

P. NPL Legal Framework

Prior Action: Adopt legislation and other steps to: (i) fully implement an out-of-court debt restructuring framework tackling both bank and tax debt.

56. Definitions. The OCW legislation will specify:

- *Scope of the regime.* The OCW legislation will be applicable to all enterprises, including individual entrepreneurs. All elements of debt, towards the State, social security and private sector, should be considered as part of the restructuring plan.
- *Information requirements.* Access to the debt restructuring mechanism will require the debtor to share information on all his debts, assets, and sources of income.
- *Eligibility test.* The legislation will define basic principles for an eligibility test using standard metrics (positive EBITDA) which will serve as a preliminary filter to exclude enterprises that are clearly not viable.
- *Debt restructuring proposals.* For viable debtors these will specify – commensurate with the complexity and size of the case – the contents of the restructuring measures (among others, rescheduling, write-downs, debt/equity swaps, or a combination of measures) designed to restore the debtor to long-term viability, based on, where applicable, market valuations of assets and projections founded on accurate financial statements and credible business plans. The plans can also include operational restructuring measures (changes in management, fixed assets, commercial relationships, etc.). No debt restructuring proposals will be offered to unviable debtors.
- *Coordination and decision making mechanism.* The law will require that debt restructuring agreements be adopted by a qualified majority of voting creditors, and that non-action by creditors duly notified to participate will not prevent the adoption of debt restructuring agreements if the attendance quorum has been met.
- *Rapid Court confirmation.* The law will set a short period for the possible ratification of debt restructuring agreements by the courts. However, the agreement will take effect upon its conclusion and the court may grant interim measures to prevent enforcement action by dissenting creditors while the confirmation application is being processed, at confirmation, the court can examine complaints presented by dissenting creditors.
- *Stay of creditor actions.* The law will stipulate a stay of creditors' actions only after the completeness of the application of eligible debtors has been determined and the invitations to take part in the proceedings have been sent to the creditors. The stay will be automatically lifted in case the participation quorum is not reached. The initial stay period may be extended, for a maximum period of four months, by means of a court order provided the participating creditors representing the majority of claims consent.
- *Link with insolvency legislation.* The law will facilitate the initiation of the insolvency procedure in case of lack of compliance with the restructuring plans or in case the debtor has been assessed as non-viable.
- *Treatment of public claims:* all claims of the State, including tax and social security claims, but excluding withheld taxes and social security contributions for employees, will be

subject to rescheduling and write-down, in conformity with the assessment of viability of the enterprise and resulting in an improved recovery in comparison with the liquidation of the enterprise. Penalties and surcharges will be subordinated to facilitate the restructuring, and cancelled only at the successful completion of the restructuring plan.

- *Treatment of guarantors:* the law will protect the position of those creditors who benefit from the guarantee of a third party and wish to enforce the claim against the guarantor, without jeopardizing the restructuring process of the main debtor.
- *Immediate implementation measures:* The authorities will have taken any measure necessary to ensure the smooth implementation of the law and to handle the high number of expected applications in an efficient and orderly manner in anticipation of the entry into force of the law. This includes:
 - The SecPD will have posted on its website an invitation to submit expressions of interest to be listed in the Coordinator register. The SecPD will have put in place all necessary processes to appoint all coordinator positions within 10 business days after the lapse of the application deadline.
 - The SecPD will have published the criteria applied for rationing applications, in order to enable the smooth processing of applications. The criteria, which will have been consulted with creditors (including banks – also as presented by the Hellenic Banking Association – and public creditors such as the tax administration and social security entities) and aim at maximizing the amount of claims processed, will be ambitious in order to maximize the number of cases handled in any given time period, and provide adequate incentives for involved parties, including creditors, to maximize their case handling capacity. The criteria will also provide for a fair treatment across all classes of borrowers. The criteria will have been published on the SecPD's website. The SecPD will also have put in place initial processes and means to monitor the progress of cases and to identify potential operational and policy impediments.
 - The SecPD will implement and operationalize the first functional package of the web-based system used to file and process applications and eventually to handle the majority of case-specific communications. The first functional package will provide a website where applicants can submit applications and all supporting documentation as required by the law, without resorting to paper-based communication between borrowers, creditors (public and private), coordinators and the SecPD, for the initial application step.
 - The SecPD will select and register all coordinator positions, will provide training to the coordinators and establish the necessary processes and organization for the supervision of coordinators.
 - The SecPD will prepare and post on its website educational material targeted to i) borrowers, including less-sophisticated ones, and ii) relevant professionals such as lawyers, coordinators, accountants, banks, etc. providing detailed information about the OCW process and the rights and obligations of all involved parties. The SecPD will also hold scheduled trainings and seminars for coordinators and relevant professionals.

- The adoption of Ministerial Decisions specifying the procedures, conduct and actions of the tax administration and social security officials in debt restructuring procedures for the treatment of public claims, as far as these are necessary for the effective implementation of the law.
- The SecPD will have developed a comprehensive project plan for the extension of its IT-supported platform for the sharing of debtor-related information between banks, tax administration and social security entities. This project plan will have been agreed by all stakeholders involved in its implementation and will fill aim at full implementation and operationalization by September 2017.

Prior Action: (ii) allow electronic on-line auctions, operationalize the technological infrastructure, and effectively conduct e-auctions.

57. Definitions.

- *Electronic on-line auctions in civil procedure.* A law introducing amendments to the CCP and a Ministerial Decision will provide for the regulation of electronic auctions of seized property. The electronic auction system will be based on the principles of fairness, transparency and value maximization of the proceeds through enhanced competition by providing easy and economic access to all interested parties, while guaranteeing legal certainty and security. The system will comprise a web portal to provide publicity for the auctions, including information about the assets to be auctioned (description, legal certificates, valuation reports, photographs, etc.). The web portal will be connected to a functional platform where auctions are performed. In order to participate in auctions, it will be necessary for natural or legal persons to obtain a registration. The registration procedure will be designed to allow easy and secure access. The assets to be auctioned are listed in the platform, which incorporates a search engine. Auctions are initiated after a specified period after the asset appears on the webpage. Once an auction starts, registered persons can submit bids during the period specified for the conduct of the auction. Any bid has to be submitted by safe electronic means, with appropriate certification. Every time a person submits a bid, the system sends a receipt notification, specifying the time the bid was received and the amount. The system publishes, in real time, the highest current bid and its amount, without publishing the identity of the bidder or the number of bidders. A valid bid must be superior to the latest published bid. The bidding ends at the end of the specified period with a possibility of a final extension in the event of submission of last-minute bids. The system ensures compliance with the deposit and payment obligations of the bidders. The results of the auction are certified by the person responsible for its conduct. In the certificate, the system includes the whole list of received bids in chronological order, with identification of the bidders.
- *Transition rules:* The legal amendments will include transitional rules that will allow creditors to opt for the electronic auction system, with proper advance notice, when the seizure of the asset occurred before the modification of the legal regime, and preserving the date of the original seizure for the purpose of determining the deadlines of the procedure. The transitional rules will also allow creditors to opt for the electronic auction

system, with a notice period not exceeding 2 months, in cases where auctions were suspended or failed before the modification of the legal regime.

- *Implementation* of the electronic auction system requires the design and launch of the platform by specialized experts. The system will be built in a safe architecture, ensuring certainty and security of communications, full recording of time sequences and traceability of all actions. Implementation requires a procurement agreement, as well as an interim progress report by the contractor responsible for the development, delivery and support of the electronic platform, with a pilot platform which should be ready for testing by the time of the adoption of the law and regulations.
- *Full implementation*: the system is fully implemented with the effective conduct of auctions under the new system.

Prior Action: (iii) *protect creditors from civil and criminal liability for debt restructuring actions taken in good faith in accordance with the law.*

58. Definitions. A legal provision will be adopted to ensure:

- that actions taken in relation to debt restructuring – either under the Out-of-Court Workout (OCW) framework or outside of it - by either private or public officials, in good faith, and in compliance with the applicable procedures and objective criteria, are considered legitimate as far as civil or criminal liability is concerned, according to the general principles and the safeguards of the existing legal framework; and
- that sufficient procedural safeguards are enacted to prevent the unwarranted pressing of charges in that context. The applicable procedures may include additional safeguards for cases concerning very large debtors.

Prior Action: (iv) *establish the insolvency administrator framework;*

59. Definitions.

- *Secondary legislation for insolvency administrators.* This comprises the following regulatory actions: i) Internal Regulation of the Insolvency Administration Committee, ii) Decision of the competent authority regarding the examinations, iii) Joint decision of the Minister of Finance and the Minister of Justice on remuneration of the examiners and fees to be paid by candidates, iv) Decision of the Minister of Justice, establishing a code of conduct for insolvency administrators; v) Decision of the Minister of Justice for Continuous Training; and (vi) Decision of the Minister of Justice for the initiation and conduct of disciplinary procedures.

Prior Action:(v) *streamline the licensing and supervision framework of NPL servicers.*

60. Definitions. The law regarding Debt Management Companies and Debt Transfer Companies (Law 4354/2015) will be amended in the following points:

- *Licensing requirements:* Licensing requirements are simplified and adequately tailored to the business model of an NPL servicer. This includes (i) clarifying that NPL servicers do

not fall under the purview of the banking act (Law 2577) as long as the servicer does not extend new credit, (ii) removing the requirement to submit a detailed business plan and the restructuring strategy, (iii) eliminating AML requirements in case loans are owned by banks or other financial firms subject to AML supervision and no new credit is provided by servicer, and (iv) limiting the scope of fitness and proper requirements to key management functions and shareholders that directly or indirectly hold more than 80 percent of the servicing company. The requirement of NPL servicers being a “single purpose” company is removed.

- *Code of conduct:* A process already initiated under the Code of Conduct is not voided by the transfer of the servicing of a loan, but can continue without interruption.
- *Operational setup:* Servicing companies will be allowed to operate with virtual contact points with debtors, for instance, through website, email, or call center, without having to have physical presence in Greece.
- *Role of ministerial authorities in the licensing process:* The requirement to obtain an opinion by a Ministerial committee is removed.
- *Time limit for the approval of a license application:* The 60 day time period to conclude the licensing process will not restart in case the applicant has to submit additional information. The time applicants need to produce additional information to the BoG does not count against the time limit.
- *Guidance for applicants:* In addition, the BoG will prepare and publish a detailed guide for potential applicants.

Structural benchmark (End-July 2017): *Simplify and accelerate the insolvency procedures for SMEs.*

- *Adopting amendments to simplify and accelerate the procedures for SMEs.* The insolvency code will be modified to include specific rules for the insolvency of SMEs. These will simplify and accelerate the procedure by assigning more powers to the rapporteur, by reducing the deadlines for procedural actions, and dispensing with the intervention of experts.

Structural benchmark (End-July 2017): *Complete the qualification and registration process for insolvency administrators.*

61. Definitions.

- *Enrolment of successful insolvency administrator applicants into the registry.* On completion of the examinations conducted according with the secondary legislation listed above, and after fulfilling all regulatory requirements, such as compulsory training and professional insurance, the Insolvency Administration Committee will include the applicants in the registry and the registered insolvency administrators will be able to perform the functions assigned to them by the insolvency code.

Structural benchmark (End-September 2017): Amend legislation to strengthen the position of secured creditors.

62. Definition: The Code of Civil Procedure, the insolvency law, and related legislation, will be amended to strengthen the position of secured creditors by aligning the treatment of secured credit with cross-country experience, placing secured credit in a position of priority, which will allow lenders to provide financing based on the market value of the collateral. This modification of the ranking of claims will only apply to new secured credit extended after the legal amendments are adopted and enter into force.

Q. Capital Adequacy and Bank Governance

Prior action: BoG will require less-systemic banks to reinforce their capital base.

63. Definition. Less systemic banks, excluding cooperative banks, that have been identified with a capital shortfall as result of the 2015 asset quality review and stress test and/or further supervisory exercises, will have entered into binding agreements to fill any remaining gap to fully comply with supervisory requirements including Pillar II requirements and those identified under an adverse scenario of the stress test. This requires that contractual arrangements of a capital injection have been successfully concluded, and that corresponding capital-relevant transactions have been executed.

64. Supporting material: For each less systemic bank, excluding cooperative banks, in question, confirmation by the BoG as competent supervisor, describing the structure of the relevant capital transactions and confirming the execution of these transactions, including attestation of resulting capital levels.

Structural benchmark (End-July 2017): BoG to complete remedial action regarding less-systemic institutions and ensure that cooperative banks cover potential capital shortfalls

65. Definition. Cooperative banks that have been identified with a capital gap as result of the 2015 asset quality review and stress test and/or further supervisory exercises, will have filled any remaining gap to fully comply with supervisory requirements including Pillar II requirements and those identified under an adverse scenario of the stress test. This requires that contractual arrangements of a capital injection have been successfully concluded, and that corresponding capital-relevant transactions have been executed.

66. Supporting material: For each cooperative bank in question, confirmation by the BoG as competent supervisor describing the structure of the relevant capital transactions and confirming the execution of these transactions, including attestation of resulting capital levels.

R. Payment System and Liquidity Conditions

Prior Action: *Adopt and publish a milestone-based roadmap for the liberalization of capital controls*

67. Definition.

- The roadmap will describe the sequencing of steps towards the relaxation of currently applicable capital controls and withdrawal restrictions. These steps will not be time-bound and will be objectively connected to measurable signals of the state of confidence in the banking system.

68. Supporting materials

- *Reporting entities.* The Bank of Greece will report liquidity and funding indicators to the institutions. Bank of Greece will submit to the institutions bank-specific data for each of the systemic institutions and aggregate data for the remaining of the sector in a timely manner
- *Data on deposits.*
 - Deposit stocks will be reported monthly by category (individual, business, government), by size bands (e.g. [5k, 50 k, 100k, 500k, 1m, 5m, 10m]), by domicile (Greece, EA outside Greece, outside EA), by type and maturity structure (current account, time deposits by the remaining months until maturity, savings), and by currency.
 - Monthly information on the number of accounts and the number of depositors in each size band and depositor category.
 - Monthly flow transactions will be reported gross and by category (cash pay-ins and withdrawals, wire incoming and outgoing transfers by domicile of the counterparty).
- *Liquidity indicators.* In addition to banks' cash buffers, monthly data will be provided on banks' liquidity buffers, including unencumbered collateral at book and estimated liquidity value.
- *Funding data.* Monthly data on funding will distinguish between central bank funding, private market refinancing transactions (secured repos and unsecured borrowing) and intra-group transactions.
- *Deposit survey.* By end-July 2017, the BoG will publish the results of a survey to evaluate depositor confidence and the impact of capital controls on the economy. The survey is to strengthen the decision-making basis for the implementation of relaxation measures laid out in the roadmap, by forming a better understanding of the main drivers of depositor behaviour, assessing the risks involved in further relaxations, and facilitating the

development of communication strategies. The survey will be conducted based on a well-targeted, representative sample of various categories of depositors (businesses in various sizes and individuals), as well as non-resident depositors. The survey will be designed to assess depositor sentiments in the following regards: (i) Level of knowledge regarding the current restrictions in place and conditions of the financial sector; (ii) Extent to which the current restrictions are binding; (iii) Expectations on the improvement of economic situation and financial stability; (iv) Drivers of confidence in Greek banking system; (v) Expectations on the sequence and pace of relaxation steps; (vi) Impact of further relaxation on depositors' financial decisions. The BoG will consult the institutions in designing of the survey, make available detailed findings to the institutions, and publish key findings.

STRUCTURAL REFORMS: PRIOR ACTIONS AND STRUCTURAL BENCHMARKS

S. Labor Market

Prior action: *Adopt legislation to extend the 2011 collective bargaining reforms.*

69. Definition. Primary legislation will require for the duration of the program the suspension of extensions of collective bargaining agreements and of the application of the favorability principle.

Prior action: *Adopt legislation to replace the administrative approval of collective dismissals with a notification process without pre-approval.*

70. Definition. Primary legislation on collective redundancies will replace the current framework of administrative approval of collective dismissals with a notification procedure, in line with EU Directive 98/59, which will allow collective dismissals to take effect within three months of the notification by the employer and will not require an ex-ante approval or validation.

Structural benchmark (End-September 2017): *Adopt legislation to raise the minimum quorum of first level unions for voting on a strike to 50 percent of union representatives.*

71. Definition. Law 1264/1982 will be amended to specify that for a vote on a strike to be legitimate: (i) the presence of at least 50 percent of members of first level unions who are current on union membership contributions will be required; and (ii) a simple majority rather than a two third majority vote will be required for second and third calls.

T. Product and Service Markets

Prior Action: *Adopt legislation to [fully] implement the notification system for investment licensing for food, beverages, and tourism.*

72. Definition. The first phase of the investment licensing reform includes food, beverage, shops of hygiene interest and tourism sectors. The government will adopt all secondary legislation needed to implement the reform for these sectors. This includes one ministerial decision and two joint ministerial decisions for the implementation of the notification system, one for each sector. The decisions list the activities of these sectors and set the details for the notification procedure, the information and certificates required by the applicant, and the notification fees and penalties in case of non-compliance. The interim electronic notification system will be implemented for all these sectors.

Prior Action: *Adopt legislation to liberalize Sunday trade.*

73. Definition. An amendment to law 4177/2013 will liberalize Sunday trade by (i) removing the restriction on shops with less than 250m², chain stores, shops-in-shops, and outlets or outlet villages; (ii) allowing Sunday trade in tourist areas during the months of [May to October]—the main tourist season—and defining tourist areas as those sub-prefectures with more than [2000] hotel beds or a hotel bed to population ratio above [8] percent. An amendment to law 1892/1990 will allow including supermarkets in tourist areas in the list of shops that are allowed to open on Sundays. To address the CoS ruling concerns, the legislation will be accompanied with detailed explanatory notes, including an economic impact assessment.

Prior Action: *Adopt legislation to liberalize over-the-counter sales of pharmaceuticals (OTC).*

74. Definition. With the objective to increase competition and reduce average pharmaceutical prices, [secondary] legislation issued by the government will implement OTC liberalization with no price restrictions—regardless of the point of sale—except for purchases by public hospital.

Prior Action: *The government to submit presidential decrees to liberalize engineers' professional rights, including for public works engineers, and adopt secondary legislation for stevedores.*

75. Definition. Primary legislation on registries will remove restrictions on public work engineers, including to disconnect the class registration and tender qualification, abolish the legal form requirement to access registry classes, abolish regional registries and modify the registry of contractors. A presidential decree will be submitted to the Council of State to implement the law on registries for public work engineers. The decree will modify the structure of registries to lift barriers, including restrictions on contemporaneous registration, expand registration of designers by category, and allow professionals to belong to the registries of designers and acquired experience. A second presidential decree will be submitted to the Council of State to liberalize engineer's professional rights, reducing reserved activities, and broadening the access on

engineering activities to more specialties of engineers. For stevedores, secondary legislation will be adopted to implement the law, including a ministerial decree on the operation of the registries.

Structural benchmark (End-July 2017): *Adopt legislation to complete the implementation of remaining actions in the OECD Toolkit III competition assessment*

76. Definition. Primary and secondary legislation and documented actions will provide for the implementation of all remaining [166] recommendations of the OECD toolkit III report to complete the full set of 371 recommendations in the sectors of wholesale, construction, media, e-commerce, chemicals and pharmaceuticals. The legislation will simplify the rules and lift restrictions on the operation of pharmaceutical warehouses, update legislation for the advertisement of over-the-counter (OTC) medicines, review the regulatory framework for Pay TV, allow trading detergents in bulk at wholesale level, and remove restrictions on public work registries.

77. Exemptions. [The following recommendations will be completed by end-September 2017: (i) Abolishing requirements for physical establishment, ground floor, and specific floor plan for trading of plant protection products (Chemicals 10, 12, 13); (ii) replacing the prior approval of scientific events organized or funded by pharmaceutical companies with a notification and introducing in the legislation an ex-post mechanism to accompany the notification requirement (Pharmaceutical 14). The following recommendations will be completed as follows: (i) amending the legislation to limit the liability of tax warehouses (Wholesale 127, November, 2017); and amending legislation to require operational GPS systems on vessels and tanker trucks and inflow-outflow systems on vessels (Wholesale 29, June, 2018)]

Structural benchmark (End-September 2017): *Adopt horizontal measures to facilitate licensing.*

78. Definition. The government will implement the second phase of the investment licensing reform by preparing and adopting the framework law on inspections and regulatory legislation on (i) installation license for all manufacturing activities, and (ii) logistics (warehouses and distribution centers). Implementation of the inspection framework law will apply to food and beverage, [shops of hygiene interest and tourism sectors.]

Structural benchmark (End-December 2017): *Adopt legislation to remove remaining [advertising restrictions (for dentists, physiotherapists, lawyers, and notaries), geographical restrictions (for notaries, dentists, physiotherapists, and taxi drivers) and incorporation and equity participation restrictions (for law and notary firms).]*

79. Definition. [The government will amend the legislation to remove (i) the advertisement prohibition for dentist and physiotherapists, and reduce the restriction on notaries and lawyers—including for advertisement on TV and radio; (ii) the geographical restriction for notaries, which limit their practice to the region of the County Court and allow them to establish only one office;

(iii) the Restrictions limiting dentist and physiotherapists from operating outside the regional area of the association in which they are registered; and (iv) the limits on the number of taxis in a given region. The government will also amend legislation to remove the incorporation and equity restrictions for law and notary firms, including: (i) the prohibition to establish a firm with other natural person or legal entities, (ii) the requirement follow a specific legal structure (that of the civil law company)—allowing them commercial and capital structure, and (iii) the prohibition for partners to participate in more than one law firm, and act simultaneously as an individual lawyer.]

Structural benchmark (End-June 2018): *The government will implement the follow-up phases of the investment licensing reform covering remaining sectors.*

80. Definition. The government will implement the third phase of the investment licensing reform, which includes most remaining sectors. The sectors will be specified by June 2017 and notification will be implemented through the IT system by June 2018.

MONITORING OF KEY PERFORMANCE INDICATORS (KPI)

U. KPI on Revenue Administration

Progress in revenue administration will be defined as reaching or exceeding the targets set in TMU Table 2.

81. Definitions:

- **A completed audit** is defined as an audit formally reported as finalized in the ELENXIS audit case management system, including signed off by the audit supervisor, and the corrective assessment as referred to in Article 34 of the TPC has been issued, or the audit report states that no underpayment has occurred.
- **High Wealth Individual (HWI)** audits carried out on a legal person owned or controlled by the high wealth individual will also count as an HWI audit case if the audit is carried out by the auditor(s) who carry out the audit of the relevant high wealth individual. Furthermore, audit of off-shore companies with the aim of identifying the natural person owing or controlling the offshore company will also be regarded as an HWI audit case. These audits will be reported separately.
- **Collection of new tax debt** is collection of debt accrued in the period from the 1st of December of the previous year till the 30th of November of the current year and does not include items of non-tax nature for which the tax authority is responsible for collecting on behalf of other public sector entities, such as loans, loan guarantees, penalties and fines, parafiscal taxes, rentals, services, other parafiscal charges, revenue stamps, debits, and other contributions.
- **Old tax debt collection** is collection during current year of debt accrued before 30th November of previous year.

- **Fresh tax audit cases** are closed audit cases, concerning tax years, fiscal years, cases, periods or obligations related to the last five years, including the year when a IAPR decision was issued to define the priority cases.
- **Taxpayer service:** The KPI is a ratio defined as follows. The numerator is the number of VAT refund claims paid or rejected within 90 days during the quarter. The denominator is the sum of the numerator and the number of pending VAT refund claims, for which 90 days have passed at the end of the quarter. The 90-day period refers to the period between a claim is made and final payment to the claimant is completed or the taxpayer is notified that the claim can be paid, or an offset has been made, or the claim is rejected.
- **Tax paid on time:** The numerator is tax liabilities paid by due date, from the beginning of the year to the quarter-end; the denominator is total tax liabilities assessed that should be paid from the beginning of the year and to end of the quarter.
- **Enforcement measures:** The indicator is defined as a fraction where the numerator consists of the total number of debtors against whom some enforcement measure are taken by IAPR at the end of the quarter, and the denominator consists of the total number of debtors against whom GSPR/IAPR could legally impose enforcement measures at the same date. Enforcement measures are defined as one of the following: garnishment orders, garnishments at the hands of third parties (including e-garnishments), auctions, mortgages, imposing liens against assets-garnishments) wages, income or assets seizures. From the denominator are excluded debtors which cannot, by law, be pursued.

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82. Supporting material. Monthly Information will be made available by IAPR in the Tax administration monitor no later than three weeks after the end of each month, including:

- On stock, collection, and write off of tax debt (old, new, and by LDU);
- On the number of debtors under enforcement.
- On assessed taxes and penalties, collection of assessed taxes and penalties, percent of fresh tax audit cases in total completed audits, the stock of priority cases for audit, and inflows and outflows of such cases. The data will be provided for large taxpayers audit center (KEMEP), high wealth individuals audit center (KEFOMEP), local and regional tax centers (DOYs), FAE, and investigation center (YEDDE).
- On stock, payment and rejection of tax refund claims (within or in more than 90 days during the period; for VAT, CIT, and PIT).
- On collection of taxes paid during the period before they become overdue, and after they became overdue.
- On cases registered and closed by the Dispute Resolution Unit, with number of cases closed within the time limit and closed by implicit rejections. The table will also include suspension requests as well as cases closed by explicit decision or by withdrawal of petition.
- Monthly report of the standard 15 tax collection tables by type of tax, by age of tax, by amount of debt due, by status of debtor.

- Installment schemes, with amounts and number of debtors.
- Applications under the out-of-court debt restructuring legislation, with amounts and number of debtors, on the basis of which future KPIs will be established.

V. KPI on Collections of Social Security Contribution

Progress in collecting social security contribution will be defined as reaching or exceeding the targets set in TMU Table 3.

83. Definitions:

- **Social security fund payment compliance** is defined as the ratio of the amount of current year social security contribution paid to the fund divided by the amount invoiced or declared for each reporting period, expressed as a percentage.

84. Supporting material. A monthly submission no later than three weeks after each month-end is required on the following: total amount of social security contribution paid (flow), total amount of social security contribution invoiced or declared (flow), amounts of SSC debt transferred to KEAO, and KEAO's SSC debt collection.

W. KPI on Public Financial Management

Progress in implementing public financial management reforms will be defined as reaching or exceeding the floor targets and staying at or below the ceiling targets as set in TMU Table 4.

85. Definitions:

- **Invoices received by the state** are the invoices or other equivalent documents consisting of a request for payment that have been submitted (accompanied by a submission document) by ministries to the fiscal audit offices (FAOs), or by suppliers to the general directorates of financial services (GDFSs) after the financial service responsibilities are transferred from FAOs to GDFSs, for payment, which include the information on the date when line ministries received the invoice from suppliers or the dates as specified in the Late Payment Directive.
- An **unprocessed pension application** is an application filed by an insured or entitled person for receiving an old age, disability or survivors' pension. The pension claim will be counted as unprocessed if a decision on the validity and amount due under the claim has not been reached by the end of the month following the month in which the application was filed.
- **Social security funds-to-EOPYY transfer** is the amount of cash transfer to EOPYY and the expenditures paid by all social security funds (SSFs) on behalf of EOPYY year to date. The amount that should be transferred from all social security funds to EOPYY is the revenue collected by all social security funds on behalf of EOPYY during the same period, calculated as percent on full monthly net (after measures) pensions received by each pensioner, and 6.45 percent on monthly insurable earnings of each worker. The exact amount of insurable earnings is calculated ex post based on monthly filings of Analytical Periodic Declarations.

- **Medical claims submitted by public hospitals to EOPYY electronically** are claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients on inpatient services with at least one-night stay. No more than one claim is allowed for each inpatient service.

86. Supporting material. Monthly summary information on the following (i) stock of unpaid processed pension applications (number and total value of claims of the application); (ii) stock of unpaid non-processed pension applications (number and total value of claims of the application) provided by the Ministry of Labor; (iii) number of days and processing time of invoices received, invoices paid, and invoices rejected upon verification by the state government (including ministry of finance and line ministries), as well as invoices that have been neither paid nor rejected since the date of receipt of the invoice or the other dates as specified in the Late Payment Directive for a period longer than the ceiling days specified in the Late Payment Directive, (iv) the amount of all SSFs-to-EOPYY cash transfer, expenditure paid by all SSFs on behalf of EOPYY, and revenue collected by all SSFs on behalf of EOPYY, (v) the number of medical claims submitted by public hospitals to EOPYY electronically, and the number of inpatient services with at least one night stay, and (vi) the number of claims submitted by private entities (including private hospitals, clinics, diagnostic centers, etc) to EOPYY for insured patients and the number of full-scope audits conducted by EOPYY on those claims.

Table 1. Greece: Program Quantitative Performance Criteria
(Billions of euro, unless otherwise indicated)

	2017		2018	
	Sep. PC	Dec. PC	Mar. PC	Jun. Indicative
Performance Criteria				
1. Floor on the modified general government primary cash balance /1	6,714	7,245	1,905	1,454
2. Ceiling on the stock of domestic arrears	5,455	4,717	3,979	3,241
3. Ceiling on the gross accumulation of new spending arrears /1	0	0	0	0
4. Ceiling on the overall stock of general government debt (billions of euro) /2	325	325	325	325
5. Ceiling on the accumulation of external debt payment arrears by the general government /2	0	0	0	0
6. Ceiling on new general government guarantees /2	0	0	0	0
7. Floor on the general government spending on goods and services /1	4,643	7,259	1,157	2,444
Indicative Targets				
1. Ceiling on state budget primary spending /1	32,732	51,174	9,373	19,792
/1 Applies cumulatively from the start of the target's calendar year.				
/2 Applies cumulatively from program approval.				

Table 2. Greece: Key Performance Indicators on Tax Administration1/

Indicator	2017		2018	
	End-Sep.	End-Dec.	End-Mar.	End-Jun.
Debt collection				
Collection of tax debts as of the end of the previous year	2,210	2,700	979	1,782
Collection of new debts in the current year (percent of new debt in the year)	19%	24%	16%	19%
Collection of debts by Large Debtor Unit	495	690	170	367
Audits of fresh tax cases by the whole GSPR				
Percent of tax audit cases in total completed audits	60%	60%	70%	70%
Tax audits and collection of large tax payers				
Collection after audits in the year (percent of assessed tax and penalties)	41%	41%	60%	60%
Audits and collection of high wealth individuals				
Collection after audits in the year (percent of assessed tax and penalties)	23.5%	23.5%	16.0%	23.3%
Taxpayer service				
Percent of VAT tax refund claims paid or rejected within 90 days	58%	70%	67%	73%
Compliance and enforcement				
Percentage of total tax paid on time for VAT, Income and Property taxes	82%	83%	82%	84%
Percentage of debtors under enforcement measures	54%	57%	53%	54%
Pre litigation phase				
Percentage of cases closed by explicit decision of the Dispute resolution Unit	93%	95%	75%	80%

Source: Greek Authorities and IMF staff.

Table 3. Greece: Key Performance Indicators on Social Security Contributions 1/

Indicator	2017		2018	
	End-Sep.	End-Dec.	End-Mar.	End-Jun.
Social Security Fund Payment Compliance				
Percent of total invoiced or declared current-year SSC amount paid to the fund 2/	88%	89%	91%	92%
KEAO Collection Performance and Enforcement				
Collection of SSC debts transferred to KEAO 3/	697	1,007	356	560

Sources: Greek authorities and IMF staff.
1/ Cumulative targets from the beginning of each year.
2/ For each reporting period, social security fund payment compliance is calculated as the amount of current year SSC paid to the fund divided by the amount invoiced or declared, expressed as a percentage.
3/ In millions of euros.

Table 4. Greece: Key Performance Indicatorson Public Financial Management 1/

Indicator	2017		2018	
	End-Sep.	End-Dec.	End-Mar.	End-Jun.
1. Ceiling on average period for expenditure payments or rejection after receipt of invoices by state government, including ministry of finance and line ministries. 2/				
Ceiling on number of days	29	29	29	29
2. Ceiling on unprocessed pension applications in thousands.				
Ceiling on pension applications	40	30	25	25
3. Floor on percentage of all social security funds-to-EOPYY actual transfer of the amount that should be transferred. 3/				
Floor on percentage	92%	94%	96%	98%
4. Floor on percentage of number of claims submitted by public hospitals to EOPYY for insured patients electronically. 4/				
Floor on percentage	99%	99%	99%	99%

Sources: Greek authorities; and IMF staff.

1/ Cumulative targets from the beginning of the year unless otherwise specified.

2/ Applies to all invoices received since January 1, 2017. The average period is calculated on all the invoices paid or rejected during the quarter, and invoices still pending beyond the target. The period for each invoice is measured from when the invoice is received to the final payment, or to rejection upon verification, or to the test date if the invoice is pending beyond the target for the average for that test date (e.g. 29 days on Sept 30, 2017).

3/ The ratio in percentage is calculated as follows. The numerator is the amount of cash transfer to EOPYY and the expenditure paid by all social security funds on behalf of EOPYY during the period. The denominator is the revenue collected by all social security funds on behalf of EOPYY during the period.

4/ The ratio in percentage is calculated as the number of claims (invoices and associated documents) using KEN-DRGs and/or hospital fees submitted to EOPYY electronically for insured patients divided by number of treatment cases provided by hospitals to insured patients.