

Table 1. Greece: Prior Actions

Policy	Actions to be taken in consultation with EC/ECB/IMF staff:
1. 2015 supplementary budget and 2016-19 MTFS	<p>Adopt effective as of July 1, 2015 a supplementary 2015 budget and a 2016–19 medium-term fiscal strategy, supported by a sizable and credible package of measures. The new fiscal path is premised on a primary surplus target of 1, 2, 3, and 3.5 percent of GDP in 2015, 2016, 2017 and 2018. The package includes VAT reforms (¶12), other tax policy measures (¶13), pension reforms (¶14), public administration reforms (¶15), reforms addressing shortfalls in tax collection enforcement (¶16), and other parametric measures as specified below.</p>
2. VAT reform	<p>Adopt legislation to reform the VAT system that will be effective as of July 1, 2015. The reform will target a net revenue gain of 1 percent of GDP on an annual basis from parametric changes. The new VAT system will: (i) unify the rates at a standard 23 percent rate and a reduced 11 percent rate for food, medicines, and hotels; (ii) streamline exemptions to broaden the base; and (iii) eliminate discounts, including on islands.</p>
3. Fiscal structural measures	<p>Adopt legislation to:</p> <ul style="list-style-type: none">• close possibilities for income tax avoidance (e.g., tighten the definition of farmers), take measures to increase the corporate income tax in 2015 and require 100 percent advance payments for corporate income as well as individual business income tax by end-2016; eliminate the preferential tax treatment of farmers in the income tax code; raise the solidarity surcharge;• abolish subsidies for heating oil and for excise on diesel oil for farmers.• In view of any revision of the zonal property values, adjust the property tax rates if necessary to safeguard the 2015 and 2016 property tax revenues at €2.65 billion and adjust the alternative minimum personal income taxation.• eliminate the cross-border withholding tax introduced by the installments act (law XXXX/2015) and reverse the recent amendments to the ITC in the public administration act (law XXXX/2015), including the special treatment of agricultural income.• adopt outstanding reforms on the codes on income tax, and tax procedures: introduce a new Criminal Law on Tax Evasion and Fraud to amend the Special Penal Law 2523/1997 and any other relevant legislation, and replace Article 55, ¶s 1 and 2, of the TPC, with a view, inter alia, to modernize and broaden the definition of tax fraud and evasion to all taxes; abolish all Code of Book and Records fines, including those levied under law

2523/1997 develop the tax framework for collective investment vehicles and their participants consistently with the ITC and in line with best practices in the EU.

- adopt legislation to upgrade the organic budget law to: (i) introduce a framework for independent agencies; (ii) phase out ex-ante audits of the Hellenic Court of Auditors and account officers (ypologos); (iii) give GDFSs exclusive financial service capacity and GAO powers to oversee public sector finances; and (iv) phase out fiscal audit offices by January 2017.

By September 2015, (i) simplify the personal income tax credit schedule; (ii) re-design and integrate into the ITC the solidarity surcharge for income of 2016 to more effectively achieve progressivity in the income tax system; (iii) issue a circular on fines to ensure the comprehensive and consistent application of the TPC; (iv) and other remaining reforms as specified in ¶9 of the IMF Country Report No. 14/151.

On health care, effective as of July 1, 2015, (i) re-establish full INN prescription, without exceptions, (ii) reduce as a first step the price of all off-patent drugs to 50 percent and all generics to 32.5 percent of the patent price, by repealing the grandfathering clause for medicines already in the market in 2012, and (iii) review and limit the prices of diagnostic tests to bring structural spending in line with claw back targets; and (iv) collect in the full the 2014 clawback for private clinics, diagnostics and pharmaceuticals, and extend their 2015 clawback ceilings to 2016.

Launch the Social Welfare Review under the agreed terms of reference with the technical assistance of the World Bank to target savings of ½ percent of GDP which can help finance a fiscally neutral gradual roll-out of the GMI in January 2016.

4. Pension reform

The Authorities will implement in full the 2010 pension reform law (3863/2010), and implement in full or replace/adjust the sustainability factors for supplementary and lump-sum pensions from the 2012 reform with [to be specified by the authorities] to achieve equivalent savings and take further steps to improve the pension system.

Effective from July 1, 2015 the authorities will phase-in reforms that would deliver estimated permanent savings of ¼-½ percent of GDP in 2015 and 1 percent of GDP on a full year basis in 2016 and thereafter by adopting legislation to:

- create strong disincentives to early retirement, including by adjusting early retirement penalties, gradually eliminate grandfathering to statutory retirement age and early retirement pathways, applicable for everybody retiring after June 30, 2015;
- integrate into ETEA all supplementary pension funds that fall under the ESA95 definition of General Government and ensure that, starting January 1, 2015, all supplementary pension funds are only financed by own contributions;

- better target social pensions by increasing OGA uninsured pension;
- Phase out the solidarity grant (EKAS) for all pensioners by end-December 2016;
- freeze monthly guaranteed contributory pension limits in nominal terms until 2021;
- provide to people retiring after 30 June 2015 the basic, guaranteed contributory, and targeted pensions only at the attainment of the statutory normal retirement age of currently 67 years;
- increase the relatively low health contributions for pensioners from 4% to 6% on average and extend it to supplementary pensions;
- phase out all state-financed exemptions and harmonize contribution rules for all pension funds with the structure of contributions to IKA from 1 July 2015;

Moreover, the authorities will legislate: by September 2015 to take effect from January 1, 2016 includes (i) specific design and parametric improvements to establish a close link between contributions and benefits; (ii) broaden and modernize the contribution and pension base for all self-employed, including by switching from notional to actual income, subject to minimum required contribution rules; (iii) revise and rationalize all different systems of basic, guaranteed contributory and targeted pension components, taking into account incentives to work and contribute; (iv) the main elements of a comprehensive SSFs consolidation, including any remaining harmonisation of contribution and benefit payment rules and procedures across all funds; (v) abolish all nuisance charges financing pensions and offset by reducing benefits or increasing contributions in specific funds to take effect from [to specify]; and (vi) harmonize pension benefit rules of the agricultural fund (OGA) with the rest of the pension system in a pro rata manner, unless OGA is merged into other funds.

5. Public Administration, Justice and Anti Corruption

Adopt legislation to:

- reform the unified wage grid, effective January 1, 2016, setting the key parameters in a fiscally neutral manner and consistent with the agreed wage bill targets and with comprehensive application across the public sector, including decompressing the wage distribution in both directions in connection with the skill, performance and responsibility of staff.
- align non-wage benefits such as leave arrangements, per diems, travel allowances and perks, with best practices in the EU, effective July 1, 2015.
- establish within the new MTFS ceilings for the wage bill and the level of public employment consistent with achieving the fiscal targets and ensuring a declining path of the wage bill relative to GDP until 2019;

- reform the Civil Procedure Code, in line with previous agreements;
- update and publish the National Anti-Corruption Plan;
- strengthen the governance of ELSTAT. It shall cover (i) the role and structure of the Advisory bodies of the Hellenic Statistical System, including the recasting of the Council of ELSS to an advisory Committee of the ELSS, and the role of the Good Practice Advisory Committee (GPAC); (ii) the recruitment procedure for the President of ELSTAT, to ensure that a President of the highest professional calibre is recruited, following transparent procedures and selection criteria; (iii) the involvement of ELSTAT as appropriate in any legislative or other legal proposal pertaining to any statistical matter; (iv) other issues that impact the independence of ELSTAT, including financial autonomy, the empowerment of ELSTAT to réallocate existing permanent posts and to hire staff where it is needed and to hire specialised scientific personnel, and the classification of the institution as a fiscal policy body in the recent law 4270/2014; role and powers of Bank of Greece in statistics in line with European legislation.

6. Tax administration

Adopt legislation to:

- establish an autonomous revenue agency, that specifies: (i) the agency's legal form, organization, status, and scope; (ii) the powers and functions of the CEO and the independent Board of Governors; (iii) the relationship to the Minister of Finance and other government entities; (iv) the agency's human resource flexibility and relationship to the civil service; (v) budget autonomy, with own GDFS and a new funding formula to align incentives with revenue collection and guarantee budget predictability and flexibility; (vi) reporting to the government and parliament; and (vii) the immediate transfer of all tax-related capacity and staff in other entities (including SDOE) to the agency.
- eliminate the 25 percent ceiling and lower the €1,500 garnishment limits on wages and pensions to a level ensuring reasonable living conditions, and lower the €1,500 garnishment limit on bank deposit balances; accelerate procurement of IT infrastructure to automatize e-garnishment; improve tax debt write-off rules [*to be specified*]; remove tax officers' personal liabilities for not pursuing old debt; remove restrictions on conducting audits of tax returns from 2012 subject to the external tax certificate scheme; and enforce if legally possible upfront payment collection in tax disputes.
- amend (i) the 2014–15 tax and SSC debt instalment schemes to exclude those who fail to pay current obligations and introduce a requirement for the tax and social security administrations to shorten the duration for those with the capacity to pay earlier and introduce market-based interest rates; the LDU and KEAO will assess by September 2015 the large debtors with tax and SSC debt exceeding €1 million [*to be specified e.g. verify their capacity to pay and take corrective actions*]; and (ii) the basic instalment scheme/TPC to adjust the market-based interest rates and suspend until end-2017 third-party verification and bank

guarantee requirements accelerate deregistration procedures and limit VAT re-registration to protect VAT revenues and accelerate procurement of network analysis software; and provide the Presidential Decree needed for the significantly strengthening the reorganisation of the VAT enforcement section in order to strengthen VAT enforcement and combat VAT carousel fraud. The authorities will submit an application to the EU VAT Committee and prepare an assessment of the implication of an increase in the VAT threshold to €25.000.

7. Financial sector

Adopt: (i) amendments to the corporate and household insolvency laws including to cover all debtors and bring the corporate insolvency law in line with the OCW law; (ii) amendments to the household insolvency law to introduce a mechanism to separate strategic defaulters from good faith debtors as well as simplify and strengthen the procedures and introduce measures to address the large backlog of cases; (iii) amendments to improve immediately the judicial framework for corporate and household insolvency matters; (iv) legislation to establish a regulated profession of insolvency administrators, not restricted to any specific profession and in line with good cross-country experience; (v) a comprehensive strategy for the financial system: this strategy will build on the strategy document from 2013, taking into account the new environment and conditions of the financial system and with a view of returning the banks in private ownership by attracting international strategic investors and to achieve a sustainable funding model over the medium term; and (vi) a holistic NPL resolution strategy, prepared with the help of a strategic consultant.

8. Labour market

Launch a consultation process similar to that foreseen for the determination of the level of the minimum wage (Art. 103 of Law 4172/2013) to review the existing frameworks of collective dismissals, industrial action, and collective bargaining, taking into account best practices elsewhere in Europe. Further input to the review described above will be provided by international organizations. The organization and timelines shall be drawn up in consultation with the institutions. No changes to the current collective bargaining framework will be made prior to the conclusion of the review and in any case not before end-2015. Any proposed changes to the legislative frameworks will only be adopted in agreement with the EC/ECB/IMF.

9. Product market

Adopt legislation to:

- implement all the pending recommendations of the OECD competition toolkit I, including *inter alia* truck licenses, and the OECD toolkit II recommendations on beverages and petroleum products;
- open restricted professions of engineers, notaries, actuaries, and bailiffs, and liberalize the market for tourist rentals and ferry transportation;
- eliminate reciprocal and non-reciprocal nuisance charges;
- (i) reduce red tape, including on horizontal licensing requirements of investments and on low-risk activities as recommended by the World Bank, and administrative burden of companies based on the OECD recommendations, and (ii) establish a committee for the inter-ministerial preparation of legislation. Technical assistance of the World Bank will be sought to implement the easing of licensing requirements.
- adopt the reform of the gas market and its specific roadmap, and implementation should follow suit.
- take irreversible steps (including announcement of date for submission of binding offers) to privatize the electricity transmission company, ADMIE.

On electricity markets, the authorities will reform the capacity payments system and other electricity market rules to avoid that some plants are forced to operate below their variable cost, and to prevent the netting of the arrears between PPC and market operator; set PPC tariffs based on costs, including replacement of the 20% discount for HV users with cost based tariffs; and notify NOME products to DG COMP. The authorities will also continue the implementation of the roadmap to the EU target model.

10. Privatization

- The Board of Directors of the Hellenic Republic Asset Development Fund will approve its Asset Development Plan which will include for privatisation all the assets under HRDAF as of 31/12/2014; and the Cabinet will endorse the plan.
- To facilitate the completion of the tenders the authorities will complete all government pending actions including those needed for the regional airports, TRAINOSE, Egnatia, the ports of Piraeus and Thessaloniki and Hellinikon (precise list in Technical Memorandum). This list of actions is updated regularly and the Government will ensure that all pending actions are timely implemented.
- The government and HRADF will announce binding bid dates for Piraeus and Thessaloniki ports of no later than end-October 2015, and for TRAINOSE ROSCO, with no material changes in the terms of the tenders.
- The government will transfer the state's shares in OTE to the HRADF and take irreversible steps for the sale of the regional airports at the current terms with the winning bidder already selected.