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1. INTRODUCTION

This Communication assesses the measures implemented by Greece to comply with the Council Decision 2011/734/EU as amended on by 2012/211/EU of 13 March 2012[1]. Together with the Commission staff's Compliance Report, prepared in liaison with the ECB[2], the Communication contributes to the assessment of compliance with the Memorandum of Understanding (MoU)[3] in the context of the financing to Greece by the euro-area Member States, through the European Financial Stability Facility (EFSF). This assessment is based on the Commission services' 2012 Autumn Forecast and the detailed assessment made in the review of the economic adjustment programme, conducted by the Commission services together with the IMF and ECB staff.

2. THE COUNCIL DECISION OF 13 MARCH 2012

On 13 March 2012, the Council adopted a Decision, under Articles 126(9) and 136 TFEU, addressed to Greece with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit by 2014. This Decision itself amended the July 2011 Decision[4], which had been recast to consolidate several consecutive amendments of Decision 2010/320/EU of 10 May 2010.

The March 2012 Decision was adopted at the inception of the second adjustment programme for Greece. The Decision required Greece to adopt a number of specific measures with the aim of achieving a general government primary deficit not exceeding 1% of GDP in 2012, and primary surpluses of at least 1.8% of GDP in 2013 and 4.5% of GDP in 2014. Following the PSI debt exchange, these targets were consistent with an overall deficit of 7.3% of GDP in 2012; 4.7% of GDP in 2013 and 2.2% of GDP in 2014. To achieve these targets, an improvement in the structural budget deficit of at least 10% of GDP was required over 2009-14.

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[1] OJ L 113, 25.4.2012, p. 8.

[2] 'The Economic Adjustment Programme for Greece – November 2012,' *European Economy– Occasional Paper* The reader is referred to that document for a more detailed assessment of macroeconomic, financial, fiscal and structural reform developments.

[3] Memorandum of Economic and Financial Policies, and Memorandum of Understanding of Specific Economic Policy Conditionality of March 2012.

[4] Council Decision 2011/734/EU (recast) (OJ L 296, 15.11.2011, p. 38).

3. A MUCH WEAKER MACROECONOMIC ENVIRONMENT

Economic activity is currently projected to be much weaker than expected when Decision 2012/734/EU was adopted in March 2012. The Greek economy is in its fifth consecutive year of recession. According to the Commission services' 2012 Autumn Forecast, real GDP is projected to contract by 6.0% in 2012 and by 4.2% in 2013 - against 4.7% and 0.0% respectively in the previous Council Decision -, followed by growth of only 0.6% in 2014, and 2.9% and 3.7% in 2015 and 2016 respectively. In contrast, the Council Decision of March 2012 was based on growth resuming already by 2013. Nominal GDP is now forecast to contract by 5.4% in 2013, compared with a forecast contraction of only 0.4% in March - before expanding by 0.2%, 3.2% and 4.9% in 2014, 2015 and 2016 respectively.

Relative to the forecast available in March, the Commission services' 2012 Autumn Forecast projects a significantly larger and more persistent contraction in economic activity where a falling domestic demand is compounded by the fiscal measures necessary to return the Greek budget onto a sustainable trajectory, and weak net exports. Several underlying factors explain these developments. First, confidence has been undermined by strong uncertainty on the political ownership of the programme during the double parliamentary elections in spring, which resulted in delays in the programme implementation. Uncertainty regarding Greece's situation continued to affect confidence and prevented any resurgence in investment and exports. Second, a weakening world economy has weighed on the export of goods and services. Third, the combined effect of the delays in the implementation of the programme and the related disbursement, as well as tightened credit conditions after considerable outflow of money from the banking sector, resulting in tight private sector access to credit, aggravated the contraction in both private consumption and investment. Finally, the recent revision of the Greek national accounts, in October 2012, revealed a much steeper contraction of real GDP (real output fell by 4.9% in 2010 and 7.1% in 2011), as compared to the underlying figures in the Council Decision (a fall in output of 3.5% and 6.9% respectively in the same two years).

Table 1. Macroeconomic scenario main features (2011-2016)

	2011	2012	2013	2014	2015	2016
Real GDP (growth rate)	-7.1	-6.0	-4.2	0.6	2.9	3.7
Final domestic demand contribution*	-10.1	-9.0	-6.7	-0.8	1.8	3.0
Net trade contribution	2.4	3.3	2.5	1.5	1.1	0.8
Employment (growth rate)	-5.6	-7.9	-2.1	1.4	2.0	3.0
Unemployment rate (percent of labour force)	17.7	23.6	24.0	22.2	20.6	18.9
Compensation of employees, private sector per head	-3.9	-8.9	-9.5	1.9	2.2	2.5
Unit labour cost (growth rate)	-2.4	-8.7	-5.0	-0.4	-1.0	1.0
HICP inflation	3.1	1.1	-0.8	-0.4	0.6	1.1
HICP inflation at constant taxes	1.2	0.2	-1.3	-0.6	0.5	1.1
Current account balance (percent of GDP)	-11.7	-8.3	-6.3	-5.2	-3.4	-2.1
Net borrowing vis-à-vis RoW (percent of GDP)	-9.8	-6.1	-3.9	-2.7	-1.0	0.3
Net external liabilities (percent of GDP)	-120.9	-94.4	-102.5	-105.6	-105.1	-102.5

** Excluding change in inventories and net acquisition of valuables*

Source: European Commission

4. REMEDYING THE SITUATION OF EXCESSIVE DEFICIT

4.1. Fiscal Policy in 2012

Greece had been recommended to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit by 2014, ensuring an improvement in the structural balance of at least 10 percentage points of GDP over the period 2009-14. Greece has taken effective action in 2012 in compliance with Council decision 2011/734/EU to remedy the situation of excessive deficit of the general government.

The general government fiscal deficit itself has improved remarkably from 15.6% of GDP in 2009 to 9.4% of GDP in 2011 and, according to the detailed staff assessment in Compliance Report, to 6.9% of GDP in 2012 with a primary deficit (deficit excluding interest expenditures) of 1.5% of GDP. For the year as a whole, the overall ESA-deficit in 2012 is thus expected to be 0.4 percentage points of GDP better than the 7.3% of GDP government deficit (ESA95 basis) ceiling for 2012 established by the Council Decision. In nominal terms the 2012 general government deficit is expected to have reached €13.4 billion compared with a €14.8 billion deficit ceiling prescribed in the Council Decision. The primary deficit however is expected to be slightly higher than the targeted 1.0% of GDP, in light of the deeper-than-expected recession.

Greece is estimated to have improved its structural deficit[5] by 13.9 percentage points of GDP from a 14.7% deficit in 2009 to an estimated 1.5% deficit in 2012. According to the Commission services' 2012 Autumn Forecast, the cyclically adjusted budget deficit will improved by 3.9 percentage points of GDP in 2012 alone. The underlying fiscal effort in 2009-2012 is larger than the 10% of GDP recommended by the Council Decision for the entire period 2009-2014.

In the face of weaker economic activity, the government has adopted additional consolidation measures limiting the impact of the recession on public finances. These included lowered wages for special professions (judges, police, defence and university professors) from August 2012 and measures to reduce the overspending in the health sector. Moreover, the Public Investment Budget was reduced by a considerable margin. This performance was facilitated by the introduction of better budgetary monitoring and controls, the introduction of medium-term budgeting and important structural reforms in the healthcare sector. Smaller-than-expected interest payments by almost 1.0% of GDP also assisted in this adjustment.

The fiscal performance was achieved without a significant rise in arrears. Although the performance criterion and indicative target on non-accumulation of arrears of line ministries and hospital and general government by end-June and end-September were missed (see table 2), the overall rise in arrears of EUR 1.6 billion since the beginning of the year is limited. The accumulation of arrears mainly took place in the health and defence sectors.

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[5] Structural balance is defined as annual cyclically adjusted balance net of one-off and temporary measures.

Table 2. Fiscal quantitative performance criteria (EUR billion)

	end Mar 2012		end Jun 2012		end Sep 2012	
	Data	Criterion	Data	Criterion	Data	Criterion
Performance criteria						
General government primary cash balance	1.2	-2.5	-2.5	-6.0	-1.8	-5.0
State primary spending	13.1	13.9	26.4	29.2	37.9	43.1
Ceiling of the accumulation of new domestic arrears by Hospitals and Line Ministries	0.5	0.0	0.7	0.0	0.9	0.0
Central government debt	289.9	340.0	308.0	340.0		340.0
New guarantees granted by the central government	0.0	0.0	-0.2	0.0		0.0
Indicative target						
Ceiling on the accumulation of new domestic arrears by the General Government	0.8	0.0	1.9	0.0		0.0

Source: Commission services.

According to the detailed staff assessment in the Compliance Report, the general government consolidated debt is expected to decline by €11.1 billion in 2012 against € 26.957 billion set in the Council Decision. This is due to lower-than-expected privatisation receipts, a lower-than-expected consolidation of government debt and worse-than-expected cash-accruals and other interest adjustments. Owing to a lower nominal GDP following the statistical data revision and in the light of worse macroeconomic prospects, the debt-to-GDP ratio is likely to rise in 2012 to 162.5%.

4.2. Adjusting the fiscal medium-term path

Given the deeper and longer-than-expected economic recession, the Commission is recommending the Council to extend the fiscal adjustment path by two years and to set the the targets for the Greek fiscal accounts for the period 2013-2016, which should be defined on the basis of the primary balance in nominal terms.

After a primary deficit of EUR 2,925 million (1.5% of GDP) in 2012, Greece should reach a primary balance in 2013 and primary surpluses of EUR 2,775 million in 2014 (1.5% of GDP), of EUR 5,700 million in 2015 (3% of GDP) and of EUR 9,000 million in 2016 (4.5% of GDP) (see table 3). The measures needed to reach the revised targets amount to EUR 9.2 billion in 2013 with an additional EUR 4.3 billion in 2014. The revised path means that the general government budget balance would fall below 3% of GDP in 2016.

Table 3. Primary Balance and GG Balance 2013-2016

	2012	2013	2014	2015	2016
March review targets					
General government balance	-7.3	-4.7	-2.2		
Primary balance	-1.0	1.8	4.5		
Revised targets					
General government balance	-6.9	-5.4	-4.5	-3.4	-2.0
Primary balance	-1.5	0.0	1.5	3.0	4.5

Source: Commission services.

The new fiscal path corresponds to an improvement in the cyclically-adjusted primary balance to GDP ratio from 4.1% in 2012 to 6.2% in 2013, 6.4% in 2014 and at least 6.4% of GDP in

2015 and 2016[6]. Measures will be taken by the authorities in the course of the regular budgetary processes over the next years. It is worth noting, however, that the projections on the remaining fiscal gap in outer years are inherently uncertain and depend to large extent on the strength of the recovery as well as yields from improvement in the tax and social security administrations.

4.3. Fiscal compliance measures under the MTFS 2013-16

In order to put an end to the present excessive deficit situation as rapidly as possible in line with the Council Decision 2011/734/EU, the Greek authorities have taken decisive steps to consolidate their public finances in 2013 and 2014, by adopting the 2013 budget and the Medium-Term Fiscal Strategy 2013-2016.

On 11 November 2012, the budget for 2013 was adopted by the Greek parliament, including revenue and expenditure consolidation measures of more than €9.2 billion, over 5% of GDP, with the aim to reduce the primary deficit in 2013. The 2013 budget forms part of the Medium-Term Fiscal Strategy (MTFS) 2013-2016 that was adopted by the Greek Parliament a few days earlier, on 7 November 2012.

The MTFS and the relevant legislation to implement it set out a very sizeable and front-loaded fiscal consolidation underpinned by a comprehensive set of structural measures. The overall fiscal adjustment for 2013-2014 amounts to some 7.2% of GDP, with the measures in 2013 representing 2/3 of this consolidation effort. It should pave the way for the achievement of a 4.5% of GDP primary surplus and a 2.0% of GDP government deficit by 2016. In terms of quality, the majority of the adjustment consists in expenditure measures that will be undertaken early in the programme.

The 2013 Budget, the MTFS and individual measures have been thoroughly discussed by the Hellenic authorities with the Commission services in the context of the Economic Adjustment programme and the financial assistance which Greece is receiving. These discussions considered the fiscal consolidation measures in conjunction with the reforms which they entail, with a view to secure a sustainable correction of the excessive deficit, the sustainability of the debt trajectory but also to take into account the implications for growth and the Greek society. Throughout these discussions, social considerations and the role of social partners were taken into account in the design and implementation of the measures (e.g. pension reforms have tried to protect the lowest income pensioners).

The fiscal consolidation measures cover the whole range of government activity, with the main areas including:

- **Increased sustainability of the pension system, by reducing the cost of pensions and bringing forward the full effects of the pension reform.** The pension measures are expected to generate savings of about EUR 5.3 billion over 2013-14, about 2.8% of GDP. They represent about 2/5 of the overall package for 2013-2014. These measures complete the series of reforms started in 2010 with the pension reform to offset the very rapid increases in pensions observed in the 2000-2009 period. The general pensionable age will rise from 65 to 67 with proportionate changes in the age limits for almost all categories of retirees, thus bringing forward

[6] The equivalent figures for the cyclically-adjusted general government balance are estimated to be -1.3% of GDP in 2012, 0.7% of GDP in 2013, and 0.4% of GDP in 2014.

an element of the 2010 pension reform that was originally expected to start in 2015. All the seasonal bonuses on main and supplementary pensions will be eliminated, while the monthly amount of main and supplementary pensions per beneficiary will be reduced progressively (between €1000-€1500 by 5 percent; €1500-€2000 by 10 percent; €2000-€3000 by 15 percent and above €3000 by 20 percent). There will also be a reduction in new lump-sum benefits for public employees and for all SSFs. Pensions for special wage regimes will also fall following cuts in wages and the elimination of automatic wage promotions. Other measures include an increase of contributions for farmers, reductions of pensions for elected staff, the introduction of means-testing of pensions for specific categories of beneficiaries, the elimination of special pension benefits of trade unionists and cross-checks to remove ineligible pension benefits.

- **Permanent reductions in the public sector wage bill**. After the substantial increase observed in the 2000-2009 period and following the significant cuts on wages operated in the past, the government is now planning a further series of permanent reductions in wages of about EUR 1.3 billion (0.7% of GDP) over 2013-14. This category of savings represents 10% of the overall fiscal package for 2013-2014. The rationalization of the wage bill of employees under special wage regimes (judges, diplomats, doctors, professors, armed forces and police, airport personnel, and general secretaries, will be carried out through progressive cuts in the monthly wages with effect from August 1, 2012 (with the following marginal reduction schedule: 2 percent below EUR 1000; 10 percent for EUR 1000-1500; 20 percent for EUR 1500-2500; 30 percent for EUR 2500-4000; and 35 percent above EUR 4000). These cuts will be then complemented in 2014 by the elimination of automatic wage promotions for the armed forces expected to yield yearly at least EUR 88 million. Another important measure is the elimination of seasonal bonuses of employees at the state and local governments and in legal entities of public and private law, accompanied for the 2013-2016 period by the suspension of the payment of the performance bonus in all the public sector.

- **Other wage-related measures** include the rationalization of the State wage bill (including reduction in the wage bill for consultant doctors, and a hiring freeze at the Ministry of Citizen protection and Ministry of Education), application of the uniform wage grid for public servants to the parliamentary staff, the abolition of exceptions from the public sector wage grid reform introduced in 2011. The MTFS also aims at reducing the local government wage bill. The public sector workforce is also being reduced by decreasing the intakes of professional academies, non-permanent teachers both at the secondary level of education and in universities and technical colleges and through a further reduction of fixed term contracts by 10 percent. Lastly, 27 000 civil service employees will be placed into the mobility scheme by November 2013, including by abolishing positions of certain categories of employees or associated with closed/merged entities and by addressing disciplinary cases (including via outright dismissals). 2000 of these employees have been moved to the scheme in November 2012 already.

- **The rationalisation of social benefits (other than pensions) is expected to deliver savings for about EUR 300 million (0.2% of GDP) over 2013-14.** The measures adopted include the rationalisation of benefits for uninsured, introduction of means-testing for family allowances, reduction in subsidies to farmers, increase of the age condition for recipients of an income-tested supplement to low pensions (EKAS), cuts in special unemployment benefits, rationalisation of transportation benefits for selected categories of patients are aimed at improving the targeting and actual impact of social benefits on lower-income households, in line with the recommendations delivered by the technical assistance partners (OECD). The measures strengthen the requirements to receive social assistance while improving their targeting to the most vulnerable sectors of society. The package includes also the introduction of two new social programmes, aimed at cushioning the impact of high unemployment rates and contraction in disposable income on the population.

- **Cost reductions and efficiency improvements in healthcare including pharmaceutical expenditure.** Cost savings in pharmaceuticals spending make up some 2/3 of these overall reductions in healthcare amounting to about EUR 1.0 billion (0.6% of GDP) over 2013-14. Savings stem from further development of incentives and obligations to use generic medicines, a revised co-payment structure for medicines, exempting only a restricted number of medicines related to specific therapeutic treatments, the regular revision of medicine prices based on the three EU countries with the lowest prices, and the application of automatic claw-back mechanism to pharmaceutical producers. The latter will guarantee that the outpatient pharmaceutical expenditure does not exceed the targets of EUR 2 440 million in 2013 and EUR 2 000 million in 2014, to be in line with the overall target of 1.0% of GDP by 2014, while maintaining supplies to patients. Reductions in hospitals' expenditures, increase in co-payments in hospitals and for prescriptions of drugs from 2014 onwards and the streamlining of the hospital network will also contribute to the expenditure reductions.

- **Reduction in the operational expenditure of the government.** Measures of about 239 million in 2013 and additional EUR 225 million in 2014 amounting to about 0.5 billion (0.3% of GDP) include the gradual implementation of e-procurement for all public administration, 25 percent reduction in discretionary non-wage spending, reduction in subsidies to internal ferry boats and in grants to Extra-budgetary Funds outside the general government, elimination of grants to farmers' trade unions linked to assistance in applying for EU financial aid and tightening spending rule for the Green Fund.

- **Reducing and re-profiling operational defence-related expenditure.** The cuts in 2013-2014 in military procurement amount to about 340 million, which complements reductions in military equipment procurement already implemented in the past. Other measures include a reduction in operational expenditures through closure of military camps and a reduction of the intake into military academies. Savings for about EUR 400 million (0.2% of GDP) are expected over 2013-2014.

- **Promoting savings in and stronger monitoring of state-owned enterprises (SOEs),** through increase in revenue, reduction in transfers to SOEs outside the General Government, operational and personnel expenses (through the harmonization of the wage grid of all state-owned enterprises of public law with the one in place in the rest of the public sector), for a total amount of more than EUR 350 million over 2013-14 (0.2% of GDP). In order to ensure the achievement of those savings, a new monitoring and enforcement framework has been introduced by 2013 that will fix specific targets for the financial results of each SOE and impose sanctions to enforce and prevent any deviations from the target.

- **Cost reductions and efficiency improvements in education expenditure** by at least EUR 86 million in 2013, and additional EUR 37 million from 2014 onwards, through reduction in funding for entities outside of the General Government budget for education, rationalisation of the network of higher education institutions and reduction in expenses for central and regional education administrations. These cost reductions need to be in line with the Action Plan for the improvement of the effectiveness and efficiency of the education system which the Government is committed to implementing and should not have an adverse impact on the smooth rolling out of the educational reforms co-funded by EU Structural Funds.

- **Reductions in state transfers to local governments,** through cuts in transfers for ordinary expenses and investment of local governments for a total of EUR 220 million over 2013-14. In order to enforce the achievement of these savings, an internal stability pact based on balanced budgets is strengthened by putting in place a system of monitoring municipalities' expenses, setting economic disincentives in case of deviations from the intra-year targets, and removing the possibility for deficit financing. Savings expected are of at least EUR 100 million in 2013 and additional EUR 120 million from 2014 onwards (0.1% of GDP over the period 2013-14).

- **Reductions in capital expenditure** (domestically-financed public investment, and investment-related grants) for a total of EUR 300 million over 2013-2014 0.2% of GDP). To reduce the negative impact on the GDP of those cuts, the government has committed to cut projects with lower value added and especially those less capital-intensive.

- **A comprehensive reform of direct taxation and the tax administration and increases in taxes, aimed at addressing existing distortions.** This set of measures represents about ¼ of the overall package as it aims to collect EUR 1 668 million in 2013 and EUR 1 820 million from 2014 onwards (1.9% of GDP)**.**. A major tax reform is being introduced which should produce savings of almost EUR 1.6 billion in 2014. The reform of the tax administration should also support stronger tax collection Among other tax measures figure increases in the fee for lawsuits, an increase of tax on ship-owners' assets, reduction of VAT refunds for farmers, reduction of diesel excise duty subsidy provided to farmers, equalization of the excise tax on LPG and motor diesel oil by raising the LPG tax, equalization of social security contributions (by raising the ceiling for employees first employed before 1993 to that of employees first employed after 1993), a reform of tobacco excise taxation, imposing 30 percent taxation on OPAP's gross gaming revenue, 10 percent on lottery winnings and increase of the tax rate on savings interest from 10 up to 15 percent..

The overall quality of the measures included in the MTFS is high. The MFTS leads to a permanent correction of those expenditure items which saw an excessive increase since 2000. The MTFS implies a substantial shift in spending composition away from entitlement spending and wages, with cuts in pensions and public wages accounting for about 2/3 of the total yields of the package. Part of the reductions in operational expenditures has been underpinned by structural measures, such as the introduction of e-procurement and mobility of personnel and a comprehensive functional review of the central administration. Together with the adjustment on pensions and wages the package includes also feasible although less sound policies such as cuts in domestic investments. Despite these reductions, domestically-financed investment is expected to increase significantly over the medium-term. It should also be noted that the MTFS does not include savings which are likely to be generated from a host of administrative measures, as they entail more complex implementation steps and hence are subject to higher delivery risks. The implementation of these measures is nevertheless crucial to further increase the efficiency of public spending and they will be part of the Memoranda of cooperation between the Ministry of Finance and the other line Ministries.

Table 4. Fiscal measures in the MTFS 2013-14

(cumulative impact, % of GDP)	**2013**	**2014**
Public Administration Restructuring	0.1	0.3
Subnational Governments	0.0	0.1
Public Sector Wage bill	0.6	0.7
Pensions	2.6	2.8
Social Benefits	0.1	0.2
Health	0.2	0.6
Defence	0.2	0.2
Education	0.0	0.1
Rationalization of SOEs	0.1	0.2
Rationalization of National PIB	0.1	0.2
Changes in tax system	0.9	1.9
Total package	5.1	7.2

Source: Commission services.

4.4. Structural measures with budgetary relevance

In addition and to support the fiscal policy measures described in the previous section, Greece has taken a number of structural policy measures with budgetary relevance.

The privatisation plan represents a source of significant potential revenues to be used for debt reduction, but has so far not generated the expected receipts. The programme was disrupted by the two elections, but the some momentum has been regained since September 2012. Cumulative receipts by December 2012 are expected to be only some EUR 1.7 billion, although several assets are expected to be ready for sale in the first half of 2013. The parliament has recently abolished the golden share (25%) in the State-owned companies to be privatised in the coming years, which could increase proceeds expected from some of these assets. Cumulative privatisation receipts by the end of 2013 are expected to be around EUR 3.4 billion, rising to EUR 10.4 billion by the end of 2016. Doubts on the effectiveness of the governance of the privatisation process however continue to persist, which called for setting better incentives to deliver higher proceeds, while contributing to better industry practices, more investment and net job creation.

Table 5. Expected Privatisation Receipts

By the end of:	Cumulative receipts since June 2011 (€ billion)
2012	1.7
2013	4.1
2014	6.0
2015	8.0
2016	10.4

A **comprehensive income tax reform** will broaden the tax base and thus help share more equally the tax burden. The reform is expected to enter into force from January 2013 with the full budgetary impact expected to be realised in 2014. The reform, which was originally to be adopted earlier in autumn 2011, is now a concrete initiative, which is expected to be revenue-positive (rather than revenue-neutral as originally planned). The tax revenue implications of the reforms have been taken into account in the MTFS. The tax reform focuses on a new tax system for the self-employed, which does not any longer allow a tax allowance and the reshaping of the corporate income tax from dividends to profits taxation. The tax reform also aims at eliminating special tax regimes and tax expenditures in order to share the burden of taxation more widely. Some risks exist in the finalisation of the reform, as opposition from the liberal professions and self-employed can be expected.

The pension system continues to be reformed. In particular, the authorities have already taken action through the recent adoption of a Law revising the supplementary pension system. The Law sets up a new single fund (ETEA) in which [almost] all (numerous) funds have been merged. It also defines a new formula, based on an actuarially neutral calculation of pension benefits (a "notional defined contribution" system) and topped up by a sustainability factor to guarantee the future sustainability of the system. The new formula, now in place, is applied retrospectively to pension rights accumulated since 2001 and will affect pension paid since January 2015. . Too generous lump sum pensions at retirement have been substantially curtailed and the government is devising a new, actuarially neutral formula for calculating future lump sum entitlements. The coming months require strong efforts to implement the reform, in particular the organisational aspects of ETEA and the setting up of individualised pension files, possibly with technical assistance from other Member States.

Healthcare is further streamlined. Action on reform continues and an important policy impetus took place in March 2012 with the adoption of the new healthcare law (Law 4052/2012) and a large number of related Ministerial Decrees. Policies legislated were directed at 1) reducing and thereafter controlling expenditure in the pharmaceutical sector; 2) instituting a single universal social health insurance organisation – EOPYY (National Organisation for the Provision of Health Services) and 3) reforming the hospital sector. Measures implemented so far have started to bear fruit. For example, electronic prescriptions constitute now more than 90% of all prescriptions and the system can provide real-time information for continuous monitoring and assessment. Following a period of slow progress regarding the implementation of some measures (e.g. update of price and reimbursement lists of medicines, INN prescription, clawback collection), during the pre- and post-election period, authorities have re-affirmed their commitment to implement legislated reforms and have proposed several new policy measures.

Other structural reforms are ongoing:

- A series of other measures are being taken to empower the **tax administration reform** and strengthening the fight against corruption. The replacement of the Code of Books and Records adopted in 7 November 2012 and the enactment of a modern tax procedure code expected in mid-2013 are crucial to facilitate the implementation of the tax administration reforms and improve the scope of the tax policy reform. Several other measures are being implemented to improve tax collections: these include a strengthened focus on collectible tax revenue and new regulations to write-off non-collectable debts, while payments in cash are to be banned in tax offices On corruption, the government is planning to start the implementation of the anti-corruption plan and reinforce the protection of whistle-blowers, while centralising decisions on internal disciplinary actions.

- **The government is determined to secure tighter control over all general government spending and has taken important action in this area.**. The Ministry of Finance has helped strengthen the monitoring of commitments through the institution of commitment registers in spending entities. Despite initial delays in setting-up an effective public finance management institutional, 72 % of General Government entities reported data through commitment registries in June 2012 meeting the structural benchmark targets for June. The coverage is now projected at 90 % in December 2012 as the main entity providing healthcare services, EOPYY, will start reporting data through e-portal by October 2012. EOPYY must become fully compliant in terms of reporting its commitment register through the e-portal. The fiscal surveillance of the social security and health sectors has to be improved.

- **Budget execution and sound fiscal management are being enhanced, also by strengthening the role of the Ministry of Finance.** On 17 November 2012, the Council of Ministers adopted an act (which has been converted into Law on 18 November**)** which introduces: (i) Memoranda of Cooperation between the Ministry of Finance and the other Ministries or between the Ministries and managers of the supervised entities of the broad general government sector, to be signed by 31 December of each year; (ii) an internal stability pact for local government based on a balanced budget constraint and including corrective and sanctioning mechanisms as automatic cuts in expenditures to be applied as a rule when targets are expected to be missed; (iii) a strengthened system to monitor monthly budget execution for state-owned enterprises (SOEs) with sanctions for those SOEs who do not respect the agreed targets; and (iv) a reinforced centralisation of budget planning and implementation strengthening the coordination powers of the Government Accounting Office (GAO) towards the General Directorates Financial Services of the line ministries. The Act also provides for monthly submission of the budget execution programme and actual execution to the supervising Director General of Financial Services and the GAO (depending on the size of their budget). The Act also allows the Ministry of Finance to take corrective measures throughout the year against all the entities (other than SOEs and LGs) failing to comply with their budgetary obligations, including the possibility to bring them under the direct supervision of the Ministry of Finance.

5. CONCLUSION

Greece has taken effective action to remedy the situation of excessive deficit in compliance with Council decision 2011/734/EU. Greece has ensured an improvement in the structural balance in 2010-2012 which is already larger than the at least 10 percentage points of GDP over the period 2009-14 recommened by the Council. Greece is estimated to have improved its structural deficit by 13.9 percentage points of GDP from a 14.7% deficit in 2009 to an estimated 1.5% deficit in 2012. The general government deficit is projected to have improved from 15.6% in 2009 to 6.9% of GDP in 2012.

Greece has taken measures to contain the deficit in 2012. In order to put an end to the present excessive deficit situation as rapidly as possible in line with the Council Decision 2011/734/EU, the Greek authorities have also taken decisive steps to consolidate their public finances in 2013 and 2104, by adopting the 2013 budget and the Medium-Term Fiscal Strategy 2013-2016. The budget for 2013 adopted by parliament includes additional revenue and expenditure measures of more than €9.2 billion (over 5% of GDP). The MTFS and the relevant legislation to implement it sets out a very sizeable and front-loaded fiscal consolidation with a comprehensive set of structural measures underlying a substantial fiscal consolidation. This should pave the way for the achievement of a 4.5% of GDP primary surplus and a 2.0% of GDP government deficit by 2016.

Economic activity is currently projected to be much weaker than expected when Decision 2012/734/EU was adopted in March 2012. Real GDP is forecast to contract by 6.0% in 2012 and 4.2% in 2013, against 4.7% and 0.0% respectively in the previous Council Decision. Relative to the forecast available in March, the current forecasts represent a significantly larger and more persistent contraction in economic activity. This marked worsening of the economic scenario implies a corresponding deterioration of the outlook for public finances given unchanged policies.

In the light of the above considerations, the Commission is recommending the Council to extend the deadline for the correction of the excessive deficit by two years to 2016, to revise the fiscal targets that Greece should respect in 2013 and 2014 and to set new targets for 2015 and 2016.

These targets should be defined on the basis of the general government primary balance in nominal terms. For 2012 the primary deficit should be EUR 2,925 million (1.5% of GDP), for 2013, the primary balance should be EUR 0 (0% of GDP), for 2014 EUR 2,775 million (1.5% of GDP), for 2015 EUR 5,700 million (3.0% of GDP) and for 2016 EUR 9,000 million (4.5% of GDP). The new fiscal path implies an improvement in the cyclically-adjusted primary balance to GDP ratio from 4.1% in 2012 to 6.2% in 2013 and at least 6.4% of GDP in 2014, 2015 and 2016. The targets for the primary balance imply an overall deficit of 5.4 % of GDP in 2013, 4.5 % of GDP in 2014, 3.4% of GDP in 2015 and 2.0% of GDP in 2016. The equivalent figures for the cyclically-adjusted general government balance are estimated to be -1.3% of GDP in 2012, 0.7% of GDP in 2013, and 0.4% of GDP in 2014. The equivalent figures for the cyclically-adjusted government deficit to GDP ratio are estimated to be -1.3% in 2012, 0.7% in 2013, 0.4% in 2014, 0.0% in 2015 and -0.4% in 2016, reflecting the profile of interest payments.

Within a comprehensive approach to safeguard the delivery of fiscal commitments, key areas being enhanced are corrective and sanctioning mechanisms, transparency, accountability, oversight. In this respect, necessary institutional improvements are being implemented. These include inter alia: strengthening HRADF's governance and independence through quarterly automatic correction mechanisms in the privatisation process, should there be slippages in the targets and reactivating the operation of the existing Parliamentary Budget Office by strengthening its reputation, independence and technical competence towards a fully-fledged fiscal council (e.g. provision/endorsement of forecasts for the budget preparation, monitoring of compliance with budgetary targets and fiscal rules, provision of independent assessments of fiscal developments and challenges, etc), building on best international practices.

The Government will ensure effective and timely debt servicing and monitoring of cash flowsthrough a reinforced implementation of the debt servicing account established by Law 4063/2012 (which established a segregated account in the Bank of Greece.) By law, disbursements to this account cannot be used for any other purposes than debt servicing, including the amortization and interest payment costs of all HR's loans, debt management transactions and derivatives, as well as any parallel cost (fees and other expenses) related to debt servicing and in general to Public Debt Management are paid. The proceeds of this account are the disbursement of EFSF's loans, subject to an EFSF acceptance notice, as well as the Hellenic Republic's contributions to debt servicing, including all revenues from the privatisation of State assets and at least 30% of windfall revenues. All payments from this account will be subject to prior detailed reporting to the EFSF/ESM and ex-post confirmation by the account holder.

ANNEX : MEASURES REQUIRED BY COUNCIL DECISION 2011/734/EU of 13 March 2012	
Article 1(1). Greece shall put an end to the present excessive deficit situation as rapidly as possible and, at the latest, by the deadline of 2014.	**NOT OBSERVED -** New Recommendation to extend deadline for the correction of the excessive deficit until 2016.
Article 1(2). The adjustment path towards the correction of the excessive deficit shall aim to achieve a general government primary deficit (deficit excluding interest expenditure) not exceeding EUR 2 037 million (1,0 % of GDP) in 2012, and primary surpluses of at least EUR 3 652 million (1,8 % of GDP) in 2013 and EUR 9 352 million (4,5 % of GDP) in 2014. Following the debt exchange, these targets for the primary deficit/surplus are consistent with an overall deficit of EUR 14 811 million (7,3 % of GDP) in 2012, EUR 9 462 million (4,7 % of GDP) in 2013 and EUR 4 499 million (2,2 % of GDP) in 2014. To this aim, an improvement in the structural balance of at least 10 % of GDP will have been achieved over the period 2009-2014. Proceeds from the privatisation of assets (financial and non-financial assets), as well as all transfers related to the Eurogroup decision of 21 February 2012 with regard to the income of euro zone national central banks, including the Bank of Greece, stemming from their investment portfolio holdings of Greek government bonds shall not reduce the required fiscal consolidation effort and shall not be counted in the assessment of these targets.	**PARTIALLY OBSERVED -** According to the detailed staff assessment in Compliance Report, the government deficit in 2012 is expected to be 6.9% of GDP with a primary deficit of 1.5% of GDP. The overall ESA-deficit in 2012 is thus expected to be 0.4 percentage points of GDP better than the 7.3% of GDP government deficit (ESA95 basis) ceiling for 2012 established by the Council Decision. The primary deficit however is expected to be slightly higher than the targeted 1.0% of GDP, in light of the deeper-than-expected recession. The cumulative improvement 2009-2012 in the structural balance is expected to be 13.9% of GDP compared to the 10% improvement target for 2009-14.
Article 1(3). The adjustment path referred to in paragraph 2 is consistent with an annual change in the general government consolidated debt of EUR - 26 954 million in 2012, of EUR 6 775 million in 2013 and of EUR 1 492 million in 2014.	**NOT OBSERVED -** The general government consolidated debt is expected to decline by €11.1 billion in 2012 against € 26.957 billion set in the Council Decision. This is due to lower-than-expected privatisation receipts, a lower-than-expected consolidation of government debt and worse-than-expected cash-accruals and other interest adjustments.
Article 2(7a). Greece shall adopt the following measures without delay:	
(a) a reduction in pharmaceutical expenditure by at least EUR 1 076 million in 2012;	**OBSERVED.** - Law 4052/2012 (Official Gazette 41/A/01.03.2012) - Reduce medicine prices: Ministerial Decision YG/151/29.02.2012-Official Gazette 545/B/01.03.2012. - Reduce princes for off patent medicine: Ministerial Decision YG/151/29.02.2012-Official Gazette 545/B/01.03.2012. - Reduce generic prices: Ministerial Decision YG/151/29.02.2012-Official Gazette 545/B/01.03.2012. - Reduce off branded prices: Ministerial Decision

	YG/151/29.02.2012-Official Gazette 545/B/01.03.2012. - Increasing co-payments: Joint Ministerial Decision F42000oik2555/353/28.02.2012- Official Gazette 497/28.02.2012. - Reduction in pharmacists and wholesalers margins: Ministerial Decision YG/151/29.02.2012-Official Gazette 545/B/01.03.2012. - Compulsory prescription by e- prescription: Ministerial Decision YG/148/29.02.2012 Official Gazette 545/B/01.03.2012 - Compulsory protocols: Ministerial Decision Y4a/29.02.2012 Official Gazette 545/B/01.03.2012 - Only reimburse pharmacists on the basis of electronic prescription: Ministerial Decision YG/148/29.02.2012 Official Gazette 545/B/01.03.2012. - Rebates for positive list: Ministerial Decision YG/151/29.02.2012 Official Gazette 545/B/01.03.2012. - Circulars requesting the update on hospital's and social security funds' budgets . F.80000/5368/1108/06.03.2012 and 22435/06.03.2012 and Joint Ministerial Decision Y10/G.P. oik GY156/01.03.2012. - Claw back: Ministerial Decision GY 150/01.03.2012-Official Gazette 681/B/08.03.2012
(b) a reduction in overtime pay for doctors in hospitals by at least EUR 50 million in 2012;	**OBSERVED.** - Reduction in overtime pay for doctors: Law 4051/2012, Official Gazette 40/A/29.02.2012. - Implementing circular 2/17589/022/29.02.2012
(c) a reduction in the procurement of military material by EUR 300 million (cash and deliveries) in 2012;	**OBSERVED.** Reduction in the procurement of military material: Law 4051/2012 Official Gazette 40/A/29.02.2012
(d) a reduction by 10 % in the remuneration of elected and related staff at local level in 2012 and a reduction in the number of deputy mayors and associated staff in 2013 with the aim of saving at least EUR 9 million in 2012 and an additional EUR 28 million in 2013;	**OBSERVED.** Reduction by 10% in the remuneration of elected and related staff: Law 4051/2012 Official Gazette 40/A/29.02.2012. The reduction in remuneration is immediate. However the reduction in the number of deputy mayors and associated staff will only become effective on 1 January 2013.

(e) a reduction in the central government's operational expenditure, and election-related spending, by at least EUR 370 million (compared to the 2012 budget), of which at least EUR 100 million in military-related operational expenditure, and at least EUR 70 million in electoral spending;	**OBSERVED.** Reduction in central government's operational expenditure and electoral spending: Law 4051/2012 Official Gazette 40/A/29.02.2012. Although legislative changes have been made, the reduction of expenditure in some categories has been ex-post smaller than originally included in the programme due to the fact that some unexpected spending have not been sufficiently offset by other savings (thus requiring the increase of the appropriation through the contingency reserve).
(f) a reduction in operational expenditure by local government with the aim of saving at least EUR 50 million in 2012;	**OBSERVED.** Cuts on subsidies and grants: Law 4051/2012 Official Gazette 40/A/29.02.2012
(g) cuts in subsidies to residents in remote areas, and cuts in grants to several entities supervised by the ministries, with the aim of reducing expenditure in 2012 by at least EUR 190 million;	**OBSERVED.** - Remote areas: Joint Ministerial Decision 1411/25952/05.03.2012 - Grants: Ministerial Decision amending the budget of Ministry of Education F.1/A/137/23741/IB/06.03.2012, amending the implementing budget F.a/A9017022/16.02.2012, on grants to universities on contractual university employees F.a/G23736/IB/06.03.2012, on grants to universities for operational expenditure 1/A/23740/IB/06.03.2012, on grants to universities on expenditure for food for students F.1/B 23738/IB/06.03.2012, on grants to technical schools for contractual employees, operational expenditure and food to students 23734/IB/06.03.2012. - On amended budget to Ministry of Culture and Tourism YPPOT/OIKON/A1/19924/05.03.2012
(h) a reduction in the public investment budget (PIB) by EUR 400 million in 2012. This reduction in the PIB budget will not have any impact on projects that are co-financed by structural funds (including TEN-T projects);	**OBSERVED.** Reduction in PIB: Law 4051/2012 Official Gazette 40/A/29.02.2012
(i) changes in supplementary pension funds and pension funds with high average pensions or which receive high subsidies from the budget, and cuts in other high pensions, with the aim of saving at least EUR 450 million in 2012 (net after taking into account the impact on taxes and social	**OBSERVED.** - Changes in supplementary pensions Law 4051/2012 Official

contributions);	Gazette 40/A/29.02.2012. - Joint Ministerial Decision for NAT Official Gazette 499/B/28.02.2012
(j) cuts in family allowances for high-income households, with the aim of saving EUR 43 million in 2012;	**OBSERVED.** Cuts in family allowances Law 4052/2012 Official Gazette 41/A/01.03.2012
(k) ministerial decisions to complete the full implementation of the new wage grid in all the pertinent entities, and legislation on the modalities for the recovery of wages paid in excess as from November 2011;	**OBSERVED.** - Wage Grid: Law 4051/2012 Official Gazette 40/A/29.02.2012 - Joint Ministerial Decision for staff of ministerial offices 2-16306/0022/23.02.2012 Official Gazette 78/Yo/24.02.2012 - Joint Ministerial Decision for fixed term contracts 2-391/0022/17.02.2012 Official Gazette B 414/23.02.2012 - Joint Ministerial Decision for heavy duty tasks Official Gazette 465/B/24.02.2012 - Joint Ministerial Decision for lawyers Official Gazette 498/B/28.02.2012 - Joint Ministerial Decision for special scientist of independent authorities Official Gazette 498/B/28.02.2012
(l) the amendment of Articles 3 and 21 of Law 4038/2012 so that the conditions to extend the instalment plans for overdue taxes and social contributions are revised: instalment plans will only apply to existing overdue amounts below EUR 10 000 for individuals and EUR 75 000 for corporations. Tax payers applying for an extended instalment plan should disclose all their financial statements to the tax authorities;	**OBSERVED.**
(m) a framework law, with an in-depth revision of the functioning of secondary/supplementary public pension funds aimed at stabilising pension expenditure, guaranteeing the budgetary neutrality of these schemes, and ensuring medium- and long-term sustainability of the system.	**OBSERVED.**
Article 2(8). Greece shall adopt the following measures by the end of March 2012:	
(a) a reform of the secondary/supplementary pension schemes designed in consultation with the European Commission, the European Central Bank and the International Monetary Fund, and	**OBSERVED.**

validated by the Economic Policy Committee as regards its estimated impact on long-term sustainability. The parameters of the new secondary notional defined-contribution system ensure long-term actuarial balance, as assessed by the National Actuarial Authority;	
(b) an adjustment of pharmacies' profit margins and the introduction of regressive profit margins with the aim of reducing the overall profit margin to below 15%.	**OBSERVED AND ONGOING.** Law 4052/2012 has been adopted by Parliament. Authorities have removed the 6, 7 and 8% of profit margin of pharmacies for medicines above 200 as in Law 4052/2012 by end of September. As a result only the 30 euro apply to medicines above 200 euro.
(c) undertaking of the second phase of the existing functional review of social programmes which include a more detailed review of specific programmes, aiming at reducing excessive fragmentation, generating savings and creating efficiencies;	**ONGOING** The OECD report on social programmes has not yet been finalised nor agreed with the Greek authorities. Nonetheless, some of its findings were used to change policies on social programmes.
(d) coverage of all medical acts by e-prescribing (medicines, referrals, diagnostics, surgery) in both national health system (NHS) facilities and providers contracted by EOPYY and the social security funds; production of detailed monthly auditing reports by NHS facilities and by providers; association of a lower cost-sharing rate to generic medicines that have a significantly lower price than the reference price (lower than 60 % of the reference price) on the basis of the experience of other Member States; publication by the social security funds of an annual report on medicine prescription; adoption by all hospitals of commitment registers;	**OBSERVED AND ONGOING.** Law 4052/2012 and respective Ministerial Decree have been adopted. Coverage of e-prescription stands at more than 90 % of prescriptions of pharmaceuticals. The e-prescription system for referrals and diagnostic tests exists but its coverage is still limited and not yet integrated with the other e-prescription system. Authorities are working with Swedish authorities to improve the e-prescription system. Authorities will merge the e-diagnosis into the e-prescription system for medicines by mid-November. **OBSERVED AND ONGOING.** EOPYY has now daily access to e-prescription data and is able to produce reports on e-prescription. Authorities have shared a very simple first report in early October. **OBSERVED AND ONGOING** On substance, the cost-sharing is lower for cheapest generics as Law 4052/2012 and ministerial decree indicate that only the cheapest medicine in each INN group would be reimbursed and for the others the patient would pay the price difference. In other words, the price of the cheapest generic is the reference price for reimbursement. Authorities have introduced an internal reference price system at ATC-4 level, together with the publication of the positive list in mid-

	November. **OBSERVED AND ONGOING.** Authorities are producing data and analysing. Authorities have provided a first draft report by end September. The structure and content of the report needs to be substantially improved. **OBSERVED AND ONGOING.** Most but not all hospitals have been assigned internal controllers. A report on their activity should be submitted to the Commission by end-November.
(e) move towards a new centralised procurement of pharmaceuticals and medical goods for the NHS through the Supplies Coordination Committee with the support of the Specifications Committee, using the uniform coding system for medical supplies and pharmaceuticals;	**ONGOING.** Several tenders have been launched for medical devices and medicines used in hospitals and can result in important savings.
(f) in order to strengthen expenditure control, adoption of legislation streamlining the procedure for submission and approval of supplementary budgets; continuation of the process of establishing commitment registries, which shall cover the whole general government ;	**PARTIALLY OBSERVED** An administrative calendar for the update of the medium-term fiscal strategy has been established in Q1. The MTFS has been adopted. Adoption of legislation to streamline procedures for submission and approval of supplementary budget under discussion with the Authorities. **OBSERVED AND ONGOING.** Circular on commitment registers for the investment budget issued in March. 72 % of spending units reported data from commitment registers in July meeting the relevant structural benchmark (the other one concerning discrepancies between data reported through surveys and those by commitment registers was missed by a small margin).
(g) the finalisation of the on-going functional review on social programmes;	**ONGOING** The OECD report on social programmes has not yet been finalised nor agreed with the Greek authorities. Nonetheless, some of its findings were used to change policies on social programmes.
(h) appointment of the members of the Single Public Procurement Authority (SPPA);	**OBSERVED.**

(i) the identification of the schemes for which lump sums paid on retirement are out of line with contributions paid, and adjustment of the payments;	**NOT OBSERVED.** The technical work to establish an actuarial formula for the calculation of supplementary pensions will be completed in November. A Ministerial Decision will be adopted by December.
(j) a reduction of the pharmaceutical wholesalers' profit margins to converge to a 5 % upper limit;	**OBSERVED.** Law 4052/2012 has been adopted by Parliament.
(k) the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system);	**OBSERVED AND ONGOING.** Tenders were launched but process not yet finalised.
(l) the appointment of all legal, technical and financial advisors for the privatisations planned for 2012 and 2013.	**PARTIALLY OBSERVED.** Still pending appointment of advisors for EAS.
Article 2(9) Greece shall adopt the following measures by the end of June 2012:	
(a) the finalisation of the review of public spending programmes. This review shall draw on external technical assistance and focus on pensions and social transfers (in a manner that will preserve basic social protection), defence spending without prejudice to the defence capability of the country and restructuring of central and local administrations; a further rationalisation of pharmaceutical spending and operational spending of hospitals, and of welfare cash benefits, will also be specified;	**ONGOING.** KEPE carried out a review on public spending reflecting concrete results that the Government used as part of the measures adopted in the fiscal package.
(b) the adoption of a tax reform simplifying the tax system, eliminating exemptions and preferential regimes, including broadening bases, thus allowing a gradual reduction in tax rates as revenue performance improves. This reform relates to the personal income tax, corporate income tax and VAT, property taxes, as well as social contributions, and will maintain the relative tax burden from indirect taxes;	**NOT OBSERVED. PROGRESS MADE.** Extensive and detailed discussions on key parameters and budgetary impact of PIT and CIT income tax reform. Draft legislation on PIT, CIT and sanctions, etc. circulated and most likely to be enacted by end-December 2012.
(c) the revision of the legal values of real estate to better align them with market prices;	**NOT OBSERVED. PROGRESS MADE.** According to Bank of Greece, the shortfall of real estate prices in 2011 and 2012 reduced de facto the discrepancy between prices and legal values by 80%. Therefore, Authorities focused their efforts on a dynamic process to timely updates legal values towards market prices. The Ministry of Finance has initiated the design and implementation of a standard procedure for revision of legal values. An amendment has been drafted for placing the respective responsibility in the Directory of Capital Taxation. This new process

	will reduce the political interference in the determination of real-estate prices for taxation purpose.
(d) the discontinuation of payments in cash and cheque in tax offices which should be replaced by bank transfers, so that staff time is freed-up to focus on more value added work (audit, collection enforcement and taxpayer advice);	**NOT OBSERVED. PROGRESS MADE.** The required institutional changes have been identified and the necessary action to complete this task is underway. To be completed by December 2012. Work is in progress to complete the payment of assessed debts through the banking system to be completed by end-October. It will include debts that are under instalment plans (currently the majority due to the crisis).
(e) a reduction by 12%, on average, in the 'special wages' of the public sector, to which the new wage grid does not apply. This will apply as from 1 July 2012 and deliver savings of at least EUR 205 million (net after taking into account the impact on taxes and social contributions);	**OBSERVED.** The Government adopted in November the cuts in special wage regimes; they have been included in the omnibus bill (Paragraph C.1/13-39). Although those cuts should have entered into force in June rather than in November, they are made retroactively as of 1 August 2012.
(f) decisions to provide for the Implementing Regulation of the SPPA; the SPPA starts its operations to fulfil its mandate, objectives, competences and powers as defined in the law on the SPPA and the Action Plan agreed with the European Commission in November 2010.	**NOT OBSERVED. PROGRESS MADE**. The decisions regarding the appointment of the members of the SPPA board, for the establishment of positions for the SPPA personnel, as well as the Presidential Decrees on the rules of operation of the SPAA (PD 122/2012; FEK A 215/5.11.2012) and on the organization of SPAA (PD 123/2012; FEK A 216/5.11.2012) have all been adopted. The Presidential Decree on the SPPA's financial regulation will be ready in November. **OBSERVED.** The members of the Board have been appointed and 7 staff (5 lawyers, 2 engineers) have been moved to the Authority from various Greek public sector bodies (as of mid-September 2012). In accordance with the Presidential Decree on the organization of the SPPA, more staff should be seconded to the Authority in order to ensure that it becomes fully operational. The SPPA is currently sharing the premises of the Greek Secretary General of Commerce and will be moved to a new building later in 2012. The Greek authorities should ensure that the move of the SPPA to its new

	premises will take place in a timely manner. Also, as of mid-September, the SPPA had adopted 27 negative decisions against the adoption of a negotiated procedure without publication in the healthcare sector"
Article 2(10). Greece shall adopt the following measures by the end of September 2012:	
(a) a draft budget for 2013 in line with the primary surplus target established in Article 1(2);	**OBSERVED.**
(b) rules and procedures for centralised purchasing/framework contracts for frequently purchased supplies or services at central government level with the obligation for ministries and central government bodies to source via these contracts and optional use for regional entities.	**NOT OBSERVED.**